



[TACTICAL] Hawkish comments by the Fed to raise rates to combat inflation, retailers reporting worse than expected earnings and uncertain forward guidance sent equity markets in a tailspin. Although economic underpinnings led by industrial production beat consensus, the market's negative momentum pushed Sowell's tactical signals from neutral into negative territory. The TAP Series were rebalanced to cash equivalents on March 18th and will likely remain until market volatility, and uncertainty declines.

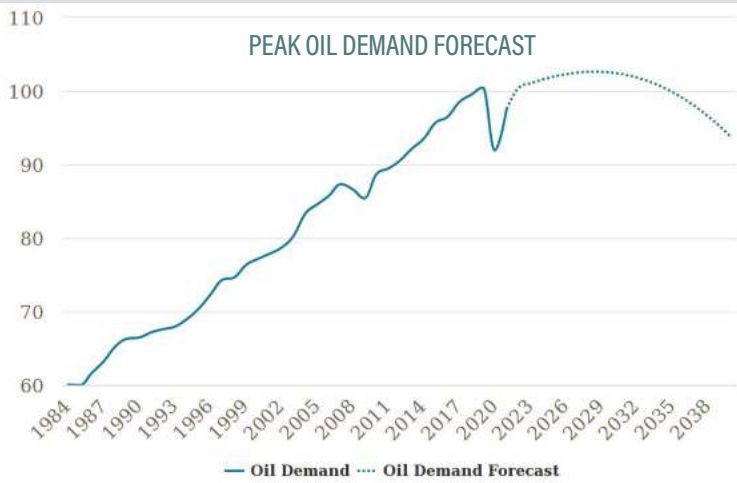
GAUGE OF THE GRADE

Equities fell into bear market territory, more than 20% off their most recent high on Friday, before recovering before the close. Equity markets recorded another week of negative returns, with the S&P 500 and the Nasdaq losing streak reaching eight consecutive weeks. Continuing worries over economic growth and inflation sent investors away from the equities market. Disappointing earnings from major retailers such as Walmart showed the negative effects of inflation on corporate earnings. Crude oil prices rose to \$112 a barrel, and the average price of gasoline reached new record highs. The Conference Board's Measure of CEO Confidence fell for the fourth straight quarter. The survey showed that CEOs expect inflation to normalize sometime in the future and expect the Fed's interest rate hikes to cause a brief recession. Investors bought into safe haven assets, sending the 10-year US Treasury note yield lower to finish the week below 2.8%.

Earnings season continues this week with Nvidia, Zoom, Costco, AutoZone, and Best Buy reporting. We will also get a gauge of the strength of the US economy with updates on some key economic indicators. The estimate of May Purchasing Managers' Index (PMI) readings will be released on Tuesday. The PMI measures business sentiment across both the goods production and services sectors. Inflation, supply chain disruptions, and fear of a recession have weighed on sentiment. The Michigan Consumer Sentiment Index will be released later in the week, and it is expected that consumer sentiment will remain low. The Fed's preferred inflation measure, the Personal Consumption Expenditure (PCE) Price

Index, is released on Friday. The consensus is a deceleration in price increases, indicating a peak in inflation. New and pending home sales data is released on Tuesday and Thursday, giving us an update on the housing market. Home sales have dropped in recent months, and the trend is expected to continue.

MON MAY 23, 2022
Advance Auto Parts, HEICO, and Zoom earnings
TUE MAY 24 2022
Redbook
New Home Sales
Mfg PMI
Agilent, Auto Zone, Best Buy, Intuit, Nordstrom, Petco, Ralph Lauren, and Toll Brothers earnings
WED MAY 25, 2022
Durable Goods Orders
Mortgage Market Index
Gasoline Production
Box, Dick's Sporting Goods, Nvidia, Snowflake, Splunk, William Sonoma, and Zuora earnings
THU MAY 26, 2022
Initial jobless claims (weekly)
Continuing jobless claims
GDP
Real Consumer Spending
Alibaba, Autodesk, Costco, Dell, Dollar General, Gap, Macy's, Marvell, Medtronic, Ulta Beauty, VMware, and Workday earnings
FRI MAY 27, 2022
UMich Inflation Expectations
Retail Inventories
UMich Consumer Expectations



The Russian invasion of Ukraine has caused a global energy disruption, requiring more fossil fuels to meet the current energy needs. At the same time, there is an acknowledgment that the world needs to move much more quickly toward a clean energy future. Before the invasion, most discussions around energy focused on the energy transition to cleaner sources such as renewables. Since the invasion, energy security seems to have dominated discussions, especially in Europe. Both energy security and a shift to cleaner energy can be accomplished simultaneously, as illustrated by a group of EU countries. Last week, Germany, Netherlands, Denmark, and Belgium pledged to build up to four artificial "energy islands" in the North Sea. The energy created by wind turbines could be turned into hydrogen and electricity. The energy produced would be equivalent to 30 nuclear reactors. With high energy prices, combined with concerns over energy security, the offshore wind potential of the North Sea is seen in Europe as an attractive alternative to Russian energy. Despite the current demand for oil exceeding supply, it is estimated that peak oil demand will be reached by 2033 as alternative sources begin to supply most of the world's energy needs. SOURCE: <https://www.morganstanley.com/ideas/ukraine-russia-war-future-of-clean-energy>

SELECT INDICES						
	YTD Daily	1 Wk Daily	1 Mo Daily	3 Mo Daily	1 Yr Daily	3 Yr Annualized Daily
S&P 500 Index	(17.67)	(3.00)	(12.38)	(9.95)	(4.86)	13.04
S&P 500 Growth Index	(26.18)	(3.95)	(15.15)	(14.71)	(8.84)	13.69
S&P 500 Value Index	(8.16)	(2.12)	(9.71)	(5.18)	(1.49)	11.01
NAZDAQ Composite	(27.20)	(3.77)	(15.50)	(16.01)	(15.54)	14.76
Bloomberg US Agg Bond	(9.18)	0.59	(0.33)	(5.71)	(8.11)	0.34
Bloomberg Long Term US Treasury	(18.89)	2.15	(2.06)	(13.17)	(11.81)	(0.08)
Basic Materials	(8.51)	0.28	(9.57)	(1.27)	(1.76)	18.61
Communication Services	(28.11)	(2.90)	(12.04)	(15.91)	(25.74)	5.85
Consumer Cyclical	(31.00)	(6.34)	(21.13)	(21.28)	(19.43)	11.42
Consumer Defensive	(9.71)	(9.37)	(14.28)	(7.71)	(0.40)	10.84
Energy	46.50	1.45	0.17	21.34	63.06	14.32
Financial Services	(15.99)	(1.21)	(12.14)	(14.74)	(12.54)	8.54
Healthcare	(10.23)	0.95	(8.32)	0.32	0.68	14.52
Industrials	(16.28)	(3.21)	(12.11)	(8.76)	(11.86)	8.22
Real Estate	(17.75)	(2.04)	(15.40)	(6.18)	(0.77)	5.99
Technology	(27.42)	(3.93)	(14.01)	(15.76)	(6.37)	21.08
Utilities	0.92	0.55	(6.33)	9.00	12.39	9.52

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