

Last week's reported monthly Consumer Price Index of 0.20% in September and strong retail sales received a muted response from the markets, with the S&P 500 index returning 0.2% to end the week. With the election fast approaching, the federal government failed to pass another major stimulus bill to prevent the recent economic progress from stalling. As for the China trade deficit Trump promised to fix, the reported results were actually larger than the year before Trump took office. "Politics is the ability to foretell what is going to happen tomorrow, next week, next month and next year. And to have the ability afterwards to explain why it didn't happen" – Winston Churchill. While presidential debates have rarely moved undecided voters as of late, the final presidential debate is seen as the last high-profile event for the Republican party to make up a deficit in the national polls.

Early earnings release from the financial sector was a favorable indication the economy continues to recover. This week will be filled with a broader sector of earnings further confirming if the economy will remain bullish.

Our tactical model remains in positive territory (100% long) as the broad economic measures continue to improve.

<b>MONDAY OCTOBER 19, 2020</b>	
NAHB Home Builders index	
IBM earnings	
Zions earnings	
Halliburton earnings	
<b>TUESDAY OCTOBER 20, 2020</b>	
Housing starts	
Albertsons earnings	
Lockheed Martin earnings	
Netflix earnings	
<b>WEDNESDAY OCTOBER 21, 2020</b>	
Federal Reserve Beige Book	
Abbott Labs earnings	
Crown Castle earnings	
<b>THURSDAY OCTOBER 22, 2020</b>	
Initial Jobless claims (weekly)	
Continuing Jobless claims (weekly)	
American Airlines earnings	
Southwest Airlines earnings	
AT&T earnings	
Final U.S. Presidential Debate	
<b>FRIDAY OCTOBER 23, 2020</b>	
PMI	
American Express earnings	
Goodyear earnings	

## GAUGE OF THE GRADE



### Employment–population ratio, seasonally adjusted

Click and drag within the chart to zoom in on time periods



Source: U.S. Bureau of Labor Statistics

The good news is U.S. unemployment rate has improved to a post pandemic low of 7.9%, but the caveat is the total employed as a percentage of the total population has fallen to historic lows. Combined with a declining labor participation rate now at 61%, a simple conclusion from the accompanying chart is 56% of the population today, an all-time low, is collecting a salary compared to a 20-year high of 64% in the year 2000.

### SECTOR RETURNS

	5 DAYS	1 MONTH	3 MONTHS	YTD	12 MONTHS
Basic Materials	(0.48)	0.30	8.61	5.63	13.95
Communication Services	0.68	1.77	7.08	11.08	14.50
Consumer Cyclical	0.26	3.84	17.01	32.38	39.73
Consumer Defensive	0.69	3.73	9.57	8.17	12.97
Energy	(2.02)	(9.20)	(17.82)	(48.93)	(44.52)
Financial Services	(0.92)	1.32	5.09	(12.45)	(4.60)
Healthcare	(0.33)	3.16	4.24	9.00	22.94
Industrials	0.91	3.23	13.36	(0.75)	5.01
Real Estate	(2.57)	(2.78)	4.59	(12.39)	(12.75)
Technology	0.83	7.03	14.73	34.12	50.26
Utilities	0.75	7.23	7.70	(3.13)	(1.67)



## SOWELL'S WEEK AHEAD

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