

This will be a busy week for economic data around the globe. On the domestic front we have Consumer Inflation data on Thursday, followed by Retail Sales, Industrial Production and Michigan Consumer Sentiment data on Friday. Globally, European Industrial Production data is published on Wednesday, and on Thursday the Bank of England, European Central Bank and Turkey's Central Bank announce interest rates. Chinese Industrial Production and Retail Sales data is also released on Thursday.

We are also expecting the US administration to announce the implementation of \$200bn of tariffs sometime this week.

As we move closer to Q3 earnings season, increasingly companies move into their reporting blackout period (no buybacks – removing a source of demand for equities). Additionally, as investors shift their focus toward mid-term election season, political headline risk increases. We expect these two factors to contribute to elevated volatility over the next few weeks.

Our tactical model remains neutral (60/40).

MONDAY SEPTEMBER 10, 2018
Consumer Credit Change
TUESDAY SEPTEMBER 11, 2018
NFIB Business Optimism Index
Redbook
JOLTs Job Openings
Wholesale Inventories
WEDNESDAY SEPTEMBER 12, 2018
MBA Mortgage Applications
Fed Beige Book
THURSDAY SEPTEMBER 13, 2018
Consumer Price Index
Initial Jobless Claims
FRIDAY SEPTEMBER 14, 2018
Export Prices
Import Prices
Retail Sales
Capacity Utilization
Industrial Production
Business Inventories
Michigan Consumer Sentiment

GAUGE OF THE GRADE



In light of last Friday's high wage inflation print, investors will be focusing on the CPI data release on Thursday. The adjacent chart shows the Bloomberg Commodity Index over the past two years. From June / July 2017 to June / July 2018 the index rose significantly. However, since June 2018, commodity prices have moderated significantly. Wage inflation and material input costs are often cited as major sources of the cost-push side of the inflation equation. We believe that the consumer prices will remain contained in the short-term as lower commodity prices partly offset wage inflation pressures.

SECTOR RETURNS

	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	-1.6	-1.6	-3.2	-2.0	8.3
Communication Services	-3.4	-2.4	0.8	-3.6	-2.2
Consumer Cyclical	-0.7	1.9	4.3	9.9	27.9
Consumer Defensive	0.8	0.5	8.7	3.0	2.1
Energy	-3.4	-4.6	-4.9	10.4	17.0
Financial Services	-0.5	-0.4	0.5	-1.2	20.6
Healthcare	-0.5	3.1	9.8	11.1	17.1
Industrials	0.0	0.9	2.2	3.2	16.2
Real Estate	-1.7	-0.7	3.9	11.7	1.3
Technology	-1.9	2.3	5.6	10.4	32.6
Utilities	0.3	1.2	11.0	13.0	2.4



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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