



Though U.S. GDP decreased at an annual rate of 1.4% in 1Q 2022 due to a negative trade deficit, key underlying economic fundamentals, including consumer spending and business investment, continued to report strong expansionary results. Equity markets declined by -3.3% for the week due to inflation fears and Amazon, Boeing, and Google's negative earnings surprise. Sowell's tactical signal cautiously maintains a neutral rating ahead of the Fed's upcoming interest rate decision and interest rate outlook.

GAUGE OF THE GRADE



BEARISH

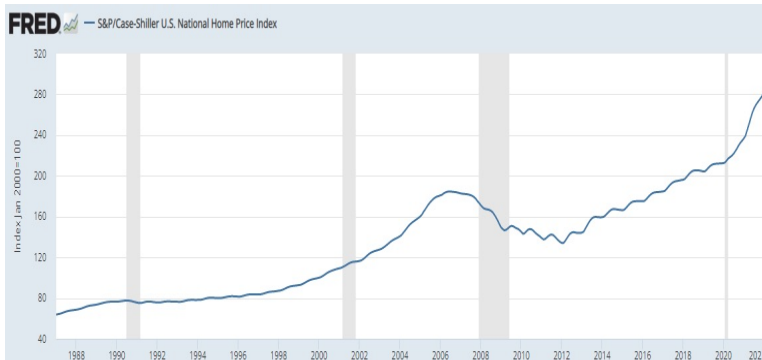
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BULLISH



The equity market struggled again last week as the S&P 500 saw its fourth consecutive weekly loss. The Nasdaq underperformed, ending the month lower by more than 10%. It was the worst month for technology shares since 2008. Disappointing earnings reports from tech giants such as Amazon and the prospect of a more aggressive tightening by the Fed pushed equities lower. The energy sector outperformed on the back of higher oil prices. The WTI crude rose for the week as tensions rose between Russia and the European Union over energy. The Commerce Department reported that the U.S. economy contracted by 1.4% in the first quarter, way below expectations. A record trade deficit was mainly to blame as consumer spending remained strong. Other economic data such as capital goods orders and personal spending showed continued expansion. The 10-year U.S. Treasury yield ended the week unchanged at 2.94%, but there was underlying volatility as the yield reached the low of 2.72% earlier in the week before rising.

The Fed will convene at its upcoming FOMC meeting on Tuesday and Wednesday, and it is widely expected to raise the Federal Funds Rate by 50 basis points on Wednesday. The Fed is also expected to begin winding down its balance sheet this month. Several key economic data on the labor market's strength will also be released with the JOLTS report on Tuesday, ADP National Employment Report on Wednesday and the Labor Department's nonfarm payrolls report on Friday. Hiring in April is expected to remain strong despite preliminary data showing that the U.S. GDP contracted by 1.4% in the year's first quarter. Earnings season continues with many notable companies reporting, such as Pfizer, AMD, Starbucks, and Uber.



The U.S. housing market continues to run hot as single-family home prices and price appreciation have reached new records. According to the S&P Case-Shiller national home price index, home prices increased by almost 20% in February from a year ago. The supply of existing homes for sale is the tightest in several decades, and housing affordability is at its lowest point since the financial crisis. Rising mortgage rates have historically ended home price appreciation, but it might be different this time. The limited supply of homes for sale, significant home equity, and healthy household finances indicate that we will not see the housing market correction during the financial crisis. Homeowners today are in better shape financially than in previous housing cycles, as they have less debt, more home equity, and manageable mortgage payment. The supply of homes should remain low as mortgage rates rise and homeowners have more incentive to stay locked into their lower rates. For this reason, home price growth might slow but will remain positive soon.

SOURCE: <https://fred.stlouisfed.org/series/CSUSHPINSA>

MONDAY MAY 2, 2022	
Manufacturing PMI	
Construction Spending	
Euro Zone Consumer Confidence	
Affiliated Managers Group, Arista Networks, Avis Budget, CNA Financial, Enterprise Products, Expedia, FMC, Freshpet, Global Payments, Loews, MGM Resorts, Moody's, and Williams Co earnings	
TUESDAY MAY 3, 2022	
JOLTs Job Openings	
Factory Orders	
Redbook	
AMD, Airbnb, Akamai, Alteryx, AIG, BP, Biogen, Broadridge, CenterPoint Energy, Cummins, Edison, Estee Lauder, Extra Space Storage, Gartner, Hilton, KKR, Lattice Semiconductor, Lear, Martin Marietta, Match, Paramount Global, Pfizer, Public Storage, Restaurant Brands, Rockwell Automation, Starbucks, Thomson Reuters, and Zebra Technologies earnings	
WEDNESDAY MAY 4, 2022	
FOMC Interest Rate Decision	
Trade Balance	
Total Vehicle Sales	
Albemarle, Allstate, Bookings, CDW, CVS, Ebay, Etsy, Exelon, Johnson Controls, Marriott, MetLife, Moderna, Regeneron, Twilio, Uber, and Yum Brands earnings	
THURSDAY MAY 5, 2022	
Initial jobless claims (weekly)	
Continuing jobless claims	
Nonfarm Productivity	
Challenger Job Cuts	
AMC, Block, Citrix, ConocoPhillips, DISH Network, Doordash, Dropbox, Hubspot, Live Nation, Lucid, McKesson, Motorola Solutions, PPL, Sempra, Shopify, Wayfair, and Zillow earnings	
FRIDAY MAY 6, 2022	
Unemployment Rate	
Participation Rate	
Consumer Credit	
IPO - Bausch & Lomb	
Cigna, Draftkings, Flour, Liberty Media, and Vistra earnings	

SELECT INDICES						
	YTD Daily	1 Wk Daily	1 Mo Daily	3 Mo Daily	1 Yr Daily	3 Yr Annualized Daily
S&P 500 Index	(9.99)	(2.74)	(5.22)	(2.51)	4.76	15.61
S&P 500 Growth Index	(17.14)	(3.62)	(8.84)	(6.04)	1.16	17.66
S&P 500 Value Index	(2.01)	(1.89)	(1.52)	1.09	7.97	12.23
Bloomberg US Agg Bond	(9.49)	(1.04)	(3.36)	(7.86)	(8.71)	0.56
Bloomberg Long Term US Treasury	(18.21)	(0.66)	(6.41)	(15.33)	(12.84)	1.19
Basic Materials	(5.68)	(1.05)	(4.45)	2.59	5.68	17.22
Communication Services	(26.08)	(4.21)	(15.82)	(20.50)	(25.62)	7.50
Consumer Cyclical	(21.22)	(6.58)	(11.82)	(12.69)	(12.92)	14.84
Consumer Defensive	0.97	(2.22)	2.31	3.32	13.22	14.80
Energy	36.17	(1.29)	(1.66)	15.91	60.31	10.16
Financial Services	(12.09)	(3.57)	(9.36)	(12.13)	(7.32)	8.98
Healthcare	(9.57)	(2.94)	(5.77)	(1.96)	2.45	14.30
Industrials	(11.16)	(3.22)	(7.63)	(5.35)	(6.34)	8.86
Real Estate	(10.02)	(5.15)	(4.04)	(2.10)	7.36	9.17
Technology	(21.07)	(1.79)	(12.63)	(13.40)	(0.64)	21.78
Utilities	0.08	(4.09)	(4.21)	3.47	9.81	9.31

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