

GAUGE OF THE GRADE



[TACTICAL] “The most terrifying words in the English language are, I’m from the government, and I’m here to help.” – Ronald Reagan. After last week’s risk-off and recession fears, Sowell’s tactical signal is trending south of the neutral territory.

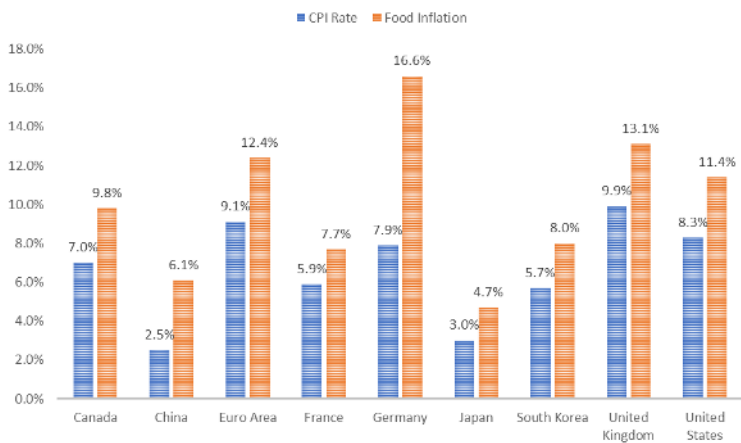
Markets were rocked by the Fed’s message “will keep at it until the job is done,” referencing the commitment to returning inflation to its 2% objective. As a result, the S&P 500 posted a loss of -4.63% bringing the YTD loss to -21.61%. Bond markets also declined by -1.56% bringing the YTD loss to -13.75% (while Long-term Treasuries have declined by -26.80% YTD). There is visible weakness in the U.S. economy with a slowing in the housing market and the Leading Index posting a -0.3%; however, the jobs market with lower jobless claims and improving retail and manufacturing continuing to post positive results as a headwind to the Fed’s effort to fight inflation. With housing prices falling by approximately 6% this year and equity markets declining by 20%, the wealth of U.S. households is definitely taking a hit and may eventually trickle down to lower demand.

The coming week will be filled with another week of headlines, with Fed Chair Powell speaking on Wednesday, followed by the release of critical housing data, GDP, and wholesale inventories.

“Setting a goal is not the main thing. It is deciding how you will go about achieving it and staying with that plan.” - Tom Landry, Former Coach of the Dallas Cowboys.

MON SEPTEMBER 26, 2022
Dallas Fed Mfg Business Index
Chicago Fed National Activity
Germany GDP
TUE SEPTEMBER 27, 2022
Durable Goods Orders
House Price Index
New Homes Sales
Blackberry, Jabil, and Progress Software earnings
WED SEPTEMBER 28, 2022
Mortgage Refinance Index
Wholesale Inventories
Fed Chair Powell Speaks at 2022 Community Banking Research Conference
Cintas, Duckhorn Portfolio, Jefferies Financial, Paychex, Thor Industries, and Vail Resorts earnings
THU SEPTEMBER 29, 2022
Initial jobless claims (weekly)
Continuing jobless claims
GDP
Corporate Profits
Bed Bath & Beyond, CarMax, Carnival, Micron, Nike, Rite Aid, and Worthington Industries earnings
FRI SEPTEMBER 30, 2022
Real Personal Consumption
Personal Income
UMich Consumer Sentiment

G20 COUNTRIES INFLATION RATE



Global Inflation: Demand and Supply

When asked by Scott Pelley of 60 minutes about the high inflation, “We’re in a position where, for the last several months, it hasn’t spiked. It’s been basically even.” - President Biden, 60 Minutes Interview on 9/18/2022. With the Fed academically attempting to fight inflation by lowering demand by increasing interest rates, is the idea to solve for inflation by increasing unemployment and consuming less food? Month-to-month inflation has started to decline, albeit still high on an absolute basis, but a key component is to improve supply-side economics. Global food inflation, much higher than CPI as a whole, impacting all social classes, will not be solved with higher interest rates and lower demand. SOURCE: U.S. Bureau of Labor Statistics

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	(21.61)	(4.63)	(10.41)	(2.29)	(15.71)	8.44	9.05
S&P 500 Growth Index	(28.22)	(4.47)	(11.76)	(2.05)	(22.01)	4.67	10.81
S&P 500 Value Index	(14.23)	(4.79)	(9.11)	(2.52)	(8.91)	12.42	6.00
NASDAQ Composite	(30.13)	(5.06)	(12.16)	(3.05)	(27.26)	1.82	11.12
Bloomberg US Agg Bond	(13.75)	(1.56)	(3.99)	(3.39)	(14.24)	(7.60)	(2.88)
Bloomberg Long Term US Treasury	(26.80)	(1.37)	(5.46)	(6.52)	(26.45)	(17.87)	(7.46)
Basic Materials	(23.20)	(5.68)	(12.81)	(5.66)	(12.88)	9.62	8.54
Communication Services	(38.29)	(5.34)	(12.12)	(11.41)	(41.39)	(8.08)	(2.68)
Consumer Cyclical	(29.35)	(7.42)	(10.81)	2.64	(23.82)	3.14	11.59
Consumer Defensive	(9.65)	(2.48)	(7.92)	(2.18)	(1.65)	8.58	8.43
Energy	31.25	(9.34)	(13.22)	2.39	45.42	61.00	11.56
Financial Services	(20.30)	(5.61)	(8.87)	(0.20)	(19.41)	13.18	4.76
Healthcare	(14.22)	(3.78)	(5.43)	(3.28)	(10.77)	8.56	11.11
Industrials	(19.64)	(4.71)	(12.20)	0.29	(14.65)	8.52	4.89
Real Estate	(25.77)	(6.43)	(11.97)	(6.92)	(18.04)	7.81	(0.13)
Technology	(31.72)	(4.23)	(13.94)	(4.39)	(24.64)	5.33	15.48
Utilities	2.06	(3.09)	(5.17)	6.31	13.21	15.71	6.48

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