SOWELL'S WEEK AHEAD

SEP 13-17, 2021

Sowell's tactical indicators remain in steady territory during a temporary market pause. The economy and business activity remain in expansionary mode, albeit normalized from the post-pandemic surge with an ongoing focus on supply, labor participation, and inflation.

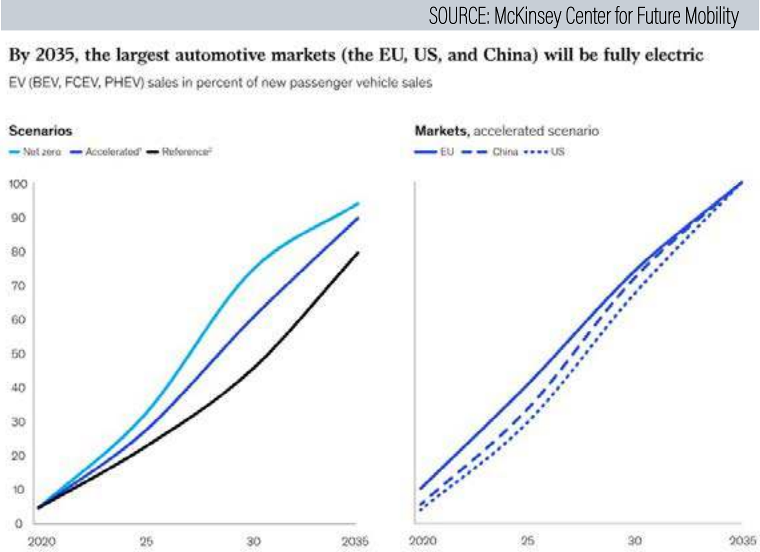
GAUGE OF THE GRADE

BEARISH NEUTRAL BULLISH

Stocks struggled in a shortened trading week on fears of slowing economic growth and higher inflation. The utilities and staples sectors, the more defensive segment of the economy, were the best performers for the week. Growth shares outperformed value, and large outperformed small as investors rotated into quality. The US 10-year Treasury yield ended the week at 1.33%, according to cnbc.com, a little lower than the start of the week.

Some investors fear a slowing economy, while others fear higher inflation. And some fear that both will happen, which is called stagflation. We might get an indication of which is the case this week with the August sales report and the Consumer Price Index (CPI) data. These reports are coming out just a week before the Federal Reserve's September meeting. An elevated CPI data could bring about a reduction in Federal Reserve's bond purchases sooner. Retail sales have been increasing but at a much lower rate. The CPI data is expected on Tuesday and retail sales on Thursday. A note on stagflation, characteristics of true stagflation include rising unemployment which is not something that we are currently seeing as the unemployment rate is still coming down. Another notable event will be the Consumer Sentiment report released on Friday, as we will gauge how the resurgence in COVID-19 cases has affected sentiment.

SOURCE: McKinsey Center for Future Mobility



The adoption of electric vehicles (EVs) is only accelerating. The shift towards sustainable transportation such as EVs results from three forces: regulation, consumer behavior, and technology. Both the US and the EU governments have introduced regulations and incentives to accelerate the adoption of sustainable transportation. The Biden administration introduced its target goal of 50% EV sales by 2030. In Europe, the EU launched the "Fit for 55" program, which seeks to reduce greenhouse emissions by 55% by 2030; a large component in achieving this is the adoption of EVs. The second force being consumer behavior, is also accelerating the adoption of EVs. The awareness of the devastating impact of climate change if no action is taken is transforming consumer behavior towards more sustainable transportation. The millennials, the largest living demographic, are more environmentally conscious than any other group and are the leaders in adopting EVs. The third force, technology innovation, is making sustainable transportation more affordable. Because of these three forces, McKinsey & Company, an American consulting firm, estimates that the three largest automotive markets, the EU, the US, and China, will be selling only fully electric vehicles by 2035. The accelerated scenario below is the most likely scenario under which consumer adoption will exceed regulatory targets according to McKinsey and thus achieve the 2035 prediction.

MONDAY **SEPTEMBER 13, 2021**
Federal Budget Balance
Oracle earnings
TUESDAY **SEPTEMBER 14, 2021**
CPI and Core CPI Index
NFIB Small Business Optimism
Real Earnings
Core & Main earnings
WEDNESDAY **SEPTEMBER 15, 2021**
Industrial Production
Mortgage Refinance Index
Mfg Production
THURSDAY **SEPTEMBER 16, 2021**
Initial jobless claims (weekly)
Continuing jobless claims
Retail Sales
Business Inventories
FRIDAY **SEPTEMBER 17, 2021**
UMich Inflation Expectations
UMich Consumer Sentiment

SECTOR RETURNS	1 WEEK	1 MONTH	3 MONTHS	YTD	12 MONTHS
S&P 500 Index	(1.57)	0.64	5.52	19.83	35.39
Basic Materials	(1.60)	(2.39)	(3.13)	16.91	33.38
Comm Services	(1.30)	1.95	5.62	22.83	43.11
Consumer Cyclical	(0.52)	0.46	5.39	12.92	34.54
Consumer Defensive	(1.29)	(0.67)	1.72	7.75	15.66
Energy	(1.80)	(4.02)	(13.34)	27.00	51.73
Financial Services	(1.24)	(2.10)	0.52	22.93	46.98
Healthcare	(2.72)	0.44	5.46	15.29	29.08
Industrials	(2.53)	(2.45)	(1.43)	14.22	34.95
Real Estate	(3.91)	1.15	1.02	22.99	30.64
Technology	(2.22)	2.67	12.07	20.37	41.84
Utilities	(1.69)	0.57	3.00	7.51	16.91

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