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GAUGE OF THE GRADE

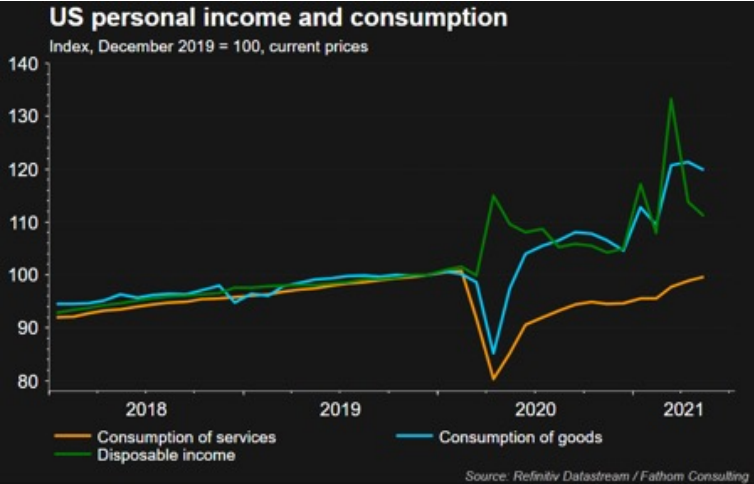


Last week's market decline viewed as a flight-to-safety was indicative of concerns for a slowdown in the re-opening of the economy. The Fed's challenge in this transitory period will be stimulating the economy with measured inflation. Sowell's tactical indicators remain in steady territory with a close watch on the re-opening for the rest of the year. According to CNBC, equities slipped last week, with the technology-heavy Nasdaq falling 1.9%, more than the S&P 500's drop of 1%. Financials and energy companies lagged the broader market, and large-cap outperformed small-cap. The falling Treasury yield continues to get most of the attention despite the indication of higher inflation. The 10-year Treasury yield closed at 1.3% on Friday, after starting the week at 1.36%, according to wsj.com. The dramatic drop in yields since March has caught many by surprise. Last week, Federal Reserve Chairman Jerome Powell reassured markets that the central bank sees the rise in prices as transitory. Investors buying into the thesis of temporary inflation combined with possible economic slowdown sooner than expected could be one explanation for falling yields.

Earnings season picks up this week with a diverse set of companies reporting. Airlines, railroads, drug companies, and technology are among the many industries reporting this week, with United Airlines, Coca-Cola, Johnson & Johnson, and Netflix reporting. Forward-looking guidance from companies will be important as they battle inflation, a tight labor market, and the

resurgence of COVID-19. On the economic front, it is a quieter week with housing starts and existing home sales among the highlights. The price of lumber has dropped 60% from its recent highs, and mortgage rates remain low. The housing market looks to be cooling as existing home sales dropped 0.9% in April. The European Central Bank (ECB) meets on interest rates on Thursday. Investors will be looking to see if there will be any indications of tapering in its asset purchases and fiscal stimulus measures.

MONDAY JULY 19, 2021
NAHB Housing Index
AutoNation, Crown, IBM, J.B. Hunt, Prologis, and Zions Banc earnings
TUESDAY JULY 20, 2021
Housing Starts
Redbook
API Weekly Crude Oil Stock
Ally Financial, Chipotle, HCA, Interactive Brokers, Netflix, Philip Morris, Synchrony, Teradyne, Travelers, UBS, and United Airlines earnings
WEDNESDAY JULY 21, 2021
Gasoline Inventories
Mortgage Refinance Index
Crude Oil Imports
Anthem, ASML, Coca-Cola, CSX, Johnson & Johnson, Kinder Morgan, Las Vegas Sands, Northern Trust, Novartis, SAP, Seagate, Texas Instrument, Verizon, and Whirlpool
THURSDAY JULY 22, 2021
Initial jobless claims (weekly)
Continuing jobless claims
U.S. Leading Index
Existing Home Sales
Abbott Laboratories, Alaska Air, AT&T, Biogen, Blackstone, Capital One, Citrix, Domino's Pizza, Intel, Robert-Half, Snap, Southwest Airlines, Twitter, and Union Pacific earnings
FRIDAY JULY 23, 2021
Services PMI
Manufacturing PMI
American Express, Honeywell, Kimberly-Clark, and Roper earnings



Households in the US have accumulated excess savings in the amount equivalent to 12% of US GDP, according to CNN Business. The two main drivers of this excess savings have been the pandemic keeping people indoors and the unprecedented government support. Survey evidence from both Bank of England and Federal Reserve expects around 25% of excess savings to be spent in the next 12 months. Services industry which got hit the hardest in 2020, could see the bulk of this excess spending. This excess spending could result in further gains in inflation and cause it to be more sticky than transitory.

SECTOR RETURNS					
	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS
S&P 500 Index	(0.96)	2.54	3.73	16.06	36.51
Basic Materials	(2.30)	(3.81)	(2.04)	13.38	36.29
Comm Services	(1.60)	1.83	3.48	17.77	42.85
Consumer Cyclical	(3.06)	2.16	(2.39)	9.36	42.69
Consumer Defensive	0.88	2.62	2.22	7.14	20.92
Energy	(7.89)	(11.95)	1.85	29.87	34.21
Financial Services	(1.01)	(1.07)	2.43	20.77	47.66
Healthcare	(0.64)	3.14	4.87	11.45	23.16
Industrials	(1.89)	(0.70)	(0.10)	14.11	42.73
Real Estate	0.19	2.08	9.11	21.78	34.37
Technology	(1.60)	5.01	3.50	13.52	42.15
Utilities	2.27	1.60	(1.51)	5.25	12.53

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