



[TACTICAL] Who would have thought with all the global macro events over the several weeks, equity markets would clip two-consecutive weeks of positive gains, improving the technical averages of Sowell's systematic signals – powers of federal policy. Sowell's technical signals are still betting on a neutral position (60/40); however, this week's key economic releases could potentially provide directional momentum.

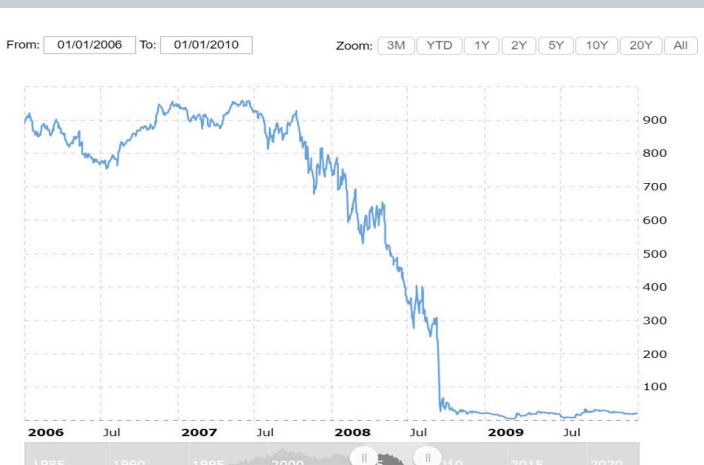
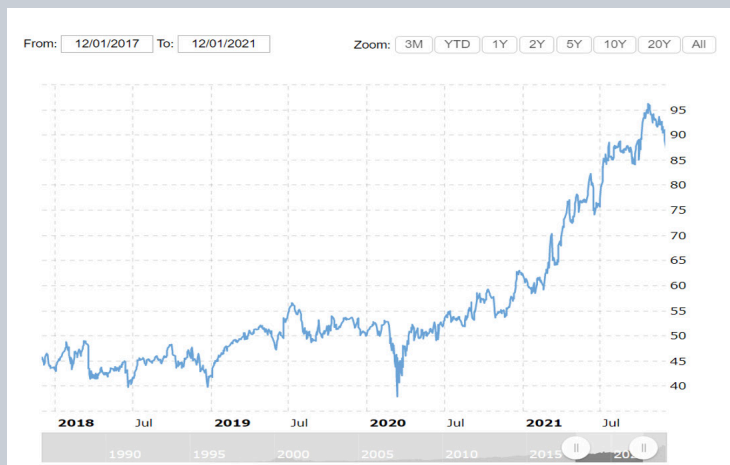
Expectations of a jittery week led by the global central bank's efforts to prevent a contagion banking crisis alongside a skeptical market towards the Federal Reserve's quarter-percentage point rate hike, the major markets all-in-all ended the week in positive territory. Though banking stocks ended the week mostly flat, S&P 500 Index gained 1.41%, led by a flight to Technology and Communication stocks. Heavyweights like Apple +3.4%, Alphabet +3.8%, Tesla +5.7%, Exxon Mobil +3.7%, and Meta +5.3% helped post positive gains. Recession fears continued to push down bond yields resulting in the bond market gaining +0.52% against Wednesday's move to raise the Fed Funds rate to 5%. The week ended with Washington debating what additional measures are needed to further protect bank deposits without the moral hazard of insuring all deposits – Treasury is prepared to take additional emergency action to protect uninsured deposits in the event of systemic risk.

What is expected to be a light week ahead of economic and earnings releases, the spotlight will continue to shine on the banking sector, inflation, and recession fears. Congress will continue to debate whether to enhance deposit insurance and insure bank deposits. This week's key reports on Wholesale Inventories, GDP, Personal Spending, Personal Income, and

Jobless Claims will address inflation and recession concerns.

Ironically with all the market pandemonium, including weekly reports of company layoffs, no major economic statistic has been able to explicitly affirm a recession. Although there are indicative signs of manufacturing slowing, last week's report on the services sector continues to exhibit American spending, which presents a headache for the Fed.

"The last time we invented a technology this powerful we created nuclear technology – it could be used to light up your whole country or obliterate the whole planet. But the thing about nuclear technology is that it was developed by governments, which collectively created a system of controls to curb its proliferation to bad actors – not perfectly but not bad. AI, by contrast, is being pioneered by private companies for profit. The question we have to ask is how do we govern a country, and a world, where these AI technologies "can be weapons or tools in every domain," while they are controlled by private companies and are accelerating in power every day? And do it in a way that you don't throw the baby out with the bathwater." – Thomas Friedman, New York Times Columnist, Our New Promethean Moment, March 22, 2023.



