



Published
September 27, 2021

The S&P 500 touched correction territory. China's Evergrande poses default risk. Powell is ready to taper "soon." COVID booster approved.

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

The Hot List

↑
H
O
T

1. COVID-19

FDA authorizes third dose (<https://www.fda.gov/news-events/press-announcements/fda-authorizes-booster-dose-pfizer-biontech-covid-19-vaccine-certain-populations>) for older Americans. The U.S. opened its borders (<https://www.reuters.com/world/uk/us-relax-travel-restrictions-passengers-eu-november-source-2021-09-20/>) to a large population of vaccinated traveler

2. Federal Reserve

The 2-day September Fed meeting concluded Wednesday. Chairman Powell stated that tapering could start “soon (<https://www.reuters.com/business/finance/fed-likely-open-bond-buying-taper-door-hedge-outlook-2021-09-22/>).” They also signaled that 6 or 7 rate hikes may come before 2024.

3. Geopolitics

China’s Evergrande has liquidity issues (<https://www.cnbc.com/2021/09/20/chinas-evergrande-crisis-could-inflict-pain-on-the-world-economy.html>) and could spill into the global economy. China also vowed a crackdown on crypto (<https://www.nytimes.com/2021/09/24/business/china-cryptocurrency-bitcoin.html>) and deemed it “illegal.” (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Capitol Hill

Congress is set to debate the debt ceiling (<https://news.yahoo.com/debt-ceiling-debate-heats-d-151239164.html>) or force another government shutdown.

5. Employment

FedEx is rerouting 600,000 packages per day due to the inability to find labor (<https://news.yahoo.com/fed-ex-just-painted-a-disturbing-picture-of-the-job-market-160422695.html>). In its quarterly earnings report last week it said it lost \$450 million due to labor shortages alone

Last Week

Monday: S&P 500 -75.26 (1.70%) to 4357.73. Market tumbles on China’s Evergrande default risk.

Tuesday: S&P 500 -3.54 (0.08%) to 4354.19. 2-day Fed meeting kicks off.

Wednesday: S&P 500 +41.45 (+0.95%) to 4395.64. Existing home sales fall. Fed signals to start taper “soon.”

Thursday: S&P 500 +53.34 (+1.21%) to 4448.98. Weekly jobless claims top estimates.

Friday: S&P 500 +6.59 (+0.15%) to 4455.57. China vows crackdown on cryptocurrency.

Technical Look

TECHNICAL LOOK

Possible Support: The S&P 500 bounced at 4310 Monday, which was 5% from the highs. This was a talking point for bears which may have been satisfied. Look there for potential support again if the index falls.

Possible Resistance: With the S&P 500 back above the 50-day moving average, there could be a little resistance at 4500. However, if the index goes higher, I'd expect major resistance at the all-time highs near 4550.

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

Fintech: Secular growth trend

Cybersecurity: Increasing demand, secular trend

My Take

Coming into Monday, the S&P 500 was sitting on the 50-day moving average, which had served as massive support since earlier this year. It seemed clear that if the S&P broke that support that it would drop significantly.

That's just what happened when the Evergrande news broke. There was no technical support in sight until 4310, which was a key level, because it marked a 5% correction from the highs. And right on cue, once the S&P touched 4310, the headlines posted "5% correction from the highs" and it bounced aggressively to finish positive for the week.

The bounce was enough to even put the S&P 500 back into the technical channel it has been in since the beginning of the year. The saying is the "trend is your friend" and I don't know if it's ever rang more true.

As many negative catalysts keep getting thrown at the market, I always comes back to this question: where else are you going to put your money? It's clear that inflation is everywhere now and interest rates are failing to reflect it. In my opinion, the math continues to point to stocks, but some spots are definitely more attractive than others.

I'm thinking that secular themes like fintech and cybersecurity will continue to outperform while areas that could be susceptible to labor or supply chain shortages will probably come up short.

If you need help or would like me to manage your investments, please **contact DreamWork Financial Group** (<https://dreamwork.financial/contact/>) today.

Until next time,

Clint Kirby

Chief Financial Strategist

Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.

A fiduciary is someone who holds a legal or ethical relationship of trust with one or more clients and is bound to take action in the clients' best interests.



IS A FEE-ONLY FIDUCIARY

Learn More [./research/fiduciary-101-what-you-need-to-know/.](/research/fiduciary-101-what-you-need-to-know/)

