

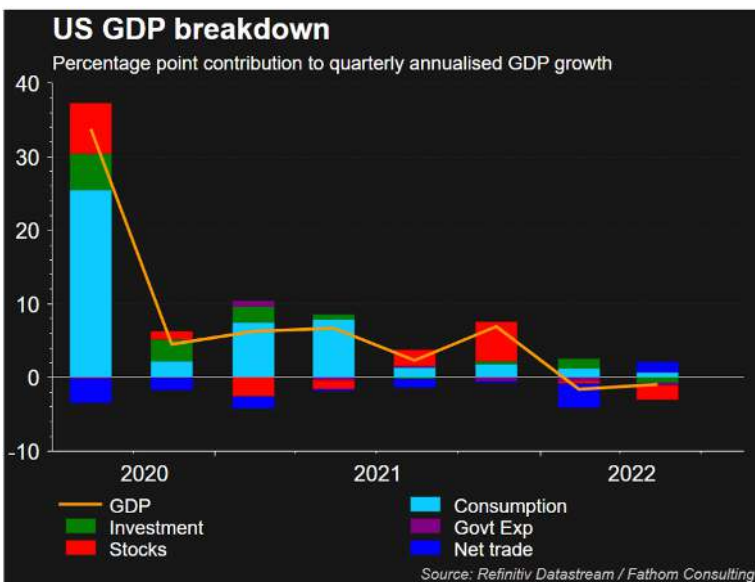


[TACTICAL] Broad markets reacted favorably to declining economic indicators in speculation the Fed will temper its hawkish interest rate policy. With the U.S. economy beyond full employment, it remains to be seen if we have tilted into recession. With the equity market's positive momentum over the last several weeks, Sowell's tactical signal is knocking at the door of a neutral rating. "Recession is when your neighbor loses his job. Depression is when you lose yours." – Ronald Reagan, Labor Day Address at Liberty State Park, 1980.

GAUGE OF THE GRADE

U.S. equities closed the month with the best performance since November of 2020. Equities rebounded from a tough first half of the year as expectations for interest rises eased and reassuring earnings from technology and energy sectors. Technology-heavy Nasdaq performed the best, gaining 12% for the month, according to the Financial Times. Shares in Amazon, Microsoft, Apple, and Google lifted the technology sector after beating consensus on earnings and giving an upbeat outlook for the rest of the year. Oil giants ExxonMobil and Chevron also exceeded expectations on earnings by reporting record quarterly profits as a result of higher oil and gas prices. So far, more than half of S&P 500 companies have beaten estimates, according to FactSet. Data showed that the U.S. economic growth was negative again in the second quarter, a technical definition of a recession. Weakening economic data indicating slowing growth has convinced investors that the Federal Reserve may have to slow its aggressive pace of monetary tightening. Despite this, we have yet to see if inflation is slowing. The Federal Reserve raised rates by the expected seventy-five basis points on Wednesday for the second consecutive month. The negative outlook on the economy drove yields lower. The 10-year U.S. Treasury yield fell to close at 2.65% for the week.

This week, several important economic data will be released that could have implications for the Federal Reserve's next moves. Job openings and labor turnover report (JOLTS) will be released on Tuesday for June. On Friday, we will have the all-important nonfarm payroll report, which will show whether companies are continuing to hire. Low unemployment and rising wages had supported Federal Reserve's aggressive monetary tightening policy. There will be more companies reporting earnings. After Chevron and ExxonMobil reported record profits, companies in the energy sector could continue to beat earnings expectations. Oil companies such as Marathon Petroleum, Occidental Petroleum, and Diamondback Energy will be reporting earnings. OPEC will meet on Wednesday to discuss oil production quotas. The U.S. has been putting pressure on the organization to raise output.



The U.S. economy contracted in the second quarter at an annualized rate of 0.9%. The economy now has two consecutive declines in GDP growth as it also contracted in Q1 2022 by 1.6%. Two consecutive negative GDP growth technically defines a recession but based on broader measures of activity, including a strong labor market, there is a case that we are not in a recession yet. The National Bureau of Economic Research is the official organization that determines if a recession has occurred, and it takes months before they determine one. Consumer spending grew in the second quarter but at its slowest pace in two years, according to Reuters. Business spending also declined. Inventory also dragged growth as ongoing supply chain issues and sour sentiment held inventories low. Exports were the only bright spot in the GDP report, as positive net trade (exports minus imports) added to economic growth. Exports were the main detractor of GDP growth in the first quarter. This weak economic growth might deter the Federal Reserve from continuing to aggressively increase interest rates to tame inflation. This sentiment helped push equities higher last week.

