

As we march to our year-end target of 2900 on the S&P 500, the focus will begin to shift to Q1 corporate earnings reporting season this week. Last week the S&P added another 2%, albeit on light volume, as ISM and payrolls data showed an economy that was growing without stoking inflationary pressures. Announcements from the White House that trade talks were progressing also lifted sentiment.

Important economic releases include the FOMC minutes, CPI and consumer sentiment. Additionally, several Federal Reserve members will be speaking throughout the week.

Corporate earnings this week include:

**Wednesday:** Delta Airlines (DAL) and Bed, Bath & Beyond (BBBY)

**Thursday:** Fastenal (FAST)

**Friday:** JPMorgan Chase (JPM), Wells Fargo (WFC), PNC Financial (PNC).

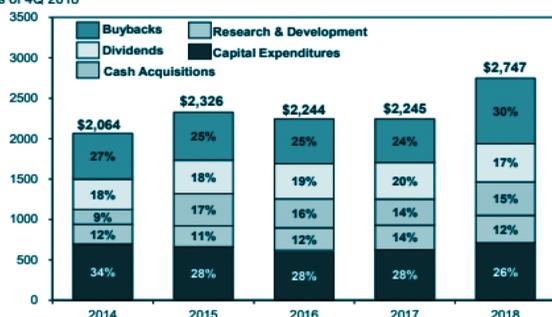
Our tactical model has moved to bullish (100% equities).

<b>MONDAY APRIL 8, 2019</b>
Factory Orders
<b>TUESDAY APRIL 9, 2019</b>
NFIB Business Optimism Index
Redbook
JOLTs Job Openings
IBD/TIPP Economic Optimism
<b>WEDNESDAY APRIL 10, 2019</b>
MBA Mortgage Applications
Consumer Price Inflation
FOMC Minutes
<b>THURSDAY APRIL 11, 2019</b>
Initial Jobless Claims
Producer Price Inflation
Fed Clarida Speech
Fed Williams Speech
Fed Bullard Speech
Fed Bowman Speech
Fed Chair Powell Speech
<b>FRIDAY APRIL 12, 2019</b>
Michigan Consumer Sentiment

**GAUGE OF THE GRADE**



**Exhibit 2: Breakdown of S&P 500 cash spending since 2014**  
as of 4Q 2018



Source: FactSet and Goldman Sachs Global Investment Research

The adjacent chart, courtesy Goldman Sachs, illustrates that corporates bought back more than \$800m of their own stock last year and have consistently been the largest source of demand for equities over the last five years. Corporates spent more on buybacks last year than capital expenditures. According to the Wall Street Journal, the number of US companies listed on US exchanges has declined by almost 50% since the peak in 1996. Combine a shrinking pool of investable US stocks, large corporate buyback programs and low interest rates and the result is more money chasing fewer stocks which has helped propel equities higher over the last several years. Should the US government prohibit share buybacks (see Reward Work Act), this will remove a significant source of demand for equities.

SECTOR RETURNS					
	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	3.2	4.4	14.1	-0.3	-0.4
Communication Services	-0.9	3.4	11.8	1.7	3.1
Consumer Cyclical	2.3	5.5	16.1	3.7	11.6
Consumer Defensive	3.4	2.8	9.1	5.1	7.9
Energy	0.5	2.9	13.8	-13.0	0.0
Financial Services	2.9	0.6	10.6	-3.6	-2.6
Healthcare	1.1	0.9	9.2	-1.5	14.6
Industrials	2.5	2.5	18.6	-1.5	4.4
Real Estate	-0.2	4.9	19.0	14.5	20.8
Technology	4.7	6.9	24.5	4.9	21.5
Utilities	1.8	2.4	10.8	9.7	18.8



## SOWELL'S WEEK AHEAD

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