



[TACTICAL] Major averages had a delayed reaction to the Fed's Feb. 1st narrative to keep raising rates. Economic fundamentals remain favorable while positive market momentum stalling continues to direct Sowell's tactical signals to remain in neutral position (60/40).

A mild week of economic reports and corporate earnings is not what stymied the markets last week, but rather the Federal Reserve's insistence on raising rates spooked overly confident investors. The S&P 500 and Bloomberg US Aggregate returned -1.07% and -1.43%, respectively, as further rate hikes are priced into investor mindset. UoM's inflation expectations gauge reports higher expected inflation of 4.2%, slightly above the consensus estimate of 4.0%.

While on a more positive note, total gasoline inventories increased by 5 million barrels, well above the consensus estimates, at least not adding to the inflation pressures. Bellwether consumer stocks like Activision-Blizzard, Walt Disney, and Hilton delivered solid weekly earnings, weathering market pressures. At the same time, Google fell 9.7% on the perception they are falling behind Microsoft's ChatGPT artificial intelligence announcement.

The week ahead, as it relates to the state of inflation and the economy, will focus solely on Tuesday's highly anticipated CPI report, followed by Wednesday's Industrial Production report and Thursday's Produce Price Index.

"An overreaction by our commentariat and Twitter and a government that reacts. And the only question I have about the prudent response of the United States is it was a balloon, and we shot it down with, I think, a missile from a \$200 million airplane, when from what I understand and I've been to Coney Island many times, I think a dart may have done it."

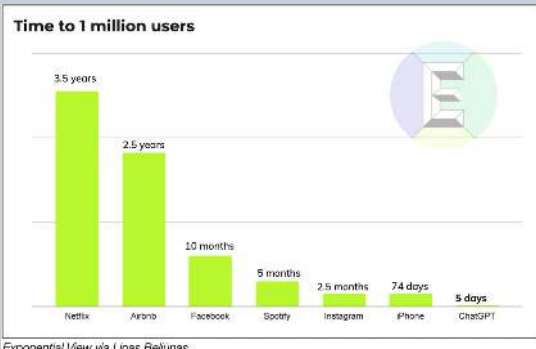
— US-China Tensions: Threat Inflation and Balloon Deflation, The Problem with Jon Stewart, Feb. 8th, 2022

ChatGPT, do my homework!

Does this week's news about ChatGPT remind you of when pocket calculators first launched in the 1970s and the development of technology since then? How many of you already regularly say Ok Google, Alexa, or Hey Siri in your daily vocabulary?

So what is ChatGPT? Well, let's ask it! Here's its answer.

"ChatGPT is a pre-trained language model developed by OpenAI, an artificial intelligence research laboratory based in San Francisco, California. It is a powerful tool for natural language processing, allowing users to generate human-like responses to a wide range of questions and prompts.



ChatGPT can be used by various organizations and individuals, including businesses for customer service, developers building chatbots and virtual assistants, and even creative writers. The model's ability to understand and generate text in a human-like manner makes it a versatile tool for a wide range of applications.

ChatGPT works by using a deep neural network trained on a massive dataset of internet text. The model has been trained to predict the next word in a sequence of text, allowing it to generate coherent and contextually relevant responses. The model can generate answers to many questions and prompts, making it a highly advanced tool for natural language processing."

Private company OpenAI owns ChatGPT, but the big news was that Microsoft has already cut a deal to invest \$10 billion in OpenAI on top of the \$3 billion. This move squarely puts Microsoft into competition with current AI pioneers like Google, Meta, and Apple. We've come to the point reminiscent of Captain Kirk's realization that Spock was, of his friends, "most human." The chasm that artificial intelligence has most convincingly jumped with ChatGPT is that all the above mumbo jumbo can be distilled down into a single comment "mostly human." If you don't believe me, ask ChatGPT to explain Santa Claus or write a college essay. It's not trying to be human, but its desire to help and follow instructions creates something oddly touching and maybe comedic, and in that sense, it's mostly human. One thing is for sure. Teachers will never feel the same grading homework!

