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The Fed laid out its balance sheet reduction plan. Interest rates continue to rise. The March CPI report is upcoming. Russia remains the wildcard.

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The Hot List

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1. Ukraine

Austrian chancellor, Karl Nehammer, will meet with Russian President, Putin in Moscow **on Monday (https://www.cnbc.com/2022/04/10/russia-ukraine-live-updates.html)**. This will be the first in-person meeting between Putin and an EU leader since the war started.

2. Inflation

The March CPI inflation report is coming up this week.

3. Federal Reserve

The minutes from the March fed meeting were released on Wednesday. The Fed laid out its **plan (https://www.bloomberg.com/news/articles/2022-04-06/fed-lays-out-plan-to-prune-balance-sheet-by-1-1-trillion-a-year)** to reduce the balance sheet by $95 billion per month. **(https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/)**

4. Interest Rates

Mortgage rates have **returned (https://mynews4.com/news/local/mortgage-interest-rates-return-to-pre-pandemic-levels)** to pre-pandemic levels with the 30-year mortgage rates above 5%.

5. Employment

Last week's initial jobless claims fell to 166,000, the lowest level **since 1968 (https://www.wsj.com/articles/u-s-jobless-claims-fall-to-166-000-lowest-level-since-1968-11649335677#:~:text=Initial%20jobless%20claims%2C%20a%20proxy,half%20of%20its%20current%20size.)**.

Last Week

Monday: S&P 500 +36.78 (+0.82%) to 4582.64. No major headlines.

Tuesday: S&P 500 -57.52 (-1.26%) to 4525.12. Fed member Brainard made hawkish comments about the reduction of the balance sheet.

Wednesday: S&P 500 -43.89 (-0.97%) to 4481.23. Fed minutes released. Fed reveals its balance sheet reduction plan.

Thursday: S&P 500 +18.98 (+0.42%) to 4500.21. Initial jobless claims hit the lowest level since 1968.

Friday: S&P 500 -11.93 (-0.27%) to 4488.28. No major headlines.

S&P 500 Technical Look

Potential Support: If the S&P falls to the downside, expect to see support at the 50-day moving average or just below around 4400.

Potential Resistance: To the upside, the index should see some resistance at the 4600 level.

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My Watchlist

Yield

Discount Retail

Healthcare

Emerging Markets

Technology

Luxury

My Take

With the recent choppiness in the S&P, last week seemed relatively tame. The upward momentum from the last few weeks has cooled, mostly due to the increased hawkishness from the Fed. Last week, one of the most dovish Fed members, Lael Brainard, made comments that signaled another hawkish pivot before the Fed laid out their plans to run off the balance sheet.

Given the circumstances, the markets held up fairly well as the S&P was able to hold the 200-day moving average. And for the amount of time we've been talking about the Fed raising rates, it seems like the Feds hawkish behavior should now be reflected. However, the longer we go sideways it seems increasingly likely that the recent bounce from the last month could've been a classic bear market rally.

This week I'll be watching the technical levels closely for any signals that the market could be ready to turn in either direction. There are a few big levels that shouldn't be breached without some real conviction behind the move: mainly the 50-day moving average with 4400 to the downside and 4600 to the upside.

It's a shortened trading week due to Good Friday but the March CPI report will be released and could be key in figuring out the Fed's next move. There is also a slew of bank earnings that could help move the markets.

Moreover, we'll have to hope to get some good news out of the Ukraine situation for the S&P to regain its upward momentum. It seems like a longshot but the fact that Putin is meeting face to face with an EU leader could be a positive sign. For the most part remain cautious but agile here while staying focused on your overall strategy. It seems like there is a good chance volatility is going to ramp back up which should create opportunities if you're prepared. Investors who are more conservative with a shorter time horizon, probably want to look to areas like discount retail or healthcare that could outperform in a slowing economy. And if you are a riskier investor and have a longer time horizon, look at beaten up technology or emerging markets.

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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