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*The S&P 500 reclaims 4200. CPE jumped in May. Countries reimpose lockdowns amidst Delta variant. A bipartisan infrastructure deal is close.*

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## The Hot List

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### 1. Federal Reserve

Powell addressed House Subcommittee on the COVID-19 Crisis last week. He stated that the Fed would not raise rates (<https://www.reuters.com/business/us-lawmakers-likely-press-powell-feds-hawkish-turn-2021-06-22/>) based on inflation fears alone. He also mentioned that the U.S. still has a “long way to go” with the recovery.

### 2. Inflation

May's core personal consumption expenditures [CPE] price index rose the fastest since 1992 (<https://www.cnbc.com/2021/06/25/key-inflation-indicator-rises-3point4percent-in-may-from-a-year-earlier-as-expected.html>).

### 3. COVID-19

Countries, such as Australia, are going back to lockdowns (<https://www.aljazeera.com/news/2021/6/26/delta-covid-19-variant-forces-new-lockdowns-as-europe-eases-curbs>) amid the struggle to contain the highly contagious Delta variant. However, Pfizer says that its vaccine is 90% effective (<https://www.reuters.com/business/healthcare-pharmaceuticals/pfizer-says-covid-vaccine-highly-effective-against-delta-variant-2021-06-24/>) against it. The first U.S. cruise in 15 months set sail (<https://www.cnn.com/travel/article/trial-cruise-royal-caribbean-covid-19-safety-protocols/index.html>) from Miami last week as the U.S. economy continues to get back to normal.

### 4. Infrastructure

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

It appears that a \$1 trillion bipartisan infrastructure deal (<https://www.pbs.org/newshour/politics/bipartisan-infrastructure-deal-back-on-track-after-walk-back>) is close to an agreement.

### 5. Unemployment

Weekly jobless claims remain elevated (<https://www.cnbc.com/2021/06/24/weekly-jobless-claims.html>) at over 400,000 for two weeks in a row. However, there is a record 9.3 million job openings which should help the 9.6 million unemployed

## Last Week

**Monday:** S&P +58.34 (1.40%) to 4224.79. Markets bounce back after worst weekly loss since Oct.

**Tuesday:** S&P +21.65 (0.51%) to 4246.44. Powell addresses House Subcommittee on the COVID-19 Crisis.

**Wednesday:** S&P -4.60 (-0.11%) to 4241.84. No major headlines.

**Thursday:** S&P +24.65 (+0.58%) to 4266.49. Bipartisan infrastructure deal announced. Bank stress test results released.

**Friday:** S&P +14.27 (+0.33%) to 4280.77. Key inflation data jumps the highest in 3 decades.

## Technical Look

**Potential Support:** The S&P 500 broke back above the key 4200 level and the 50-day moving average, which should serve as the support level to the downside

**Potential Resistance:** Now that the S&P 500 is back to new highs, there is no clear resistance. Look to the psychological level of 4300 for the next level of psychological resistance.

## My Watchlist

Tech Titans (US) (<https://dreamwork.financial/tech-titans-us/>)

Cloud Computing (<https://dreamwork.financial/cloud-computing/>)

Defensive (<https://dreamwork.financial/defensive/>)

Financials (<https://dreamwork.financial/financials/>)

Infrastructure (<https://dreamwork.financial/infrastructure/>)

## My Takeaway

Last week provided a little clarity from the Fed as investors digested their latest statements. The comments on inflation were expected, as I wrote in **last week's Hot Sheet** ([https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-06-21-2021\\_-Dreamwork-Financial-Group.pdf](https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-06-21-2021_-Dreamwork-Financial-Group.pdf)) (will add link from archive): "I'd have been more worried if the Fed didn't move up their timeline to raise rates with the pace of the recovery and increasing inflation data."

With Powell's latest statements before the House, it still seems apparent that the Fed is ready to let the economy run much hotter than normal in the short run. However despite inflation data, the 10-year yield is still very low – around 1.5%. This dynamic could give new life to the TINA (There Is No Alternative to stocks) trade as investors hunt for real returns, net of inflation.

From a technical standpoint, reclaiming the 4200 level in the S&P was huge. It may make sense to increase your risk level in the short run as we could see a new leg in the bull market. I'd do this while maintaining a diversified portfolio with exposure to defensive

markets as well as while maintaining a diversified portfolio that exposure to alternative sectors as well. Just make sure to keep your eye on the numerous headwinds that could cause the market to 'turn on a dime' at any moment.

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

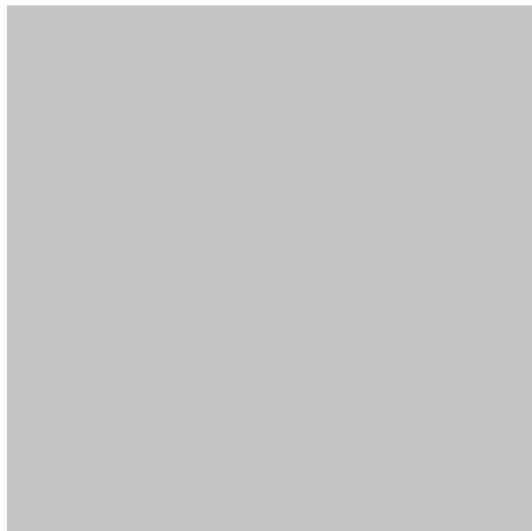
Until next time,

Clint Kirby

Chief Financial Strategist

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