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The U.S. is having a “great reopening” and the Investing Hot Sheet is Back! Inflation worries are increasing as Covid cases are on the decline.

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

The Hot List

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1. Inflation

A key inflation indicator rose 3.1% (<https://www.cnbc.com/2021/05/28/pce-price-index.html>) from last year which was higher than expected. The costs of most common items are also rising (<https://www.businessinsider.com/costco-rising-prices-consumer-goods-beef-cheese-plastics-2021-5>), according to the Costco

2. Federal Reserve

The Fed has begun discussing tapering (<https://www.bloomberg.com/news/articles/2021-05-29/fed-s-taper-talk-is-pre-emptive-strike-against-inflation-fears>). Its balance sheet could grow to \$9 trillion (<https://www.reuters.com/business/feds-balance-sheet-could-reach-9-trillion-by-end-2022-ny-fed-report-estimates-2021-05-24/>) by the end of 2022 with its ongoing asset purchases.

3. Covid-19

New U.S. cases hit their lowest level (<https://www.cnn.com/2021/05/23/us-covid-cases-hit-lowest-level-since-june-2020.html>) since early in the pandemic as Memorial Day activities resume.

4. Infrastructure

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

Senate Republicans make a \$928 billion counteroffer (<https://nypost.com/2021/05/27/senate-gop-unveils-928b-infrastructure-counter-proposal/>) to the infrastructure bill.

5. Geopolitics

Israel-Gaza agreed to a ceasefire (<https://www.wsj.com/articles/israel-gaza-ceasefire-what-we-know-11620825247>). Russia is being blamed for yet another cyberattack (<https://www.msn.com/en-us/news/world/russia-blamed-for-new-cyber-attack-on-aid-groups/ar-AAKtLRw?ocid=uxbndlbing>).

Last Week

Monday: 4197.05 +41.19 (+0.99%) Tech stocks rebound.

Tuesday: 4188.13 -8.92 (-0.21%) April consumer confidence disappoints.

Wednesday: 4195.99 +7.86 (+0.19%) No major headlines.

Thursday: 4200.88 +4.89 (+0.12%) Weekly jobless claims at pandemic low.

Friday: 4204.11 +3.23 (+0.08%) Consumer spending, income and inflation came in stronger than expected.

Technical Look

Possible Support: 4000 – 4050 seems to be the lower end of the current range for the S&P. A drop below that would be very destructive for the chart and could signal more declines.

Possible Resistance: The S&P currently sits around 4200. This level is approaching new highs, and if it breaks through, it could signal a new leg for the bull market.

My Watchlist

Tech / Semiconductors

Travel / Experiences

Infrastructure / Materials

Financials

Consumer Staples

TIPs

My Takeaway

As Memorial Day signals a “great reopening,” the overall stock market is heating up again. The economy appears to be ready to roar with all of the pent up demand and extra cash in consumers’ wallets.

Growth stocks led the charge last year but got overtaken by value as rates started rising. Now that rates have leveled off, both growth and value stocks appear to be charging higher together. However, all of that can come to a halt if rates start to rise too quickly again.

It seems obvious that inflation is coming based on how much money was pumped into the system or going to the grocery store and seeing the rising prices. The Fed knows this, and they are trying to walk the fine line now. If they can slowly taper without having their hand forced by runaway inflation, it would represent a perfect situation. But we know that may not be the case.

Right now, my main focus is on the 10-year and inflation rates. If they don’t start jumping, I think we could see another risk-on rally that could push stocks another leg higher with growth leading the way. But with the S&P near all-time highs, it’s definitely time to reassess your portfolio and strategy as the future is very uncertain.

If you need help, please **contact me at DreamWork Financial Group** (<https://dreamwork.financial/contact/>) and let us build your Investing Gameplan™.

Until next time

until next time,

Clint Kirby

Chief Financial Strategist

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