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Japan bans spectators from Olympics. President Biden issues executive orders. Another major cyberattack occurred. Fed minutes were released.

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The Hot List

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1. COVID-19

Japan bans spectators (<https://www.cnbc.com/2021/07/08/japan-olympics-committee-bans-spectators-following-state-of-emergency.html>) from the Olympics as the Delta variant surges globally. Florida saw a surge (<https://www.miamiherald.com/news/coronavirus/article252680758.html>) last week with 23,747 cases and 172 deaths reported.

2. China

China is further stepping up its oversight on Chinese companies that want to list in the U.S. (<https://www.cnbc.com/2021/07/07/china-is-cracking-down-on-stocks-that-trade-on-us-exchanges-what-it-means-if-you-hold-them.html>) (which are predominantly tech-based) as well as increasing restrictions on cross-border data flow.

3. Policy

President Biden issued multiple executive orders targeting industries such as Big Tech (<https://www.reuters.com/business/bidens-executive-order-promote-competition-us-economy-includes-over-70-2021-07-09/>) and railroads (<https://thehill.com/homenews/administration/562032-biden-to-issue-executive-order-on-consolidation-in-railroads-ocean>).

4. Federal Reserve

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

Fed minutes were released (<https://www.reuters.com/business/fed-minutes-may-provide-clues-bond-taper-timeline-inflation-outlook-2021-07-07/>) last week showing that they believed the economic recovery still has further to go, but are willing to act if risks materialize.

5. Cyberattacks

The largest ransomware attack (<https://www.cbsnews.com/news/ransomware-attack-revil-hackers-demand-70-million/>) on record occurred with hackers demanding \$70m.

Last Week

Monday: Market closed.

Tuesday: S&P -8.08 (-0.20%) to 4343.54. No major headlines.

Wednesday: S&P +14.59 (+0.345%) to 4358.13. Fed minutes released. Another major cyberattack.

Thursday: S&P -37.31 (-0.86%) to 4320.82. Weekly jobless claims rose. Japan bans spectators from Olympics.

Friday: S&P +48.73 (+1.13%) Treasury yields bounce. Biden announces executive order targeting Big Tech.

Technical Look

Possible Support: After its successful retest of 4300, that level appears a much firmer support for the S&P 500. A break below that level now would be more worrisome than before.

Possible Resistance: With the markets continuing to new highs, look to the psychological level of 4400 for the next potential resistance level.

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/>)

Sneakers (<https://dreamwork.financial/sports-apparel/>)

My Takeaway

With last week's wild ride in the market, it's safe to say that there is plenty of uncertainty surrounding the recovery. We're used to seeing investors have a tantrum over rates going higher, but now we've seen a tantrum over rates going lower. In last week's newsletter, I wrote how the latest "goldilocks" unemployment number (not too "hot", not too "cold") put the Fed in a spot where they didn't have to make any drastic changes. This scenario should leave the Fed on the sidelines, putting all the focus on the underlying data – which should be pretty good as the economy reopens. However, when the 10-year yield dropped below 1.3% investors started to interpret that as a growth scare to the economy.

In my opinion, I feel like the drop in the 10-year yield coincided with the news of Japan banning spectators from the Olympics due to the escalated worries around the Delta variant. So, while that could be a sign of escalating Delta worries, it could also be seen as confidence in U.S. treasuries since the U.S. has vaccines that are working. Having effective vaccines may put the U.S. in a "rich get richer" scenario where the U.S. economy could be rolling while others dealing with a resurgence in cases could stall, if we can get to a critical mass of vaccinations.

The bounce on Friday confirmed my personal opinion and I'd look for a continuation going forward if we don't get any shocks to the market. However, that's a big if as new potential headwinds seem to pop up each week. These headwinds could range from spikes in the Delta variant, policy mistakes from the Biden administration, geopolitics, cyberattacks, or inflation to name a few.

However, as long as we can avoid these headwinds, the TINA (There Is **No** Alternative to stocks) trade should only be getting stronger with even lower rates now. This leaves even fewer alternatives to stocks when adjusting for real returns (net of inflation).

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

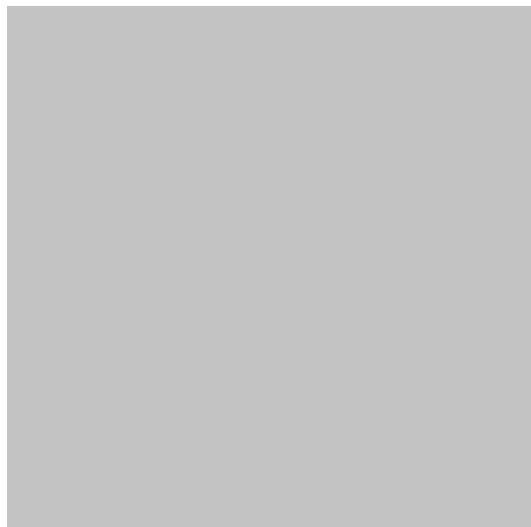
Until next time,

Clint Kirby

Chief Financial Strategist

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