

The final summer week before Labor Day should continue to see light trading volume. However, as last week demonstrated, light volume can exacerbate moves (indicated by the S&P 500 reaching a new all-time high). As the equity market runs away from many sidelined investors, it is quite possible that we may see further gains this week as investors chase performance. Jerome Powell's dovish speech last Friday in Jackson Hole may spark short-term unwinding of bullish USD bets, which could also add support to commodity prices and US equities this week.

On the economic front, as discussed below, our interest lies in the two consumer confidence reports published on Tuesday and Friday.

Companies reporting: Tuesday: Best Buy (BBY), Hewlett Packard (HPE), Tiffany (TIF); Wednesday: Salesforce (CRM), PVH Corp (PVH); Thursday: Lulu Lemon (LULU), Dollar General (DG)

Our tactical model remains neutral (60/40).

MONDAY AUGUST 27, 2018
Dallas Fed Manufacturing Index
TUESDAY AUGUST 28, 2018
Goods Trade Balance
Redbook
S&P/Case-Shiller Home Price
CB Consumer Confidence
Richmond Fed Manufacturing Index
WEDNESDAY AUGUST 29, 2018
MBA Mortgage Applications
GDP Growth Rate
PCE Prices
Pending Home Sales
THURSDAY AUGUST 30, 2018
Initial Jobless Claims
PCE Price Index
Personal Income
Personal Spending
FRIDAY AUGUST 31, 2018
Chicago PMI
Michigan Consumer Sentiment

GAUGE OF THE GRADE



The adjacent chart, courtesy of FactSet, shows CPI growth vs wage growth (real wage growth). CPI is now growing at a quicker rate (2.9%) vs wage growth (2.7%). As negative real wage growth erodes consumer purchasing power, we are watching for early signs of declining consumer sentiment as a warning that the US economy may be losing momentum.

SECTOR RETURNS

	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	2.4	1.3	0.9	-1.2	12.6
Communication Services	1.8	0.9	6.0	1.6	-2.4
Consumer Cyclical	2.2	3.1	8.6	8.6	29.8
Consumer Defensive	-1.4	3.0	9.3	2.0	3.5
Energy	3.8	-0.2	-0.8	11.8	26.0
Financial Services	0.7	1.1	1.8	-0.6	17.1
Healthcare	1.3	4.9	11.3	10.3	21.3
Industrials	1.0	3.9	3.0	1.6	17.8
Real Estate	-0.5	3.9	8.9	13.7	4.8
Technology	3.2	4.9	9.7	13.2	36.6
Utilities	-1.0	3.5	7.9	10.0	2.9



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SOWELL'S WEEK AHEAD

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7301 River Pointe Drive
North Little Rock, AR 72113
501-219-2434 Phone
501-812-6380 FAX
800-399-2391
sowellmanagement.com