

Last week saw another batch of mixed economic data: positive Industrial production and retail sales data, but weaker consumer sentiment. Several important economic data points are released this week, including PMI, but the focus will be squarely on the FOMC rate announcement on Wednesday. No rate change is expected, but investors will be watching whether the Fed's language attempts to dial back expectations of rate cuts, as the data (though mixed) may not necessarily have been weak enough for the Fed to justify cuts. Recall that the bond markets, and Fed futures markets, have already priced in a 25bp cut in July. If the Federal Reserve does attempt to walk back expectations of rate cuts, bond yields may re-rate higher quickly, which could put pressure on equities.

Several companies report quarterly earnings, including Adobe (ADBE), Oracle (ORCL), Red Hat (RHT), Kroger (KR), Darden Restaurants (DRI) and CarMax (KMX). Kroger, Darden and CarMax should provide insight into the state of the US consumer.

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

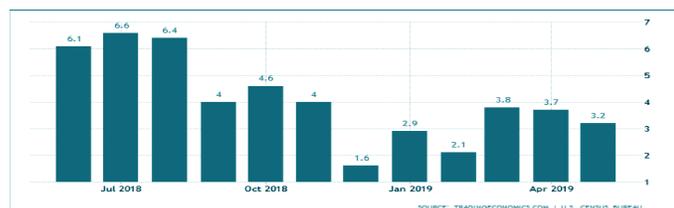
MONDAY JUNE 17, 2019
NY Empire State Manufacturing Index
TUESDAY JUNE 18, 2019
Housing Starts
Redbook
52-Week Bill Auction
WEDNESDAY JUNE 19, 2019
MBA Mortgage Applications
Fed Interest Rate Decision
THURSDAY JUNE 20, 2019
Initial Jobless Claims
Current Account Q1
Philadelphia Fed Manufacturing Index
CB Leading Index
8-Week Bill Auction
4-Week Bill Auction
FRIDAY JUNE 21, 2019
Markit Composite PMI Flash
Existing Home Sales
Fed Brainard Speech
Fed Mester Speech

GAUGE OF THE GRADE

BEARISH

NEUTRAL

BULLISH



The adjacent charts, courtesy tradingeconomics.com, show retail sales and initial jobless claims trends. Though not on a comparable time scale, (monthly retail sales, weekly jobless claims), we are watching the weekly jobless claims data as a precursor to the trend in retail sales (and consumer confidence for that matter). Jobless claims have been rising over the last few weeks, which begs the question whether we may have reached the best levels in the employment rate this cycle. Since the consumer is 70% of the economy, if jobless claims continue to rise, this might put a dampener on consumer confidence and retail sales, signaling a slowing economy where investors should start positioning portfolios more defensively.

SECTOR RETURNS

	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	0.6	4.9	2.6	12.8	-6.2
Communication Services	1.1	0.2	1.3	10.8	0.7
Consumer Cyclical	2.2	2.5	6.6	14.7	3.1
Consumer Defensive	0.9	2.9	7.1	9.1	16.2
Energy	-0.8	-5.5	-8.3	-1.6	-20.4
Financial Services	0.6	1.1	2.7	13.8	-0.5
Healthcare	0.2	3.8	-0.9	4.0	6.3
Industrials	-0.2	1.7	3.0	15.4	1.9
Real Estate	0.8	3.0	5.0	13.4	17.3
Technology	-0.1	1.7	4.7	19.2	9.6
Utilities	1.1	4.2	4.8	8.4	25.7



SOWELL'S WEEK AHEAD

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5320 Northshore Drive
North Little Rock, AR 72118
501-219-2434 Phone
501-812-6380 FAX
800-399-2391
sowellmanagement.com