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The FOMC raised the benchmark rate by 0.75%, Wholesale inflation (PPI) rose due to trucking and fuel costs. Is the S&P due for a bounce?

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The Hot List

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1. Inflation

PPI **increased (https://www.reuters.com/markets/us/us-producer-prices-increase-strongly-may-2022-06-14/)** 0.8% in May and 10.8% since last year as fuel and trucking costs rise.

2. Ukraine

Here is a **link (https://www.aljazeera.com/news/2022/6/20/russia-ukraine-live-news-moscow-to-intensify-attacks-kyiv-liveblog)** to the latest in Ukraine.

3. Federal Reserve

The Fed **raised (https://www.cnbc.com/2022/06/15/fed-hikes-its-benchmark-interest-rate-by-three-quarters-of-a-point-the-biggest-increase-since-1994.html)** the benchmark rate by 0.75% last week, the largest move since 1994.
(https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/)

4. Economy

Retail sales unexpectedly **dropped (https://www.cnbc.com/2022/06/15/retail-sales-may-2022-unexpected-0point3percent-decline-hammered-by-inflation.html)** as inflation weighed on spending.

5. China

Mortgage rates have **surged (https://www.cnbc.com/2022/06/14/30-year-mortgage-rate-surges-to-6point28percent-up-from-5point5percent-just-a-week-ago.html)** with the 30-year fixed rate at an average of 6.28%.

Last Week

Monday: S&P 500 -151.23 (-3.88%) to 3749.63. No major headlines.

Tuesday: S&P 500 -14.15 (+0.38%) to 3735.48. Wholesale prices increased 0.8% in May and 10.8% since last year.

Wednesday: S&P 500 +54.51 (+1.46%) to 3789.99. The FOMC raised rates by 0.75%. Retail sales unexpectedly dropped in May.

Thursday: S&P 500 -123.22 (-3.25%) to 3666.77. Weekly jobless claims were higher-than-expected at 229K. Mortgage rates surge.

Friday: S&P 500 +8.07 (+0.22%) to 3674.84. No major headlines.

Friday: S&P 500 [illegible] No major headlines.

S&P 500 [S&P] Technical Look

Potential Support: Now that the 3900 level broke, there is no clear support to the downside. So look for support near the psychological 3600 level.

Potential Resistance: To the upside, look for resistance at previous support levels 3800 and 3900.

My Watchlist

Healthcare

Staples

Utilities

Tech

Military

My Take

Last week was one of the roughest weeks for stocks since 2020 as the Fed aggressively raised rates by 0.75%. That move was the largest since 1994 and a sign that they are bringing out the big guns on inflation. Another interesting point about that move was that Powell had previously ruled out a 75-basis point move in a press conference. So, that tells me two things: (1) the data continues to be worse than what the Fed has thought and (2) that the Fed isn't great at forecasting inflation – neither of which should give anyone much comfort. This dynamic is why the bears remain in charge and the bulls are having a hard time getting any traction.

From a technical standpoint, things don't look much better. The 3900 level had been the line in the sand for the S&P, holding as support for a month before finally breaking last week. Once it broke, there is no clear support in sight as it looks to get back above 3700. From a relative strength standpoint, the S&P is at a 31, which is an oversold level usually ripe for bounces – but the momentum is clearly to the downside.

The shortened trading week ahead isn't expected to have many major earnings or economic events. The only real numbers coming out are home sales and mortgage applications, so don't expect any blockbuster numbers with rates skyrocketing.

The bottom line is the outlook continues to worsen for the economy and investors are in an echo chamber or negative headlines. The days of FOMO are long gone as speculators have gotten crushed. By the way, the selloff for most of the growth names has been going on for

over a year now. Now people think you have to be crazy to buy anything. This sentiment is actually one that investors should be welcoming – remember the Buffett quote: "Be greedy when others are fearful…".

No one knows when the bottom will come and it's a fool's errand to try to time it. But if you have a game plan, a shopping list and a 3+ year time horizon, these broad-based, "throw in the towel" type selloffs are typically great spots to average into your favorite names.

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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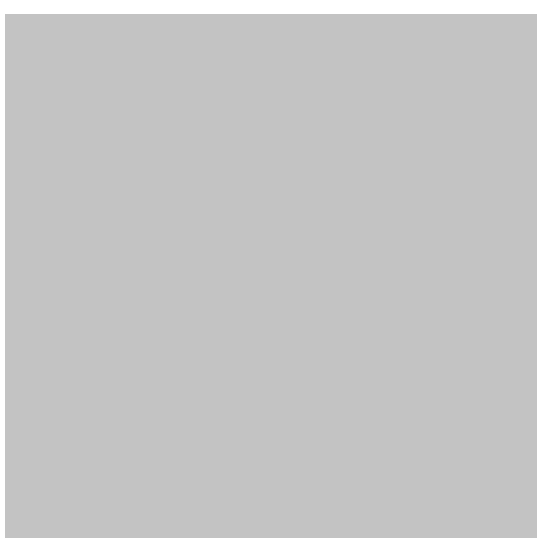

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