



With value stocks taking the pole position last week, Sowell's tactical view pointed to a flight to safety as Basic Materials, Consumer Staples, and Utilities sectors led the markets. Sowell's positive tactical indicators remain unchanged as confidence in the economic recovery remains optimistic but with caution towards inflation and ongoing global supply chain bottlenecks ahead of the upcoming holiday season.

GAUGE OF THE GRADE

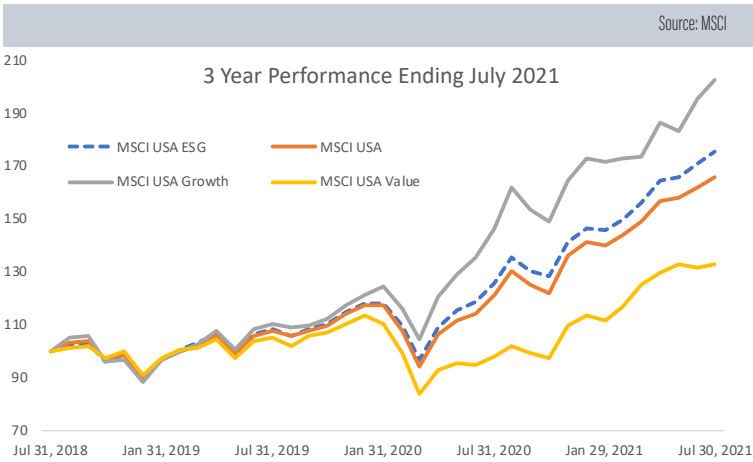


Cyclical stocks outperformed last week with the S&P 500 hitting new highs. The move higher by cyclicals followed a jump in bond yields initiated from the strong jobs, inflation data and several Federal Reserve officials messaging their readiness to tighten monetary policy. Technology stocks lagged as interest rates moved higher. The 10-Year Treasury yield increased to 1.36% on Thursday before falling to below 1.30% on Friday according to CNBC. A gloomier outlook reported by the University of Michigan index of consumer confidence released last Friday caused yields to fall. The spread of the delta variant of Covid has dampened the confidence of the consumer to the lowest level since 2011 according to Bloomberg.com.

Federal Reserve's minutes from their last meeting will be released on Wednesday and investors will look closely to see new clues on the central bank's timing to end its bond buying program. On

Tuesday, the July's monthly retail sales will be reported. We will see how the delta variant has affected the consumer. Earnings season continues this week with major retailers such as Home Depot, Walmart, and Target reporting. Attention will be paid to how these retailers are navigating rising prices, the job market, and the effect of the delta variant on sales. Notable semiconductors are also reporting their earnings such as Nvidia and Applied Materials, which we will get some insight into their supply chain issues.

MONDAY AUGUST 16, 2021
NY Empire State Manufacturing Index
BHP Group, Roblox, and Tencent Music earnings
TUESDAY AUGUST 17, 2021
Retail Sales
Industrial Production
Business Inventories
Agilent, Cree, Home Depot, Krispy Kreme, and Walmart earnings
WEDNESDAY AUGUST 18, 2021
Housing Starts
Gasoline Inventories
Mortgage Market Index
Bath & Body, Brinker, Cisco, Embraer, Lowe's, NVIDIA, Robinhood, Target, TJX, and Victorias Secret earnings
THURSDAY AUGUST 19, 2021
Initial jobless claims (weekly)
Continuing jobless claims
U.S. Leading Index
Philly Fed Mfg Index
Applied Materials, BJ's Wholesale, Estee Lauder, Kohl's, Macy's, Petco, and Ross earnings
FRIDAY AUGUST 20, 2021
Deere, Foot Locker, and Ubiquiti earnings



Equity markets have had a fifth quarter of positive returns. Value stocks which are the more cyclicals have outperformed growth shares in the first two quarters of this year. Value's outperformance started last November when Pfizer announced the efficacy of their Covid vaccine. This rotation from growth to value has resulted in higher value exposure in momentum indexes. Now, over the most recent quarter, investors have been favoring higher profitability, low earnings variability and higher ESG rated companies as the markets keep going higher. Companies with higher ESG ratings have characteristics that make them more profitable and less risky. It is shown that higher ESG rated companies have stronger cash flows, more stable long-term earnings, and higher earnings growth. They also have less systematic and idiosyncratic risks. Despite's values recent outperformance, over the longer time period, growth has performed better, followed by ESG weighted index.

SECTOR RETURNS					
	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS
S&P 500 Index	0.75	2.37	9	19.94	34.33
Basic Materials	2.81	4.99	(0.05)	21.44	40.55
Comm Services	(0.05)	0.77	9.53	20.68	40.36
Consumer Cyclical	0.58	0.41	7.38	12.45	36.30
Consumer Defensive	1.84	3.26	3.91	9.32	17.63
Energy	(0.77)	(6.33)	(4.07)	30.82	33.23
Financial Services	0.88	3.11	3.80	25.85	47.29
Healthcare	(0.03)	2.94	9.10	15.11	2.83
Industrials	1.18	2.26	1.66	17.80	37.00
Real Estate	(0.12)	2.18	11.00	23.30	30.00
Technology	0.18	2.76	18.08	18.60	38.79
Utilities	1.41	5.94	4.25	8.38	12.50

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