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The S&P is nearing all-time highs again as the economy reopens. May's employment number may have put the Fed in the sweet spot.

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The Hot List

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1. Federal Reserve

Fed will start unwinding its corporate bond portfolio (<https://www.reuters.com/article/us-usa-fed-corporate-bonds/fed-says-it-will-start-unwinding-its-corporate-bond-holdings-idUSKCN2DE2NS>). NY Fed's John Williams says US economy is "a ways off (<https://www.reuters.com/article/us-usa-fed-williams/ny-feds-williams-says-now-not-the-time-to-take-action-on-tapering-idUSKCN2DF28V>)" from adjusting monetary policy.

2. Inflation/Interest Rates

The 10-year Treasury rate fell sharply (<https://www.cnbc.com/2021/06/04/us-treasury-yields-mixed-ahead-of-jobs-report.html>) Friday as the May jobs number came in weaker than anticipated (559,000 actual vs 650,000 expected). The unemployment rate also fell to a pandemic era low (<https://www.cbsnews.com/news/unemployment-rate-jobs-report-may-2021/>) of 5.8% vs 5.9%.

3. Geopolitics

G7 nations come together in historic deal to tax big multinational companies (<https://www.bbc.com/news/world-57368247>).

4. Infrastructure

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

The White House said there is no deadline (<https://www.marketwatch.com/story/white-house-says-no-deadline-monday-on-infrastructure-plan-as-more-talks-with-republicans-planned-11622744360?mod=home-page>) on infrastructure negotiations with Republicans as President Biden plans talks with a key GOP lawmaker.

5. COVID-19

The White House announced plans to share 80 million doses (<https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/03/statement-by-president-joe-biden-on-global-vaccine-distribution/>) of COVID-19 vaccines with the rest of the world to fight the pandemic.

Last Week

Monday: Closed for Memorial Day

Tuesday: S&P -2.07 (-0.05%) to 4202.04. No major headlines.

Wednesday: S&P +6.08 (+0.14%) to 4208.12. Meme trade returns.

Thursday: S&P -15.27 (-0.36%) to 4192.85. ADP report released. ISM® Services Index hits record in May.

Friday: S&P +37.04 (+0.88%) to 4229.89. Fewer than expected jobs added in May.

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 500 currently sits just below its all-time closing high of 4238. If it breaks through that level convincingly, it could signal a new leg for the bull market.

My Watchlist

Tech

Experiences

Materials

Financials

Small Caps

TIPs

My Takeaway

Friday's mixed jobs number may have put the stock market rally in the sweet spot. It was a "goldilocks" number which was not too hot where the Fed would have to act, but not too cold where the economy would come into question.

So, while rates remain low, stocks continue to look quite attractive. When investing, the name of the game is generating real returns (net of inflation) and this seems to be best accomplished through equities.

In this current environment with inflation worries and a strong underlying economy, I think it makes sense to balance your portfolio with both growth and value. I like growth after their recent pullback because these are the disruptor types which should continue to take market share. Value names are attractive here because of their inherent fundamentals and strong ties to the underlying economy. These are also typically the companies that can benefit from inflation.

I'd expect the market to continue to rally as the economy bounces back with authority. But as the market is known for looking forward, it's getting clearer that the comparisons for next year may be tough to beat. And when the stock market is based around expectations, that scenario may present some headwinds. I don't think it is imminent but it is something to think about as the market hits new highs.

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

Until next time,

Clint Kirby

Chief Financial Strategist

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