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Powell reiterated that Fed policies could cause “pain” to households. The PCE report was cooler than expected. The August jobs report is ahead this week.

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

The Hot List

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1. Inflation

The Personal Consumption Expenditures Price Index (PCE) was cooler (<https://www.cnbc.com/2022/08/26/feds-preferred-inflation-measure-shows-price-pressures-eased-in-july.html>) than expected from last month (-0.1 vs 0.1) and the last year (6.3% vs 6.8%).

2. Federal Reserve

Chairman Powell gave his Jackson Hole speech (<https://www.yahoo.com/now/jerome-powell-says-fed-ready-170625670.html>) and reiterated that there could be “pain to households.”

3. Capitol Hill

President Biden forgave (<https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/24/fact-sheet-president-biden-announces-student-loan-relief-for-borrowers-who-need-it-most/>) \$10-20K per student in a broad student loan forgiveness program. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Economy

The August jobs report will be released next week.

5. 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.

Last Week

Monday: S&P 500 -90.49 (-2.14%) to 4137.99. No major headlines.

Tuesday: S&P 500 -9.26 (-0.22%) to 4128.73. New housing starts hit 5-year low.

Wednesday: S&P 500 +12.04 (+0.29%) 4140.77. Pending home sales were better than expected (-1.0 vs -3.0). Biden canceled 10-20K in student loans.

Thursday: S&P 500 +59.37 (+1.43%) to 4199.12. Jackson Hole meeting began. Initial jobless claims better than expected (243K vs 253K). GDP 2nd estimate (-0.6% vs -0.9%).

Friday: S&P 500 -141.46 (-3.37%) to 4057.66. PCE was cooler than expected (-0.1 vs 0.1).

Powell gave Jackson Hole speech.

S&P 500 [S&P] Technical Look

Potential Support: To the downside, look for support at the psychological 4000 level. If it drops below that, expect support at the 50-day moving average near 3950.

Potential Resistance: To the upside, look for resistance at the 200-day moving average. If it can break that level, then 4400 should be the next area to watch.

Top Ideas

Tech

Military

Staples

Energy

Healthcare

My Take

Powell's speech on Friday regarding the state of the economy was harsh. He even used the word "pain" multiple times in a carefully scripted speech. However, this shouldn't have come as a surprise to investors. The "tool of the tongue" is a powerful Fed tool and one that doesn't cost them anything to use. It was clear that Powell wanted to send a message that he isn't retreating from the fight with inflation. The language used was to make us all believe that they are serious about fixing the problem they created.

Now we have to determine what to make of this message going forward. Are they going to continue raising rates aggressively if the economy turns downward? Can raising rates even fix all the inflation that's out there? And what happens if they raise rates and inflation doesn't come down?

There doesn't seem to be a clear answer at this time. On one hand it seems like they are on an unrelenting warpath similar to the inflation fight in the 70s. But on the other hand, this group was buying mortgage bonds just a few months ago.

To make matters murkier, computer-based algorithmic trading is more prevalent than ever, and in my opinion, is really driving the market currently. Not only do they move markets in a way that they make money, but they also have advantages in speed and information. To see their importance, just note how important technical analysis (charting) has been lately.

Technical analysis should be key in getting clues on where the index goes from here. The S&P hit the 200-day moving average like a brick wall and has fallen back significantly. Now it really needs to hold the psychological 4000 level to avoid dropping back to the lows. It really feels like a new trading range is being established as investors digest more rate hikes and earnings that have remained stable.

In these confusing times, it's extremely important to have a game plan. If you know your strategy then you can figure out whether you should be on offense or defense – if we hit another patch of turbulence. Missing out on the upside can be just as detrimental to your retirement as missing out on the downside, depending on the stage of your retirement plan.

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,

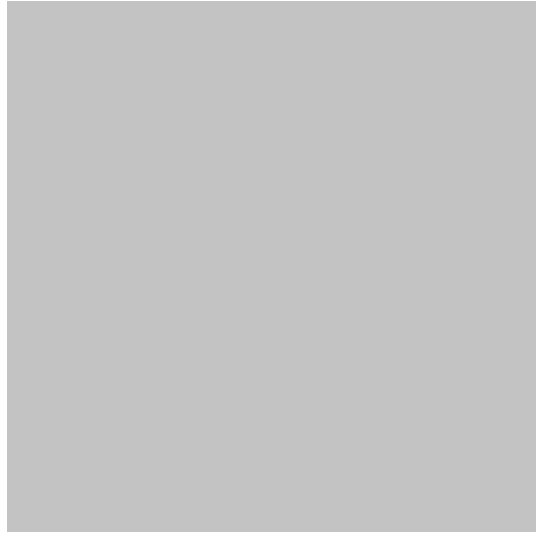
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