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The Fed hinted at rate hikes starting in March. A Russian invasion could be imminent. A new variant is in half the U.S. Can Friday's bounce continue?

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The Hot List

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1. Federal Reserve

The Fed concluded its January meeting (https://www.cnbc.com/2022/01/26/fed-decision-january-2022-.html) last week. They hinted that they would start raising rates in March.

2. Inflation

PCE **rose (https://www.cnbc.com/2022/01/28/key-fed-inflation-gauge-rises-4point9percent-from-a-year-ago-fastest-gain-since-1983.html)** 4.9% from a year ago which is the fastest gain since 1983.

3. COVID-19

There is a new COVID-19 variant that is 1.5 times more contagious and is **already (https://www.cnbc.com/2022/01/28/the-new-bapoint2-omicron-subvariant-is-already-circulating-in-half-of-us-states.html)** in approximately half of the United States. **(https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/)**

4. Geopolitics

The Pentagon has sounded the alarm **saying (https://www.foxnews.com/politics/pentagon-spox-putin-has-a-lot-of-options-for-ukraine-invasion-which-could-happen-at-any-time)** that a Russian invasion of Ukraine could happen at any time.

5. Earnings

Apple’s earnings report beat expectations last week. Now investors look to Google and Amazon’s earnings for more clues on the health of the technology sector.

Last Week

Monday: S&P 500 +12.19 (+0.28%) to 4410.13. S&P 500 hit correction territory before huge rally.

Tuesday: S&P 500 -53.68 (-1.22%) to 4356.45. Consumer confidence slipped.

Wednesday: S&P 500 -7.15 (-0.15%) to 4349.93. Fed meeting concludes. Powell readies market for March rate hike.

Thursday: S&P 500 -23.43 (-0.54%) to 4326.50. The U.S. 4Q GDP came in better than expected. Apple beat estimates.

Friday: S&P 500 +105.35 (+2.43%) to 4431.85. PCE rose fastest since 1983.

Technical Look

Potential Support: To the downside, look for support at 4300 on the S&P 500. If it broke that level, the intraday lows from last Monday near 4200 could provide the next level of support.

Potential Resistance: The S&P 500 closed right below the 200-day moving average on Friday, which may serve as slight resistance. If the market can break above that level, then there may be some resistance near 4500 and at the 50-day.

My Watchlist

Defensive

Luxury

Yield

Fintech

Discount Retail

My Take

Last week was a wild one for the stock markets. There's really no other way to put it. On Monday, the S&P 500 was in freefall, dropping to near 4200 during the day, only to turn positive by the close, back at 4400. The rest of the week was especially choppy following the Fed meeting as they prepare investors for less monetary accommodation. However, by the end of the week the S&P 500 was positive and possibly showing signs of bottoming.

Between Monday's wild swing and the S&P 500 joining the Nasdaq in correction territory, we appear to be checking the boxes for a possible bottom. The fact that these moves came after a Fed meeting and an Apple earnings announcement makes them more important to me.

It seems like we're finally starting to digest the Fed' unwinding of their support and that there may be 6-7 rate hikes throughout the year. Powell has been using his tongue as much as possible. Now, he is basically telling us now that they are going to raise rates in March due to the strength of the economy and labor market. It's starting to feel like the market will welcome it once they actually raise rates. It is similar to a child's fear at a doctor's office, the buildup is often worse than with the visit.

Earnings, inflation, and the overall economy should become the main focus – barring a major world event –i.e., Ukraine. My expectation is the economy stays hot especially if we finally get a real reopening – with full international travel, but the tradeoff will be more hot inflation data.

Apple came through with a great earnings announcement last week that really helped Friday's turnaround. This week will need Google and Amazon to keep it going.

From a technical standpoint, I'm looking to see if the S&P 500 can recover the 200-day as a huge signal of confidence and if there's really something to this turnaround.

As always, you should stick to your playbook here. If you're a very conservative investor or already retired, you should probably stay defensive here while focusing more on yields than the really oversold growth names. However, if you are more risk averse or have a distant horizon then this could be the right time to buy some high growth names at pretty reasonable valuations.

If you need help evaluating your investment strategy or would like me to manage your money, please contact **DreamWork Financial Group today. (https://dreamwork.financial/contact/)**

Until next time,

Clint Kirby

Chief Financial Strategist

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