

[TACTICAL] Sowell's tactical signals remain on the sidelines in negative/cash territory over ongoing economic uncertainty and worries about hyperinflation. The Fed and the U.S. government will need to respond more resourcefully in their monetary policy beyond raising interest rates to cool inflation, which history has proven ineffective. It will need to include supply-side economics and loosening free trade by lifting US-China trade war tariffs, long forgotten and imposed during Trump's administration.

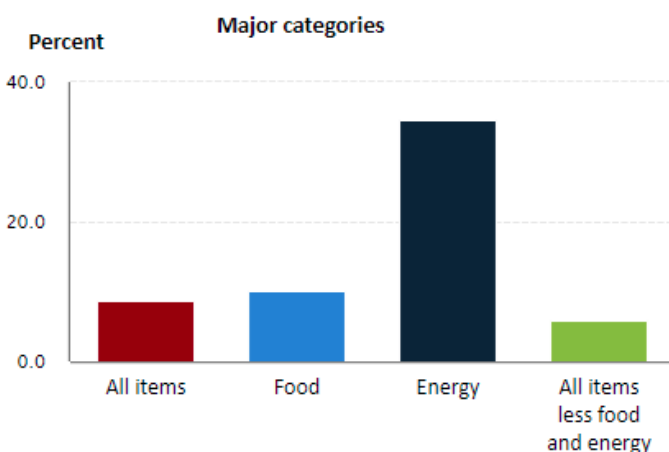
Volatility continued as equity markets declined for another week, pushed lower on evidence of surging inflation. The S&P 500 and the Nasdaq Composite fell by more than 5% for the week, with Friday's steep selloff accounting for more than half of the weekly loss. The consumer price index (CPI) came in higher than expected, rising at an annual pace of 8.6% in May, dashing any hope investors might have had that inflation had peaked. Inflation is a concern not just in the US but globally because of higher energy and food prices, and more central banks are taking action to raise rates. Last week, the European Central Bank (ECB) signaled that it might lift its main deposit rate above zero. As equities sold off in the US, the yield on Treasuries rose with the 2-year crossing the 3% mark and the 5-year surpassing the yield on the 30-year bond, an indication that the Fed's mission to lower inflation by raising interest rates could push the economy into recession. Crude oil prices hovered around \$120 per barrel ahead of the summer travel season. The dollar index rose as investors fled to haven assets.

This week, the focus will be on the Fed's two-day policy meeting, which starts on Tuesday. The Federal Open Market Committee will announce its interest decision on Wednesday with the expectation that it will raise rates by 50 basis points. Last week's CPI data showed that consumer inflation remains elevated, and this Tuesday, we will receive Producer Price Index (PPI) numbers, inflation on the producer's side. The expectation is for a slight deceleration in producer price inflation after recording an annual increase of 11% in April. On Wednesday, we will get the latest retail sales data for May. The

expectation is an increase in sales for May but a deceleration from the previous month. Consumer spending has remained strong despite higher prices and low consumer confidence. A few companies, like Oracle Corporation and Kroger, will report their earnings this week.

MON JUNE 13, 2022
Oracle earnings
TUE JUNE 14, 2022
NFIB Small Business Optimism Index
PPI and Core PPI
Euro Zone Industrial Production
WED JUNE 15, 2022
Mortgage Market Index
Retail Sales
Gasoline Inventories
John Wiley & Sons earnings
THU JUNE 16, 2022
Initial jobless claims (weekly)
Continuing jobless claims
Housing Starts
Philly Fed Business Conditions
Adobe, Kroger, and Jabil earnings
FRI JUNE 17, 2022
Fed Chair Powell Speaks
Industrial Production
US Leading Index

12-month percentage change, Consumer Price Index, selected categories, May 2022, not seasonally adjusted



Food and energy prices continue to drive inflation higher. According to the AAA motor club, the average price of gasoline hit \$5 a gallon for the first time in history over the weekend. According to The Financial Times, gasoline price has risen by more than two-thirds in the past year and has more than doubled since Joe Biden entered office. Rising energy prices have fueled a large part of rising inflation, which accelerated once again in May. The latest consumer price index (CPI) released on Friday showed prices rising 1% in May and 8.6% over the past year. The report showed that food, energy, and shelter prices led to higher inflation. Food prices have risen by 10.1% and energy prices by 34.6% over the last 12 months, according to the US Bureau of Labor Statistics. Core CPI, which excludes food and energy prices, rose by 6% year over year. Persistent evidence of inflation raised fears for investors that the Federal Reserve will be more aggressive in raising rates to slow down economic growth. SOURCE: <https://www.bls.gov/cpi/>

SELECT INDICES

	YTD Daily	1 Wk Daily	1 Mo Daily	3 Mo Daily	1 Yr Daily	2 Yr Daily	3 Yr Annualized Daily
S&P 500 Index	(17.60)	(5.04)	(2.31)	(8.06)	(6.65)	12.27	12.42
S&P 500 Growth Index	(26.08)	(5.79)	(3.78)	(12.35)	(11.17)	9.37	13.03
S&P 500 Value Index	(8.12)	(4.34)	(0.94)	(3.81)	(2.64)	14.19	10.44
NAZDAQ Composite	(27.26)	(5.59)	(3.29)	(13.45)	(18.56)	7.14	14.11
Bloomberg US Agg Bond	(10.65)	(1.52)	(0.85)	(6.21)	(10.56)	(5.41)	(0.68)
Bloomberg Long Term US Treasury	(21.94)	(1.95)	(1.51)	(14.44)	(18.21)	(14.07)	(2.62)
Basic Materials	(9.47)	(6.01)	0.75	(1.94)	(2.95)	21.82	15.94
Communication Services	(29.14)	(4.29)	(2.56)	(14.88)	(29.34)	(0.25)	5.60
Consumer Cyclical	(29.40)	(5.63)	(3.02)	(14.24)	(18.86)	9.69	11.86
Consumer Defensive	(7.75)	(2.73)	(6.31)	(1.60)	1.57	12.75	11.00
Energy	60.21	(0.82)	16.47	16.03	66.83	51.89	19.48
Financial Services	(16.90)	(6.70)	(1.94)	(9.40)	(14.07)	12.44	7.45
Healthcare	(13.10)	(3.46)	(0.67)	(4.46)	(4.38)	9.76	12.08
Industrials	(15.29)	(5.04)	(1.48)	(8.01)	(11.61)	13.01	7.94
Real Estate	(19.55)	(5.68)	(1.22)	(10.32)	(9.51)	8.79	4.46
Technology	(27.42)	(6.37)	(4.24)	(12.84)	(9.52)	12.42	20.25
Utilities	0.44	(4.00)	1.06	1.90	11.20	11.23	8.87

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