

As expected, holiday-shortened trade last week was choppy as investors digested a spike in yields in Italian government bonds on the back of political instability in that country, as well as renewed talk of trade wars between the US and European as well as Chinese counterparts.

This week, important economic releases include ISM non-manufacturing PMI, factory orders and JOLTS job opening data.

On the technical front, the S&P 500 held above its 50-day moving average (currently 2672), as the market consolidates gains from the February lows. A close above 2743 should see the market attempt to reclaim January highs at 2783 – only 1.8% higher from current levels. The S&P Small Cap index continues to make new all-time highs, while mid-caps are about 2% away from their all-time highs.

With ongoing volatility, our tactical model remains neutral (60/40).

<b>MONDAY JUNE 4, 2018</b>
ISM New York Index
3-Month Bill Auction
6-Month Bill Auction
Factory Orders
<b>TUESDAY JUNE 5, 2018</b>
Redbook
IBD/TIPP Economic Optimism
JOLTS Job Openings
ISM Non-Manufacturing PMI
4-Week Bill Auction
<b>WEDNESDAY JUNE 6, 2018</b>
Balance of Trade
MBA Mortgage Applications
Unit Labour Costs QoQ Final Q1
Nonfarm Productivity QoQ Final Q1
<b>THURSDAY JUNE 7, 2018</b>
Initial Jobless Claims
Consumer Credit Change
<b>FRIDAY JUNE 8, 2018</b>
Wholesale Inventories

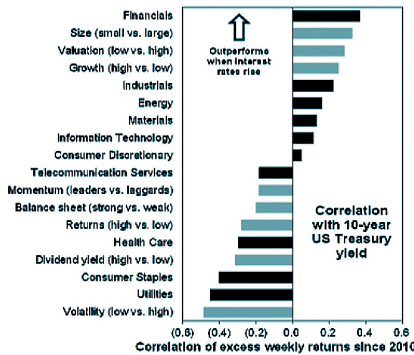
**GAUGE OF THE GRADE**

BEARISH

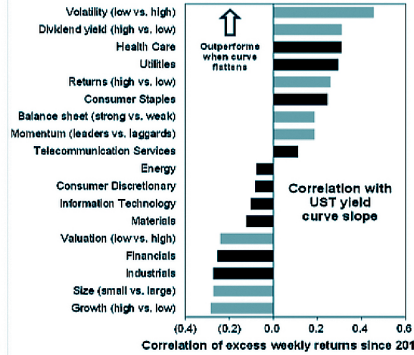
NEUTRAL

BULLISH

Performance as 10-year Treasury yields rise



Performance as yield curve flattens



Goldman Sachs published a very interesting chart last week. It shows which factors outperform and underperform given rising interest rates vs a flattening yield curve. The two charts are almost reverse images of each other – factors which should benefit from rising rates have been offset by the flattening yield curve. The charts go a long way in explaining why there has been a tug-of-war in terms of sector and market direction recently.

Source: Goldman Sachs Global Investment Research, Fact Sheet

**SECTOR RETURNS**

	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	-0.3	4.0	1.0	1.3	12.8
Communication Services	-0.3	-0.5	-3.3	-7.5	-9.0
Consumer Cyclical	0.7	2.9	3.6	9.5	16.8
Consumer Defensive	-0.2	-0.3	-5.1	-9.2	-9.4
Energy	-0.1	4.6	16.4	11.8	20.4
Financial Services	-1.4	0.8	-1.3	1.3	18.6
Healthcare	0.6	2.5	2.6	3.0	12.9
Industrials	-0.6	4.9	1.3	2.6	12.3
Real Estate	2.3	3.2	9.0	-3.9	0.3
Technology	1.9	7.7	7.0	14.1	29.3
Utilities	0.0	-1.6	4.7	-8.1	-2.3



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# SOWELL'S WEEK AHEAD

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