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*Powell's hawkish comments spooked investors. Interest rates jumped for seventh straight week. Can Big Tech earnings get things back on track?*

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## The Hot List

### ↑ 1. Ukraine

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Here is a link (<https://www.aljazeera.com/news/2022/4/24/russia-ukraine-war-list-of-key-events-on-day-60>) to the latest out of Ukraine.

### 2. Federal Reserve

Chairman Powell said (<https://www.cnbc.com/2022/04/21/us-bonds-treasury->

yields-climb-ahead-of-remarks-by-red-chair-powell.html#:~:text=Powell%20on%20Thursday%20reiterated%20the,an%20International%20Monetary%20Fund%20panel.) he was in favor of “moving a little more quickly” in raising interest rates when part of an IMF panel Thursday.

### 3. China

China continues to lockdown (<https://www.reuters.com/world/china/shanghai-reports-more-symptomatic-covid-cases-more-lockdowns-imposed-2022-04-16/>) cities such as Shanghai due to the rise in COVID-19 cases. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

### 4. Interest Rates

Interest rates continue to climb with mortgage rates rising for the seventh consecutive week.

### 5. Earnings

Last week, investors got mixed reports out of Netflix (big miss) and Tesla (big beat). Investors will now look to other tech earnings, like Apple and Microsoft, for clues on the economy.

## Last Week

**Monday:** S&P 500 -0.78 (-0.02%) to 4391.81. No major headlines.

**Tuesday:** S&P 500 +70.52 (+1.61%) to 4462.21. Netflix shares plunged after hours following huge earnings miss.

**Wednesday:** S&P 500 -2.76 (-0.06%) to 4459.45. Existing homes sales dip for 2<sup>nd</sup> consecutive month. Beige book released.

**Thursday:** S&P 500 -65.79 (-1.48%) Powell’s hawkish comments spooked the markets.

**Friday:** S&P 500 -121.88 (-2.77%) to 4271.78. Selloff continued following Powell’s comments on Thursday.

## S&P 500 [S&P] Technical Look

**Potential Support:** Below 4300, the S&P is running out of major support levels. Look for support at 4200 and below that at the yearly lows near 4100.

**Potential Resistance:** To the upside, the previous support level at 4400 and the 50-day moving average should serve as resistance. If the index breaks above that, look for further resistance at 4500 near the 20 and 200-day moving averages.

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## My Watchlist

Yield

Staples

Military

Luxury

Mega Cap Tech

## My Take

The selloff after Powell's comments on Thursday was certainly discouraging. Thursday morning, The S&P had just broken above 4500. But in the two days following Powell's remarks, the index dropped completely of the recent trading range and below 4300.

It seemed like investors had finally come to grips with the expectations of the Fed, only for Powell to come out with an even more hawkish tone. He now seems willing to possibly destroy demand if that's what it takes to tame inflation, which was a little different than past impressions. The selloff that followed seemed like investors were simply getting tired of the Fed "moving the goal posts" around its plan to fight inflation.

Last week, I mentioned how the TINA trade (There Is No Alternative to stocks is basically over now that bonds are starting to pay a decent yield again. Rising bond yields are adding pressure to P/E multiples – the premium to earnings ratio – that one is willing to pay for a stock. When bonds don't provide an attractive alternative, the premium deserves to be higher. But now that bonds yields are rising, some money is returning to the bond market.

The S&P is in a crucial spot from a technical perspective, it's now below most of the recent support levels. It needs to catch a bounce soon or it could be in jeopardy of reaching new lows for the year. The upcoming tech earnings from mega caps like Apple and Microsoft could save the market. However, they could also be the final shoes to drop as well.

At this point it may make sense to get even more defensive if the selloff continues to accelerate. In addition to the negative headlines surrounding interest rates and inflation, it seems likely Russia will escalate global tensions.

If there's any bright spot in times like these, when everyone is so bearish, it's historically a good time to buy. Like Buffett says, "Be greedy when others are fearful." So, if you have a longer-time horizon, you need to make your shopping list of companies for which you'd be fine enduring short-term volatility in favor of long-term potential gains.

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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