



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.

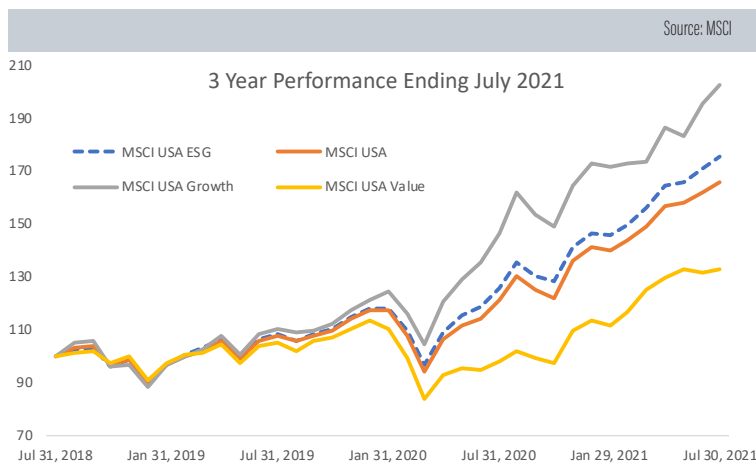
GAUGE OF THE GRADE



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.



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 value's recent outperformance, over the longer time period, growth has performed better, followed by ESG weighted index.

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	

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

Advisory services offered through Sowell Management, a Registered Investment Advisor. The views expressed represent the opinion of Sowell Management. The views are subject to change and are not intended as a forecast or guarantee of future results. This material is for informational purposes only. It does not constitute investment advice and is not intended as an endorsement of any specific investment. Stated information is derived from proprietary and non-proprietary sources that have not been independently verified for accuracy or completeness. While Sowell Management believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and Sowell Management's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions that may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements. Investing in securities involves risks, including the potential loss of principal. While equities may offer the potential for greater long-term growth than most debt securities, they generally have higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Past performance is not indicative of future results.