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Inflation rose more than expected. The FOMC gathers next week. Can the S&P hold the 3900 level or is there more pain ahead?

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The Hot List

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1. Inflation

Inflation rose more than expected as CPI jumped 8.6% in May.

2. Ukraine

Here is a **link (https://www.aljazeera.com/news/2022/6/4/russia-ukraine-live-news-severodonetsk-counteroffensive-underway-liveblog)** to the latest in Ukraine.

3. Federal Reserve

The FOMC gathers next week for its June meeting. **(https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/)**

4. Employment

Weekly jobless claims jumped more than expected last week.

5. China

China's two largest cities, Beijing and Shanghai, are imposing lockdowns just days after loosening them.

Last Week

Monday: S&P 500 +12.89 (+0.31%) to 4121.43. No major headlines..

Tuesday: S&P 500 +39.25 (+0.95%) to 4160.68. Target warns on outlook.

Wednesday: S&P 500 -44.91 (-1.08%) to 4115.77. Mortgage outlook hits a 22-year low.

Thursday: S&P 500 -97.95 (-2.37%) to 4017.82. Jobless claims unexpectedly rise to 5-month high.

Friday: S&P 500 -116.96 (-2.91%) to 3900.86. CPI came in hotter-than-expected.

S&P 500 [S&P] Technical Look

Potential Support: At 3900 the only real support level to the downside is the intraday lows for the year just above 3800.

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

My Watchlist

Discount Retail

Luxury

Tech

Military

Healthcare

My Take

The hotter-than-expected CPI sent us back to the lows after showing that inflation hasn't yet peaked. This means the Fed will have to stay aggressive with no pivot in sight. I don't believe there was a real chance of a pivot at this point but now it's clear they have their work cut out for them.

In addition to hotter-than-expected inflation, there was an unexpected jump in weekly jobless claims. From an inflation standpoint, the job market easing could help bring prices down, but from an economic standpoint the recession fears are only accelerating.

The Fed now has the June meeting coming up this week where they are expected to raise rates by 0.5%. With this recent inflation data, I think there is a small chance they could do more. And frankly I think investors want them to do more. A lot of the anxiety is elevated because the Fed has been slow to act. I think folks are ready to be get rates back to neutral as quickly as possible at this point just to be done with this sideshow.

This means that you'll need to hold on as the stock market rollercoaster is about to get going again with volatility likely to ramp up. The 3900 level has proven to be very significant support over the last couple months. However, the downward momentum may be too much for it at this point. Especially since there appears to be a real lack of positive catalysts available.

As I've said the last few weeks, how you handle the current volatility has everything to do with your risk level and time horizon. If you are older or more a conservative investor, you want to remain focused on yield and minimizing your volatility. You can do this by focusing on areas not as tied to the overall market like healthcare and utilities. But if you are younger or have a higher risk tolerance, another leg lower could offer the opportunities that you most likely have been itching for the last couple years while the market skyrocketed. The goal is to buy low and sell high and unfortunately (or fortunately), your favorite stocks may be going lower.

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.