

As uncertainty in the markets have escalated in the past week, investors will be treating upcoming economic data points with increased scrutiny. Important data points include CPI and PPI, retail sales, industrial production and PMI data. We reiterate that the narrative has shifted from inflation, and concerns over rate hikes, to a potential slowing of the U.S. economy. As such, the focus will be less on inflation data and more on retail sales, IP and PMI data.

From a technical point of view, S&P 500 support levels are 2603, then 2553 and then the 2018 low of 2532. Upside resistance remains at 2817.

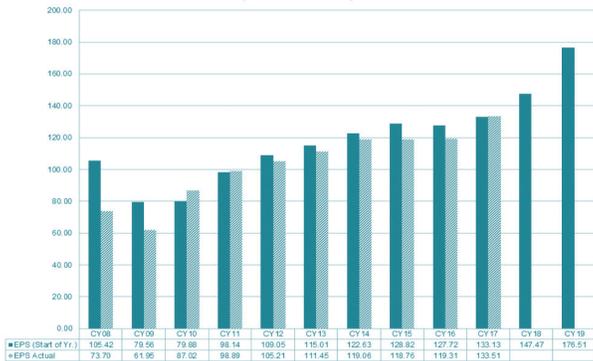
Our tactical model has moved back to neutral (60/40). Last week's buy signal was not confirmed.

<b>MONDAY DECEMBER 10, 2018</b>
JOLTs Job Openings
<b>TUESDAY DECEMBER 11, 2018</b>
NFIB Business Optimism Index
Producer Price Inflation
Redbook
WASDE Report
<b>WEDNESDAY DECEMBER 12, 2018</b>
Consumer Price Index
Monthly Budget Statement
<b>THURSDAY DECEMBER 13, 2018</b>
Import Prices
Export Prices
Initial Jobless Claims
Export Prices
Import Prices
<b>FRIDAY DECEMBER 14, 2018</b>
Retail Sales
Capacity Utilization
Industrial Production
Markit Composite PMI

**GAUGE OF THE GRADE**



**S&P 500 Bottom-Up EPS: EPS at Start of Year vs. Final (Actual) EPS**  
(Source: FactSet)



The adjacent chart, courtesy FactSet, shows forecast EPS vs. actual EPS for each year over the last decade. The average analyst forecast has overestimated EPS by 8.3% over the period. However, years 2001, 2008/ 2009 were outliers due to 9/11 attacks in 2001 and the financial crisis in 2008 / 2009. Stripping these years out, the average EPS overestimate has been 3.5%. Consensus 2019 estimates currently stand at \$176.51. Discounting by the overestimate percentages above arrives at 2019 earnings of between roughly \$161.86 and \$170.33. With the S&P500 currently trading at 2633, the forward P/E is implied at between 15.45 and 16.27 which is in line with historical levels.

**SECTOR RETURNS**

	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	-5.5	-6.6	-14.4	-16.5	-12.6
Communication Services	-4.2	-5.1	-7.7	-6.8	-9.4
Consumer Cyclical	-4.4	-4.9	-11.2	-7.0	5.0
Consumer Defensive	-3.0	-3.0	0.0	9.8	-1.1
Energy	-3.2	-8.3	-12.9	-15.7	-4.6
Financial Services	-6.7	-6.3	-11.6	-10.6	-8.1
Healthcare	-4.7	-0.7	-3.6	5.5	12.3
Industrials	-6.4	-6.1	-13.2	-10.3	-6.8
Real Estate	0.2	3.2	-0.6	5.2	3.3
Technology	-4.9	-6.2	-12.4	-8.0	8.1
Utilities	1.4	3.9	3.9	17.6	5.9



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# SOWELL'S WEEK AHEAD

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