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Holiday retail sales rose. COVID-19 cases at pandemic high. This week's Fed minutes may give clues on rate hikes. Can the breakout continue?

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The Hot List

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1. COVID-19

U.S. COVID-19 cases rise (<https://www.cnbc.com/2021/12/29/us-covid-cases-rise-to-pandemic-high-as-delta-and-omicron-circulate.html>) to pandemic high. Cases in South Africa are dropping (<https://www.thedenverchannel.com/news/national/coronavirus/covid-19-cases-dropping-in-south-africa-noting-omicron-peak-may-have-passed>) sharply noting that omicron peak may have passed.

2. Federal Reserve

Fed minutes are coming up this week, so investors look for clues on rate hikes.

3. Inflation

The Fed's preferred inflation measure, PCE

(https://www.abc12.com/news/national/a-key-inflation-measure-just-hit-a-nearly-four-decade-high/article_91996a64-b234-56a8-89af-7b3750f0302f.html), rose 5.7% in November which was the fastest increase since 1982.

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

4. Economy

Holiday retail sales rose 11%

(<https://www.nytimes.com/2021/12/26/business/holiday-sales-data.html>) over 2019, the year before the pandemic.

5. Geopolitics

Biden reaffirms (<https://www.nbcnews.com/politics/joe-biden/biden-reaffirms-u-s-support-ukraine-call-zelenskyy-amid-russia-n1286825>) U.S. support for Ukraine as Russia fears increase.

Last Week

Monday: S&P 500 +65.41 (+1.38%) to 4791.19. No major news.

Tuesday: S&P 500 -4.83 (-0.10%) to 4786.36. Home price growth slows for 3rd straight month.

Wednesday: S&P 500 +6.70 (+0.14%) to 4793.06. No major news.

Thursday: S&P 500 -14.33 (-0.30%) to 4778.73. Weekly jobless claims 198K vs 206K (expected).

Friday: S&P 500 -12.55 (-0.02%) to 4766.18. PMI comes in slightly above expectations.

Technical Look

Potential Support: If the S&P 500 drops from here, look for support at 4700. If it breaks that, 4500 is the major level to watch.

Potential Resistance: On the S&P 500, 4800 has been recent resistance. If it breaks that there is no clear resistance in sight

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My Watchlist

Defensive

Luxury

Metaverse

Fintech

My Take

After setting a new record on Monday, it was pretty much sideways for the rest of the week. This action is probably setting us up for another big move in January. With no real news last week, this week we'll get Fed minutes and the December jobs report.

Investors will look for clues on rate hikes from both of these reports as the Fed is closely watching inflation and employment. Personally, it feels like Powell has prepared investors already for "liftoff", citing a strong economy and a tight labor market.

I think the strong economy is more than ready to handle it with trillions in liquidity, which should still be cycling through the economy and fueling more growth. If we can just get COVID-19 to a manageable status, then it feels like there would be a real economic boom. It would also help with supply chain issues which should help push inflation down.

I expect a pretty choppy beginning to the year but expect investors to remain bullish about equities and the economy. There's also little reason to like fixed income here. To start the year, I'm starting to lean a little more into growth again as a significant part of a defensive barbell strategy. Growth stocks have been out of favor for months with many high growth names that have been in correction mode. If you are a long-term investor, it's probably a good time to start adding into those. However, if you are shorter-term or more conservative, then I'd remain overweight defensive and value names as we start out the year.

Anyways, if you need help or would like me to manage your investments, please **contact DreamWork Financial Group (<https://dreamwork.financial/contact/>)** today.

Until next time,

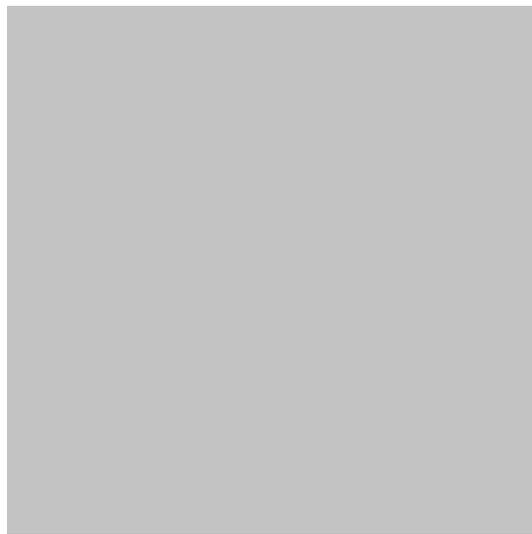
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Chief Financial Strategist



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