



[TACTICAL] "The Federal Reserve's previous experience with aggressive tightening had often led to a recession or, even worse, to a recession that did not succeed in restraining inflation." – Alan Greenspan, Former Fed Chairman, The Map and the Territory 2.0. With positive reports in industrial production, rising retail sales ex-autos, and stable jobs alongside high inflation, the market is anticipating a hawkish Fed to engineer a "soft landing." Sowell's tactical signal for the week moved into neutral territory.

GAUGE OF THE GRADE

Last week marked a pause in the 4-weeks-long U.S. stock market rally despite several noteworthy events. The first round of retail earnings saw Walmart's revenue rise in the second quarter. The giant saw a sharp rise in grocery sales as shoppers grappled with inflation and a decline in COVID-19-related expenses. Even so, Walmart achieved part of the revenue through heavily discounted inventories, which weighed on profit margins. The U.S. Retail Sales report revealed that shoppers' demand remained strong in July, encouraged by a sharp drop in gasoline prices.

President Biden signed the climate, tax, and healthcare bill, also known as the Inflation Reduction Act, into law. The bill is the Democrats' biggest legislative victory since the President took office, and the Administration hopes it will help the Party in November's midterm election. However, the Fed's minutes release revealed central bankers' intention to proceed with tightening. The latest U.S. Home Sales report showed that home sales have been declining for the sixth consecutive month, as home buyers face higher mortgage rates, and while investors are still processing mixed earnings, reports ended the week lower.

On a side note, last week has seen a resurgence in meme stocks trading, with Bed Bath & Beyond, a chain that sells a range of merchandise in the Home, Baby, Beauty, and Wellness markets, jumping as much as 78% in one day. After a sharp decline at the end of the week, the stock has remained up 97% in the past month.

The market awaits the Fed's annual economic symposium in Jackson Hole, Wyoming, in the incoming week. Investors will be waiting for Jerome Powell's Friday morning speech on what "lies ahead" for the economy. Traders are currently pricing in a 54.5% probability of a half-percentage-point increase at the Fed's September policy meeting and 45.5% odds of

a 0.75-percentage-point rise, according to CME Group's FedWatch Tool.

On the same day, the latest personal-consumption expenditures price index (PCE) report will indicate the recent price growth across a range of goods. The index, considered one of the Fed's favorite indicators of the economy's status, will determine the incoming rate hike decision.

MON AUGUST 22, 2022

Chicago Fed National Activity
Palo Alto Networks, and Zoom Video earnings

TUE AUGUST 23, 2022

Services and Mfg PMI
New Homes Sales
Euro Zone Consumer Confidence
Advance Auto Parts, Dick Sporting Goods, Dole, Intuit, Macy's, Medtronic, Nordstrom, Toll Brothers, and Urban Outfitters earnings

WED AUGUST 24, 2022

Mortgage Market Index
Durable Goods Orders
Gasoline Production
Autodesk, Brinker, Nvidia, Petco, Salesforce, Snowflake, Splunk, Victoria Secret, William Sonoma, and Zuora earnings

THU AUGUST 25, 2022

Initial jobless claims (weekly)
Continuing jobless claims

GDP

Corporate Profits

Burlington Stores, Dell, Dollar General, Dollar Tree, Marvell, Ulta Beauty, VMware, and Workday earnings

