SOWELL'S WEEK AHEAD

APR 4-8, 2022

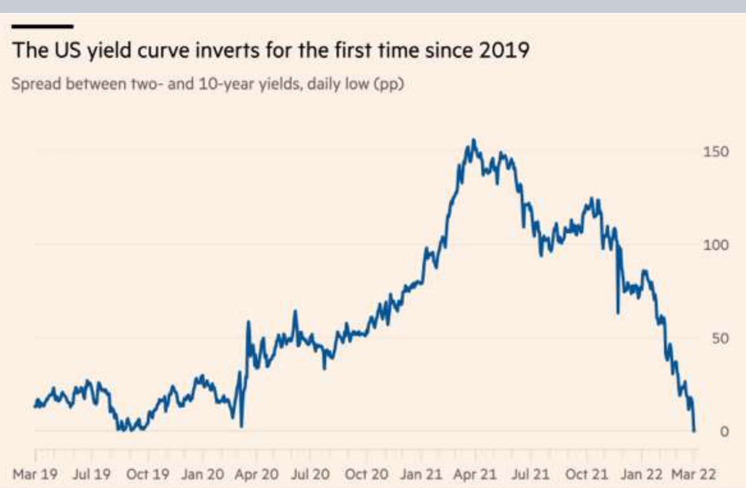
The U.S. economy reported mixed consensus results but key indicators, including an unemployment rate of 3.6%, a positive Redbook index of 12.9%, and rising C.B. Consumer Confidence, helped upgrade Sowell's tactical signals into neutral territory.

GAUGE OF THE GRADE

BEARISH — BULLISH

The equity market ended the week mixed, with the Nasdaq outperforming both the Dow and S&P 500. The quarter ended with U.S. equities having their worst quarter since 2020. The bond market suffered its worst quarter since 1980, reflecting rising inflation and an outlook for tighter monetary policy. Oil prices remained volatile, resulting from Russia's invasion of Ukraine. On Thursday, the Biden administration pledged to release oil reserves from the Strategic Petroleum Reserve to help lower oil prices. The Bureau of Labor Statistics report showed strong jobs growth in March as higher wages encouraged workers back to the labor force. Noticeable job gains were in the leisure and hospitality sectors, which was encouraging. For the first quarter of 2022, job growth averaged north of half a million per month, according to FT.com. The unemployment rate dropped to 3.6%, the lowest level since before the pandemic. The lower unemployment gives the Federal Reserve another data point supporting a more aggressive monetary policy to tame inflation. Strong labor data caused a further sell-off in short-dated U.S. government debt, causing further flattening of the yield curve.

This week, we can expect more economic news and earnings releases. The Purchasing Manager's Index (PMI) report will be released on Tuesday, and it is likely to show that business activity across manufacturing and services continued to improve in March. The Institute for Supply Management (ISM) will release its monthly non-manufacturing report for March also on Tuesday. The report shows the strength of the U.S. service sector compiled through surveys of executives. The ISM non-manufacturing PMI has declined in recent months, and we will see if it stabilized in March. The Fed Reserve will release meeting minutes for its latest policy meeting held in March on Wednesday.



The week ended with inverted two and 10-year yields. Usually, the two-year yields move with interest rate expectations and rose as high as 2.44 percent this past week as the Fed raised rates, and the outlook is for more aggressive tightening. The 10-year yield, which moves with inflation and growth expectations, fell as low as 2.38 percent on the expectation of weaker economic growth from tighter monetary policy, higher inflation, and disruptions from the Russia-Ukraine war. The 10-year yield has not risen as much as the 2-year yield. An inversion is an indication that a recession is coming, but there is an argument that this time it is different. This inversion, the argument goes, is the result of technical factors in the market driven by the Federal Reserve rather than economic fundamentals. The U.S. economy is extraordinarily strong, evidenced by a strong labor market and higher wages. In March, the Federal Reserve ended the $120 billion a month bond-buying program. It raised rates in its March meeting and is expected to rise by 50 bps in May, which has caused the short-term yields to rise traumatically versus the 10-year, thus causing an inversion. The inversion could be a temporary side effect of the Fed's actions instead of a more fundamental economic worry. The yield curve has been a reliable indicator of a recession, and it should not be dismissed. SOURCE: ft.com

MONDAY **APRIL 4, 2022**
Factory orders
Durables ex-Defense
CB Employment Trends
TUESDAY **APRIL 5, 2022**
Trade Balance
Total Vehicle Sales
ISM Non-Mfg New Orders
Acuity Brands, Array Technologies, and Bottomline earnings
WEDNESDAY **APRIL 6, 2022**
Gasoline Inventories
Mortgage Market Index
Euro Zone PPI
xelon, Levi Strauss, RPM, and Simply Good Foods earnings
THURSDAY **APRIL 7, 2022**
Initial jobless claims (weekly)
Continuing jobless claims
Consumer Credit
Euro Zone Retail Sales
ConAgra, Constellation Brands, PriceSmart, and WD-40 earnings
FRIDAY **APRIL 8, 2022**
Wholesale Inventories

SELECT INDICES

	YTD Daily	1 Wk Daily	1 Mo Daily	3 Mo Daily	1 Yr Daily	3 Yr Annualized Daily
S&P 500 Index	(4.27)	0.08	5.70	(4.27)	14.68	18.60
S&P 500 Growth Index	(8.43)	0.25	6.28	(8.43)	16.55	22.13
S&P 500 Value Index	0.35	(0.10)	5.11	0.35	12.26	13.82
Bloomberg US Agg Bond	(6.19)	0.75	(3.60)	(6.19)	(4.72)	1.72
Bloomberg Long Term US Treasury	(10.36)	2.78	(6.17)	(10.36)	(2.50)	3.76
Basic Materials	(0.06)	(0.13)	9.86	(0.06)	15.95	20.30
Communication Services	(11.39)	0.24	3.12	(11.39)	(6.12)	14.85
Consumer Cyclical	(10.47)	0.95	5.37	(10.47)	4.20	21.81
Consumer Defensive	(0.07)	2.26	3.59	(0.07)	14.96	15.45
Energy	39.99	(2.17)	9.83	39.99	61.90	10.60
Financial Services	(2.87)	(2.00)	3.76	(2.87)	7.97	14.94
Healthcare	(2.96)	1.65	6.72	(2.96)	14.61	15.83
Industrials	(4.23)	(1.01)	4.56	(4.23)	4.10	12.44
Real Estate	(4.47)	3.95	9.05	(4.47)	20.58	11.29
Technology	(9.95)	(0.13)	4.54	(9.95)	16.19	29.38
Utilities	6.03	3.69	12.56	6.03	20.99	12.04

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