



[TACTICAL] Wall Street's mixed but reasonable corporate earnings results were offset by last week's contraction in the economic report and uncertain forward earnings guidance. The broad market digested such news as favorable indicative of the Fed tempering its hawkish interest rate hikes even though inflation has yet to show signs of tempering. Sowell's tactical signal remains in negative territory.

GAUGE OF THE GRADE

U.S. equity markets rebounded last week with the Nasdaq leading gains. Consumer discretionary stocks outperformed, pushed higher by Amazon and Tesla. More defensive sectors of health care and utilities lagged. Growing recession fears resulting from monetary tightening from the world's central banks drove investors to safe-haven assets. The European Central Bank (ECB) raised rates for the first time in a decade. The ECB's surprise hike of fifty basis points is expected to be followed by another increase in September. Inflation is also running hot in Europe. The yield on the 10-Year U.S. Treasury fell for the week to close at 2.75%. Most of the drop in yield occurred on Friday as U.S. PMI data showed that the service sector is at its weakest level in two years. Economic data has been mixed as of late, but a slowdown seems to be the course, and the odds of a recession keep increasing. Oil prices ended the week lower due to lower domestic demand for gasoline, with the West Texas Intermediate (WTI) finishing the week under \$95 per barrel.

This week will be the busiest week of corporate earnings. Mega-cap technology companies such as Microsoft, Google, Meta Platforms, Amazon, and Apple will report their earnings. Notable names from other industries will also report, such as General Electric, Boeing, Ford Motor Company, Mastercard, Coca-Cola Company, and ExxonMobil. The Federal Reserve will hold its two-day July policy meeting on Tuesday and Wednesday, and it is expected that they will raise the federal funds rate on Wednesday by seventy-five basis points. Several important economic data will be released this week. On the housing front, the Case-Shiller National Home Price Index for May and new and pending home sales for June will be released on Tuesday and Wednesday. We will get the advance estimate for the second quarter GDP growth on Thursday. The U.S. economy contracted in the first quarter of the year, and there is a chance that we might see another quarter of GDP decline. If so, two consecutive quarters of negative growth would indicate a recession by most measures. The University of Michigan's Consumer Sentiment Index will be released on Friday.

S&P Global Flash US PMI Composite Output Index



The Federal Reserve is purposely slowing U.S. economic growth to reduce rising prices. By tightening monetary policy, the Fed intends to reduce consumer demand with the hope that inflation will fall to more normal levels. The latest indicators show that reduced consumer demand is slowing the economy. Based on the latest PMI data, the U.S. services industry showed a contraction in July, falling below 50. U.S. manufacturing also saw a slowdown to the weakest level in two years. If you exclude the pandemic slow down, the drop in output is similar to the global financial crisis in 2009. This shows that manufacturing has stalled, and the service activity has reversed from the rebound it saw from the pandemic. Higher interest rates, the rising cost of living, and talk of a looming recession all have the consumer pulling back, which is the Fed's intention. The Composite Output PMI (graph) is a weighted average of the Manufacturing Output Index and Services Business Activity Index. The index fell to 47.5 in July, the sharpest contraction since the beginning of the pandemic. SOURCE: <https://www.pmi.spglobal.com/Public/Home/PressRelease/52db97a5557c433d855b74a46c5ecff6>

