

Home (<https://dreamwork.financial/>) » Research  
(<https://dreamwork.financial/category/research/>) » Investing Hotsheet  
(<https://dreamwork.financial/category/research/investing-hotsheet/>) » Investing Hot Sheet



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*The S&P bounced off the critical 3900 level. Oil hit a 7-month low. This week's CPI report will dictate where stocks go from here.*

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## The Hot List

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### 1. Inflation

The highly anticipated CPI report will be released on Tuesday.

## 2. Federal Reserve

Chairman Powell reiterated (<https://www.barrons.com/articles/jerome-powell-cato-institute-speaking-today-51662642234>) that the Fed won't back down on inflation when speaking at the CATO Institute last week.

## 3. Interest Rates

The ECB raised (<https://www.reuters.com/markets/europe/ecb-raises-rates-by-unprecedented-75-basis-points-2022-09-08/>) rates 0.75%, bringing its deposit rate up from 0%. The average 30-year mortgage rate jumped (<https://apnews.com/article/inflation-real-estate-mortgages-74ca79f3fec344695a4f147aeb7783d>) to 5.89% which is the highest since 2008. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

## 4. Energy

Oil hit a 7-month low as prices dropped (<https://www.forbes.com/sites/sergeiklebnikov/2022/09/07/oil-prices-hit-seven-month-low-as-recession-fears-weigh-on-demand/?sh=62167794624a>) below \$80/barrel.

## 5. Ukraine

Here is a link (<https://www.aljazeera.com/news/2022/6/26/russia-ukraine-live-news-indonesia-leader-to-visit-kyiv-moscow><https://www.aljazeera.com/news/2022/6/20/russia-ukraine-live-news-moscow-to-intensify-attacks-kyiv-liveblog>) to the latest in Ukraine.

# Last Week

**Monday:** Markets closed for Labor Day.

**Tuesday:** S&P 500 -16.07 (-0.41%) to 3908.19. ISM Non-manufacturing was better than expected (56.9% vs 55.2%).

**Wednesday:** S&P 500 +71.68 (+1.83%) to 3979.87. Oil hit a 7-month low. Beige Book was released.

**Thursday:** S&P 500 +26.31 (+0.66%) to 4006.18. The ECB raised rates by 0.75%. Jobless claims were less than expected (222K vs 246K).

**Friday:** S&P 500 -11.10 (-1.53%) to 4007.31. Markets closed for Labor Day.

**Friday:** S&P 500 +61.18 (+1.53%) to 4067.36. No major headlines.

## S&P 500 [S&P] Technical Look

**Potential Support:** To the downside, look for mild support back at 4000 and the 50-day moving average. If it drops below that, look for support at the critical 3900 level.

**Potential Resistance:** To the upside, look for slight resistance at 4100 near the 20-day moving average. If it breaks above that then 4150 could be the next spot to watch.

## Top Ideas

Tech

Military

Staples

Energy

Healthcare

## My Take

Last week, I mentioned that with so much uncertainty it seemed logical that the S&P would establish a trading range until we get more clarity. I wrote “the question is whether 3900 can hold as a bottom for my proposed trading range. There is reason to be optimistic as it currently has an RSI of 35 which is oversold and a likely spot for bounces.” Well, the S&P caught the bounce that we were looking for and seems to have firmly established that trading range of 3900-4300.

The upcoming CPI report will now likely dictate the direction of the stock market. The Fed has reiterated that they are “data-dependent” and will act accordingly. So, regardless of how hawkish or dovish the Fed acts day to day, what the data says will determine their plan of action. This CPI report will give them – and us – a first glimpse of which way inflation is heading. If the report comes in much cooler than expected, it will signal that the Fed’s actions are working and that they may be getting closer to pausing. But if it comes in hotter, then the “goalposts” will have moved again and the Fed will be forced to get even more hawkish.

Aside from the CPI report, there are reports that Ukraine is gaining ground in their war with Russia. This is something to keep an eye on as any deal, or end to the war, could be a massive catalyst that could catch investors off guard. However, that is still very unlikely at this point and there is also the chance that the war could further escalate – it’s certainly a development to follow.

In the meantime, with the S&P back near 4100 you may be getting another chance to make sure you're properly positioned for all scenarios which could follow the massive CPI report. As always, stick to your game plan here and know whether you need to be playing more offense or defense here.

If you need an Investing Game Plan™, our proprietary investment management system, please contact us today (<https://dreamwork.financial/contact/>).

Until next time,

Clint Kirby

Chief Financial Strategist

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