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*Tensions are high over a Russian invasion of Ukraine. CPI was the highest in 40 years. The Fed may be getting more aggressive. Earnings season continues.*

If you're looking for past Investing Hot Sheets please visit our [Newsletter Archive \(/newsletter-archive/\)](/newsletter-archive/).

## The Hot List

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### 1. Inflation

CPI posted a 7.5% annual gain in January, the highest (<https://www.nytimes.com/2022/02/10/business/economy/inflation-cpi-january-2022.html>) in 40 years. The PPI report will be released this Tuesday.

### 2. Geopolitics



The US and UK told their citizens to evacuate over the weekend as a Russian invasion could be imminent (<https://www.reuters.com/world/europe/us-says-russia-masses-more-troops-near-ukraine-invasion-could-come-any-time-2022-02-11/>).

### 3. Federal Reserve

There is a good chance that the Fed may raise by 50 basis points (<https://www.bloomberg.com/news/articles/2022-02-10/fed-s-bullard-backs-supersized-hike-seeks-full-point-by-july-1>) at the March meeting according to Fed Governor Bullard. The minutes from the last meeting will be released Wednesday. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

### 4. Earnings

Earnings season continues to impress as companies like Disney and Coca Cola beat earnings last week. Next week, investors will hear from Walmart, Nvidia and Airbnb to name a few.

### 5. Interest Rates

The 10-year Treasury yield topped 2% (<https://www.nytimes.com/2022/02/10/business/economy/inflation-cpi-january-2022.html>) for the first time since 2019 last week in response to hot inflation data.

## Last Week

**Monday:** S&P 500 -16.67 (-0.37%) to 4483.87. Homebuyer sentiment dropped to lowest since May 2020.

**Tuesday:** S&P 500 +37.67 (+0.84%) to 4521.54. No major headlines.

**Wednesday:** S&P 500 +65.64 (+1.45%) to 4587.18. Stocks continued to rally as earnings continued to beat estimates.

**Thursday:** S&P 500 -83.12 (-1.81%) to 4504.06. CPI posts highest annual gain in 40 years.

**Friday:** S&P 500 -88.06 (-1.96%) to 4416.00. Markets were rattled as U.S. warned its citizens to evacuate Ukraine within 48 hours due to signs of Russian escalation along border.

## Technical Look



**Potential Support:** The S&P 500 (S&P) fell through the 20-day and 200-day moving averages Friday before closing near 4400. If it drops from here, I'd look for support at near the January lows around 4300.

**Potential Resistance:** To the upside the S&P is likely to see some resistance near 4500 which has been a significant level for months now. If it breaks that, we'll probably see resistance near 4600 at the 50-day moving average.

## My Watchlist

Defensive

Fintech

Luxury

Energy

Military

Metaverse

## My Take

Early last week it seemed like the S&P was really starting to gain some upward momentum. All of the strong economic data and the better-than-expected earnings reports were starting to offset a lot of the inflation fears. The hot CPI data Thursday combined with Bullard's comments about the Fed getting aggressive with a half point move in March forced investors to temper their enthusiasm. Then on Friday morning, many other Fed members tried to walk back the concept of a half-point move and it seemed like the S&P could reclaim some of Thursday's losses. However that changed when the news broke that a Russian invasion of Ukraine could be "imminent."

This puts us in a very interesting scenario at the moment. There are many reasons to be optimistic about what is happening within the U.S. economy. Inflation is certainly higher than normal but the same low rates and easy Fed policies have also fueled a strong economy. The recent selloff has really brought valuations back to a very reasonable level. And certain pockets of growth seem to have been written off as they are significantly off their highs. But Russia remains the wildcard to which way things go from here in the short term.

Personally it feels like Russia is just negotiating, so it's tough to place make any significant changes to your portfolio for the fact that this could possibly blow over as quickly as it escalated. With the added uncertainty, it is smart to remain defensive especially if you are

escalated. With the added uncertainty, it is smart to remain defensive especially if you are more conservative. Increasing your energy exposure here is probably smart as it would be a major beneficiary of a Russian conflict. It had already been a winner due to inflation, supply chain issues but now it could see even further gains. For those who have a longer time horizon or higher risk tolerance, you may want to use this added volatility to upgrade the quality of your portfolio or add to your favorite beaten up names.

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,

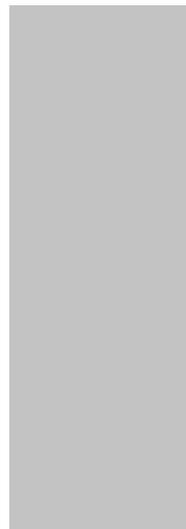
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