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The Dow is on pace for its best month since 1976 as earnings have held up. Will this week's Fed meeting throw cold water on this rally?

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The Hot List

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1. Inflation

The September PCE report showed core prices moderating (<https://www.cnbc.com/2022/10/28/pce-inflation-september-2022-.html>) in September but slightly above expectations (0.5% vs 0.4% expected).

2. Federal Reserve

The highly anticipated November Fed meeting is this week (Nov 1-2).

3. Earnings

Megacap tech companies reported ugly results last week with the exception of Apple. Now investors will hear from other heavyweights like Pfizer, Uber and Starbucks.

(<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Economy

GDP grew (<https://www.cnbc.com/2022/10/27/us-gdp-accelerated-at-2point6percent-pace-in-q3-better-than-expected-as-growth-turns-positive.html>) 2.6% in Q3 which was better than expected. October nonfarm payrolls report will be released on Friday.

5. Geopolitics

Russia halts (<https://www.bbc.com/news/world-europe-63439760>) grain exports from Ukraine via its Black Sea ports after they say their ships were attacked by drones.

Last Week

Monday: S&P 500 +44.59 (+1.19%) 3797.34. Preliminary Services PMI for October was 46.6.

Tuesday: S&P 500 +61.77 (+1.63%) to 3859.11. Consumer confidence was weaker than expected (102.5 vs 105.5).

Wednesday: S&P 500 -28.51 (-0.74%) to 3830.60. New home sales in September were better than expected (603k vs 575k).

Thursday: S&P 500 -13.44 (-0.35%) to 3807.20. GDP-Adv for Q3 was better than expected (2.6% vs 2.3%). Durable orders were slightly below expectations (0.4% vs 0.6%).

Friday: S&P 500 +93.76 (+2.46%) to 3901.06. Core PCE for September was slightly above expectations (0.5% vs 0.4% expected). Pending home sales tanked in September (-10.2%).

S&P 500 [S&P] Technical Look

Potential Support: If the S&P can't hold 3900, look for support at 3800. If it drops below that then watch 3700 at the 20-day moving average.

Potential Resistance: To the upside, expect resistance at the psychological 4000 level. If it breaks that, look at 4100 near the 200-day moving average for further resistance.

Top Ideas

Technology

Discount Retail

Military

Healthcare

Energy

My Take

Stocks continued to rally as earnings have held up better than anticipated. This rally has actually put the Dow Jones on pace to have its best month since 1976. So, does this rally have legs or are investors setting themselves up to be disappointed again?

Despite the misses from some of the tech heavyweights, the majority of companies reporting earnings are in line or better than expected. These reports have helped provide some optimism that the economy could avoid a recession and possibly have a "soft landing."

Similar to the June rally – which ultimately proved to be a bear market rally – investors are hoping for signs of a "pause" or "pivot" at the upcoming Fed meeting. For the first time, we are starting to hear some dovish chatter from what had been a unified hawkish front. There is also increasing data that could give the "data dependent" Fed what they need to slow the aggressive policy. But while investors are trying to sniff out a "pause," it's important to remember that we have already seen this before and not to get caught offside.

From a technical perspective, the S&P finds itself back at 3900 which has been the battleground for much of the year. It is clearly setting up to serve as major support or resistance once again after the Fed announcement Wednesday. If Powell signals that the Fed is almost ready to wait and let the current hikes work their way through the system, stocks could be poised to have a big 4th quarter rally. But if he pours cold water on this rally, like he has previously, stocks could see further trouble.

Look for another volatile week filled with lots of market-driving news. While the Fed meeting will steal the spotlight, there are many earnings reports to come, as well as the October jobs report Friday. If you need help, **contact me** (<https://dreamwork.financial/contact/>) to get your Investing Gameplan™, our proprietary investment management system.

Until next time,

Clint Kirby

Chief Financial Strategist

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