

As we enter the final week of Q2, expect increased volatility as investors analyze the raft of economic data releases. More emphasis will be placed on the data to gauge the Federal Reserve's likelihood of cutting rates next month (the market has priced in a 25bp cut). Quarter-end rebalancing and portfolio 'window-dressing' should also add to volatility.

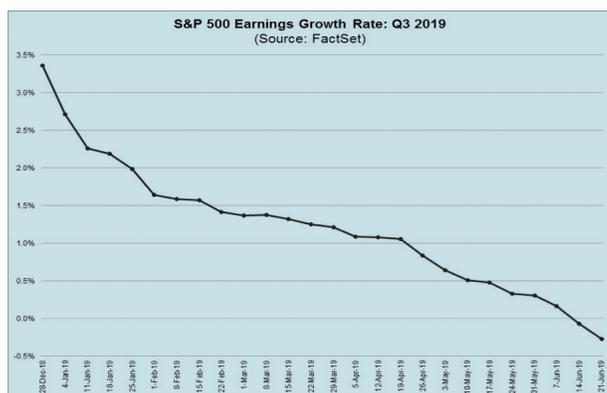
On the geopolitical front, focus will turn to the start of the G20 meeting on Friday, where analysts expect the US and China to use the event as an opportunity to continue their trade negotiations face-to-face. The consensus right now stands at no real progress being made, but an agreement to continue negotiating.

At the corporate level, quarterly earnings from FedEx (FDX), Micron (MU), Lennar (LEN), Paychex (PAYX), General Mills (GIS), Nike (NKE), Accenture (ACN), Walgreens (WBA), Constellation Brands (STZ) are due.

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

MONDAY JUNE 25, 2019	
Chicago Fed National Activity	
Dallas Fed Manufacturing Index	
TUESDAY JUNE 26, 2019	
Redbook	
Richmond Fed Manufacturing Index	
CB Consumer Confidence	
New Home Sales	
Fed Chair Powell Speech	
WEDNESDAY JUNE 27, 2019	
MBA Mortgage Applications	
Durable Goods Orders	
Goods Trade Balance	
THURSDAY JUNE 28, 2019	
GDP Growth Rate	
Initial Jobless Claims	
Kansas Fed Manufacturing Index	
FRIDAY JUNE 29, 2019	
PCE Price Index	
Chicago PMI JUN	
Michigan Consumer Sentiment	

GAUGE OF THE GRADE



As we enter Q3 next week, the adjacent chart, courtesy FactSet, shows year-on-year Q3 2019 earnings expectations moving from almost 3.5% at the beginning of the year to -0.3% as of Friday. Despite this decline in earnings expectations, the S&P 500 has reached new all-time highs, indicating that the P/E multiple of the S&P 500 has been rising. Why would the S&P multiple rise in the face of declining earnings expectations? We believe it is due to the aggressive fall in bond yields this year. The Dividend Discount Model (DDM) prices stocks at $P = D / (r-g)$. Since 'r' in the formula (cost of equity) is tied to interest rates, there is an inverse relationship between prices and rates. However, if the growth component 'g' falls meaningfully, the benefit from lower rates is offset and stock price valuations begin to fall again.

SECTOR RETURNS

	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	0.6	5.2	1.7	19.1	-2.0
Communication Services	2.7	0.5	2.9	23.7	3.4
Consumer Cyclical	1.3	3.1	4.5	26.9	4.8
Consumer Defensive	0.0	2.1	5.6	17.4	15.3
Energy	5.4	-1.6	-6.1	14.4	-13.9
Financial Services	0.4	0.5	4.9	21.0	0.6
Healthcare	3.3	5.5	1.4	16.1	10.4
Industrials	2.4	3.2	4.8	26.5	7.8
Real Estate	0.6	3.3	4.6	22.2	16.3
Technology	3.2	4.4	4.0	33.8	14.9
Utilities	1.2	4.1	5.7	14.9	24.0



SOWELL'S WEEK AHEAD

Advisory services offered through Sowell Management Services, a Registered Investment Advisor. The views expressed represent the opinion of Sowell Management Services. The views are subject to change and are not intended as a forecast or guarantee of future results. This material is for informational purposes only. It does not constitute investment advice and is not intended as an endorsement of any specific investment. Stated information is derived from proprietary and nonproprietary sources that have not been independently verified for accuracy or completeness. While Sowell Management Services believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and Sowell Management Services' view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions that may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements. Investing in securities involves risks, including the potential loss of principal. While equities may offer the potential for greater long-term growth than most debt securities, they generally have higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Past performance is not indicative of future results.



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