SOWELL'S WEEK AHEAD

JUL 26-30, 2021

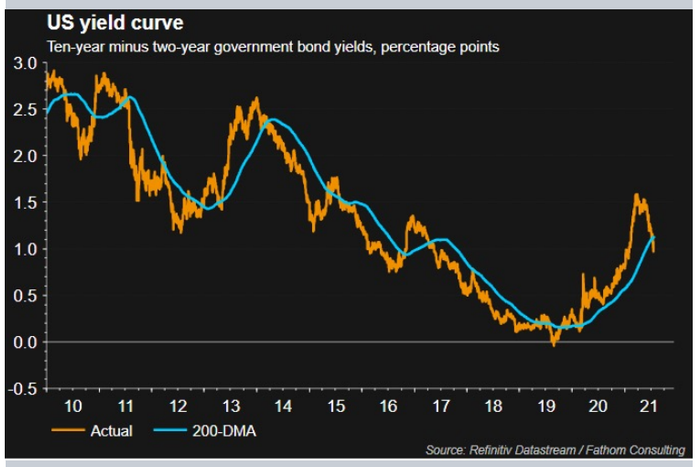
Last week's initial market reaction was indicative of uncertainty in the economic recovery. Growth stocks gaining 3.33% during the week while value stocks returned 0.97%, a differential that occurs most often during economic downturns, further exhibited this. Sowell's tactical indicators and sentiment continue to point towards solid economic growth in business spending for the rest of the year.

GAUGE OF THE GRADE

BEARISH — NEUTRAL — BULLISH

After shaking off last Monday's sell-off in equity markets, stocks closed at all-time highs by Friday. The Dow, S&P 500, and the Nasdaq composite all closed at record highs. The Dow crossed the 35,000 milestone for the first time on Friday. Monday's sell-off caused by fears of the delta variant of Covid-19 sent the yield on the 10-year Treasury to as low as 1.12%. As stocks rebounded the rest of the week, so did the yield, closing at 1.28% on Friday. Communication services and technology stocks outperformed the cyclical industrials, energy, and materials.

This week is one of the biggest market weeks of the summer as numerous companies are reporting their earnings, including the technology heavyweights Apple, Amazon, Microsoft, Facebook, and Alphabet. Tesla is reporting earnings after the market close on Monday, and it would be interesting to see how the car recalls last quarter may affect its earnings. Competition in cloud computing between Amazon's AWS, Google Cloud, and Microsoft's Azure is getting more intense as it makes up a major source of revenue growth for all three companies. The Federal Reserve meets on Tuesday and Wednesday and announces interest rate and monetary policy decisions on Thursday. No change will be made to interest rates, but investors will be paying close attention to clues on the timing of the wind-down of its bond program. The second-quarter gross domestic product will be released on Thursday. It is expected to be the peak period for economic growth, with CNBC/Moody's Analytics survey showing an expectation of 9.7%.



The flattening of the US yield curve probably is an indication that investors are more worried about the outlook for growth than high inflation. In June, the Federal Reserve pulled forward their projections for the first interest rate to as early as 2023. This caused the shorter-term yields to rise and long-term yields to fall, thus flattening the yield curve. The spread of the more transmissible variant of Covid-19 has lowered expectation of global economic growth sending investors into the safety of US treasuries. The 10-year US Treasury yield was above 1.7% earlier in March before plunging below 1.3% as of last week.

Source: Refinitiv Datastream / Fathom Consulting

MONDAY **JULY 26, 2021**
Dallas Fed Mfg Business Index
New Home Sales
Ameriprise, Bank of Hawaii, Cadence, Check Point Software, Crane, Hasbro, Lockheed Martin, Otis, and Tesla earnings
TUESDAY JULY 27, 2021
Durable Goods Orders
House Price Index
Conference Board Consumer Confidence
3M, Alphabet, AMD, Apple, Boston Scientific, JetBlue, Microsoft, MSCI, Paccar, Pulte, Starbucks, Stryker, UPS, and Visa earnings
WEDNESDAY JULY 28, 2021
Wholesale Inventories
Gasoline Inventories and Production
FOMC Statement
IPO Calendar: Robinhood Markets
ADP, Facebook, Ford, GlaxoSmithKline, LAM Research, McDonalds, PayPal, Pfizer, Qualcomm, Shopify, Spotify, and Thermo Fisher earnings
THURSDAY JULY 29, 2021
Initial jobless claims (weekly)
Continuing jobless claims
GDP
Real Consumer Spending
Altria, Amazon, American Tower, AstraZeneca, Citrix, Comcast, Hershey, KLA, MasterCard, Merck, Northrop Gruman, PG&E, Pinterest, Twilio, and Valero earnings
FRIDAY JULY 30, 2021
Personal Spending and Consumption
Employment Wages
UMich Consumer Sentiment
Aon, Caterpillar, Charter Communications, Chevron, Exxon, Proctor & Gamble, and Weyerhaeuser earnings

SECTOR RETURNS					
	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS
S&P 500 Index	1.97	4.1	5.89	18.34	38.32
Basic Materials	1.43	(0.15)	(0.92)	15.00	35.82
Comm Services	3.71	3.81	7.65	22.14	49.69
Consumer Cyclical	3.12	3.04	1.48	12.77	46.03
Consumer Defensive	0.66	3.66	3.39	7.85	19.91
Energy	(0.15)	(10.65)	3.41	29.68	32.29
Financial Services	0.82	1.30	3.02	21.75	47.02
Healthcare	2.37	4.64	5.59	14.08	24.24
Industrials	1.72	1.71	1.10	16.07	43.25
Real Estate	0.53	2.88	7.70	22.43	33.12
Technology	3.31	6.24	7.49	17.28	46.49
Utilities	(0.85)	3.41	(1.43)	4.35	8.27

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