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Why Invest Now? Compounding Returns.
November 16, 2022

Compounding returns can help you reach goals with a smaller investment. But the earlier you invest, the more you stand to benefit.



Investing Hot Sheet
November 14, 2022

Stocks spiked following a cooler-than-expected CPI report. Are investors getting ahead of themselves or is the rally just getting started?



How to Read a Stock Quote
October 19, 2022

Investors who understand how to interpret a stock quote can use this information to make more informed investing decisions.

Investing Hot Sheet

Nov 14, 2022 | Investing Hotsheet



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The Hot List

1. Inflation

October's Consumer Price Index (CPI) was cooler than expected with an annualized rate of 7.7%. The Producer Price Index will come out on Tuesday.

2. Economy

The Retail Sales report for October will be released on Wednesday.

3. U.S. Politics

The midterm elections appear to have resulted in gridlock. Republicans took control of House while Democrats are **projected** to retain control of Senate.

4. Geopolitics

Russia faced one of its biggest **losses** yet in the war with Ukraine, retreating from Kherson.

5. Interest Rates

The 10-year Treasury yield is back below the key 4% level after the cooler CPI report.

Last Week

Monday: S&P 500 +36.25 (+0.96%) to 3806.80. No major headlines.

Tuesday: S&P 500 +21.31 (+0.56%) to 3828.11. Investors await midterm election results.

Wednesday: S&P 500 -79.54 (-2.08%) to 3748.57. FTX crypto exchange has liquidity crunch.

Thursday: S&P 500 +207.80 (+5.54%) to 3956.37. October CPI and Core CPI better than expected (0.4% vs 0.7%) and (0.3% vs 0.5%) respectively.

Friday: S&P 500 +36.56 (0.92%) to 3992.93. Bond market closed for Veterans Day. Univ. of Mich. Consumer Sentiment weaker than expected 54.7 vs 59.6.

S&P 500 [S&P] Technical Look

Potential Support: If the index can't hold 4000, look for support at previous resistance level 3900. If it breaks that look to the 50-day moving average.

Potential Resistance: If the index can hold 4000, look for resistance at the 200-day moving average near 4100.

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My Take

The topic of last week's Hot Sheet was whether or not a cooler CPI report could help spark a fourth quarter rally and it didn't disappoint. Investors were clearly primed for another hot report after it has been the trend for most all this year. So, when a much cooler than expected report came out, everyone appeared to let out a big sigh of relief. Now the question is whether that was a short-term relief rally or if this could carry through into the holiday season, which is typically a good time for stocks.

I mentioned last week that the Fed members are using their "tool of the tongue" keeping markets in check. This most likely wouldn't give any signals of a shift in policy – even if they wanted to. For this reason, investors will try to sniff it out ahead of time. Powell has made it clear that one month of data won't affect his policy. However, he must be liking what he saw with the CPI – lags and all. This week's October retail sales report is going to be key to watch in regards to inflation and strength in the economy. It is most likely a "bad news is good news" situation due to its implications for Fed policy.

In addition to retail sales, I will be closely watching the PPI report and the numerous retail earnings reports this week. Walmart, Home Depot, and TJ. Maxx will give us clues on the state of the consumer and the inflation impact.

From a technical standpoint, the S&P is at an important psychological level – 4000. If this rally is going to have some significant momentum, it will need to break the 200-day moving average near 4100. It seems very likely that we will see a battle between bulls and bears barring there are no significant negative headlines in the next week or so. But the direction on where it goes from there is really still up in the air. The 200-day has been the most significant resistance level and is sure to bring all the bears out to defend that area. The last time we touched this number it sparked a brutal selloff, but could this time be different.

Could inflation be about to drop off a cliff? Could Russia and Ukraine reach a deal?

There are certainly catalysts that could give me optimism. But on the flip side interest rates are now at restrictive levels and the economy may just now be starting to feel the

effects of the massive rate hikes. For those reasons, it makes sense that the index could rise to the top end of the range near the 200-day moving average but not completely sold on a breakout yet.

With that being said, it's important to be prepared for all outcomes and probably a good time to rebalance your portfolio. If you need help investing or would like me to build your Investing Gameplan™, DreamWork's proprietary investment management system, [contact me today](#).

