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S&P briefly touched bear market Friday. Walmart and Target complained of soaring costs. Shanghai slowly starts to reopen.

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

The Hot List

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1. Inflation

Walmart and Target both complained (<https://www.businessinsider.com/walmart-target-huge-costs-likely-add-price-rises-2022-5>) of soaring food, gas and labor costs in their earnings reports last week.

2. Ukraine

Here is a link (<https://www.cnn.com/2022/05/22/russia-ukraine-live-updates.html>) to the latest in Ukraine.

3. Federal Reserve

Chairman Powell says (<https://www.cnn.com/2022/05/17/powell-says-the-fed-will-not-hesitate-to-keep-raising-rates-until-inflation-comes-down.html>) that he will continue to support rate increases and says “some pain” may be required until prices come back toward a healthy level. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. China

Shanghai is slowly starting to reopen (<https://www.npr.org/2022/05/19/1100008023/shanghai-expected-to-reopen-some-subways>) as China eases some COVID-19 restrictions.

5. Employment

Amazon and Walmart both reported (<https://www.morningbrew.com/daily/stories/Walmart-amazon-reported-overstaffed-Q1>) being overstaffed in the first quarter.

Last Week

Monday: S&P 500 -15.88 (-0.39%) to 4008.01. No major headlines.

Tuesday: S&P 500 +80.84 (+2.02%) to 4088.85. Retail sales were better than expected. Powell comments on inflation.

Wednesday: S&P 500 -165.17 (-4.04%) to 3923.68. Target’s earnings report complained of soaring costs.

Thursday: S&P 500 -22.96 (-0.59%) to 3900.72. Weekly jobless claims reported.

Friday: S&P 500 +0.57 (+0.01%) to 3901.36. S&P makes major reversal after briefly touching bear market territory.

S&P 500 [S&P] Technical Look

Potential Support: To the downside, look for support near Friday's low around 3810. If it breaks that level, it could drop significantly with no clear support until much lower.

Potential Resistance: To the upside, look for resistance at the previous support levels of 4000 and 4100.

My Watchlist

Luxury

Technology

Healthcare

Discount Retail

My Take

The S&P 500 briefly touched bear market territory on Friday, meaning the index had dropped over 20% from the highs. The selling has now hit the parts of the market, like consumer staples, that were supposed to be safe.. The earnings calls from Walmart and Target were horrible, as they reported soaring costs. They noted over hiring and poor inventory planning. The news clearly spooked investors who are watching for any signs of stagflation.

Chairman Powell's comments on inflation didn't help matters. He seems hell bent on doing whatever it takes to tame inflation, even if it causes "some pain." It seems obvious that the Fed has a credibility problem. Saying inflation was "transitory" for too long could be one of the Fed's biggest blunders in history.

On the bright side, expectations have come down dramatically for stocks. We are currently witnessing the opposite of the FOMO market from last year. Investors are feeling the "fight or flight" and clearly choosing to flee the markets to avoid more potential pain.

Valuations have come back to a reasonable level for most part, while technical readings are also getting attractive with the S&P's RSI at oversold levels. Based on the action last week, the 3900 level has become an important level to watch in the week ahead. If the index could build off Friday's intraday rally, we may have seen a temporary bottom. However, if it breaks that level, it could be setting up to make the bear market official.

The war in Ukraine still remains the wildcard but at the moment it seems like investors have

shifted their focus to corporate earnings and inflation. China opening back up should start to help the world economy pick up steam again.

In the meantime, I'd still take a wait and see approach before diving in. If the S&P can show any signs of sustaining a rally, then look at getting more aggressive. Pretty much any stock you want has pulled back significantly so you don't even have to jump into anything too risky to be positioned for a nice bounce. Whatever you do though, make sure you stick to your long-term investing strategy, adding quality names that you'd be happy owning as the core of your portfolio. ()

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,

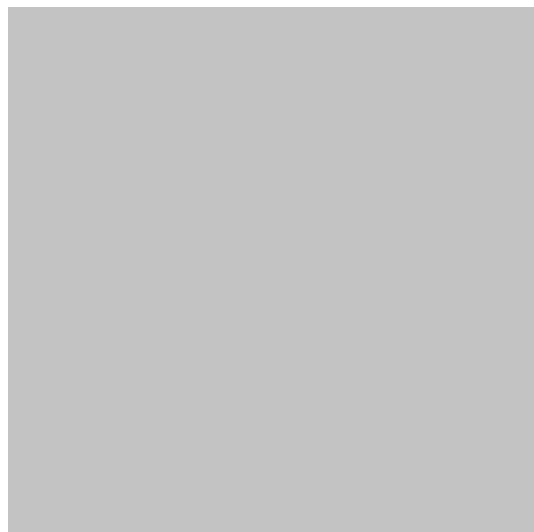
Clint Kirby

Chief Financial Strategist

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