



[TACTICAL] While the broad markets have taken a more negative recessionary view, Sowell's tactical signal remains in neutral territory given the Fed's recent conclusive rate decision but inconclusive outlook.

Key Fed references from last week's FOMC press conference:

- Raised policy interest rate by ½ percentage point
- Sufficiently restrictive policy for some time
- The recent inflation data show a welcome reduction
- Longer-term inflation expectations remain well anchored
- We will continue to make our decisions meeting by meeting.

The FOMC raised the Fed Funds rate by 50 bps, bringing the target range to 4.25% to 4.5%, which barreled the S&P 500 index down by 2.05% for the week, pushing the current MTD loss to -5.5%. While the bond market yield curve remains inverted, long Treasuries gained another positive return of 1.11%, compressing the yield curve further with the market expectation the Fed has pushed the market into a recession. For the most part, global inflation readings year-over-year came in lower than consensus estimates, including the U.S. CPI report of 7.1%, down from October's 8.6%.

While food inflation remains high in the double digits, Industrial Production declined by -0.2% below consensus, raising concerns that the Fed's restrictive approach is showing cracks in the resilient economic barometer. Anecdotally, in combination with an increase in mortgage rates and announced tech layoffs, Sotheby's San Francisco Bay Area housing reported for November year-over-year median home prices declined by 4.8% to \$1.2 million while transactions declined by 43.4%.

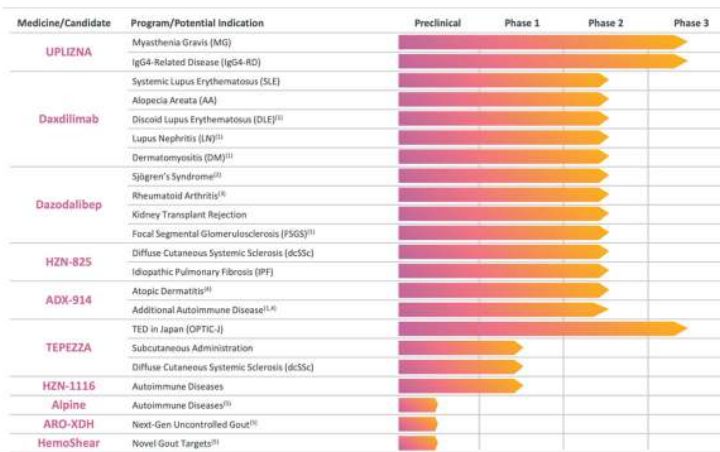
Bellwether S&P 500 stocks like Apple, Google, Tesla, and United Health declined by -5.4%, -2.8%, -16.1%, and -2.9%, respectively.

Below the fray— Amgen acquires Horizon Therapeutics.

Last week a major acquisition by Amgen was lost among the volatility of FED action and jawboning as Amgen announced the acquisition of Horizon Therapeutics. Horizon has become one of the leading biotech firms specializing in medicines and treatments for rare diseases. For the last couple of decades, starting with the growth of generics, large Pharma has looked at rare diseases to make a profit and a difference.

Horizon has taken that strategy through its relentless focus on rare diseases with unmet needs, specifically autoimmune and severe inflammatory diseases. More than that, they have backed this priority up with a pipeline of new medicines. This pipeline drove a small feeding frenzy as, in early November, Horizon announced its plan to field acquisition offers.

Expanding Our Pipeline to Drive Long-Term Growth



After a month with the likes of Sanofi, J&J, and others, this "technology" was purchased by Amgen for \$28 billion.

Amgen, disputedly, the Apple of Biotechnology, will now take advantage of a growth engine that has proven double- and triple-digit annual growth in some of its approved drugs. The Healthcare ETF, IYH, is down only -3.73% YTD, and typically during economic slowdowns, can be a better place to weather the storm. Despite AMGEN's offer of \$116.50 a share, roughly a 40% premium to the HZNP price in October, \$117.50 was the 52-week high for HZNP. Undoubtedly, we'll see more of these acquisitions in the healthcare and pharma space as valuations in healthcare look attractive, especially in this old-school "tech" space.