Until next time,

Clint Kirby

Chief Financial Strategist

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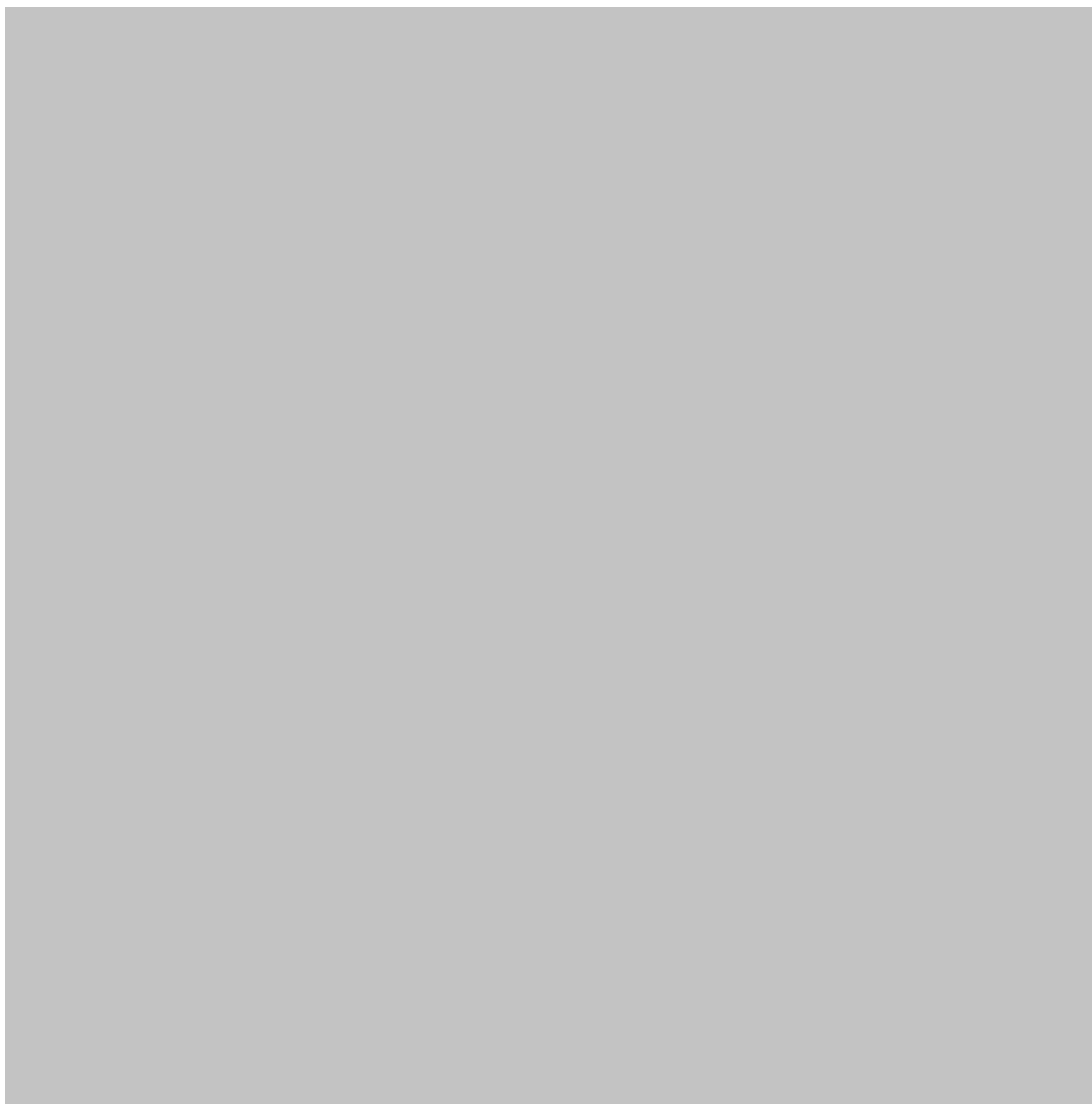
Recent Bull and Bear Markets

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