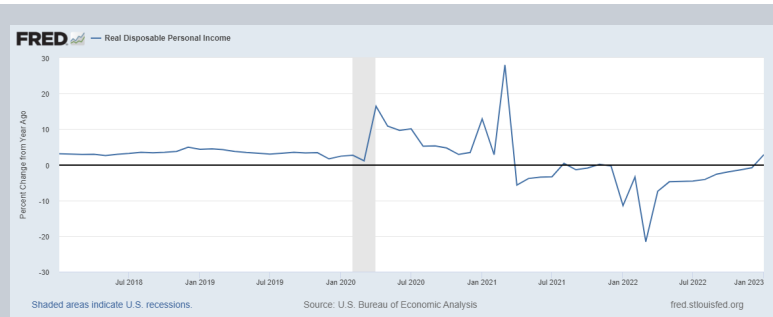




[TACTICAL] Contagion fears in the banking sector continue to cast an atmospheric river of rain over the markets even with Treasury and FDIC's forceful actions to assure investors and depositors. The ambiguity now is does the U.S. and the balance sheet of the U.S. government have the means to bail out all banks and depositors through its actions with Silicon Valley Bank and how to restore depositor composure. Market uncertainty has clouded Sowell's technical signals contracting from the momentum gained in January, and sits in neutral position (60/40).

The market pandemonium from the Silicon Valley Bank and now First Republic bailout has slammed the banking sector, raising pundits' conjecture of a recession. Although the S&P 500 index returned +1.47% during the week, the Financial Sector as a whole returned -5.11%, sending the MTD return to -12.17%. A flight to safety conduct sent the bond market up +1.42%, notwithstanding a highly anticipated rate hike by the Fed. While CPI declined to 6%, in line with expectations, multiple economic releases for the week presented a softer economic environment with a flat industrial production for February, declining leading indicators, and a lower-than-expected University of Michigan consumer sentiment reading of 63.4.

The task at hand for the Treasury Department, FDIC, and global central banks is to continue to assure the market the safety and stability of the U.S. and global banking system. On March 16, Senate testimony Treasury Secretary Janet Yellen commented that uninsured bank deposits that pose a systemic market risk would likely be guaranteed but stopped short of a full guarantee on all bank failures. The second most important event for the week ahead is Wednesday's highly anticipated FOMC interest rate decision. Market sentiment in light of the banking fears is the Fed will now act cautiously in fueling the banking and recession fears by being overly aggressive with its decision and rhetoric. The week ahead will also affirm the state of the housing market and the manufacturing sector as durable orders and PMI report.



Another Possible Fed Misstep Ahead

The Fed has announced its intention to continue raising rates to lower inflation. The model the Fed has embraced requires a reduction of the rate of growth of output to lower inflation. Raising rates is part of the effort to lower the growth rate of output. The Fed Chairman has argued real growth is too high and driving inflation. However, there are signs he has misread the state of the economy,

While raising the Fed Funds rate, the Fed has brought about a reduction in the growth rate of the money supply. The current rate of growth of M2 is negative, and growth at this level is consistent with a substantial slowdown in economic activity. A sustained further reduction in the growth rate will almost certainly produce negative economic growth. Ironically, due to the SVB bailout, the Federal Reserve loosened its borrowing guidelines for banks to encourage lending and, in effect, boosted the money supply – analogous to Quantitative Easing 5.0.

The year-over-year percent change for real disposable personal income has just become positive. During the period from April 2021 to January 2023, real disposable personal income declined. If the change does not remain positive, it will be difficult to sustain economic growth. In addition, stocks of companies in the consumer durables sector will likely face challenges while trying to generate growth in profits.

Consumer confidence could be more robust, and the current level is consistent with the weak real disposable income data. There has been some improvement in confidence, but should the economy slow down in response to the Fed's efforts, confidence will surely diminish.

Existing home sales have declined from about 6,300,000 annually to approximately 4,000,000 over the last year. This decline is evidence that a resumption in economic growth at or near the long-term average of 3% is unlikely in the near term. Slowing housing sales typically lead to a slowdown in demand for consumer durables. If the damage from the SVB bankruptcy cannot be contained, then all bets are off.

“Would we have been so quick to act if this were called Managua Hilla Valley Bank and not Silicon Valley Bank? And my answer would be no, that the venture capitalist who invested in this bank and whose people they invested in put money in this bank, they created a narrative that this medium-sized bank, if it went under, the whole economy would go under”
– David Brooks, New York Times columnist, PBS NewsHour, March 17, 2023.

MON MARCH 20, 2023	
Reserve Balances with Federal Reserve Banks	
Euro Zone Trade Balance	
Germany PPI	
Foot Locker earnings	
TUE MARCH 21, 2023	
Existing Home Sales	
Redbook	
Gasoline Inventories	
GameStop, HealthEquity, and Nike earnings	
WED MARCH 22, 2023	
Fed Interest Rate Decision	
Mortgage Market Index	
Gasoline Production	
Chewy, KB Home, Ollie's Bargain Outlet, Petco, and Worthington Industries earnings	
THU MARCH 23, 2023	
Initial jobless claims (weekly)	
Continuing jobless claims	
New Homes Sales	
Accenture, Darden, FactSet, and General Mills earnings	
FRI MARCH 24, 2023	
Durable Goods Orders	
Manufacturing PMI	
Services PMI	

SELECT INDICES							
SECTORS (AS OF 3/10/23)	YTD Daily	1 Wk Daily	MTD (Daily)	3 Mo Daily	1 Yr Daily	2 Yr Daily	3 Yr Daily
S&P 500 Index	2.41	1.47	(1.23)	2.13	(9.69)	0.83	17.58
S&P 500 Growth Index (as of 3/9/23)	4.41	2.76	0.80	3.16	(16.10)	(2.28)	16.38
S&P 500 Value Index (as of 3/9/23)	0.24	0.05	(3.44)	0.98	(3.49)	3.39	17.37
NASDAQ Composite	11.36	4.44	1.59	8.91	(13.81)	(6.55)	17.53
Bloomberg US Agg Bond	2.90	1.43	2.48	0.73	(5.33)	(4.50)	(2.35)
Bloomberg Long Term US Treasury	6.60	1.34	5.17	0.39	(15.63)	(8.70)	(9.78)
Basic Materials	(1.77)	(3.48)	(8.17)	(2.61)	(8.90)	1.25	24.78
Communications Services (as of 3/9/23)	14.20	6.75	4.85	13.76	(20.94)	(15.69)	7.04
Consumer Cyclical	9.25	1.73	(3.44)	5.78	(18.55)	(9.79)	21.73
Consumer Defensive	(2.77)	0.99	(0.71)	(2.47)	(1.62)	6.08	12.73
Energy (as of 3/9/23)	(12.51)	(7.11)	(8.65)	(8.67)	7.42	26.89	47.49
Financial Services	(7.68)	(5.11)	(12.17)	(5.89)	(16.82)	(5.37)	14.99
Healthcare	(6.91)	1.46	(1.25)	(6.38)	(7.15)	2.55	14.21
Industrials	(1.01)	(2.69)	(4.99)	(0.57)	(4.89)	0.08	20.25
Real Estate	(2.87)	(0.35)	(6.08)	(3.24)	(20.74)	(3.58)	8.37
Technology	15.96	5.54	4.15	13.15	(7.92)	1.99	23.81

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.