

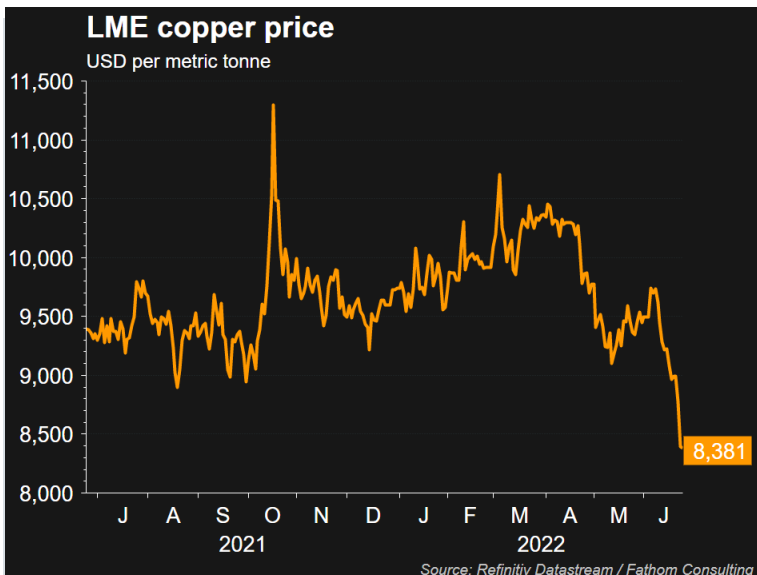
[TACTICAL] "Inflation is hitting my people so hard they're coughing up bones." – Senator John Kennedy, Senate Banking, Housing and Urban Affairs Committee Hearings, 6/22/2022. With crude oil prices subsiding from a YTD high of \$120 to \$107.6 a barrel, equity markets reversed more than half the MTD losses by a weekly gain of 6.7%. Whether last week's momentum in the equity market recovers June's intra-month losses as we witnessed in May remains to be seen. Still, Sowell's tactical signals cautiously remain on the sidelines in negative/cash territory over ongoing uncertainty and fear of a hawkish Fed.

US equity markets recorded their first weekly gain in four weeks as the higher risk of a recession caused investors to scale back their expectations of an aggressive Federal Reserve. For the week, technology-heavy Nasdaq outperformed the broader market. Energy shares underperformed as crude oil prices fell, as high gas prices and a weakening economic outlook increased the prospects of a decrease in demand. The University of Michigan's final reading of June consumer sentiment was revised to the lowest level in four decades. On the bright side, the sentiment report also showed that consumers' expectations of future inflation were lower than the previous month's report. The Federal Reserve Chair Jerome Powell testified before Congress last week, stating that inflation expectations remained anchored, which helped boost sentiment in the equity market. The 10-Year US Treasury note yield fell for the week as investors bought the safety of government bonds and other safe-haven assets.

This week is highlighted by important economic indicators. Much focus would be on the Personal Consumption Expenditure (PCE) price index, the Fed's preferred measure of inflation, reported on Thursday. The expectation is for a higher price increase in May versus the previous month, just as the CPI showed earlier in the month, indicating that inflation has yet to peak. On Friday, the ISM Manufacturing Index will be released, showing the strength of US manufacturing. The expectation is for a decline in activity as business sentiment has declined lately due to continuing supply chain issues, higher inflation, and a tight labor market. We will gauge the housing market on Tuesday with the release of the S&P Case-Shiller Home Price Index. We have been seeing a slowdown

in the housing market as existing home sales data showed a drop to the lowest level in two years. A few companies, such as Nike, General Mills, Constellation Brands, and Walgreens, will also report earnings this week.

MON JUNE 27, 2022	
Durable Goods Orders	
Pending Home Sales Index	
Dallas Fed Mfg Business Index	
Jefferies Financial, and Nike earnings	
TUE JUNE 28, 2022	
Wholesale Inventories	
S&P/Case-Shiller House Price Index	
CB Consumer Confidence	
Freedom, Progress Software, and TD Synnex earnings	
WED JUNE 29, 2022	
Mortgage Market Index	
Real Consumer Spending	
GDP	
General Mills, McCormick, Paychex, and Shaw Communications earnings	
THU JUNE 30, 2022	
Initial jobless claims (weekly)	
Continuing jobless claims	
Personal Income	
Personal Spending	
Acuity Brands, Constellation Brands, Micron Technology, Simply Good, and Walgreens Boots Alliance earnings	
FRI JULY 1, 2022	
ISM Mfg PMI	
Construction Spending	
Total Vehicle Sales	



Rising commodity prices that have been driving higher inflation are starting to fall, with it the possibility of lower headline inflation data. Most commodity prices rose significantly after Russia invaded Ukraine, but prices have fallen over the past few weeks, given the prospect of weakening global growth. After rallying for most of the year, crude, natural gas, and copper have fallen 20% or more from their highs. Copper has been an important indicator of global economic activity because of its use in everything from household appliances to construction to electric vehicles. Copper prices fell to a 16-month low last week, according to the Financial Times. The prospect of slowing global growth is a negative for commodity prices but a relief for central banks fighting inflation. Falling commodity prices should reduce pressure on the Federal Reserve to be aggressive in tightening monetary policy. Equities rallied last week in part because of this.

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	(17.31)	6.46	(0.60)	(13.11)	(6.98)	14.97	11.77
S&P 500 Growth Index	(24.19)	7.87	2.65	(16.94)	(11.43)	12.10	13.10
S&P 500 Value Index	(9.64)	5.16	(3.49)	(9.19)	(2.70)	17.43	9.18
Bloomberg US Agg Bond	(10.94)	0.61	(2.26)	(5.07)	(10.68)	(5.65)	(1.10)
Bloomberg Long Term US Treasury	(22.70)	0.35	(4.99)	(12.58)	(19.47)	(15.14)	(3.40)
Basic Materials	(15.43)	2.37	(8.65)	(14.92)	(5.51)	21.86	12.61
Communication Services	(27.62)	7.14	3.36	(17.97)	(29.23)	2.37	5.35
Consumer Cyclical	(28.43)	8.06	5.99	(19.53)	(19.82)	12.42	11.60
Consumer Defensive	(5.78)	6.60	1.09	(2.90)	5.04	15.75	11.40
Energy	30.47	(1.67)	(13.67)	(6.40)	35.67	46.36	10.42
Financial Services	(17.00)	5.50	(3.49)	(15.42)	(13.66)	16.70	7.49
Healthcare	(9.78)	8.38	(0.27)	(5.17)	(1.10)	13.97	12.52
Industrials	(16.94)	4.70	(1.96)	(13.72)	(12.71)	16.67	6.72
Real Estate	(18.48)	7.04	(2.85)	(10.21)	(6.19)	13.22	4.62
Technology	(25.94)	7.73	2.22	(18.15)	(10.87)	14.32	19.94
Utilities	(2.27)	7.00	(6.00)	(2.98)	11.87	13.94	6.85

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