



[TACTICAL] Although it was a four-day week, major markets for both stocks and bonds gained momentum in expectations the Fed will pause on interest rates tightening, with all economic releases the past week pointing to a slowdown. Sowell's technical signals remain neutral (60/40), awaiting this week's much-anticipated inflation report and bank earnings. Getting ahead of this Fed is like playing with matches.

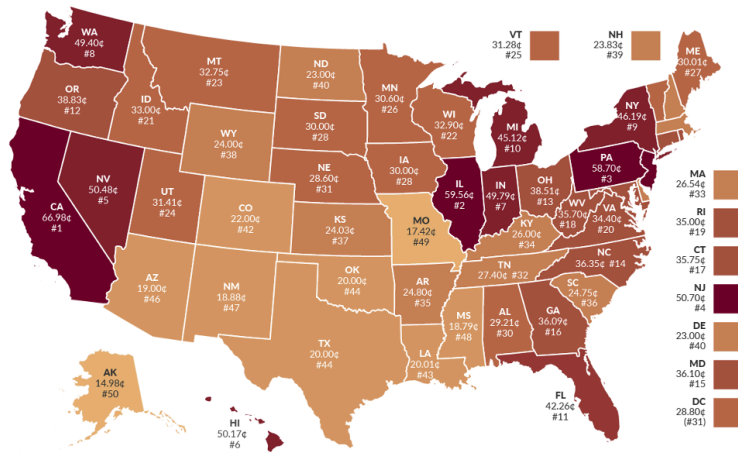
We saw the fourth resilient week of positive gains for U.S. equities on the heels of a regional banking crisis, a quarter percentage point rate hike by the Fed, the indictment of Former President Trump, and last week's weakening economic report since March 10. Manufacturing, construction spending, factory orders, job openings, services, and jobless claims unanimously pointed to weaker-than-consensus estimates, and an economic slowdown is imminent. Investors' 20/20 vision is now charted towards the FOMC's posture towards interest rates, especially since we are closer rather than further from the Fed's resistance level of price stability. The bond market posted another week of gains as yields in longer-maturities continued to narrow in fears of a recession. As the Fed jostles with interest rates, it must balance the need to slow the "current" inflation environment while having a long-term position of economic growth and prosperity – a normal upward-sloping yield curve. This presents inherent indecision and duration risk in bonds.

This week will certainly be all about the core inflation report in anticipation of the Fed's next move and highly anticipated bank earnings being released. Other key economic indicators indicative of Sowell's strategic positioning include Industrial Production, Business Inventories, and Retail Sales. Besieged First Republic Bank is expected to announce this Wednesday, followed by the nation's largest banks like JP Morgan, Citigroup, and Wells Fargo, announcing on Friday.

"By making things smaller, everything gets better at the same time. The transistors get faster, the reliability goes up, the cost goes down, a unique violation of Murphy's Law." – Gordon Moore, co-founder of Intel, ASML interview, December 18, 2014. [Source.](#)

MON APRIL 10, 2023
Wholesale Inventories
CB Employment Trends
China CPI and PPI
TUE APRIL 11, 2023
NFIB Small Business Optimism Index
Redbook
Euro Zone Retail Sales
Albertsons and CarMax earnings
WED APRIL 12, 2023
Mortgage Market Index
CPI and Core CPI
Real Earnings
First Republic Bank and Washington Federal earnings
THU APRIL 13, 2023
Initial jobless claims (weekly)
Continuing jobless claims
PPI and Core PPI
Delta Airlines, National Beverage, and Progressive earnings
FRI APRIL 14, 2023
Retail Sales
Industrial Production
Business Inventories
BlackRock, Citigroup, JP Morgan, PNC Financial, UnitedHealth, and Wells Fargo earnings

Total State Taxes and Fees on Gasoline, July 2021 (cents per gallon)



Note: These rates do not include the 18.4 cent/gallon federal excise tax rate on gas. The American Petroleum Institute has developed a methodology for determining the average tax rate on a gallon of fuel. Rates may include any of the following: excise taxes, environmental fees, storage tank taxes, other fees or taxes, and general sales taxes. In states where gasoline is subject to the general sales tax, or where the fuel tax is based on average sale price, the average rate determined by API is sensitive to changes in the price of gasoline. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included. Data as of July 2021. Source: American Petroleum Institute.

