Home (https://dreamwork.financial/) » Research (https://dreamwork.financial/category/research/) » Investing Hotsheet (https://dreamwork.financial/category/research/investing-hotsheet/) » Investing Hot Sheet

Published
April 4, 2022

The unemployment rate fell last month. Inflation remains the hottest in four decades. Ukraine crisis still in focus. Can this rally continue?

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

The Hot List

↑ HOT

1. Ukraine

Here's a **link (https://news.sky.com/story/ukraine-live-updates-satellite-images-show-new-russia-deployments-as-biden-and-putin-summit-mooted-12541713?)** to the latest on the war in Ukraine.

2. Interest Rates

The yield curve inverted last week, with the 2-year Treasury yield briefly topping the 10-year.

3. Inflation

The Fed's preferred inflation gauge **rose (https://www.msn.com/en-us/money/markets/fed-pce-inflation-gauge-surges-to-54-25-highest-in-four-decades-rate-hike-bets-accelerate/ar-AAVImwU?ocid=BingNewsSearchhttps://www.msn.com/en-us/finance/markets/2-year-treasury-yield-tops-10-year-rate-a-yield-curve-inversion-that-could-signal-a-recession/ar-AAVJeCW?ocid=uxbndlbing)** to 5.4% last month, the highest in four decades. **(https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/)**

4. Federal Reserve

This Wednesday the minutes from the last Fed meeting will be reported. This will provide more insight into the thought process behind the first rate hike in years.

5. Employment

The Department of Labor's March non-farm payroll report was released last Friday. The unemployment rate fell to 3.6%.

Last Week

Monday: S&P 500 +32.43 (+0.71%) to 4575.49. Oil drops 10% on demand concerns.

Tuesday: S&P 500 +29.12 (+1.23%) to 4631.60. Russia and Ukraine held ceasefire talks.

Wednesday: S&P 500 -29.11 (-0.63%) to 4602.48. The ADP report showed private payrolls rising by 455K.

Thursday: S&P 500 -72.07 (-1.57%) to 4530.41. PCE inflation rate rose to 5.4%. Weekly jobless claims came in slightly higher than expected. (202K vs 196K)

Friday: S&P 500 +15.45 (+0.34%) to 4545.86. The March jobs report released. Unemployment fell to 3.6%.

S&P 500 Technical Look

Potential Support: To the downside, look for support near 4500 and just below at the 200-day moving average. If it breaks below that, there should be significant support at 4400 where the 20-day and 50-day now sit.

Potential Resistance: To the upside, 4600 should provide decent resistance. If it breaks above that, the S&P could make a run back toward the highs.

()

My Watchlist

Yield

Growth

Emerging Markets

Tech

Small Cap Value

My Take

Last week, the S&P closed its first positive month of the year. This rally has been almost a straight line upward from the lows three weeks ago. So, the big question is whether this is a classic bear market rally resulting from major overselling or the start of another sustainable run at the highs?

Personally, I'm torn here. I could make very strong cases for either side. On one hand, I see a very strong economy with one of the hottest job markets of all-time, strong GDP prints, and pent-up demand following the COVID-19 pandemic. But on the other hand, I see the hottest inflation of my lifetime, an aggressive Fed, and tough comps (earnings comparisons to last year) coming up later this year.

The tricky part is I'm not sure investors even know what they'd prefer the Fed do right here. It seems that half wants the Fed to get aggressive and the other half prefers them to remain accommodative.

Add the Ukraine-Russia situation into the mix and that's our current pickle. Putin is unpredictable, which creates more instability, and no one knows what the Fed is likely to do. Is a hot economy with high inflation better than a forcing a recession and having inflation under control for the long run?

These are interesting times indeed. For the reasons mentioned above, I expect the choppiness to continue until we get some clarity these issues. The Ukraine situation remains front and center, but the yield curve is garnering quite a bit of attention as well. I'd look at those data points for clues into which way the S&P is likely to move.

I'm also interested in how the S&P handles the technical levels here. We should get further clarity into this rally by watching the key levels around 4500 and 4600. I want to see if last Thursday's selloff at 4600 was quarter-end rebalancing or something more. Friday's bounce was helpful but let's see how markets starts the week before getting more aggressive. Only time will tell.

In the meantime, stick with your current strategy, but keep the option to get more aggressive if we start getting clarity around current headwinds. **()**

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,

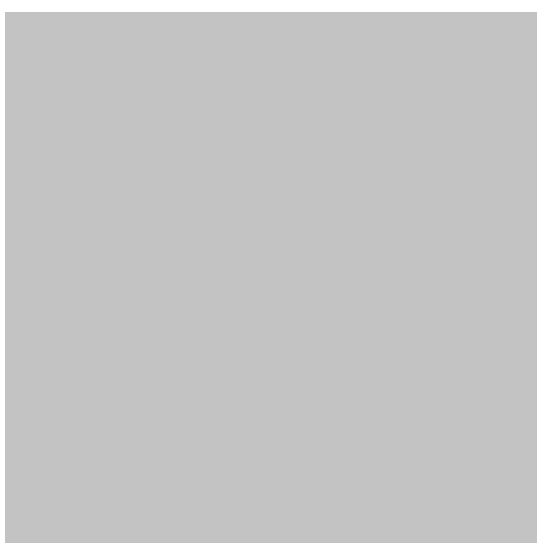
Clint Kirby

Chief Financial Strategist

Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.

You Don't Have To Be Wealthy To Have Wealth Management®

A fiduciary is someone who holds a legal or ethical relationship of trust with one or more clients and is bound to take action in the clients' best interests.



IS A FEE ONLY FIDUCIARY

IS A FEE-ONLY FIDUCIARY

Learn More (/research/fiduciary-101-what-you-need-to-know/)