

Equities continued their run higher last week as the S&P 500 rose another 3.29%. On the domestic front, the charge was led by the Communications, Financials, and Technology sectors (each gaining over 4%). The major news out of last week's virtual economic symposium came from a speech from Jerome Powell, where the Fed chair stated that the central bank would allow inflation to keep rising (to average out periods when inflation is below the target goal of 2%) and set a goal of keeping unemployment low. These two things signal that rates should remain lower for an extended time going forward.

Even though the virtual economic symposium has come to an end, we can expect to hear multiple speeches from various Fed members throughout the week. We will also be getting the final print of the PMI readings on Tuesday of this week. Preliminary estimates earlier in the month have indicated a month-over-month increase from 50.9 to 53.6, mostly driven by a spike in factory activity.

Our tactical model remains bullish (100% long equities).

MONDAY AUGUST 31, 2020
Dallas Fed Manufacturing Index
TUESDAY SEPTEMBER 1, 2020
Markit Manufacturing PMI Final
Constuction Spending
Total Vehicle Sales
Redbook
WEDNESDAY SEPTEMBER 2, 2020
ISM New York Index
Factory Orders (JUL)
Fed Beige Book
THURSDAY SEPTEMBER 3, 2020
Initial Jobless Claims
Continuing Jobless Claims
US Job Cuts
Balance of Trade (JUL)
Non-Farm Productivity (Q2)
FRIDAY SEPTEMBER 4, 2020
Non-Farm Payrolls
Unemployment Rate
Government Payrolls
Average Hourly Earnings

GAUGE OF THE GRADE



S&P 500 average one-month returns since 1928



The month of August has been a good one so far with the S&P 500 gaining about 7.3% and the Nasdaq adding on over 9.5%. However, we move into September this week which has historically been a weak month for the stock market. The adjacent chart, courtesy BofA Global Research, shows that the S&P 500 has seen a 1% decline on average in the month of September since 1928.

SECTOR RETURNS

	5 DAYS	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
Basic Materials	3.37	4.94	16.04	22.89	18.24
Communication Services	4.8	11.57	17.19	23.35	29.24
Consumer Cyclical	3.11	11.99	26	37.33	35.92
Consumer Defensive	2.39	5.1	12.2	14.95	11.45
Energy	1.13	-1.43	-5.38	-18.29	-31
Financial Services	4.38	5.79	7.89	-3.3	-1.43
Healthcare	1.1	2.14	6.62	17.82	23.3
Industrials	3.09	10.01	16.28	8.43	8.85
Real Estate	1.91	1.79	5.63	1.03	-2.84
Technology	4.51	16.75	27.79	40.57	60.11
Utilities	-0.56	-2.31	0.53	-3.27	-1.65



SOWELL'S WEEK AHEAD

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