

Last week saw numerous factors combine to pressure equities – the Fed appeared slightly more hawkish in their statement regarding future rate hikes this year, and investors unwound long bets in cyclical sectors (tech, financials and industrials) on concerns of a bigger trade war and the potentially negative impact on future economic growth. The energy sector outperformed as OPEC suggested they would continue supply cuts into 2019.

This holiday-shortened week closes out a volatile Q1 for 2018. Important economic releases include the third estimate for GDP growth, PCE prices, personal spending and income and the final reading of Michigan consumer sentiment. While we will be watching the economic data closely for clues about inflation and consumer financial health, the overriding factor for the market will be development of trade rhetoric, quarter-end positioning and technical trading (see chart and commentary below).

Our tactical model remains neutral (60/40), but any further weakness into the close of this week may trigger a move to cash.

<b>MONDAY MARCH 26, 2018</b>
Chicago Fed National Activity Index
Dallas Fed Manufacturing Index
<b>TUESDAY MARCH 27, 2018</b>
S&P/Case-Shiller Home Price
Redbook
CB Consumer Confidence
Richmond Fed Manufacturing Index
<b>WEDNESDAY MARCH 28, 2018</b>
Goods Trade Balance
MBA Mortgage Applications
GDP Growth Rate
PCE Prices
<b>THURSDAY MARCH 29, 2018</b>
Initial Jobless Claims
PCE Price Index
Personal Income
Personal Spending
Chicago PMI
Michigan Consumer Expectations

**GAUGE OF THE GRADE**



We will be watching key technical support for the S&P500 at the 200-day moving average at 2560 and the Feb 9 low of 2519, as these levels confirm medium-term upward trend support. Late last week we witnessed the return of forced de-risking by risk-parity funds as markets fell, exacerbating moves lower. If the 200-day MA and Feb 9 lows fail to hold, we may see further model-driven technical selling.

Above chart courtesy www.cmegroup.com

SECTOR RETURNS					
	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	-5.5	-7.9	-6.7	-0.1	9.0
Communication Services	-5.7	-5.0	-8.6	-8.6	-9.0
Consumer Cyclical	-4.6	-5.2	0.4	11.0	17.0
Consumer Defensive	-4.4	-5.5	-9.6	-3.7	-4.5
Energy	-0.8	-2.2	-6.6	1.1	-0.1
Financial Services	-6.9	-6.8	-3.7	6.3	15.1
Healthcare	-6.4	-5.5	-2.2	0.0	11.4
Industrials	-4.9	-5.4	-3.6	3.1	13.0
Real Estate	-4.2	-2.2	-10.4	-9.8	-7.4
Technology	-7.5	-4.8	1.6	12.5	27.1
Utilities	-2.4	-1.7	-5.8	-5.9	-1.2



## SOWELL'S WEEK AHEAD

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