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The Delta variant is still surging globally. The 10-year remains below 1.5%. China won't be "bullied." Can the S&P rally continue?

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The Hot List

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1. COVID-19

The Delta variant is now present in over 90 countries (<https://www.reuters.com/article/us-usa-markets-delta/covid-delta-variant-worries-bubble-to-the-surface-in-some-asset-prices-idUSKCN2E80EC>) and has become the most prevalent variant among new COVID-19 cases in the United States according to California-based genomics company Helix.

2. Inflation

The S&P Case Shiller composite index for home prices (<https://www.reuters.com/business/us-consumer-confidence-races-more-than-one-year-high-june-2021-06-29/>) came in last week showing a 14.9% annual gain, which was the largest gain since December 2005.

3. Federal Reserve

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

4. Unemployment

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

U.S. employers added 850,000 jobs (<https://www.cnbc.com/2021/07/02/jobs-report-june-2021.html>) in June, which was greater than the expected 720,000. The unemployment rate also came in above expectations at 5.9% (vs 5.6%) – a modest gain from April’s reading of 5.8%.

5. Geopolitics

Last week during China’s 100 year anniversary of the Chinese Communist Party, Xi Jinping stated (<https://www.cnn.com/2021/07/01/china/ccp-100-beijing-china-xi-celebration-intl-hnk/index.html>) it will “no longer be bullied, oppressed or subjugated” by foreign countries. He also said, “anyone who dares to try will find their heads bashed bloody against a great wall of steel forged by over 1.4 billion Chinese people.”

Last Week

Monday: S&P +9.91 (+0.23%) to 4290.61. No major headlines.

Tuesday: S&P +1.19 (+0.03%) to 4291.80. Consumer confidence rose. Home prices surge.

Wednesday: S&P +5.70 (+0.13%) to 4297.50. ADP report showed private payroll increase of 692,000 in June.

Thursday: S&P +22.44 (+0.52%) to 4319.94. Weekly jobless claims fall. Layoffs hit 21 year

Thursday: S&P +22.44 (+0.52%) to 4317.74. WEEKLY JOBLESS CLAIMS FALL. LAYOFFS HIT 21-year low.

Friday: S&P +32.40 (+0.75%) to 4352.34. U.S. added 850,000 jobs in June which was better than expected.

Technical Look

Possible Support The S&P 500 broke through 4300 in a big way and now that level should serve as slight support on the downside. If the index drops below 4300, look for stronger support at 4200 which is currently near the 50-day moving average.

Possible Resistance As the S&P 500 marches to new record highs, there is no clear technical resistance in sight. The psychological level of 4400 could be the next area of 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/>)

My Takeaway

The market's winning streak continued after last week's jobs report. Investors applauded the "goldilocks" number, which wasn't too hot or too cold. With that scenario, it should allow the Fed to basically do nothing. And with the Fed out of the equation temporarily, the market should move higher based on the underlying economic data, which should be positive.

The 10-year Treasury yield remains below 1.5% which continues to fuel the TINA (There Is No Alternative to Stocks) trade. That yield is representing a negative real yield when you factor in inflation this is running higher than 1.5%. And with retirees needing 4-5% returns on average to prevent losing value in their savings, this has forced investors to allocate more into stocks than they would in a normal yield environment.

From a chart standpoint, it appears that the "trend is your friend" again as we don't have clear technical resistance ahead. However, there are headwinds lurking which could soon come into focus, such as the Delta Variant, and geopolitics, so it is important to have a game plan.

If you need help, please **contact me at DreamWork Financial Group**

<https://dreamwork.financial/contact> or call 800-848-3333

(<https://dreamwork.financial/contact/>) to build your Investing Gameplan™.

Until next time,

Clint Kirby

Chief Financial Strategist

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