

The announcement late Friday, that the US had indefinitely suspended tariffs on Mexico, should lift market sentiment the early part of this week as investors interpret the news as a more conciliatory US administration going into US / China talks at the G-20 meeting later this month.

In absence of fresh geopolitical headlines, the focus will turn to US retail sales, industrial production and consumer sentiment data, as well as Chinese industrial production and retail sales data on Thursday, for signs whether the US / China trade wars are starting to bite into economic growth.

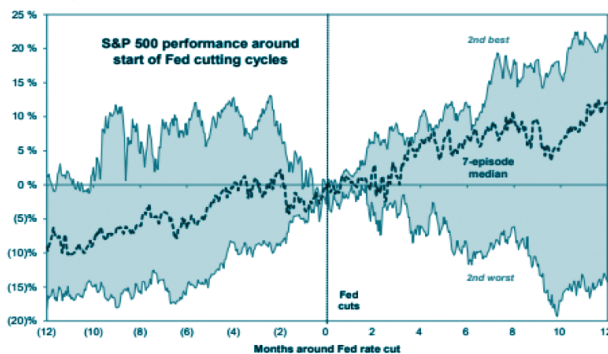
Our tactical model remains bullish (100% equity invested).

<b>MONDAY JUNE 10, 2019</b>
JOLTs Job Openings
3-Month Bill Auction
6-Month Bill Auction
<b>TUESDAY JUNE 11, 2019</b>
NFIB Business Optimism Index
Producer Price Index
Redbook
IBD/TIPP Economic Optimism
3-Year Note Auction
<b>WEDNESDAY JUNE 12, 2019</b>
MBA Mortgage Applications
Consumer Price Index
10-Year Note Auction
<b>THURSDAY JUNE 13, 2019</b>
Initial Jobless Claims
30-Year Bond Auction
<b>FRIDAY MAY 14, 2019</b>
Retail Sales
Industrial Production
Michigan Consumer Sentiment

## GAUGE OF THE GRADE



**Exhibit 2: S&P 500 performance around the start of Fed cutting cycles**  
as of June 6, 2019



Source: Goldman Sachs Global Investment Research

It seems bad news has become good news for equity markets. Despite weak ISM and payroll data last week, equity markets rallied on expectations that the Federal Reserve will start cutting rates again soon. The federal funds futures market is currently pricing in a rate cut at the July FOMC meeting. The adjacent chart, courtesy Goldman Sachs, shows the S&P 500 performance up to 12 months after a Fed cutting cycle starts. Over the past 35 years (and 7 Fed cutting cycles), the S&P 500 has climbed 14% during the 12 months following the start of the Fed cutting cycle.

## SECTOR RETURNS

	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	8.5	2.6	3.1	10.4	-7.3
Communication Services	1.1	-3.5	2.3	9.3	1.6
Consumer Cyclical	4.4	-2.2	5.3	10.6	2.6
Consumer Defensive	5.1	2.3	8.0	7.8	17.7
Energy	3.9	-4.9	-6.0	-4.4	-20.8
Financial Services	4.1	-1.5	4.4	9.1	-2.6
Healthcare	4.3	2.0	1.7	1.8	7.7
Industrials	5.8	0.0	3.6	13.6	1.6
Real Estate	2.5	3.7	7.0	10.5	16.2
Technology	5.7	-1.1	8.6	19.1	10.8
Utilities	3.1	3.7	5.5	8.0	26.4



## SOWELL'S WEEK AHEAD

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