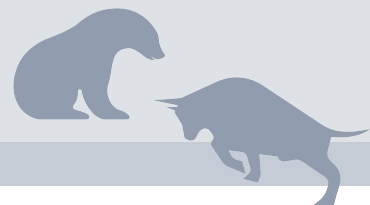




Last week's markets were served with political headline news as "politicians play hand grenade with the nation's solvency," said New York Times columnist David Brooks. Sowell's tactical indicators subsided favorably by the end of the week, with a short-term extension of the debt ceiling and the unemployment rate improving to 4.8%, albeit the labor participation rate was nonetheless below the pre-pandemic in February 2020.



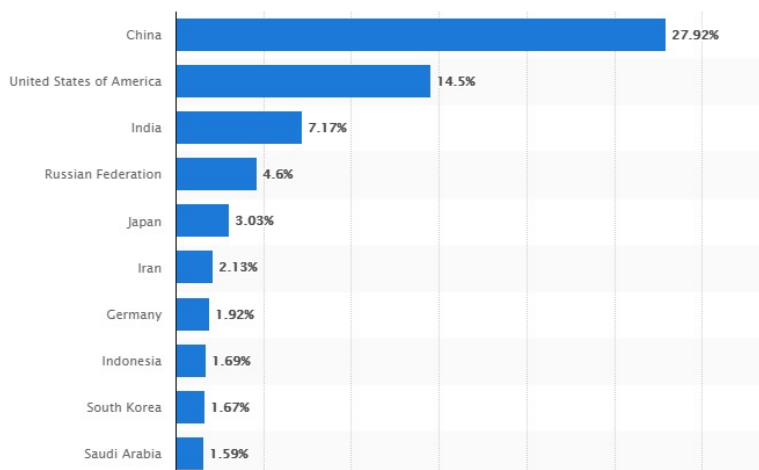
## SOWELL TACTICAL MODEL

The equity market ended the week slightly higher. Worries over the debt ceiling receded some as Senate Republicans and Democrats agreed to a deal on a short-term spending bill for the Federal government to keep paying its bills through early December. The agreement helped the equity markets recover from an earlier loss in the week. Crude prices crossed the \$80 per barrel last week, the highest level since 2014. The energy demand rebound from the depths of COVID-19 combined with global transport bottlenecks complicating fuel distributions has raised prices for oil, gas, and coal. The rebound helped energy stocks rally for the week while airline shares lagged due to higher fuel costs. Higher oil prices will provide additional upward pressure on inflation, which has investors worried, and yields pushed higher. The yield on the benchmark 10-year U.S. Treasury note rose during the week to end above 1.6%. Friday's disappointing jobs report for September came in much lower than expected. U.S. employers only added 194,000 jobs in the month, when the expectations were for 500,000 new jobs. Persistent labor shortage and COVID variants are making it difficult for employers ability to hire.

Earnings season ramps up this week with some of the biggest banks such as JPMorgan Chase, Wells Fargo, and Bank of America

reporting. Low interest rates continue to impact banks' net interest margins, but as rates rise, they should improve. This week, Delta Air Lines also reports its earnings, and we will see how they have navigated through the COVID variants. This week we will also get some data on job openings, business optimism, and retail sales. On Tuesday, the U.S. Department of Labor released its Job Openings and Labor Turnover Survey (JOLTS) report. The report measures job vacancies, and given that the nonfarm payrolls report for September came in below estimates, it is expected to see a high number of job openings.

### Largest Global Emitters of Carbon Dioxide 2019



SOURCE: statista.com (<https://www.statista.com/statistics/271748/the-largest-emitters-of-co2-in-the-world/>)

The 2021 United Nations Climate Change Conference is scheduled to be held at the end of this month in Glasgow, Scotland. Named COP26 (Conference of the Parties, 26th UN Climate Change Conference), the summit will bring world leaders together to accelerate action towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change. It is the last chance for world leaders to commit to act on climate before the 2030 deadline of halving global emissions to keep the vital 1.5-degree temperature goal within reach. Great attention will be paid to China and its commitments at the conference. China is the world's biggest polluter and has investments in coal stations all over the world. In the current energy crisis, China has ramped up its coal production and use in generating electricity to meet energy demand. This has highlighted the difficulty in cutting the global economy's dependency on fossil fuels. Observers will watch how quickly China and other major fossil fuel producers are willing to reduce their reliance on them.

| MONDAY OCTOBER 11, 2021   |  |
|---|--|
| Conference Board Employment Trends  |  |
| China Trade Balance   |  |
| TUESDAY OCTOBER 12, 2021  |  |
| NFIB Small Business Optimism  |  |
| Redbook   |  |
| Job Openings  |  |
| Fastenal, and Pinnacle Financial earnings   |  |
| WEDNESDAY OCTOBER 13, 2021  |  |
| Mortgage Refinance Index  |  |
| CPI and Core CPI  |  |
| Real Earnings   |  |
| BlackRock, First Republic Bank, Delta, Goldman Sachs, JP Morgan, and Progressive earnings                               |  |
| THURSDAY OCTOBER 14, 2021   |  |
| Initial jobless claims (weekly)   |  |
| Continuing jobless claims   |  |
| PPI and Core PPI  |  |
| Alcoa, Bank of America, Citicorp, Domino's Pizza, Morgan Stanley, United-Health, U.S. Bancorp, and Wells Fargo earnings |  |
| FRIDAY OCTOBER 15, 2021   |  |
| Retail Sales  |  |
| Business Inventories  |  |
| UMich Consumer Sentiment  |  |
| CIT, First Citizens, JB Hunt, PNC Financial, Prologis, and Truist Financial earnings                                    |  |
| SECTOR RETURNS  |  |

|                    | 1 WEEK | 1 MONTH | 3 MONTHS | YTD   | 12 MONTHS |
|--------------------|--------|---------|----------|-------|-----------|
| S&P 500 Index      | 0.83   | (2.60)  | 1.96     | 18.14 | 29.15     |
| Basic Materials    | 0.80   | (2.63)  | (0.24)   | 13.70 | 26.08     |
| Comm Services      | (0.32) | (4.36)  | 0.22     | 18.70 | 36.22     |
| Consumer Cyclical  | 0.54   | (1.23)  | 0.48     | 12.04 | 26.57     |
| Consumer Defensive | 1.22   | (3.34)  | (0.34)   | 5.18  | 10.02     |
| Energy             | 5.05   | 19.88   | 10.24    | 52.30 | 84.74     |
| Financial Services | 1.78   | 2.68    | 6.75     | 26.99 | 46.99     |
| Healthcare         | (0.54) | (6.52)  | (1.58)   | 9.90  | 17.13     |
| Industrials        | 1.53   | (1.49)  | (0.60)   | 13.72 | 27.19     |
| Real Estate        | (0.42) | (6.52)  | (0.58)   | 18.91 | 21.72     |
| Technology         | 0.34   | (4.30)  | 2.35     | 16.87 | 30.51     |
| Utilities          | 1.64   | (6.37)  | 0.18     | 2.80  | 2.76      |

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