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Heading into the Christmas holiday, a number of key sentiment and support indicators will provide an early outlook of the markets in 2023: Consumer Confidence Index, Durable Goods Orders, Conference Board Leading Indicators, and GDP. In addition, corporate earnings and forward guidance from bellwether stocks will report: FedEx (Industrials-Integrated Freight), General Mills (Consumer Staples-Packaged Foods), and Nike (Consumer Discretionary-Footwear).

"Ultimately, that question about how high to raise rates is going to be one that we make looking at our progress on inflation, looking at where financial conditions are, and making an assessment of whether policy is restrictive enough... Having moved so quickly and having now so much restraint that is still in the pipeline, we think the appropriate thing to do now is to move to a slower pace, and that will allow us to feel our way and get to that level we think and better balance the risks that we face."
— Fed Chair Powell's FOMC Press Conference, Dec. 14, 2022.

MON DECEMBER 19, 2022
NAHB Housing Market Index
Euro Zone Construction Output
Euro Zone Labor Cost Index
Carnival, Freedom, Heico, and Steelcase earnings
TUE DECEMBER 20, 2022
Housing Starts
Redbook
Euro Zone Consumer Confidence
BlackBerry, FactSet, FedEx, General Mills, Nike, Signify Health, and Worthington Industries earnings
WED DECEMBER 21, 2022
Fed Interest Rate Decision and FOMC Statement
Mortgage Market Index
Gasoline Production
Cintas, Micron, and Toro earnings
THU DECEMBER 22, 2022
Initial jobless claims (weekly)
Continuing jobless claims
GDP
US Leading Index
Real Consumer Spending
CarMax, and Paychex earnings
FRI DECEMBER 23, 2022
Personal Income
New Home Sales
Durable Goods Orders

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	(17.88)	(2.05)	(5.50)	(0.10)	(16.13)	3.59	8.22
S&P 500 Growth Index	(28.55)	(2.62)	(6.51)	(4.91)	(26.78)	(2.08)	8.55
S&P 500 Value Index	(5.91)	(1.55)	(4.61)	4.44	(4.30)	9.14	6.33
NASDAQ Composite	(31.02)	(2.70)	(6.61)	(6.27)	(28.90)	(7.36)	7.54
Bloomberg US Agg Bond	(11.13)	0.80	1.70	1.43	(11.19)	(6.32)	(1.97)
Bloomberg Long Term US Treasury	(24.88)	1.11	4.38	1.22	(25.01)	(15.19)	(5.86)
Basic Materials	(10.64)	(2.53)	(4.64)	9.75	(7.96)	9.17	12.28
Communication Services	(40.72)	(2.58)	(7.57)	(9.06)	(39.86)	(17.20)	(4.32)
Consumer Cyclical	(33.40)	(3.78)	(8.08)	(12.74)	(30.51)	(8.34)	7.78
Consumer Defensive	(2.91)	(1.39)	(3.73)	4.81	(1.06)	7.54	9.67
Energy	55.67	1.94	(7.89)	7.53	57.62	51.93	18.26
Financial Services	(14.01)	(2.49)	(7.29)	1.83	(13.91)	6.41	4.55
Healthcare	(5.71)	(1.56)	(2.65)	5.77	(3.71)	7.74	10.60
Industrials	(8.48)	(1.28)	(4.02)	8.52	(6.26)	6.09	7.55
Real Estate	(25.27)	(2.15)	(4.56)	(5.80)	(22.00)	2.17	0.58
Technology	(29.85)	(2.46)	(6.11)	(1.61)	(27.49)	(2.00)	12.53
Utilities	0.76	(0.67)	(1.63)	(4.32)	2.34	9.48	6.01