



[TACTICAL] With mid-term elections taking place this week and its high-stakes policy implications, should Republicans take the majority alongside Thursday's much-anticipated inflation report, it is highly unlikely it will be a subdued week for equity and bond markets. Sowell's tactical signal cautiously remains close to neutral territory.

This past week the market opened lower, with investors carefully waiting for the latest Fed monetary policy decision. Despite the small decline on Monday, the Dow reported one of the best-performing months in history.

On Wednesday, the Fed announced the third consecutive 75bps rate increase, as expected, and hinted at potential further increases in future FOMC meetings, sending markets down. On Thursday, the Bank of England also raised its key interest rate by 75 bps and stated that the U.K. has likely entered a prolonged recession in September.

In Israel, Netanyahu won the elections for the third time.

The Week Ahead

This week will see some of the latest corporate earnings announcements for the latest quarter, which include giants such as The Walt Disney Company, Activision Blizzard, and Norwegian Cruise Line, among others.

The October CPI inflation report on Thursday will provide a recent look at consumer price growth and the effect of the Federal Reserve's monetary policy. On Friday, the preliminary Consumer Sentiment Index (MCSI) for November from the University of Michigan will also hint at the strength of the economy and general consumers' confidence.

On the subject of interest rates and how high to raise the policy rate:

"Of course, the lags between policy and economic activity there's a lot of uncertainty, so we note that in determining the pace of future increases, we'll take into account the cumulative tightening of monetary policy and as well as the lags with which monetary policy affects economic activity and inflation as we come closer to that level more into restrictive territory....at some point it will become appropriate to slow the pace of increases, so that time is coming."

— Federal Reserve Chairman Jerome Powell, FOMC Statement, Nov. 2, 2022.

MON NOVEMBER 7, 2022

CB Employment Trends
Consumer Credit
China FX Reserves
Activision Blizzard, Diamondback Energy, Lyft, Mosaic, Take-Two, and Viatrix earnings

TUE NOVEMBER 8, 2022

Redbook
NFIB Small Business Optimism Index
Euro Zone Retail Sales
Akamai, AMC, Carlyle, Constellation Energy, Dupont, Lucid, Occidental Petroleum, Plug Power, Reynolds Consumer, Walt Disney, Wynn, and Ziff-Davis earnings

WED NOVEMBER 9, 2022

Mortgage Market Index
Gasoline Production
Wholesale Inventories
DR Horton, Jazz Pharmaceuticals, Rivian, Roblox, SeaWorld, Trade Desk, and Wendy's earnings

THU NOVEMBER 10, 2022

Initial jobless claims (weekly)
Continuing jobless claims
Real Earnings
CPI and Core CPI Index
Mister Car Wash, Ralph Lauren, Six Flags Entertainment, and WeWork earnings

FRI NOVEMBER 11, 2022

UMich Consumer Sentiment
M2 Money Supply
UK Trade Balance

Ukraine Agricultural Production and Exports (2021/22 Marketing Year)

Product	Production			Exports		
	Volume (1,000 MT)	Rank Among Global Producers	% of Global Production	Volume (1,000 MT)	Rank Among Global Exporters	% of Global Exports
Corn	41,900	#6	3.5%	23,000	#4	12%
Wheat	33,000	#7	4.3%	19,000	#5	9%
Sunflower	17,500	#1	30.6%	75	#9	3%
Barley	9,900	#4	6.8%	5,800	#3	17%
Sunflower Oil	5,676	#2	30.6%	4,950	#1	46%
Sunflower Meal	5,452	#2	27.5%	4,100	#1	54%
Rapeseed	3,015	#6	4.2%	2,700	#3	20%

Source: USDA WASDE and PSD Database, updated March 9, 2022.

The Grain War

On Monday, 11/4, Russia withdrew from the UN-brokered Black Sea grain initiative, an agreement on the resumption of Ukrainian grain exports via the Black Sea amid the ongoing war. The UN plan has worked effectively so far, stabilizing prices and providing food to developing countries. A prolonged trade stop would have dire consequences in emerging economies especially.

Ukraine and Russia are some of the largest food exporters in the market. They are net exporters of several leading cereal crops: wheat, maize (corn), and barley. Both are also dominant exporters of sunflower oil, one of the world's dominant vegetable oils, with Ukraine accounting for almost half of the global supply.

Although this food supply-chain disruption will affect all importers, the impact will not be felt equally across the world, as emerging economies are going to be impacted the most.

Some countries, such as India, rely heavily on imports of sunflower oil for domestic food supplies, and geographic areas such as North Africa and the Middle East are large wheat consumers.

The day Russia announced its withdrawal from the grain deal, wheat prices jumped as fears of global food insecurity reignited.

Experts say it is still early to know whether the price increase is a short-term market reaction or the start of a longer, more sustained trend toward higher prices. What is clear, however, is that as long as diplomatic talks won't start, price volatility and inflation in the food market will remain high.

SELECT INDICES

	YTD Daily	1 Wk Daily	MTD (Daily)	3 Mo Daily	1 Yr Daily	2 Yr Daily	3 Yr Daily
S&P 500 Index	(19.83)	(3.31)	(2.59)	(8.78)	(18.16)	6.25	8.77
S&P 500 Growth Index	(30.72)	(5.75)	(4.73)	(16.63)	(29.63)	(0.79)	8.87
S&P 500 Value Index	(7.60)	(1.13)	(0.69)	(0.87)	(5.09)	13.81	7.05
NASDAQ Composite	(32.60)	(5.62)	(4.63)	(17.46)	(33.77)	(4.24)	8.36
Bloomberg US Agg Bond	(16.02)	(0.78)	(0.37)	(8.59)	(16.18)	(8.83)	(3.76)
Bloomberg Long Term US Treasury	(33.73)	(2.18)	(1.41)	(19.34)	(32.88)	(21.19)	(9.90)
Basic Materials	(14.56)	1.06	1.84	(0.52)	(10.75)	12.31	11.37
Communication Services	(43.45)	(7.47)	(5.93)	(22.29)	(46.01)	(16.37)	(5.82)
Consumer Cyclical	(32.50)	(4.81)	(4.25)	(16.59)	(34.84)	(2.53)	9.38
Consumer Defensive	(5.80)	(1.82)	(1.14)	(2.84)	(0.71)	8.77	9.89
Energy	69.64	2.56	1.80	28.92	65.26	84.62	21.65
Financial Services	(13.29)	(1.36)	(0.67)	0.22	(15.28)	14.99	6.54
Healthcare	(9.04)	(1.64)	(1.52)	(1.47)	(6.49)	7.40	12.16
Industrials	(11.12)	(0.42)	(0.06)	(1.74)	(10.40)	10.62	6.93
Real Estate	(27.43)	(1.80)	(1.65)	(14.79)	(22.64)	3.64	(1.31)
Technology	(33.59)	(6.87)	(5.71)	(18.73)	(31.88)	0.14	12.53
Utilities	(3.91)	(0.53)	0.31	(8.81)	3.97	6.48	4.76

Advisory services offered through Sowell Management, a Registered Investment Advisor. The views expressed represent the opinion of Sowell Management. The views are subject to change and are not intended as a forecast or guarantee of future results. This material is for informational purposes only. It does not constitute investment advice and is not intended as an endorsement of any specific investment. Stated information is derived from proprietary and non-proprietary sources that have not been independently verified for accuracy or completeness. While Sowell Management believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and Sowell Management's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions that may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements. Investing in securities involves risks, including the potential loss of principal. While equities may offer the potential for greater long-term growth than most debt securities, they generally have higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Past performance is not indicative of future results.