



GAUGE OF THE GRADE

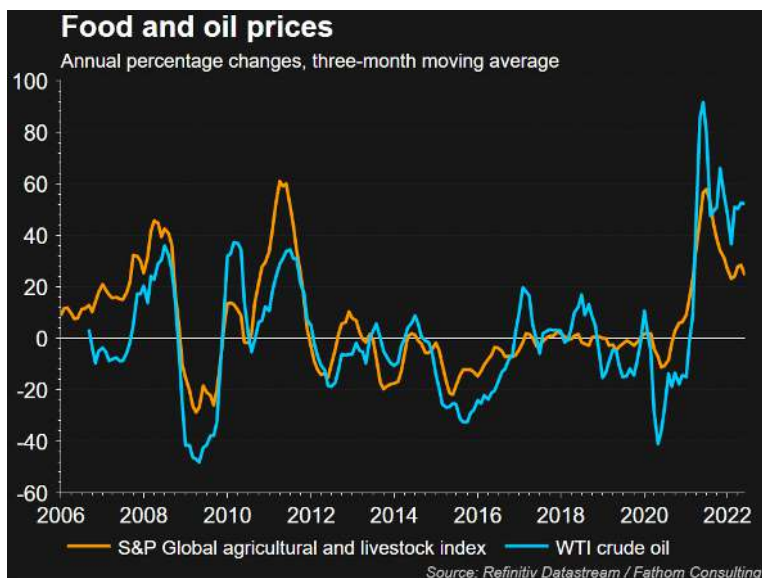
[TACTICAL] Recent economic reports for labor and manufacturing continue to debunk a slowing economy. Nonetheless, hyperinflation, slipping consumer confidence, and hawkish Fed rhetoric to actively raise rates have provoked market volatility and uncertainty, keeping Sowell's tactical sentiment on the sidelines in negative territory.

US equities dropped last week following a stronger than expected May jobs report. The equity market has now declined in eight of the past nine weeks. The US labor market remains strong as the Department of Labor reported strong hiring for May. Although the payroll data came in lower than the previous month, job growth was stronger than expected. The strong jobs data was negative for the markets as investors anticipate that the Fed will be inclined to be aggressive in raising interest rates. The Fed has already lifted the central bank's main rate by 0.75 percentage points this year and is expected to follow up with further aggressive tightening. An excessively strong jobs market is inflationary, and the Fed is keen to slow job growth. The Institute for Supply Management's (ISM) measure of services sector activity expanded in May but at a slower than expected rate. Sentiment was further soured as high-profile individuals such as Jamie Diamond and Elon Musk expressed their concern about the economy's prospects during the week. The 10-year Treasury yield rose for the week closing at 2.94% on expectations of faster tightening by the Fed. Brent crude and the WTI also increased for the week, closing shy of \$120 a barrel. The European Union decided to ban up to 90% of Russian oil imports. OPEC and its allies reached an agreement to increase oil production on the supply side, but the announcement fell short of expectations.

This week, all eyes will be on May's consumer inflation rate, with the Consumer Price Index (CPI) released on Friday. It may indicate whether inflation has peaked or if price pressure is likely to increase further. In April, consumer inflation decelerated slightly after reaching a four-decade high of 8.5%. Rising energy costs are the main driver of price gains. Next week, we will gauge consumer sentiment with the preliminary June reading of the Michigan Consumer Sentiment Index also being released on Friday. The sentiment measures confidence regarding personal finances and views on the economy's prospects. Consumer sentiment has been at the lowest level in over a decade, and the consensus is that the

preliminary June reading will be a further decline in sentiment. Consumer spending accounts for two-thirds of the economy, and therefore consumer sentiment is an important indicator of future spending. Next week, corporate earnings continue with some notable consumer staples companies such as Campbell Soup Company and J.M. Smucker Company reporting.

MON JUNE 6, 2022
CB Employment Trends Index
Coupa Software, GitLab, and HealthEquity earnings
TUE JUNE 7, 2022
Trade Balance
Redbook
China FX Reserves
Caseys General, Dave & Buster's, Guidewire Software, JM Smucker earnings
WED JUNE 8, 2022
Gasoline Production
Mortgage Market Index
Wholesale Inventories
Brown Forman, Campbell Soup, Five Below, and Thor earnings
THU JUNE 9, 2022
Initial jobless claims (weekly)
Continuing jobless claims
Natural Gas Storage
China CPI
DocuSign, Signet Jewelers, and Vail Resorts earnings
FRI JUNE 10, 2022
CPI and Core CPI
UMich Consumer Sentiment
Real Earnings



Rising energy prices are increasingly impacting inflation globally. In the US, the energy price component of inflation increased by 30% over the previous twelve months. The situation is worse in Europe because of their dependence on Russian energy. The energy price component of inflation increased by 39% in the euro area and by 52% in the UK by the same measure. Rising energy prices have raised the cost of producing and transporting food, pushing up global food prices. Food prices have risen sharply in the last two years. Since reaching a low at the onset of the pandemic in April 2020, global agriculture and livestock prices have increased by more than 100%. Surging demand caused by the strong global economic recovery from the pandemic has been one of the key drivers of this increase. This increase has been greatly exacerbated by the Ukraine war with Russia. SOURCE: Refinitiv Datastream / Fathom Consulting

SELECT INDICES	YTD Daily	1 Wk Daily	1 Mo Daily	3 Mo Daily	1 Yr Daily	2 Yr Daily	3 Yr Annualized Daily
S&P 500 Index	(13.23)	(1.15)	(1.39)	(5.46)	(0.60)	16.46	16.33
S&P 500 Growth Index	(21.54)	(0.97)	(3.44)	(9.53)	(3.25)	14.28	17.42
S&P 500 Value Index	(3.95)	(1.32)	0.56	(1.39)	1.36	17.49	13.85
NAZDAQ Composite	(22.96)	(0.96)	(4.26)	(11.08)	(11.16)	12.18	18.86
Bloomberg US Agg Bond	(9.28)	(0.88)	0.67	(5.94)	(8.35)	(4.47)	(0.23)
Bloomberg Long Term US Treasury	(20.39)	(2.07)	(1.31)	(14.72)	(13.99)	(12.99)	(2.38)
Basic Materials	(3.68)	(1.14)	1.10	3.33	1.55	26.34	20.49
Communication Services	(25.97)	(0.40)	(2.52)	(13.59)	(24.40)	2.86	7.72
Consumer Cyclical	(25.19)	(0.44)	(6.31)	(11.72)	(12.85)	14.18	16.22
Consumer Defensive	(5.16)	(1.68)	(4.91)	(3.32)	4.02	14.66	13.46
Energy	61.54	1.26	13.78	23.71	69.21	54.73	20.91
Financial Services	(10.94)	(1.61)	0.13	(6.51)	(9.47)	17.39	11.74
Healthcare	(9.99)	(2.93)	(0.37)	(2.52)	2.60	11.81	15.01
Industrials	(10.80)	0.08	(0.45)	(4.66)	(8.09)	16.88	11.55
Real Estate	(14.70)	(1.96)	(4.26)	(5.13)	(1.35)	12.58	7.24
Technology	(22.48)	(0.98)	(3.70)	(10.48)	(0.43)	18.51	26.20
Utilities	4.62	(1.19)	5.13	7.85	16.82	13.20	10.87

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