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January's jobs report was much stronger than expected. Earnings season is in full swing. Huge CPI report this week. Russia remains the wildcard.

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The Hot List

↑ HOT

1. Earnings

Despite Facebook's huge earnings miss last week, Apple, Microsoft, Amazon, and Google came through with very strong earnings reports. This week we will hear from companies like Disney, Uber and Pelaton.

2. Inflation

The CPI inflation report comes out this week. **Expectations (https://news.yahoo.com/cpi-inflation-disney-earnings-what-to-know-this-week-162736428.html)** are for prices to have risen again in January to 7.3%, which would be the highest since 1982.

3. Federal Reserve

The strength of the latest jobs report has investors questioning whether the Fed could raise by 0.5% at the April meeting. **(https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/)**

4. Employment

The 4th quarter jobs report showed a **gain (https://www.cnbc.com/2022/02/04/jobs-report-january-2020-.html)** of 467K (vs 150K expectations) despite the surge in omicron.

5. Geopolitics

The Biden administration **warns (https://www.nytimes.com/2022/02/05/us/politics/russia-ukraine-invasion.html)** that a full Russian invasion of Ukraine could kill as many as 50,000 civilians and prompt a refugee crisis.

Last Week

Monday: S&P 500 +83.70 (+1.89%) to 4515.45. Chicago PMI beat expectations in January.

Tuesday: S&P 500 +31.09 (+0.69%) to 4546.54. Job openings rose in December.

Wednesday: S&P 500 +42.78 (+0.94 %) to 4589.32. ADP payroll estimate for January was well below expectations.

Thursday: S&P 500 -111.88 (-2.44 %) to 4477.44. Facebook's huge earnings miss weighed on stocks.

Friday: S&P 500 +23.17 (+0.52%) to 4500.61. Amazon beat expectations. 4Q jobs report came in much higher than expected.

Technical Look

Potential Support: To the downside, the S&P 500 [S&P] needs to hold the 200-day moving average which is around 4450. If it breaks that, it could fall significantly to 4300 before finding real support. ()

Potential Resistance: To the upside, the S&P could see slight resistance near the 20-day around Friday's highs. If it breaks that, the level to watch would be 4600 near the 50-day moving average.

My Watchlist

Defensive

Luxury

Yield

Fintech

Discount Retail

Metaverse

My Take

To call the stock market a rollercoaster is an understatement. It seems there are serious twists and turns around every corner. Coming into last week, markets had some positive momentum following Apple's earnings announcement and the strong GDP report. Then Google helped add to the growth narrative with a solid report and stock split. But just when it seemed like the markets were ready to take off, Facebook had a disastrous earnings report. It was so bad that investors began to question growth expectations, causing the S&P to drop by over 100 points. However, on Friday Amazon came through with great earnings, as did Facebook competitors, SNAP and Pinterest. This led investors to wonder if Facebook may just be an outlier in a strong environment for growth.

The jobs report Friday was not only strong for January, but the revisions to November and December strengthened those reports as well. These are more signs that the economy is strong. So, while inflation has everyone on edge, it's important not to lose sight of the underlying economy's strength.

The Fed should have plenty of room to tighten without doing too much damage to the economy. And the economy still hasn't fully reopened! Once we see international trav zero restrictions, there is potential for the economy to get even stronger – which is cra Reopening should also ease inflation pressures as more folks come back to work and supply chains start to normalize.

chains start to normalize.

The major wildcard at the moment is the Russia-Ukraine conflict. If Russia goes into a full invasion of Ukraine, then all bets are off. That would cause serious damage to stock markets that would ripple throughout the globe. Here’s to hoping Putin doesn’t take that route.

Despite the major uncertainty at the moment, it’s still important to stick to your overall strategy. If you are a conservative investor or already retired, then you probably want to remain defensive with some exposure to financials and energy. For those that have a higher risk tolerance or longer time horizon, stay defensive, but continue nibbling at your favorite growth names that have fallen significantly from their highs.

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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