

This week is incredibly busy on all fronts. On the geopolitical front we have headline risk around continued chatter surrounding US / China trade tariffs, a pause in the EU / UK Brexit talks, ongoing disagreements regarding the Italian / EU budget requirements, upsets in Bavarian (German) elections and a spiking oil price on US / Saudi political tensions.

Furthermore, a slew of important economic reports are due, including Retail Sales, Industrial Production, Manufacturing, Housing data, FOMC minutes and several Federal Reserve Governors speak throughout the week.

Additionally, the Q3 corporate earnings season gets into full swing including reports from the following major companies:

**Monday:** Bank of America (BAC), Charles Schwab (SCHW)

**Tuesday:** Johnson & Johnson (JNJ), United Health (UNH), Netflix (NFLX), IBM (IBM), Goldman Sachs (GS), Morgan Stanley (MS), BlackRock (BLK), CSX (CSX), Progressive (PGR)

**Wednesday:** Abbott Labs (ABT), US Bancorp (USB), eBay (EBAY), Alcoa (AA)

**Thursday:** Taiwan Semiconductor (TSM), Novartis (NVS), SAP (SAP), Philip Morris (PM), PayPal (PYPL), American Express (AXP), Intuitive Surgical (ISRG), Bank of New York Mellon (BK), Blackstone (BX), Travelers (TRV), PPG Industries (PPG), Nucor (NUE), Textron (TXT)

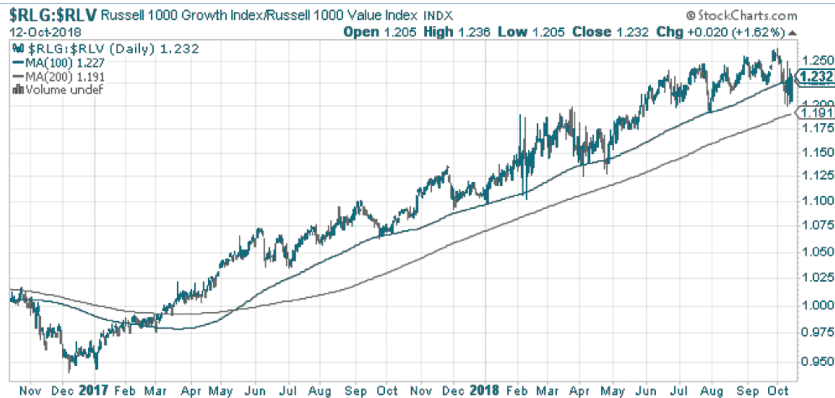
**Friday:** Procter & Gamble (PG), Honeywell (HON), Schlumberger (SLB), VF (VFC), Southern Copper (SCCO), State Street (STT), SunTrust (STI), Synchrony Financial (SYF).

We will be carefully watching earnings reports for comments about input cost inflation and related margin pressures (if any).

Our tactical model remains neutral (60/40).

<b>MONDAY OCTOBER 15, 2018</b>
NY Empire State Manufacturing Index
Retail Sales
Business Inventories
<b>TUESDAY OCTOBER 16, 2018</b>
Redbook
Capacity Utilization
Industrial Production
JOLTs Job Openings
NAHB Housing Market Index
<b>WEDNESDAY OCTOBER 17, 2018</b>
MBA Mortgage Applications
Building Permits
Housing Starts
FOMC Minutes
<b>THURSDAY OCTOBER 18, 2018</b>
Initial Jobless Claims
Philadelphia Fed Manufacturing Index
CB Leading Index
<b>FRIDAY OCTOBER 15, 2018</b>
Existing Home Sales

**GAUGE OF THE GRADE**



The adjacent chart shows the Russell 1000 Growth Index / Russell 1000 Value Index ratio. Growth has been outperforming Value significantly since the beginning of 2017. However, the trend appears to be stalling. A concerted move below the 1.19 level may trigger rotation out of Growth into Value going into the new year. This move would coincide with expectations for positive but slowing GDP growth in 2019.

**SECTOR RETURNS**

	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	-6.8	-9.0	-8.6	-7.4	-6.4
Communication Services	-3.4	-3.8	-6.5	-3.4	-7.7
Consumer Cyclical	-3.5	-7.7	-3.8	5.1	17.0
Consumer Defensive	-2.0	-4.5	0.1	1.7	-0.3
Energy	-5.4	-0.4	-3.0	5.7	11.5
Financial Services	-5.5	-6.0	-3.2	-4.6	2.2
Healthcare	-3.6	-2.6	3.2	11.6	12.9
Industrials	-6.5	-6.3	-0.4	0.1	2.9
Real Estate	-3.0	-7.7	-6.8	4.5	-5.9
Technology	-4.1	-5.0	-0.1	9.5	22.8
Utilities	-1.4	-1.5	1.5	9.6	1.5



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# SOWELL'S WEEK AHEAD

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