

With the bond market closed on Monday for Veteran's Day, markets will shift focus to President Trump's speech to the NY Economic Club on Tuesday for hints surrounding progress regarding US / China trade negotiations. On Wednesday, all eyes will be on Fed Chair Jerome Powell's testimony to Congress. Other important data releases due this week include CPI, PPI, retail sales and industrial production.

Equity markets have held up well in the face of the recent bond market sell-off (10-year Treasury yields up 20bp in the past month) as investors interpret the sell-off as a sign that the US economy is strong enough not to require any further rate cuts in the near term. While the bond correction is healthy, any further rapid increase in yields will likely put pressure on equities, as higher yields impact equity valuations negatively and erode the equity risk premium.

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

TUESDAY NOVEMBER 12, 2019
NFIB Business Optimism Index
Redbook
President Trump Economic Club of NY Speech
WEDNESDAY NOVEMBER 13, 2019
MBA Mortgage Applications
Consumer Price Index
Fed Chair Powell Testimony
Monthly Budget Statement
THURSDAY NOVEMBER 14, 2019
Producer Price Index
Initial Jobless Claims
Fed Chair Powell Testimony
FRIDAY NOVEMBER 15, 2019
Retail Sales
NY Empire State Manufacturing Index
Industrial Production
Manufacturing Production
Capacity Utilization
Business Inventories

GAUGE OF THE GRADE



Exhibit 1: 3Q S&P 500 aggregate EPS fell by 1% but median EPS grew by 5%
as of November 8, 2019

Sector	EPS		Sales Growth	Margin		Median stock EPS growth
	\$/Share	Growth		Level	Change	
Real Estate	\$1.06	8 %	NM	NM	NM	2 %
Health Care	6.86	7	8	10.6	(18)	11
Utilities	1.68	6	NM	NM	NM	5
Consumer Staples	2.90	5	8	7.6	(25)	(0)
Industrials	4.17	3	(1)	10.4	40	7
Communication Services	4.06	3	17	14.5	(205)	2
Financials	7.54	1	NM	NM	NM	7
Consumer Discretionary	3.33	(3)	6	7.3	(71)	2
Info Tech	7.90	(4)	5	21.4	(204)	4
Materials	1.02	(6)	6	9.2	(116)	6
Energy	1.71	(36)	(8)	5.7	(254)	(32)
S&P 500	\$42.24	(1)%				5 %
<i>ex. Financials and Utilities</i>	31.96	(2)	5 %	10.8 %	(79)bp	
<i>ex. Energy</i>	40.53	1	7	11.4	(65)	

Source: FactSet, Goldman Sachs Global Investment Research

With roughly 89% of S&P 500 companies having reported Q3 earnings, the adjacent chart, courtesy Goldman Sachs, illustrates the sectoral performance breakdown so far. On a sector-weighted basis, S&P 500 earnings declined by 1% y/y, while the median stock EPS grew by 5% y/y. The overall S&P 500 earnings were dragged down by energy, materials, information technology and consumer discretionary sectors.

SECTOR RETURNS

	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	2.3	9.7	4.8	9.4	8.4
Communication Services	0.7	6.2	2.9	4.2	11.2
Consumer Cyclical	0.2	4.4	2.3	3.2	8.2
Consumer Defensive	-0.5	1.2	2.4	7.5	9.1
Energy	2.4	8.7	2.2	-5.7	-12.6
Financial Services	2.4	11.1	9.3	9.4	11.4
Healthcare	0.4	8.3	3.6	7.0	3.2
Industrials	1.8	10.4	7.7	8.6	14.1
Real Estate	-3.4	-1.8	0.9	8.1	17.2
Technology	1.6	9.1	8.0	11.8	22.7
Utilities	-3.7	-3.3	2.0	9.3	15.7



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