MON AUGUST 1, 2022

Manufacturing PMI
Construction Spending
Euro Zone Unemployment Rate
Activision Blizzard, Aflac, Arista, Avis Budget, CF Industries, Check Point Software, DaVita, Devon Energy, Diamondback Energy, Genworth Financial, Global Payments, Lattice Semiconductor, Loews, Pinterest, SBA Communications, and Williams Companies earnings

TUE AUGUST 2, 2022

Redbook
JOLTs Job Openings
China Caixin Services PMI
AMD, Airbnb, BP, Caesars Entertainment Caterpillar, CenterPoint Energy, Cummins, Dr. Reddy's Labs, DuPont, Eaton, Electronic Arts, Extra Space Storage, Gilead Sciences, Illinois Tool Works, KKR, Lear, Marriott, Match, Occidental Petroleum, PayPal, Prudential Financial, S&P Global, Services Corporation Int'l, Starbucks, and Uber earnings

WED AUGUST 3, 2022

Mortgage Market Index
Total Vehicle Sales
Factory Orders
ANSYS, Albemarle, Allstate, Bookings, CDW, Clorox, eBay, Entergy, Exelon, GoDaddy, Inari Medical, Jazz Pharmaceuticals, Lucid, MGM Resorts, Marathon Oil, MetLife, Moderna, New York Times, PPL, Regeneron, Trane, Under Armour, Valvoline, and Yum Brand earnings

THU AUGUST 4, 2022

Initial jobless claims (weekly)
Continuing jobless claims
Trade Balance
Challenger Job Cuts
Alibaba, AMC, Amgen, Cigna, Citrix, ConocoPhillips, Duke Energy, Eli Lilly, Expedia, Fidelity National, Johnson Controls, Kellogg, Live Nation, Monster Beverage, Parker Hannifin, Plug Power, Public Storage, Republic Service, Sempra, Twilio, and Zillow earnings

FRI AUGUST 5, 2022

Unemployment Rate
Participation Rate
Consumer Credit
Berkshire Hathaway, Liberty Media, and Western Digital earnings

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	(12.58)	4.28	9.22	0.39	(4.64)	14.07	13.36
S&P 500 Growth Index	(18.33)	5.24	12.82	2.08	(9.13)	11.63	15.78
S&P 500 Value Index	(6.18)	3.36	5.91	(1.22)	(0.03)	16.47	9.68
NASDAQ Composite	(20.47)	4.72	12.39	0.68	(14.95)	8.15	15.81
Bloomberg US Agg Bond	(8.16)	0.64	2.44	1.49	(9.12)	(5.00)	(0.21)
Bloomberg Long Term US Treasury	(19.15)	(0.73)	2.67	(0.76)	(19.22)	(15.25)	(2.13)
Basic Materials	(13.10)	4.53	6.74	(7.87)	(5.21)	17.06	13.28
Communication Services	(28.93)	2.19	3.62	(3.85)	(32.35)	(1.72)	4.56
Consumer Cyclical	(21.09)	5.06	18.06	0.16	(12.65)	11.97	14.80
Consumer Defensive	(3.51)	1.52	3.67	(4.44)	3.80	12.63	11.90
Energy	43.80	10.56	10.43	5.60	66.27	55.86	14.49
Financial Services	(13.20)	2.96	7.99	(1.26)	(9.86)	16.54	7.71
Healthcare	(7.41)	1.98	3.82	2.38	(2.89)	11.25	14.08
Industrials	(9.96)	5.91	10.46	1.35	(6.43)	17.33	8.91
Real Estate	(13.14)	5.02	8.98	(3.48)	(3.75)	13.02	6.71
Technology	(20.51)	4.88	13.28	0.70	(8.99)	13.65	21.30
Utilities	4.79	6.43	5.66	4.70	15.53	13.82	10.17

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