

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



Published
May 31, 2022

Inflation sharply decelerated in April, while consumer spending rose. The S&P is now back above 4100. Can last week's rally continue?

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

The Hot List

↑
H
O
T

1. Inflation

The Fed's favorite inflation gauge rose (<https://www.cnbc.com/2022/05/27/the-feds-preferred-gauge-shows-inflation-rose-4point9percent-in-april-in-a-sign-that-price-increases-could-be-slowing.html>) by 0.2% in April, which was a sharp reduction from the 0.9% increase in March.

2. Ukraine

Here is a link (<https://www.cnbc.com/2022/05/30/russia-ukraine-live-updates.html>) to the latest in Ukraine.

3. Federal Reserve

The Fed minutes (<https://www.cnbc.com/2022/05/25/fed-minutes-may-2022.html>) from the meeting earlier this month showed that officials are ready to make multiple .50% rate hikes, which could provide flexibility later in the year.

(<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Economy

Consumer spending rose (<https://www.reuters.com/markets/us/us-consumer-spending-beats-expectations-april-inflation-likely-peaked-2022-05-27/>) 0.9% in April. The May jobs report will be released on Friday.

5. China

Shanghai and Beijing slowly begin to reopen (<https://www.aljazeera.com/economy/2022/5/30/some-in-beijing-back-to-work-shanghai-inches-closer-to-ending-c>) as China loosens restrictions.

Last Week

Monday: S&P 500 +72.39 (+1.86%) to 3973.75. No major headlines.

Tuesday: S&P 500 -32.27 (-0.81%) to 3941.48. Snap issued revenue warning. Pending home sales came in below expectations.

Wednesday: S&P 500 +37.52 (+0.95%) to 3979.00. Fed minutes from May meeting released.

Thursday: S&P 500 +79.11 (+1.99%) to 4057.84. GDP 2nd estimate and new home sales reports came in below estimates.

Friday: S&P 500 +100.40 (+2.47%) to 4158.24. PCE report showed inflation decelerating in

April.

S&P 500 [S&P] Technical Look

Potential Support: To the downside, look for support at 4000. If it breaks below that 3900 level it really needs to hold as that level has proven very significant.

Potential Resistance: To the upside, look for slight resistance at 4200. But if it breaks that, the 50-day moving average should be a key level to watch.

My Watchlist

Luxury

Technology

Healthcare

Discount Retail

My Take

The last few weeks we have been looking for any kind of confirmation of a bottom. After last week's move, there is a small chance we may have just gotten one. There have been a few major selloffs that felt capitulatory but nothing that everyone could agree on. In addition, there have been a few intraday moves into bear market territory, but the S&P has yet to close below 3900, which seems to be the current "line in the sand."

It felt like the stock market was hitting a point of selling exhaustion, then Nvidia's earnings may have confirmed it – in the short run. They were down over 10% in extended trading after issuing lower guidance. However by the close of the next day, they erased those losses and even turned positive by over 5%. The move seemed significant since they are regarded as a market leader.

After last week's rally the S&P is back above 4100, which was the top end of the range for the last couple months. This move on the back of positive inflation data is giving bulls some real optimism for the first time in a while. Now the S&P is at a pivotal point where it must continue to build off 4100 or risk falling back into the trading range.

The Fed remains the key to the markets as they've clearly pivoted from favoring the economy to fighting inflation. The hope is that the data will show that their efforts are working which will give them room to pivot from a super-hawkish tone.

China starting to reopen is also huge for world markets from not only a supply chain standpoint but also as a consumer. Now, if there could be some sort of resolution in

Ukraine, investors could really start to feel more confident about getting back in.

How you want to invest right here has everything to do with how long your time horizon is and whether or not you think we're going into a deep recession. There is certainly room for this recent positive momentum to continue but it's important to not get lured into another potential bear market rally.

Valuations among a lot of tech and growth stocks look attractive compared to their "cash cow" rivals, especially if you have a long-time horizon, but in the short run they could look attractive for a reason. If rates continue to shoot higher or the U.S. sees a deep recession, companies that have current cash flow will continue to shine. But if you do have a longer time horizon, then I'd continue adding to your favorite beaten up names that you'd be happy to own 3-5 years from now.

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

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