TAX FOUNDATION @TaxFoundation

Electricity Tax is Around the Corner

According to Goldman Sachs Research, half of all vehicle sales are forecast to be electric vehicles by 2035, which is great for the environment and lower greenhouse gas emissions. They further forecast that global E.V. sales will reach 73 million units by 2040, with the U.S. accounting for 14 million units. Tesla's current estimates are that a Tesla Model 3 Long Range with a 75kWh battery pack costs approximately \$21 for a full charge (\$0.28/kWh) at a Supercharging station – an annual savings of \$700 estimated by Tesla. That is a huge cost saving relative to the price of gas, "fueling" the adoption of E.V.s even sooner. But consumers beware, "if it's too good to be true, it probably is."

Currently, California tacks on an additional \$1.40 "per gallon" in fuel taxes and fees; the \$1.40 per gallon includes 54 cents in state excise tax, 18.4 cents in federal excise taxes, 23 cents for California's cap-and-trade program to lower greenhouse gas emissions, 18 cents for the state's low-carbon fuel programs, 2 cents for underground gas storage fees, and an average of 3.7% in state and local sales taxes. California expects to raise \$7.4 billion in budget revenue from its state excise tax to pay for road infrastructure and other government infrastructure projects. As the consumption of gas declines, so will the state and federal revenue to fund our transportation system. In 2020, Statista.com reported U.S. states and local governments collected \$53 billion in gas tax revenue, and some of the top states are PA, CA, WA, IL, and NJ. Where's the shortfall in gas tax revenue going to come from? Policymakers are already spinning their wheels, but rest assured it will likely come from an increase in the cost of your annual vehicle registration, driver's license renewal, auto insurance, and last but not least, a tax on the energy that charges your E.V. battery and home, electricity! If E.V. savings now is too good to be true, it only means that you may consider buying an E.V. sooner rather than later to enjoy the benefits now before they disappear.

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	7.43	1.38	(0.06)	5.87	(6.79)	1.97	17.38
S&P 500 Growth Index	9.98	1.81	0.31	9.90	(13.34)	(1.49)	15.61
S&P 500 Value Index	4.66	0.90	(0.49)	1.62	(0.52)	4.89	17.94
NASDAQ Composite	15.79	0.64	(1.08)	14.63	(12.17)	(5.33)	16.07
Bloomberg US Agg Bond	4.11	1.59	1.12	2.22	(2.38)	(4.16)	(2.45)
Bloomberg Long Term US Treasury	8.62	3.63	2.31	3.97	(11.19)	(8.69)	(11.12)
Basic Materials	3.35	(0.14)	(1.68)	(0.05)	(6.18)	2.43	24.97
Communications Services	22.60	4.49	2.31	18.25	(17.10)	(13.44)	7.86
Consumer Cyclical	12.56	(0.59)	(3.09)	9.84	(16.46)	(9.23)	19.07
Consumer Defensive	2.17	1.59	0.65	0.15	(1.29)	6.14	13.96
Energy	(2.43)	3.42	2.69	(1.97)	14.45	37.22	46.35
Financial Services	(4.34)	0.35	(0.85)	(7.72)	(11.67)	(3.83)	15.62
Healthcare	(0.95)	4.11	2.91	(0.85)	(3.82)	5.16	14.12
Industrials	0.29	(2.40)	(3.74)	(2.36)	(1.20)	(0.36)	19.24
Real Estate	0.40	1.35	(0.83)	(1.81)	(21.91)	(3.17)	9.86
Technology	20.38	(0.12)	(1.74)	20.46	(5.34)	2.29	21.73
Utilities	(0.15)	3.77	2.98	(0.92)	(5.82)	6.81	10.96

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