MON FEBRUARY 13, 2023

Consumer Inflation Expectations
Japan GDP
Japan Industrial Production
Arista Network, Avis Budget, Cadence, Check Point Software, Eversource Energy, FirstEnergy, IAC, James Hardie, Lattice Semiconductor, Palantir, and Teradata earnings

TUE FEBRUARY 14, 2023

NFIB Small Business Optimism Index
CPI and Core CPI
Euro Zone GDP
Airbnb, Akamai, Coca-Cola, Devon Energy, Exelon, GoDaddy, Herbalife, Marriott, Nu, Restaurant Brands, and Suncor Energy earnings

WED FEBRUARY 15, 2023

Mortgage Market Index
Business Inventories
Industrial Production
Albemarle, AIG, American Water Works, Analog Devices, Biogen, Boston Beer, CF Industries, Cisco, Copart, Fidelity National Information, Fisker, Generac, Invitation Homes, Krispy Kreme, Marathon Oil, Martin Marietta, Owens Corning, Republic Services, Roblox, Roku, Shopify, Taylor Morrison, Kraft Heinz, Twilio, Westinghouse Air, Wyndham Hotels, Ziff Davis, and Zillow earnings

THU FEBRUARY 16, 2023

Initial jobless claims (weekly)
Continuing jobless claims
PPI and Core PPI
Building Starts
Factory Orders
Applied Materials, Bio-Rad, Consolidated Edison, Crocs, Datadog, DoorDash, DraftKings, Dropbox, Dun & Bradstreet, Entergy, Shake Shack, Southern, Texas Roadhouse, Toast, Visteon, Wework, and Zebra Technologies earnings

FRI FEBRUARY 17, 2023

US Leading Index
Export Price Index
Import Price Index
AutoNation, Deere, and PPL earnings

SELECT INDICES

	YTD Daily	1 Wk Daily	MTD (Daily)	3 Mo Daily	1 Yr Daily	2 Yr Daily	3 Yr Daily
S&P 500 Index	6.71	(1.07)	0.40	3.84	(7.66)	3.86	8.61
S&P 500 Growth Index	6.68	(0.60)	1.00	1.90	(16.95)	(2.43)	7.40
S&P 500 Value Index	6.73	(1.56)	(0.25)	5.79	2.16	10.20	8.46
NASDAQ Composite	12.05	(2.37)	1.20	5.69	(16.68)	(7.73)	7.61
Bloomberg US Agg Bond	1.55	(1.43)	(1.48)	2.84	(7.94)	(6.35)	(2.86)
Bloomberg Long Term US Treasury	3.11	(2.93)	(3.10)	5.72	(20.78)	(14.46)	(8.48)
Basic Materials	6.97	(1.74)	(2.55)	4.23	0.78	9.73	15.19
Communication Services	12.85	(6.47)	(1.30)	10.49	(25.96)	(15.69)	(2.53)
Consumer Cyclical	14.56	(2.73)	(0.83)	5.57	(18.57)	(7.51)	8.95
Consumer Defensive	(0.81)	(0.83)	(1.12)	0.02	(0.62)	7.13	8.49
Energy	2.89	4.75	0.13	(0.56)	37.51	48.12	25.04
Financial Services	7.56	(0.75)	(0.20)	3.42	(7.66)	6.54	6.88
Healthcare	(2.07)	(0.60)	(0.85)	(1.02)	(0.12)	3.69	9.04
Industrials	5.13	(0.99)	0.31	3.35	2.69	7.05	8.30
Real Estate	8.62	(2.07)	(1.24)	4.43	(10.08)	3.33	0.84
Technology	13.80	(1.31)	3.21	8.22	(14.36)	(0.81)	12.19
Utilities	(3.54)	(0.51)	(1.92)	(0.64)	4.79	6.52	2.52

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