



With inflation being the number one concern dominating U.S. headlines, Sowell's underlying tactical economic signal actually improved its current neutral ratings with better-than-expected economic results. Industrial production, manufacturing capacity, and consumer sentiment all posted above-average consensus results.

## GAUGE OF THE GRADE



BEARISH

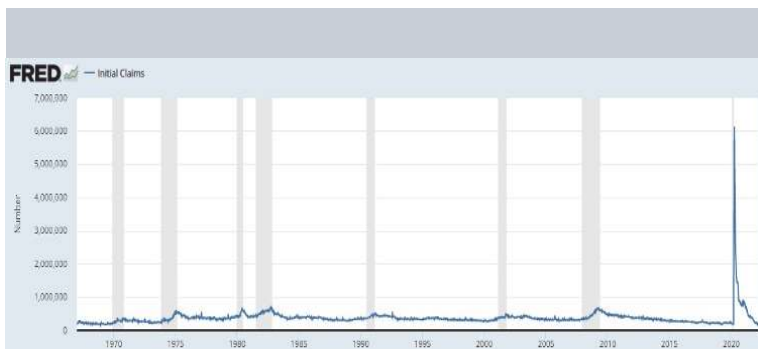
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BULLISH



U.S. equity markets fell as inflation continued to climb, reaching multi-decade highs on a shortened trading week. The technology-heavy Nasdaq underperformed the Dow and the S&P 500, and value stocks outperformed their growth counterparts as rates continued to climb. The financial sector lagged as earnings came in disappointing for some major banks, and energy shares outperformed. The yield on the 10-year U.S. Treasury surpassed 2.8%, the highest level in three years. The producer price index (PPI), which measures prices paid by wholesalers, increased to more than 11% from a year ago in March. PPI is considered a forward-looking inflation measure; it tracks prices in the pipeline for goods and services that eventually reach consumers, according to cncb.com. The consumer price index for March also increased and is at the highest level since 1981. Energy prices were the biggest contributor to inflation in March.

More earnings reports are due this week. More financial companies are reporting, such as Bank of America and BNY Mellon. Last week, earnings reports from the financial sector were mixed. Companies from other industries such as technology, telecommunications, and consumer staples will also report this week. We will also receive some key economic indicators. Last week, we saw the consumer price index rise to a multi-decade high here in the U.S. This week will get the same measure for the eurozone and Japan. We will see how inflation is an issue in other major economies. On the housing front, we will get March housing starts and existing home sales data on Tuesday and Wednesday, respectively. Housing starts have been rocketing, and existing home sales fell in February as higher mortgage rates have dented demand for housing. Average mortgage rates are now above 5%, the highest in over three years, according to the Mortgage Bankers Association.



With U.S. inflation at a forty-year high, the Federal Reserve is pressured to be aggressive in reducing monetary accommodation by raising rates. The robust U.S. labor market, reflective of a strong economy, gives the Fed the ability to be aggressive in raising rates. Initial jobless claims two weeks ago came in at the lowest level since the late 1960s. Last week, initial claims did rise some, but it remains near a half-century low. The labor market's strength considering the economic consequences of Russia's war against Ukraine and companies facing multi-decade high producers price index is striking. The likelihood that the Fed will raise interest rates in early May by 50bps is high. SOURCE: <https://fred.stlouisfed.org/series/ICSA>

MONDAY APRIL 18, 2022	
NAHB Housing Market Index	
IMF Board of Governors Meetings	
China GDP	
Bank of America, Bank of New York, Charles Schwab, and Synchrony Financial earnings	
TUESDAY APRIL 19, 2022	
Housing Starts	
Redbook	
Euro Zone Reserve Assets	
Citizens Financial, Fifth Third Bank, IBM, Johnson & Johnson, Lockheed Martin, Netflix, Prologis, Travelers, and Truist Financial earnings	
WEDNESDAY APRIL 20, 2022	
Gasoline Production	
Gasoline Inventories	
Mortgage Market Index	
Abbott Labs, Alcoa, Carvana, Crown Castle, CSX, Equifax, Lam Research, Las Vegas Sands, Proctor & Gamble, Tenet, Tesla, and United Airlines earnings	
THURSDAY APRIL 21, 2022	
Initial jobless claims (weekly)	
Continuing jobless claims	
US Leading Index	
Fed Chair Powell Speaks	
AT&T, Alaska Air, Auto Nation, BJ's Restaurants, Blackstone, Dow, East West Bancorp, Intuitive Surgical, Keycorp, Nucor, Philip Morris, SVB Financial, Snap, and Union Pacific earnings	
FRIDAY APRIL 22, 2022	
Mfg PMI	
Services PMI	
Euro Zone Markit Composite PMI	
Amex, HCA, Kimberly-Clark, and Verizon earnings	

SELECT INDICES						
	YTD Daily	1 Wk Daily	1 Mo Daily	3 Mo Daily	1 Yr Daily	3 Yr Annualized Daily
S&P 500 Index	(7.45)	(2.37)	5.37	(5.45)	8.00	16.70
S&P 500 Growth Index	(14.03)	(4.48)	5.32	(9.41)	5.26	19.09
S&P 500 Value Index	(0.12)	(0.24)	5.42	(1.30)	10.31	12.99
Bloomberg US Agg Bond	(8.54)	(1.23)	(3.04)	(6.84)	(7.43)	0.88
Bloomberg Long Term US Treasury	(17.67)	(4.11)	(8.00)	(13.94)	(10.83)	1.30
Basic Materials	(0.55)	1.30	9.21	1.48	14.08	18.86
Communication Services	(16.32)	(3.55)	4.61	(14.03)	(13.29)	11.90
Consumer Cyclical	(14.07)	(1.35)	8.09	(10.04)	(3.96)	18.91
Consumer Defensive	3.08	0.97	10.77	3.76	16.86	16.52
Energy	44.75	3.19	9.05	25.04	70.90	11.55
Financial Services	(6.76)	(1.43)	1.29	(9.92)	1.09	12.32
Healthcare	(3.00)	(2.34)	7.51	2.75	12.53	16.66
Industrials	(6.83)	(0.31)	1.90	(5.88)	(0.35)	11.04
Real Estate	(5.99)	(0.83)	6.52	(0.40)	17.73	10.28
Technology	(17.05)	(4.98)	4.39	(11.84)	3.08	24.73
Utilities	6.61	(0.85)	8.58	9.72	18.13	12.00

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