FRI AUGUST 26, 2022

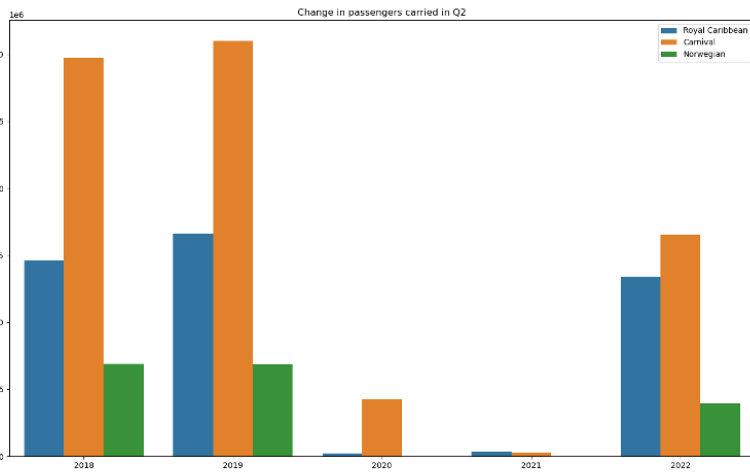
Wholesale Inventories

Personal Spending

PCE and Core PCE Prices

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	(10.39)	(1.16)	7.58	8.85	(2.58)	13.63	14.97
S&P 500 Growth Index	(16.36)	(1.91)	9.15	13.16	(7.43)	10.84	17.04
S&P 500 Value Index	(3.75)	(0.42)	6.09	4.95	2.45	16.56	11.65
NASDAQ Composite	(18.37)	(2.58)	8.58	11.79	(11.99)	7.53	17.60
Bloomberg US Agg Bond	(9.14)	0.09	0.88	0.60	(9.86)	(5.19)	(1.31)
Bloomberg Long Term US Treasury	(21.86)	(1.98)	(0.59)	(2.61)	(22.48)	(15.06)	(5.81)
Basic Materials	(11.37)	(2.64)	7.48	(3.34)	(1.22)	16.23	15.42
Communication Services	(27.30)	(3.51)	0.90	0.88	(30.15)	(2.17)	4.34
Consumer Cyclical	(18.76)	(1.82)	11.48	15.87	(8.16)	9.34	17.36
Consumer Defensive	(0.29)	1.58	5.46	10.40	6.29	12.61	12.40
Energy	46.47	1.31	10.99	0.50	82.79	54.70	18.07
Financial Services	(10.19)	(1.51)	7.03	6.98	(7.52)	16.91	10.50
Healthcare	(6.94)	(1.03)	2.58	4.92	(3.70)	10.87	14.24
Industrials	(6.69)	(1.11)	11.04	10.48	(1.68)	15.82	11.39
Real Estate	(12.74)	(2.11)	6.67	6.89	(2.96)	14.44	5.95
Technology	(18.23)	(2.37)	9.81	12.76	(6.77)	13.24	23.56
Utilities	9.89	1.18	11.80	9.07	16.13	17.45	10.64



Are Cruises coming back? The past two years have been tough on the travel industry, which has first faced the abrupt drop in demand caused by the pandemic and is now confronted with understaffing issues as the appetite for travel quickly rebounds. Cruise Operators have indeed seen demand drop sharply since 2020 because of pandemic-related restrictions and passengers' fear of contagion. This negative trend, however, may soon end. Over the past year, the U.S. has gradually been relaxing masking and testing requirements. As a result, the demand for cruise travel has started to recover. As shown in this week's Chart, the number of passengers who traveled with Royal Caribbean, Carnival, and Norwegian Cruise Lines in Q2 2022 has bounced sharply from the small numbers seen in the same quarter in the past two years. Demand is expected to grow even more now that the CDC has dropped its vaccination requirements for cruise ship passengers. In support of this view, after the new rules were announced, Carnival reported that booking activity was almost double the activity on the same day in 2019. At this pace, the CLIA (Cruise Lines International Association) expects passenger volume to recover and surpass 2019 levels by the end of 2023, with passenger volumes projected to recover 12 percent above pre-pandemic levels by the end of 2026. But it is not all puppies and rainbows: The industry is still grappling with major supply chain issues that have delayed the inauguration of new ships and staffing shortages. The tight labor market and the lower number of visas issued during the covid era have indeed taken a toll on an industry that mostly employs citizens of the Philippines, Indonesia, India, and the Caribbean islands.

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