



Sowell's tactical indicators remain in steady territory as consumer demand remains strong, job openings remain at record levels with the full re-opening expected in the Fall, and the Fed's scrutiny over inflation.

GAUGE OF THE GRADE



BEARISH

NEUTRAL



BULLISH



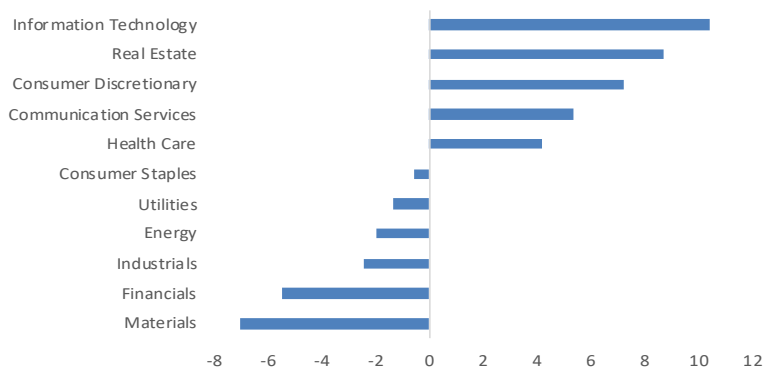
Falling Treasury yields dominated the news in the financial markets last week. The 10-Year Treasury yield closed at 1.36% on Friday. Significantly lower than at the start of the week at 1.43% and the peak at 1.77% in March, according to CNBC. For the most part, this pushed up technology companies to new records. The fall in yields has surprised most investors as the dominant consensus had been risk to the upside.

Equity markets hit record highs on Friday in part helped by Apple's run. Apple Inc has rallied 15% in the past month and is the largest weight in the S&P 500. It has pulled the overall index with it. Shares of fast-growing companies (growth companies) such as Apple have been driving the market rally since inflation expectations peaked in May, reversing what had been a multi-month rotation in value stocks. Last week saw the returns for growth stocks surpass returns from value stocks after lagging for most of the year. Energy stocks underperformed for the week on concerns that disagreements among major oil producers would probably result in some members cheating on their quotas. Economic data last week missed expectations indicating strong growth but surprising on the downside.

Important economic data, including Hourly Earnings Growth,

Source: Refinitiv

S&P 500 Sector Returns Since May 15th



the CPI index, and Retail Sales Growth, will be released this week. On Tuesday, we will gauge the inflation pressure with the Consumer Price Index being reported. CPI rose 5% in May, and June could see another high number. Earnings season also begins with major financial firms such as JPMorgan Chase, Citigroup, Goldman Sachs, and Bank of America reporting their Q2 earnings. According to Refinitiv, Q2 profits for the S&P 500 companies are expected to be up 65% from a year ago with the pandemic hit sectors such as industrial, discretionary and energy to bounce back the strongest.

MONDAY JULY 12, 2021
Simulations Plus earnings
TUESDAY JULY 13, 2021
NFIB Small Business Optimism
CPI and Core CPI index
Redbook
ConAgra, First Republic, Goldman Sachs, JP Morgan Chase, and Pepsico earnings
WEDNESDAY JULY 14, 2021
PPI and Core PPI Index
Mortgage Market Index
Gasoline Inventories
Bank of America, Blackrock, Citigroup, Delta Airlines, PNC Financial, and Wells Fargo Bank earnings
THURSDAY JULY 15, 2021
Initial jobless claims (weekly)
Continuing jobless claims
Industrial Production
Capacity Utilization Rate
Alcoa, Bank of New York, Cintas, Morgan Stanley, Progressive, TSMC, and U.S. Bancorp earnings
FRIDAY JULY 16, 2021
Retail Sales and Core Retail Sales
Business Inventories
Michigan Consumer Sentiment
Charles Schwab, Ericsson, Republic Bancorp, and State Street earnings

SECTOR RETURNS					
	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS
S&P 500 Index	1.15	3.37	6.65	16.33	37.84
Basic Materials	0.27	(4.30)	4.57	14.39	44.00
Comm Services	0.48	3.28	6.54	20.75	41.96
Consumer Cyclical	2.54	6.94	5.68	13.20	33.30
Consumer Defensive	0.73	(0.04)	2.34	4.10	18.35
Energy	(3.61)	(4.42)	9.08	39.59	45.15
Financial Services	(0.83)	(3.53)	5.40	24.42	58.43
Healthcare	1.28	5.70	10.42	13.40	26.57
Industrials	0.41	(1.06)	3.99	16.76	50.95
Real Estate	3.17	1.75	14.01	25.98	31.88
Technology	2.28	8.17	7.70	15.93	40.20
Utilities	1.02	0.16	(0.36)	2.97	12.51

The technology sector has been the best performing group since inflation expectations peaked in the middle of May. Lower interest rates result in lower discount rates used to value stocks, and when the discount rates are lower for technology stocks with high growth assumptions, they usually outperform. The largest technology companies, Apple Inc, Microsoft Corp, and Amazon.com Inc, all reached record highs last week. These companies are associated with strong organic and predictable growth, and if lower interest rates are a sign of lower future economic growth, these are the companies that will outperform. On the other hand, the financial sector, specifically banks, have lagged as interest rates have fallen. Banks make more money when interest rates are higher by taking advantage of the difference between the interest banks pay customers and the interest the bank can earn by investing.

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