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The S&P is back at the June lows following the Fed meeting. Can the upcoming PCE report help stocks bounce from these oversold levels?

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The Hot List

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1. Federal Reserve

The FOMC raised rates (<https://www.cnbc.com/2022/09/21/fed-rate-hike-september-2022-.html>) by 75 bps at the September meeting. Powell reiterated that “his message has not changed since Jackson Hole” and that rates would be higher for longer.

2. Inflation

The Fed’s preferred inflation gauge, the PCE report, will be released this week.

3. Interest Rates

Mortgage rates continue to jump. The average 30-year mortgage is at 6.29%, representing the highest level since '08. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Ukraine

Putin mobilized (<https://www.nbcnews.com/news/world/putin-announces-partial-mobilization-russian-military-ukraine-war-rcna48585>) 300K more troops for the war in Ukraine. Russian men fled (<https://www.bbc.com/news/world-europe-62996212>) country after news of the draft.

5. Earnings

Investors will get a look at 2Q earnings with reports from companies like Nike, Micron and Bed Bath and Beyond that are set to report this week.

Last Week

Monday: S&P 500 +26.56 (+0.69%) to 3899.89. No major headlines.

Tuesday: S&P 500 -43.96 (-1.13%) to 3855.93. August housing starts beat expectations (1575K vs 1448K). 2-day Fed meeting began.

Wednesday: S&P 500 -66.00 (-1.71%) to 3789.93. Fed raised rates by 75bps as 2-day meeting concludes.

Thursday: S&P 500 -31.94 (-0.84%) to 3757.99. Jobless claims missed expectations (213K vs 220K).

Friday: S&P 500 -64.73 (-1.72%) to 3693.26. S&P briefly dipped below June lows.

S&P 500 [S&P] Technical Look

Potential Support: To the downside, look for support at the June lows. If it can't hold there, then look for support at 3500.

Potential Resistance: To the upside, look for resistance back at 3900. If it breaks above that level, then 4000 could be the next area of resistance.

Top Ideas

Tech

Military

Staples

Energy

Healthcare

Short-Term Treasuries

My Take

It has been a rough year for stocks and that continued after last week's Fed decision. The FOMC raised 75 bps as expected, but Powell came out more hawkish than anyone had planned. Investors were hopeful that the Fed would be nearing a "wait and see" approach. Unfortunately, Powell said that would happen but at a much later time.

Now the debate surrounds whether or not rate hikes are being overdone? The increases take a while to work through the system. Moreover much of the inflation data that is observed is lagging. On the ground, there appears to be signs that the Fed policies are working. Oil is back at lows from January, before the Ukraine invasion, which seems to be a result of their decision to increase rates. Housing has dropped due to Fed policies and stocks have been revalued due to higher rates. Yet the Fed still doesn't appear to be convinced their policies are working.

Headlines are now being printed that investors have lost confidence in the Fed – which is a point I've been making for a while. Not one of the Fed members spoke out last year when Powell was backing the "transitory" narrative. Now we're putting our faith in them to fix the problem they've helped to exacerbate.

From a technical standpoint, the S&P is at extremely oversold levels. This selloff has not only been sharp but it has been broad reaching all sectors, and indices. On Friday, the index breached the June closing lows and has an RSI below 30. If there's any reason to be positive, these extreme bearish levels can offer big bounces and opportunities for longer term

investors.

The week ahead will give us a glimpse into earnings with Nike and Micron. However, the major news will come Thursday when the PCE report is released. Any glimpse of inflation cooling would obviously send markets higher, while hotter data would most likely send us to new lows for the year.

In these volatile times, make sure you have a game plan and be prepared for all outcomes. 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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