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*Is Powell giving investors one last chance to reposition? Pfizer gets full FDA approval.
Key inflation metric highest in decades.*

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The Hot List

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1. COVID-19

Pfizer's COVID-19 vaccine is the first to receive full FDA approval ([\www.fda.gov/news-events/press-announcements/fda-approves-first-covid-19-vaccine](https://www.fda.gov/news-events/press-announcements/fda-approves-first-covid-19-vaccine)).

2. Federal Reserve

Chairman Powell gave a speech from the Jackson Hole retreat. He says Fed could begin tapering (<https://www.bloomberg.com/news/articles/2021-08-27/powell>

begin tapering (<https://www.bloomberg.com/news/articles/2021-08-27/powell-says-fed-could-begin-tapering-bond-purchases-this-year>) bond purchases by the end of the year but rate hikes are far off.

3. Inflation

A key inflation gauge, PCE, made the **biggest annual jump** (https://www.cnbc.com/2021/08/27/key-inflation-gauge-rises-3point6percent-from-a-year-ago-to-tie-biggest-jump-since-the-early-1990s.html?__source=iosappshare%7Ccom.apple.UIKit.activity.Mail) since the early 1990s. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Geopolitics

U.S. is on alert for more attacks (<https://www.reuters.com/world/asia-pacific/western-nations-race-complete-afghan-evacuation-deadline-looms-2021-08-25/>) in Kabul in the race to evacuate by the August 31 deadline.

5. Employment

House Democrats voted to approve a **\$3.5 trillion budget resolution** (<https://www.cnbc.com/2021/08/24/house-passes-budget-resolution-advances-infrastructure-bill.html>) and advance the bipartisan infrastructure bill.

Last Week

Monday: S&P 500 +37.87 (+0.85%) to 4479.54. Pfizer vaccine approved. Existing home sales rose.

Tuesday: S&P 500 +6.69 (+0.15%) to 4486.23. New home sales rebound.

Wednesday: S&P 500 +9.96 (+0.22%) to 4496.19. No major headlines.

Thursday: S&P 500 -26.28 (-0.58%) to 4469.91. Weekly jobless claims, casualties in Afghanistan.

Friday: S&P 500 +39.37 (+0.88%) to 4509.37. Powell speech at Jackson Hole. PCE makes biggest jump in decades.

Technical Look

Possible Support: The S&P 500 tested the 4500 level twice last week before barely breaching above it. If prices continue to move higher, then I'd consider this level as a new area of support.

support.

Possible Resistance: As the S&P 500 is back at all-time highs, there is no clear technical resistance in sight.

My Watchlist

Tech Titans (US) (<https://dreamwork.financial/tech-titans-us/>): Strong future cash flows, hedge against potential deflation

Financials (<https://dreamwork.financial/defensive/>): Good play if we get higher rates, stronger economic data

Healthcare (<https://dreamwork.financial/healthcare/>): Defensive trade, COVID-19 play

Defensive (<https://dreamwork.financial/defensive/>): Increasing uncertainty

My Take

Powell's dovish tone was a little unexpected. After numerous Fed members spoke in favor of tapering at the next meeting, it seemed Powell would follow suit. Instead, he just said that they would probably taper by the end of the year and reiterated that raising rates would be further in the future.

This scenario seemingly favors the TINA trade, as stocks should remain the best game in town when trying to keep pace with inflation. However, part of me thinks Powell could be giving savvy investors one last chance to reposition before the tightening begins.

The market usually looks ahead 6-9 months, so it may be starting to look ahead to a time with harder comps, higher rates, less stimulus, etc. While I'm normally in favor of riding the momentum, the writing is on the wall for a tougher time ahead. On top of that, the main inflation used by the Fed strips out food and energy, which are two areas that impact middle-income households the hardest. So, I think there's also a chance that the Fed may get behind the curve and the inflation data may get hotter, earlier than expected and force their hand.

While Fed policy and inflation have recaptured the focus of investors, remember there is still no end in sight to the pandemic and Afghanistan remains a mess. So don't get caught off-guard chasing the FOMO. The key is to be prepared for all outcomes and position your portfolio accordingly.

Please contact me at DreamWork Financial Group (<https://dreamwork.financial/contact/>) if you'd like a professional review of your portfolio while the market is still at all-time highs.

Until next time



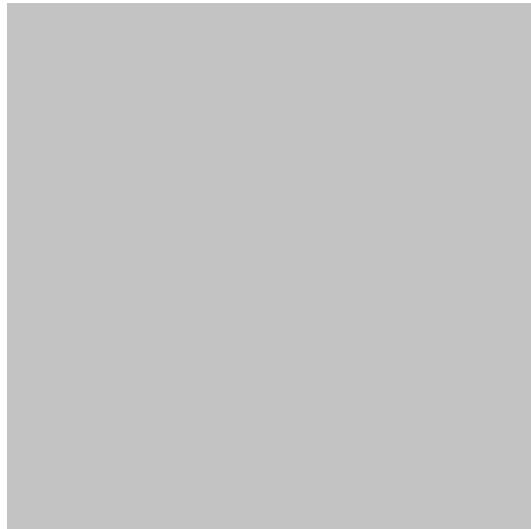
until next time,

Clint Kirby

Chief Financial Strategist

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