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*The selloff continued following Big Tech's earnings, putting the S&P at a critical level.
Now the focus is on this week's Fed meeting.*

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

The Hot List

↑ 1. Ukraine

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Here is a link (<https://www.aljazeera.com/news/2022/5/2/russia-ukraine-live-news-shelling-of-mariupols-azovstal-resumes>) to the latest in Ukraine.

2. Federal Reserve

The May Fed meeting is coming up next week. Expectations are set for a half point

rate hike.

3. Inflation

The Personal Consumption Expenditures Index (PCE) rose (<https://www.nytimes.com/2022/04/29/business/economy/pce-inflation-march-2022.html>) 6.6% from last year, which was higher than expected. The U.S. employment cost index rose 4.5% from a year ago and the most ever to start the year. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Earnings

Most of Big Tech reported earnings last week. MSFT, AAPL and FB posted better than expected numbers while AMZN and GOOG missed estimates.

5. China

China continues (<https://www.npr.org/2022/04/30/1095781472/chinese-authorities-remain-committed-to-zero-covid-lockdown-policy>) strict lockdowns in cities such as Shanghai as it continues its “zero COVID” policy.

Last Week

Monday: S&P 500 +24.34 (+0.57%) to 4296.12. Elon Musk officially buys Twitter.

Tuesday: S&P 500 -120.92 (-2.81%) to 4175.20. Consumer confidence and durable goods orders missed estimates.

Wednesday: S&P 500 +8.71 (+0.21%) to 4183.96. Pending homes sales dropped for 5th straight month. MSFT & GOOG reported earnings.

Thursday: S&P 500 +103.59 (+2.47%) to 4287.50. U.S. GDP unexpected declined. FB jumped after a big earnings beat.

Friday: S&P 500 -155.57 (-3.63%) to 4131.93. Amazon plunged 14% on earnings. PCE was hotter than expected.

S&P 500 [S&P] Technical Look

Potential Support: The S&P broke the closing lows of the year on Friday. Look for the next level of support at 4100, and if it breaks below that, the focus will be on 4000 to hold.

Potential Resistance: To the upside, the S&P should face resistance at the previous

support levels at 4200 and 4300.

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My Watchlist

Staples

Materials

Utilities

Technology

Military

Yield

My Take

The S&P hit fresh closing lows for the year following earnings reports from tech titans like Apple, Microsoft and Google. The reports were mixed with some big winners like Facebook and some big losers like Amazon. Now investors will look to the upcoming Fed meeting for clues to where things go from here.

It seems like investors are getting more frustrated with the playbook from the Fed. Everyone can see that they waited too late to get aggressive and now there could be a “buyer’s strike” on stocks. When companies that beat earnings selloff like they have, it appears to be a reflection of the current sentiment – with no conviction to buying stocks.

Stocks aren’t the only thing going down. Bonds have been getting hit just as hard, if not harder, and this is happening while cash is losing to 8% inflation. So it’s no surprise that sentiment is down at the moment.

One bright spot is that when we were in this situation near the last Fed meeting, with everyone so bearish, the S&P actually rallied. Expectations are for the Fed to raise .50%, but the key will be in Powell’s comments. Will the Fed acknowledge that demand is cooling in areas like housing or will they keep the foot on the gas?

The hope to me is that Fed could possibly walk back some of their hawkishness knowing that if they raise as many times as the market is assuming, then they’d put us in a recession. I don’t think that’s their intention but they did have to show investors that they meant business fighting inflation.

This week will be critical. The S&P is below all major support levels, short of the intraday lows of the year. If the Fed is more hawkish at their meeting, or if we get any negative

geopolitical news, then the S&P could test 4000 – an enormous psychological level.

As we approach the fed meeting, stay more defensive than usual. The risk still seems to be focused to the downside. But keep your shopping list ready, as the markets could be poised for a sharp bounce – like we saw last Fed meeting. ()

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,

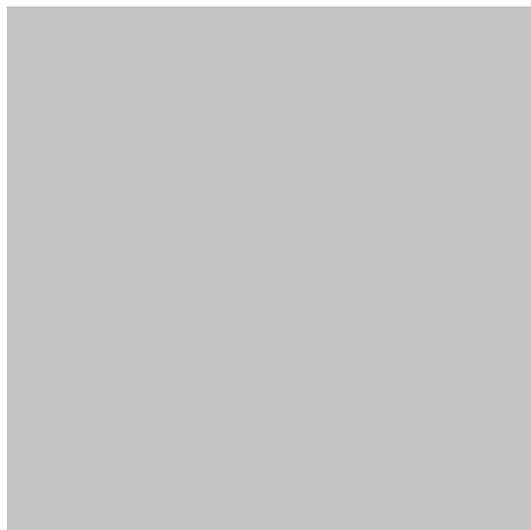
Clint Kirby

Chief Financial Strategist

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