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COVID is back in focus as cases rise for the first time in weeks. Earnings season kicked off and expectations are pretty high.

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The Hot List

↑ HOT

1. COVID-19

France, Netherlands, Greece and Spain all **announced new restrictions (https://www.cnbc.com/2021/07/13/europe-struggles-to-break-free-of-covid-restrictions-as-delta-variant-surges.html)** as the Delta variant is surging around the globe. U.S **COVID-19 deaths (https://www.cnbc.com/2021/07/16/covid-death the-rise-again-after-weeks-of-decline-cdc-says.html)** rose for the first time in several weeks. This occurred as new cases jumped by 70% and hospitalizations increased by 36%.

2. Inflation

Inflation data was released last week showing CPI (https://www.reuters.com/business/retail-consumer/us-june-cpi-comes-hotter-than-expected-2021-07-13/) and PPI (https://www.reuters.com/business/us-producer-prices-surge-more-than-expected-june-2021-07-14/) rising 5.7% and 7.3% respectively.

3. Earnings

Earnings season kicked off last week and analysts are expecting (https://www.marketwatch.com/story/corporate-profits-are-hitting-record-highs-but-earnings-expectations-may-still-be-too-low-11625945414) a big jump in earnings when compared to this time last year.

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

Fed Chairman Powell testified in front of Congress last week and insists that inflation is transitory. (https://www.nasdaq.com/articles/fed-chair-powell-still-insists-inflation-is-transitory-and-the-markets-agree.-why-2021-07) The Fed's Beige Book (https://www.marketwatch.com/story/the-recovering-u-s-economy-is-grappling-with-major-shortages-and-higher-prices-feds-beige-book-finds-11626286889) came out last week showing a "robust" U.S. economy that's dealing with higher prices and major shortages.

5. Geopolitics

China claimed to have driven away (https://www.nbcnews.com/news/world/china-says-it-drove-away-u-s-warship-south-china-n1273672) a U.S. warship as tensions continue to rise.

Last Week

Monday: S&P +15.08 (0.35%) to 4384.63. No major headlines.

Tuesday: S&P -15.42 (-0.35%) to 4369.21 CPI rose in June. Earnings season kicks off.

Wednesday: S&P +5.09 (+0.12%) to 4374.30. PPI surged. Powell testified. Beige book released.

Thursday: S&P -14.27 (-0.33%) to 4360.03 Weekly jobless claims released.

Friday: S&P -32.87 (-0.75%) to 4327.16. June retail sales post surprise monthly gain.

Technical Look

Possible Support: Still above 4300, that level appears to be firmer support for the S&P 500. A break below that level could lead us back near the 50-day moving average.

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/)

Tactical Opportunities (https://dreamwork.financial/tactical-opportunities/)

My Takeaway

Friday's selloff was a fitting end to a pretty disappointing week. Investors seem generally confused on what to make of things with so many different catalysts to consider. The increase in cases and hospitalizations due to the Delta Variant of COVID-19 are causing investors to question the potential of the economic recovery.

Chairman Powell has signaled that the Fed isn't making any major moves at the moment. This puts the focus on the underlying economy, which has been booming. However, a lot of this "boom" has been expected, thus priced-into the stock market. On top of that, it is causing clear inflation, where there is debate about how long it could last.

If that wasn't confusing enough, treasury yields have been going down, leading the 10-year to 1.3%. So with inflation showing up in various measures at 5+%, you could be theoretically paying the government to hold your money for 10 years. But then again, something is better than the "nothing" it would be earning under your mattress.

But most investors like to at least keep pace with inflation, which leads us back to the TINA trade (**T**here **I**s No **A**lternative to stocks). And remember not all stocks are high risk, so forget about those bond proxy stocks like REITs and utility companies when looking fo alternatives to fixed income. I'd expect more choppiness as we continue into earnings but we should also gain some clarity of what kind of footing these companies are sitting on.

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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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