

Headline risk remains this week as 'summer doldrums' related holiday-thinned trade exaggerates market moves. We'll be especially watching for any further developments around ongoing US / China trade tensions.

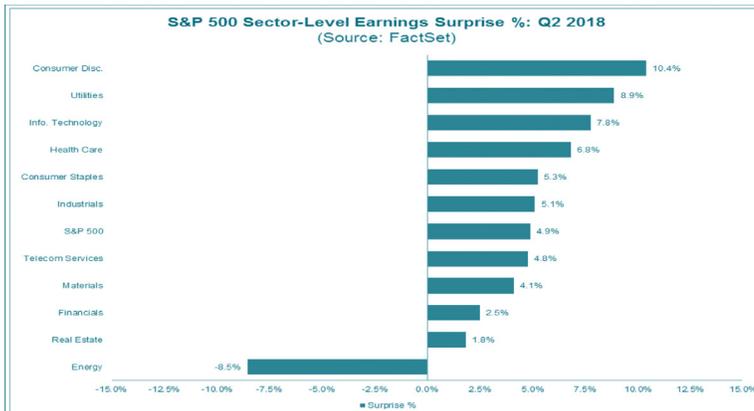
Important economic releases include Consumer and Producer Price data later in the week, but our focus will be centered on the fixed income space, particularly on the Treasury auctions from Monday to Thursday to gauge investor appetite for increasing issuance across the yield curve.

For equities, as the corporate earnings season winds down, we expect corporates to resume buyback programs as their earnings blackout period expires. According to Goldman Sachs, August is the most popular month for buybacks, accounting for 13% of annual totals, and considering expectations of \$1tn of buyback authorizations this year, we could expect up to around \$130bn of corporate equity demand this month.

Our tactical model remains neutral (60/40).

MONDAY AUGUST 6, 2018
3-Month Bill Auction
6-Month Bill Auction
TUESDAY AUGUST 7, 2018
4-Week Bill Auction
3-Year Note Auction
Redbook
IBD/TIPP Economic Optimism
JOLTs Job Openings
Consumer Credit Change
WEDNESDAY AUGUST 8, 2018
MBA Mortgage Applications
10-Year Note Auction
THURSDAY AUGUST 9, 2018
Initial Jobless Claims
Producer Price Index
Wholesale Inventories
30-Year Bond Auction
FRIDAY AUGUST 10, 2018
CONSUMER PRICE INDEX
Monthly Budget Statement

GAUGE OF THE GRADE



This week 47 S&P 500 companies are expected to report Q2 earnings. As of last Friday, 81% of S&P 500 companies have reported Q2 results. The adjacent chart shows that all sectors, except energy, beat earnings expectations. Despite higher oil prices, energy companies faced cost control and operational issues in the quarter, leading to disappointing numbers.

SECTOR RETURNS

	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	-0.3	2.6	4.4	-0.7	11.4
Communication Services	0.7	0.6	3.5	-4.6	-5.1
Consumer Cyclical	0.4	2.5	8.4	5.2	22.1
Consumer Defensive	1.9	5.4	11.8	-1.4	2.4
Energy	-1.4	-0.1	3.7	6.6	20.7
Financial Services	0.0	5.5	4.8	-2.3	13.5
Healthcare	2.0	6.3	12.6	5.7	17.1
Industrials	0.2	5.6	7.4	-0.7	12.9
Real Estate	3.2	1.8	9.7	9.8	3.8
Technology	1.3	5.7	10.6	11.8	31.4
Utilities	1.2	1.3	4.7	9.3	3.3



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SOWELL'S WEEK AHEAD

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