



With U.S. markets focused on the economic recovery and rising inflation, global markets were rocked by China's social crackdown, now reaching its capital markets. Several of China's regulatory agencies cracked down on overseas IPOs, concern for the market dominance of the big-tech industry and challenging for-profit online education platforms resulting in China's stock market falling more than 10% early in the week. With a strong domestic business investment report, surging recovery, and China's actions fueling global uncertainty, Sowell's tactical indicators remain in positive territory.

GAUGE OF THE GRADE

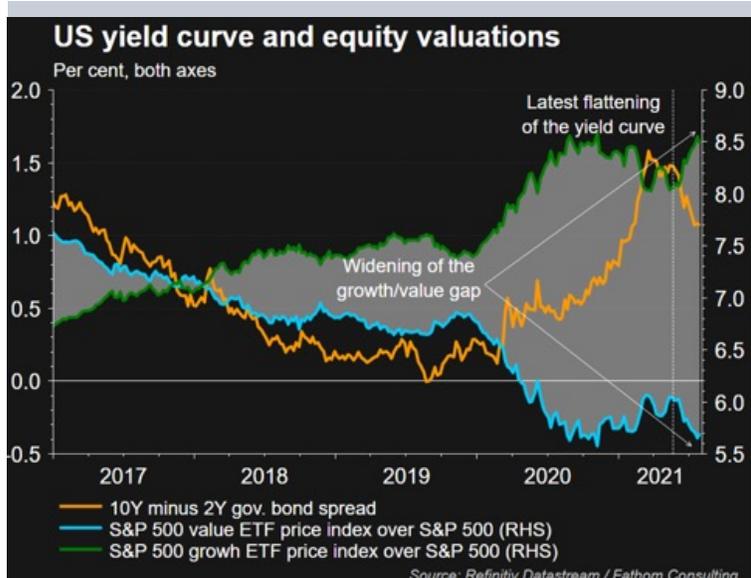


Equities ended last week lower than they started, with growth stocks underperforming value. Materials and energy companies performed best while technology shares lagged. A decline in Amazon.com shares weighed on the consumer discretionary sector when the online retailer missed consensus revenue expectations. The delta variant of the coronavirus continues to be a concern among investors pressuring yields lower. The 10-year Treasury yield ended last week at 1.23%, lower than it started the week at 1.26%, according to CNBC. The US economy grew at an annualized rate of 6.5% in the second quarter, much lower than the consensus estimate of 8.5%.

Earnings season continues this week. Companies reporting earnings include consumer staples, insurance, pharmaceuticals, travel, e-commerce, and media. Investors will be paying attention to any remarks on rising costs, supply chain disruptions, and continued reopening. The potential highlight of the week will be the July jobs report on Friday. A strong job's number could encourage the Federal Reserve to tighten policy while a weaker number could delay it. Last Wednesday, Fed Chairman Jerome Powell indicated that a strong jobs report might lead to winding down the bond-

buying program. We will also gauge manufacturing, and industrial production as the ISM Manufacturing and Purchasing Managers surveys are released on Monday.

MONDAY AUGUST 2, 2021	
ISM Manufacturing PMI	
Construction Spending	
American Water Works, Columbia Sportswear, Global Payments, HSBC, Simon Property, and Williams Companies earnings	
TUESDAY AUGUST 3, 2021	
Factory Orders	
Redbook	
Durable Goods	
Activision Blizzard, Alibaba, Amgen, BP, Clorox, Eli Lilly, Lyft, Marriott, Occidental, Phillips 66, Public Storage, Wynn, and Zebra Technologies earnings	
WEDNESDAY AUGUST 4, 2021	
Gasoline Inventories & Production	
Mortgage Refinance Index	
ADP Nonfarm Employment Change	
IPO Calendar: Robinhood Markets	
Bookings, CVS, General Motors, Kraft, McKesson, MGM Resorts, Roku, Royal Caribbean, Trane, and Uber earnings	
THURSDAY AUGUST 5, 2021	
Initial jobless claims (weekly)	
Continuing jobless claims	
Trade Balance	
U.S. Challenger Job Cuts	
AIG, Cigna, Dropbox, Duke, Expedia, Kellogg, Moderna, Motorola, Plug Power, PPL, Square, Toyota, Wayfair, and Zillow earnings	
FRIDAY AUGUST 6, 2021	
Unemployment Rate	
Wholesale Inventories	
Consumer Credit	
Dominion Energy, DraftKings, Liberty Media, Norwegian Cruise Line, and Ventas earnings	



Bond market investors seem to believe that the high inflation we are experiencing is transitory, as the Federal Reserve has been stating. The yield curve has flattened over the past two months, indicating that concern about future economic growth is higher than inflation. The equity markets also seem to agree with the bond market. Growth stocks have outperformed value stocks since the start of the flattening of the yield curve. The falling 10-Year Treasury yield has lowered the discount rates used to discount the loftier cash flows of growth companies. Also, growth companies, in general, have better access to capital, and thus, they tend to perform well when the yield curve flattens.

Source: Refinitiv Datastream / Fathom Consulting

SECTOR RETURNS						
	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS	
S&P 500 Index	-0.35	2.37	5.47	17.92	37.35	
Basic Materials	2.99	2.27	2.29	18.44	42.07	
Comm Services	(1.45)	1.06	4.30	20.37	44.05	
Consumer Cyclical	(1.40)	0.29	(0.32)	11.18	42.49	
Consumer Defensive	0.14	2.35	3.64	8.00	19.34	
Energy	1.37	(8.42)	1.04	31.45	40.50	
Financial Services	(0.17)	(0.01)	1.15	21.55	48.03	
Healthcare	0.30	3.66	7.60	14.43	25.64	
Industrials	0.15	0.79	1.12	16.25	45.02	
Real Estate	0.38	4.26	6.93	22.89	28.62	
Technology	(0.36)	3.40	9.71	16.86	40.64	
Utilities	0.27	3.82	(1.26)	4.63	8.58	

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