

This week, we will start to receive clues around key fundamental and macro focal points highlighted in our 2020 Preview, i.e. corporate earnings growth and consumer confidence / retail sales. Given consensus 12-month EPS estimates of \$176 for 2020 (Sowell forecasts are at \$173), we view the S&P 500 fully valued at current levels of 3265. As such, we are closely watching corporate earnings reports for signs of accelerated growth, which would have the potential of lifting markets further, or stagnant EPS, which might cause investors to revalue the stock market toward a lower P/E multiple (sideways to lower stock prices). Several large financial and industrial companies report earnings this week:

**Tuesday:** JPMorgan (JPM), Wells Fargo (WFC), Citigroup (C), Delta Air Lines (DAL)

**Wednesday:** Bank of America (BAC), United Health (UNH), US Bancorp (USB), Goldman Sachs (GS), BlackRock (BLK), Charles Schwab (SCHW), Kinder Morgan (KMI), Alcoa (AA)

**Thursday:** Taiwan Semiconductor (TSM), Morgan Stanley (MS), CSX (CSX), Bank OZK (OZK)

**Friday:** Schlumberger (SLB), State Street (STT), Fastenal (FAST), JB Hunt (JBHT)

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

<b>MONDAY JANUARY 13, 2019</b>
US-China Trade Talks
<b>TUESDAY JANUARY 14, 2019</b>
NFIB Business Optimism Index
Consumer Price Index
Redbook
Monthly Budget Statement
US-China Phase 1 Trade Deal Signature
<b>WEDNESDAY JANUARY 15, 2020</b>
Producer Price Inflation
NY Empire State Manufacturing Index
Fed Beige Book
<b>THURSDAY JANUARY 16, 2020</b>
Retail Sales
Philadelphia Fed Manufacturing Index
Business Inventories
Initial Jobless Claims
<b>FRIDAY JANUARY 17, 2020</b>
Housing Starts
Industrial Production
Michigan Consumer Expectations

## GAUGE OF THE GRADE



**Figure 1: Manufacturing PMI likely to turn on global CB easing**



Source: J.P. Morgan Quantitative and Derivatives Strategy

The adjacent chart, courtesy JP Morgan, shows the 6-month leading impact of global central bank moves versus global manufacturing PMIs. The risks to corporate EPS growth highlighted in the section above may be somewhat offset by recent accommodative central bank action. However, as global central banks increasingly move closer to or exceed the zero bound of interest rates, monetary stimulus efficacy becomes less certain.

SECTOR RETURNS					
	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	-0.6	2.8	6.8	4.3	14.3
Communication Services	1.8	8.3	12.1	7.8	22.9
Consumer Cyclical	0.5	0.8	8.1	4.8	21.1
Consumer Defensive	0.3	2.9	4.1	6.5	23.2
Energy	-1.4	4.0	8.8	-3.8	-1.1
Financial Services	-0.1	1.8	12.4	10.3	26.9
Healthcare	1.7	4.2	17.4	11.3	20.3
Industrials	-0.2	1.0	10.5	9.2	24.7
Real Estate	0.0	4.6	0.2	3.6	23.3
Technology	2.3	5.4	17.5	17.2	48.6
Utilities	0.7	0.0	0.6	6.3	22.8



## SOWELL'S WEEK AHEAD

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