

Home (<https://dreamwork.financial/>) » Research
(<https://dreamwork.financial/category/research/>) » Investing Hotsheet
(<https://dreamwork.financial/category/research/investing-hotsheet/>) » Investing Hot Sheet



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Stronger than expected earnings helped the S&P close out the best month of the year despite a Fed rate hike, negative GDP and hot PCE number.

If you're looking for past Investing Hot Sheets please visit our [Newsletter Archive \(/newsletter-archive/\)](#).

The Hot List

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1. Inflation

The Fed's preferred inflation report, personal consumption and expenditures (PCE), was hotter-than-expected (<https://www.marketwatch.com/story/coming-up-pce-inflation-and-consumer-spending-11659096833>) in June.

2. Federal Reserve

FOMC raised (<https://www.cnbc.com/2022/07/27/fed-decision-july-2022-.html>) rates by 75 basis points for the second straight meeting. Powell said "we think we need a period of growth below potential to create some slack."

3. Ukraine

Here is a link (<https://www.aljazeera.com/news/2022/6/26/russia-ukraine-live-news-indonesia-leader-to-visit-kyiv-moscow><https://www.aljazeera.com/news/2022/6/20/russia-ukraine-live-news-moscow-to-intensify-attacks-kyiv-liveblog>) to the latest in Ukraine. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Earnings

Mega cap tech earnings

(<https://economictimes.indiatimes.com/markets/stocks/earnings/amazon-apple-beat-expectations-in-gloomy-earnings-season/articleshow/93199190.cms>) have been a bright spot in an otherwise gloomy earnings season.

5. Economy

The U.S. economy shrunk (<https://www.cnbc.com/2022/07/28/gdp-q2-.html>) for the second straight quarter falling 0.9% in 2Q.

Last Week

Monday: S&P 500 +5.21 (+0.13%) to 3966.84. No major headlines.

Tuesday: S&P 500 -45.79 (-1.15%) to 3921.05. Consumer confidence report was worse-than-expected. (95.7 vs 96.4)

Wednesday: S&P 500 +102.56 (+2.62%) to 4023.61. Fed raised rates by 0.75% at the July meeting.

Thursday: S&P 500 +48.82 (+1.21%) to 4072.43. GDP report was much worse-than-expected

(-0.9% vs +0.5%).

Friday: S&P 500 +57.86 (+1.42%) to 4130.29. Apple, Amazon reported better than expected earnings. PCE report was slightly hotter than expected (1% vs 0.9%).

S&P 500 [S&P] Technical Look

Potential Support: To the downside, look for support at 3900 which is also near the 20 and 50-day moving averages.

Potential Resistance: To the upside, if the index can break 4150, look for resistance near 4300, which is prior resistance and where the 200-day moving average sits.

Top Ideas

Growth

Tech

Military

Staples

Energy

My Take

Last week I wrote “the stock market has a way of bottoming before the economy bottoms, so if investors start to see glimmers of hope this rally could continue.” And despite the terrible GDP and PCE reports, investors saw glimmers of hope in the earnings reports and the rally continued.

That caused the S&P to close out its best month of the year and it is now firmly above the 20 and 50-day moving averages. This technical strength is giving the bulls a little more confidence. As we talk about all the time, the stock market is all about expectations, and maybe investors had gotten a little too pessimistic. Expectations were for earnings to fall off a cliff since the comparisons are to last year when things were booming.

When valuing companies, one looks at the P/E ratio (price/earnings). The premiums on these ratios came way down causing stock prices to fall. During this earnings season, the expectation was for earnings to fall which, in turn, would cause prices to fall farther. There are certainly companies missing earnings and paying the price, but for the most part the major blue chips are continuing to hang around.

Now the S&P will look to establish a new trading range – probably between 3900 and 4300. The Fed shouldn't be a huge factor with the next FOMC meeting not until late September

The Fed shouldn't be a huge factor with the next FOMC meeting not until late September. Therefore, there should be more focus on earnings and macro data than there has been in sometime.

If you haven't already gotten more aggressive, then this spot should be a good spot to up your risk. It is certainly not the "all clear" but I think it's fair to say this could be more than just another relief rally.

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,

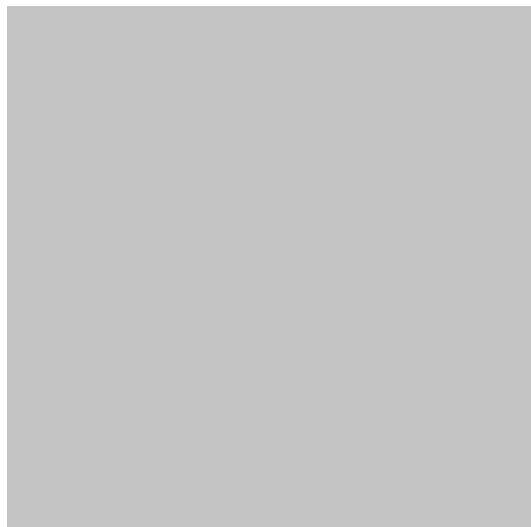
Clint Kirby

Chief Financial Strategist

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