SOWELL'S WEEK AHEAD

MAR 14-18, 2022

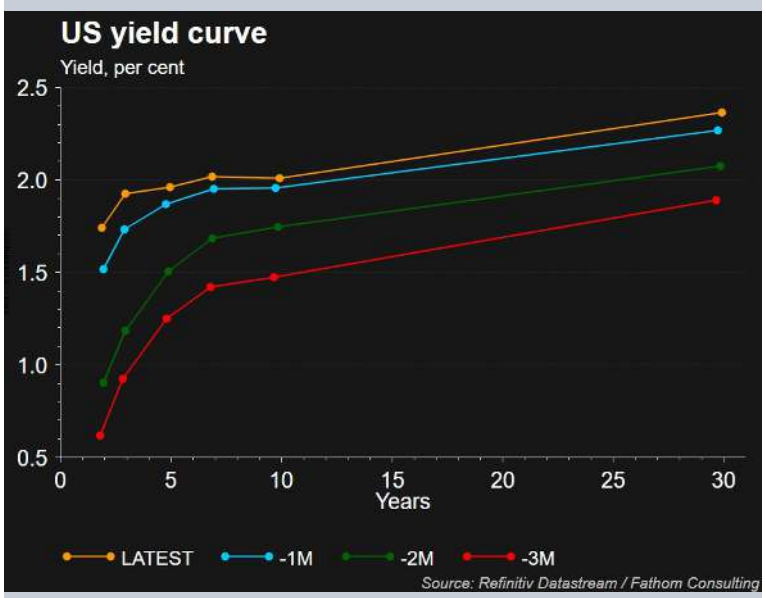
Uncertainty is staying alive. With U.S. inflation coming in at an annual rate of 7.9%, the highest in 40 years, and the Russia-Ukraine conflict extending the risk of high inflation and market uncertainty further, Sowell's tactical signals currently remain in negative territory. The U.S. labor market remains positive, but market volatility is likely to persist as long as there's market uncertainty and fear.

GAUGE OF THE GRADE

BEARISH — NEUTRAL — BULLISH

Another week of volatility caused by the Russian invasion of Ukraine moved stocks lower. Consumer staples underperformed as companies such as Coca-Cola announced their intention to suspend operations in Russia, but a commodity prices surge from the war seemed to have dominated sentiment. Earlier in the week, the Biden administration weighed placing an embargo on Russian crude oil while oil prices surged past $130 per barrel. According to AAA, gasoline prices averaged $4.31 nationally. On Tuesday, President Biden did follow through with cutting off all imports of Russian oil and gas to the U.S. pushing prices higher. On the economic front, the data should continue to show rising inflation and weak consumer sentiment. The consumer price index reached the highest since 1982 in February year over year. Higher prices continue to weigh on consumer sentiment as the University of Michigan preliminary gauge of consumer sentiment in March fell more than expected. The U.S. Treasury yields increased during the week on inflation fears and the 10-year Treasury yield closed just below 2%.

The Federal Reserve meets on Tuesday for a two-day Federal Open Market Committee (FOMC), and it is widely expected that they will raise rates by a quarter-percentage-point the following day. Investors will also pay attention to economic news as retail sales data, U.S. housing data, and producer inflation data are due. February Producer Price Index (PPI) is released on Tuesday, and it is expected that prices have also surged for producers as they have for consumers. U.S. retail sales data for February is reported on Wednesday and the expectation is a decline in sales growth because of weaker sentiment. U.S. existing home sales data is being released on Friday. Earnings season continues with FedEx, Dollar General, and Accenture reporting.



A surge in commodity prices after the Russian invasion of Ukraine combined with multi-year high inflation has many worried about the risk of stagflation. Stagflation happens when the economy is experiencing either stalling or falling output while experiencing high inflation. The last time this happened in the U.S. was in the 1970s, when the creation of OPEC sent energy prices soaring. Consumer confidence in the U.S. is already at a multi-year low and could get worse given rising prices. The Federal Reserve is in a tough situation because it needs to tame inflation by raising rates but at the same time does not want to weaken the economy further. The Russian invasion of Ukraine has raised the risk of recession as economic growth estimates have been revised down. The U.S. yield curve has flattened over the last three months (graph). The Fed is expected to raise rates this Wednesday after their FOMC meeting.

MONDAY **MARCH 14, 2022**
Germany Wholesale Price Index
Russia Trade Balance
China Industrial Production
Vail Resorts earnings
TUESDAY **MARCH 15, 2022**
OPEC Monthly Report
Producer Price Index and Core PPI
API Weekly Crude Oil Stock
Lithium America, and Sentinel One earnings
WEDNESDAY **MARCH 16, 2022**
Retail Sales
Gasoline Inventories
Fed Interest Rate Decision
Exelon, Jabil, Lennar, Prudential, and Williams-Sonoma earnings
THURSDAY **MARCH 17, 2022**
Initial jobless claims (weekly)
Continuing jobless claims
Housing Starts
Industrial Production
Accenture, Dollar General, FedEx, GameStop, and Warby Parker earnings
FRIDAY **MARCH 18, 2022**
Composite US Leading Index
Existing Home Sales
Euro Zone Trade Balance

SELECT INDICES

	YTD *Daily*	1 Wk *Daily*	1 Mo *Daily*	3 Mo *Daily*	1 Yr *Daily*	3 Yr *Annualized Daily*
S&P 500 Index	(11.53)	(2.84)	(4.71)	(10.45)	8.24	16.72
S&P 500 Growth Index	(17.18)	(3.28)	(6.06)	(17.07)	8.13	19.51
S&P 500 Value Index	(5.23)	(2.42)	(3.34)	(2.79)	7.77	12.62
Bloomberg US Agg Bond	(4.79)	(1.76)	(1.39)	(4.66)	(3.52)	2.60
Bloomberg Long Term US Treasury	(8.52)	(3.60)	(2.11)	(8.46)	(1.44)	5.44
Basic Materials	(8.46)	(1.35)	(1.06)	(5.46)	8.29	17.32
Communication Services	(18.42)	(3.18)	(7.09)	(18.12)	(13.35)	12.98
Consumer Cyclical	(19.18)	(2.89)	(8.38)	(19.08)	(4.88)	19.21
Consumer Defensive	(7.44)	(5.61)	(4.57)	(3.59)	10.99	13.64
Energy	36.79	1.68	9.32	34.31	50.37	11.32
Financial Services	(8.86)	(2.11)	(9.39)	(8.25)	0.82	13.06
Healthcare	(10.01)	(2.80)	(1.93)	(5.51)	7.72	13.68
Industrials	(8.64)	(1.93)	(1.37)	(7.76)	2.18	11.86
Real Estate	(11.09)	(1.57)	(0.10)	(6.25)	17.59	9.55
Technology	(18.53)	(4.00)	(7.37)	(18.98)	7.96	26.83
Utilities	(1.77)	(0.79)	5.00	2.37	17.02	9.39

SOWELL MANAGEMENT
5320 Northshore Dr. | N. Little Rock, AR 72118 | 501-219-2434 Ph | 501-812-6380 Fax
800-399-2391 | **sowell**management.com