ORCL VS. AIG stock price after buyback

Stock Buyback – Intrinsic Value Matters

Stock buyback has become an increasingly popular choice for companies to return money to their shareholders tax-efficiently. In a buyback, the repurchased shares will go into inventory and reduce the outstanding share count in the open market, benefiting shareholders by raising the per-share value and, potentially, the stock price. In recent years, concerns have been raised about the true beneficiaries of stock buybacks. Skeptics argue that buybacks primarily manipulate the stock price and benefit the wealthy executives, many of whom get stock-based compensation or hold options on their own stock, rather than mid-class workers who play a key role in the company's growth. They view it as a misuse of available money for short-sighted goals while giving up the potential long-term interest by investing elsewhere to boost employee benefits, and based on that, the politicians have introduced laws to propose a tax on the process, hoping to restrict or reduce the buyback actions.

However, Warren Buffett has described such critics as 'economic illiterate' in the recent Berkshire Hathaway annual letter and defended that stock buybacks will benefit all owners as long as they are made at value-accretive prices. It is true that in most successful cases, such as Oracle, by the end of 2020, buyback reduces the supply and shows a signal of undervalued, thus boosting the stock price in the following period of time. But while the 'Oracle of Omaha' strongly supports the concept, it is critical to understand the "value-accretive price" that he's conditional on. Actually, the man explicitly stated as early as in his 2012 letter that "value is destroyed when purchases are made above intrinsic value." One such example can be AIG, which decided to repurchase an additional \$8 million of its stocks at the end of 2007 but did not save its stock price from crashing in 2008.

ORCL VS. AIG stock price after buyback

For investors, share buybacks can be a valuable signal as it releases an optimistic signal that the company has extra cash in hand, feels pretty confident about its future growth, and perceives its shares to be undervalued. Especially for value investors, who usually get exposure to such opportunities by picking stocks that they think to be undervalued, a good buyback decision can be a chance to grow their assets. But be careful. It could be misleading for pure quant arbitrageurs who rely solely on ratios and overlook fundamental analysis, as stock buybacks can lift the per-share ratio without generating any extra earnings. At the end of the day, it would always be safe and prudent to look into the fundamentals to understand the intrinsic value before making the investment decision and make the best use of the extra information brought by stock buybacks.

MON MARCH 27, 2023	
Dallas Fed Mfg Index	
Euro Zone Money Supply	
Euro Zone Private Sector Loans	
BioNTech, Carnival, and PVH earnings	
TUE MARCH 28, 2023	
Wholesale Inventories	
S&P/Case-Shiller House Price Index	
CB Consumer Confidence	
Dave & Buster's, Jefferies Financial, McCormick, Micron Technology, Progress Software, Walgreens Boots, and Lululemon Athletica earnings	
WED MARCH 29, 2023	
Mortgage Market Index	
Pending Home Sales	
Gasoline Inventories	
Cintas, Concentrix, HB Fuller, Paychex, and RH earnings	
THU MARCH 30, 2023	
Initial jobless claims (weekly)	
Continuing jobless claims	
GDP	
BlackBerry, Duck Creek Technologies, National Beverage, and Rumble earnings	
FRI MARCH 31, 2023	
Personal Income	
PCE and Core PCE Index	
Euro Zone CPI and Core CPI	

SELECT INDICES							
SECTORS (AS OF 3/10/23)	YTD Daily	1 Wk Daily	MTD (Daily)	3 Mo Daily	1 Yr Daily	2 Yr Daily	3 Yr Daily
S&P 500 Index	3.86	1.41	0.16	3.74	(10.63)	2.64	19.42
S&P 500 Growth Index (as of 3/9/23)	6.45	1.96	2.77	5.96	(17.67)	(0.32)	17.54
S&P 500 Value Index (as of 3/9/23)	1.04	0.80	(2.67)	1.31	(3.75)	4.98	20.10
NASDAQ Composite	13.22	1.68	3.30	12.91	(15.93)	(3.74)	17.73
Bloomberg US Agg Bond	3.44	0.52	3.01	2.76	(4.09)	(4.43)	(2.06)
Bloomberg Long Term US Treasury	6.66	0.06	5.23	4.89	(14.67)	(9.60)	(11.14)
Basic Materials	0.22	2.03	(6.31)	(0.85)	(10.68)	3.80	26.32
Communications Services (as of 3/9/23)	18.00	3.33	8.34	17.96	(21.03)	(12.84)	8.31
Consumer Cyclical	9.92	0.61	(2.84)	9.52	(20.31)	(7.39)	19.96
Consumer Defensive	(1.08)	1.74	1.02	(1.75)	(0.72)	6.49	17.01
Energy (as of 3/9/23)	(10.55)	2.25	(6.59)	(10.35)	4.28	31.36	48.55
Financial Services	(7.08)	0.66	(11.59)	(6.41)	(16.99)	(3.16)	17.01
Healthcare	(5.58)	1.43	0.16	(5.69)	(5.89)	3.91	17.03
Industrials	(0.35)	0.67	(4.35)	(0.49)	(4.85)	1.82	22.49
Real Estate	(3.98)	(1.14)	(7.15)	(4.34)	(21.26)	(3.13)	12.29

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.