MON JULY 25, 2022	
Chicago Fed National Activity	
Dallas Fed Mfg Business Index	
Alexandria Real Estate, Bank of Hawaii, Brown & Brown, Cadence Design, Crane, F5, Hexcel, Logitech, Packaging Corp, Southern Copper, Sun Communities, and Whirlpool earnings	
TUE JULY 26, 2022	
House Price Index	
New Home Sales	
CB Consumer Confidence	
Ameriprise, Albertsons, Alphabet, Archer-Daniels, Boston Properties, Chipotle, Chubb, Juniper, Kimberly-Clark, McDonald's, Melco Resorts, Microsoft, MSCI, Paccar, Paramount Global, PulteGroup, Raytheon, Sketchers, Teradyne, Texas Instruments, Trinet, Visa, and Zions Banc earnings	
WED JULY 27, 2022	
Mortgage Market Index	
Wholesale Inventories	
Gasoline Production	
Affiliated Managers Group, American Water Works, AssetMark, AvalonBay, Avery Dennison, Boeing, Boston Scientific, Bristol-Myers, Churchill Downs, Duke Realty, Equinix, Etsy, Ford, Garmin, General Dynamics, Graco, Hess, Humana, Invesco, Lam Research, Lending Club, Meta, NCR, O-Reilly Automotive, Otis-Worldwide, Penske, Qualcomm, Raymond James, Rockwell Automation, Shopify, Spotify, Stifel, Financial, Taylor Morrison, Teledyne, Teva, Kraft-Heinz, United Rentals, and Waste Management earnings	
THU JULY 28, 2022	
Initial jobless claims (weekly)	
Continuing jobless claims	
GDP	
Real Consumer Spending	
Altria, Amazon, Apple, Baxter, Bio-Rad, Comcast, Eastman Chemical, Edwards Lifesciences, Franklin Resources, Hartford Financial, Honeywell, Intel, KLA, Keurig Dr Pepper, Kimco Realty, Mastercard, Merck, Mohawk, Northrop Grumman, Old Republic, Pfizer, Roku, Sirius, Southern Company, Southwest Airlines, Stanley Black & Decker, Carlyle, Thermo Fisher, and Valero Energy earnings	
FRI JULY 29, 2022	
Real Personal Consumption	
Employment Wages	
UMich Consumer Sentiment	
AbbVie, Aon, Booz Allen Hamilton, Charter Communications, Chevron, Colgate-Palmolive, Exxon Mobil, Phillips 66, Procter & Gamble, and Weyerhaeuser earnings	

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	(16.17)	2.57	5.48	(6.87)	(7.95)	11.64	11.74
S&P 500 Growth Index	(22.40)	3.44	7.55	(6.35)	(13.42)	9.09	13.56
S&P 500 Value Index	(9.22)	1.73	3.57	(7.37)	(2.19)	13.96	8.67
NASDAQ Composite	(24.05)	3.33	7.10	(7.63)	(18.84)	5.89	13.91
Bloomberg US Agg Bond	(9.45)	0.71	2.66	(0.15)	(10.06)	(5.46)	(0.61)
Bloomberg Long Term US Treasury	(18.56)	2.05	4.81	(0.43)	(18.56)	(14.19)	(1.66)
Basic Materials	(16.87)	4.34	0.61	(12.79)	(5.84)	13.54	11.69
Communication Services	(30.45)	(0.99)	1.07	(9.88)	(32.82)	(2.79)	4.11
Consumer Cyclical	(24.89)	6.68	10.76	(10.94)	(17.31)	8.85	12.69
Consumer Defensive	(4.96)	0.88	4.96	(7.96)	3.56	12.26	11.16
Energy	30.07	3.88	(2.36)	(5.71)	52.02	44.72	10.45
Financial Services	(15.70)	3.09	5.35	(7.52)	(12.04)	14.37	6.90
Healthcare	(9.21)	(0.17)	4.88	(2.56)	(3.48)	9.45	13.25
Industrials	(14.99)	4.34	5.83	(7.39)	(11.01)	13.29	7.07
Real Estate	(17.30)	2.96	5.70	(12.83)	(7.19)	12.12	5.57
Technology	(24.21)	4.06	7.93	(5.71)	(12.77)	11.62	19.36
Utilities	(1.54)	(0.37)	4.85	(5.65)	10.29	10.41	7.58

Advisory services offered through Sowell Management, a Registered Investment Advisor. The views expressed represent the opinion of Sowell Management. The views are subject to change and are not intended as a forecast or guarantee of future results. This material is for informational purposes only. It does not constitute investment advice and is not intended as an endorsement of any specific investment. Stated information is derived from proprietary and non-proprietary sources that have not been independently verified for accuracy or completeness. While Sowell Management believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and Sowell Management's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions that may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements. Investing in securities involves risks, including the potential loss of principal. While equities may offer the potential for greater long-term growth than most debt securities, they generally have higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Past performance is not indicative of future results.