



[TACTICAL] Sowell's tactical signal remains comfortably in neutral territory, awaiting key economic gauges leading into the month-end FOMC meeting and policy statements.

Investors celebrated the end of 2022 and welcomed the new year with a strong first week of trading, gaining 1.47% for stocks and 1.85% for bonds.

Markets releases are light in the coming weeks, but last week's jobs reports, including unemployment, job openings, and jobless claims, continue to point to strong demand. While weaker factory orders point to the economy slowing, other market segments like small-cap stocks and Financial sector stocks gained 1.81% and 3.67%, respectively, pointing to a much stronger fundamental view the economy is much stronger than the recession pundits.

The week ahead, albeit light on overall releases, will pay particular attention to the highly anticipated inflation report and the state of the technology sector with Taiwan Semiconductor's earnings on Thursday. On Friday, key earnings from bellwether banks as a gauge for the state of the economy as a whole and consumer sentiment all report. The latter part of January will be filled with Q4's earnings releases across all market segments.

"Our system is built on checks and balances. It's time for us to be the check and provide some balance to the President's policies."

– Kevin McCarthy (R-CA), Speaker of the House, Acceptance Speech as Speaker of the House, 1/7/2023.

MON JANUARY 9, 2023

- Consumer Credit
- CB Employment Trends Index
- Euro Zone Unemployment Rate
- Acuity Brands, Jefferies Financial, PriceSmart, WD-40 earnings

TUE JANUARY 10, 2023

- Wholesale Inventories
- NFIB Small Business Optimism Index
- Redbook
- Albertsons, and TD Synnex earnings

WED JANUARY 11, 2023

- Mortgage Market Index
- Gasoline Production

- China CPI
- KB Homes earnings

THU JANUARY 12, 2023

- Initial jobless claims (weekly)
- Continuing jobless claims
- CPI and Core CPI

- Real earnings
- TSMC earnings

FRI JANUARY 13, 2023

- UMich Consumer Sentiment
- UMich Inflation Expectations
- Euro Zone Industrial Production
- Bank of America, Bank of New York, BlackRock, Citigroup, Delta Airlines, First Republic Bank, JP Morgan Chase, UnitedHealth, and Wells Fargo earnings

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	1.47	1.47	1.47	4.47	(15.68)	3.52	8.01
S&P 500 Growth Index	0.08	0.08	0.08	(3.08)	(26.76)	(2.56)	7.18
S&P 500 Value Index	2.99	2.99	2.99	12.25	(3.22)	9.55	7.38
NASDAQ Composite	1.01	1.01	1.01	(4.31)	(29.32)	(8.23)	6.07
Bloomberg US Agg Bond	1.85	1.85	1.85	3.56	(10.27)	(6.24)	(2.25)
Bloomberg Long Term US Treasury	4.48	4.48	4.48	4.11	(23.40)	(14.69)	(6.58)
Basic Materials	3.40	3.40	3.40	13.71	(7.01)	6.07	13.69
Communication Services	3.69	3.69	3.69	(2.42)	(37.03)	(15.13)	(4.30)
Consumer Cyclical	2.47	2.47	2.47	(6.96)	(33.05)	(10.07)	6.49
Consumer Defensive	2.02	2.02	2.02	12.28	(0.76)	8.40	10.48
Energy	(0.47)	(0.47)	(0.47)	5.42	48.83	52.53	18.37
Financial Services	3.67	3.67	3.67	11.44	(12.19)	6.43	6.42
Healthcare	(0.10)	(0.10)	(0.10)	7.90	(0.81)	6.23	10.41
Industrials	2.71	2.71	2.71	14.22	(5.71)	6.57	8.07
Real Estate	2.24	2.24	2.24	7.92	(20.99)	4.32	0.40
Technology	(0.07)	(0.07)	(0.07)	(2.47)	(28.23)	(2.94)	10.42
Utilities	0.78	0.78	0.78	10.16	4.82	9.56	6.47

Is Style Still in Fashion

From 2007 to 2021, ever since the 2008 Financial Crisis, Growth stocks have trounced Value stocks 11 out of the last 15 calendar years - AKA batting average of 73%. Post-Covid, Value stocks not since the Dotcom bubble hammered Growth stocks in 2022 (-29.41%), outperforming by 2,418 bps. Over the next few series of weekly commentaries, we will dive into understanding the reasoning, fundamental changes occurring to the S&P 500 index, and whether this is a blip in the Growth saga or are Value stocks becoming a trend leader.

But let's not forget, since the 2008 Financial Crisis, growth stocks have benefited from an environment of Fed policies of cheap money (Quantitative Easing, Pandemic Stimulus), federal bailouts, low inflation, low-interest rates, and last but not least, low-cost manufacturing in China all coming to a sudden halt in 2022.

At Sowell, we fundamentally believe in style rotation between growth-and-value stocks in part due to its fundamental correlation to changing market environments and history repeating. But that fundamental investment philosophy also hinges on the make-up of an index, the dominant sectors leading the respective styles, and its correlation to the economy, interest rates, inflation, and market-capitalization of stocks.

It is premature to state Value stocks will be the next trend leader after one data point, but all the right stars are in place.

	Annual Ret 2022 USD	Annual Ret 2021 USD	Annual Ret 2020 USD	Annual Ret 2019 USD	Annual Ret 2018 USD	Annual Ret 2017 USD	Annual Ret 2016 USD	Annual Ret 2015 USD
S&P 500 TR USD	(18.11)	28.71	18.40	31.49	(4.38)	21.83	11.96	1.38
S&P 500 Growth TR USD	(29.41)	32.01	33.47	31.13	(0.01)	27.44	6.89	5.52
S&P 500 Value TR USD	(5.22)	24.90	1.36	31.93	(8.95)	15.36	17.40	(3.13)
Difference	(24.18)	7.11	32.11	(0.80)	8.94	12.08	(10.51)	8.66

	Annual Ret 2014 USD	Annual Ret 2013 USD	Annual Ret 2012 USD	Annual Ret 2011 USD	Annual Ret 2010 USD	Annual Ret 2009 USD	Annual Ret 2008 USD	Annual Ret 2007 USD
S&P 500 TR USD	13.69	32.39	16.00	2.11	15.06	26.46	(37.00)	5.50
S&P 500 Growth TR USD	14.89	32.75	14.61	4.65	15.05	31.57	(34.92)	9.13
S&P 500 Value TR USD	12.36	31.99	17.68	(0.48)	15.10	21.18	(39.23)	1.99
Difference	2.53	0.77	(3.07)	5.13	(0.05)	10.39	4.31	7.14

Source: Bloomberg

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.