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*Wage growth may signal inflation is going to stick. September jobs report was much weaker than expected. Temporary debt ceiling deal reached.*

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## The Hot List

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### 1. Inflation

Strong wage gains (<https://www.cnbc.com/2021/10/08/strong-wage-gains-cast-doubt-that-inflation-is-going-away-anytime-soon.html>) in September are a sign that inflation may be here to stay.

### 2. COVID-19

COVID-19 cases and deaths continue to decline  
(<https://news.un.org/en/story/2021/10/1102282>) globally



### 3. Capitol Hill

The Senate reached a deal to temporarily lift debt ceiling (<https://www.reuters.com/world/us/us-senate-democrats-republicans-haggle-over-short-term-debt-fix-2021-10-07/>) to avoid default. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

### 4. Employment

U.S. employers added 194,000 jobs (<https://finance.yahoo.com/news/september-jobs-report-labor-department-hiring-covid-2021-191337923.html>) in September which was much less than the 500,000 expected. However, the unemployment rate fell to 4.8% from 5.1%.

### 5. Geopolitics

The Global minimum corporate tax rate deal has been reached (<https://finance.yahoo.com/news/global-minimum-corporate-tax-rate-162842722.html>).

## Last Week

**Monday:** S&P 500 -56.59 (-1.30%) to 4300.46. Factory orders increased sharply in August.

**Tuesday:** S&P 500 +45.26 (+1.05%) to 4345.72. U.S. trade deficit jumps to record high.

**Wednesday:** S&P 500 +17.83 (+0.41%) to 4363.55. Debt ceiling deal reached. ADP report released.

**Thursday:** S&P 500 +36.21 (0.83%) to 4399.76. Weekly jobless claims reported in line with expectations.

**Friday:** S&P 500 -8.42 (-0.19%) to 4391.34. September jobs report came in much weaker than expected.

## Technical Look

**Possible Support:** The 4300 area on the S&P 500 has been an area of support for 3 weeks now. If the index drops below that, expect a significant drop, possibly to the 200-day moving average.

**Possible Resistance:** The S&P 500 ended the week near a resistance point at 4400. If the index breaks away to the upside, the next major resistance could be near the all-time highs of 4550.

## My Watchlist

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

Experiences: Merck drug gives theses a boost

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

Cybersecurity: Increasing demand, secular trend

**Discount Retail** (<https://dreamwork.financial/discount-retail/>): Can pass on inflation, not as susceptible to supply chain issues

## My Take

The S&P 500 has been chopping around in the 4300 to 4400 level for a couple weeks now. These big swings weren't unexpected and may even get more extreme going forward. We experience these periods from time to time where it seems investors have to learn to respect risk. I feel like this is just another one of those times. The media will try to make a headline out of every move, but in my opinion, these moves are just a reflection of the current uncertainty surrounding the economy.

Major worries are arising from every direction with the predominant one being stagflation – high inflation in a stagnant or slowing economy. Everyone but Powell has been screaming about inflation for a while, and the latest rise in wages shows that it's not going away anytime soon. He's been wanting to keep rates low to boost employment, but now there's a major labor shortage. The latest jobs report may have given him cover to prolong tapering, but inflation may put him in a place where tapering in November is inevitable.

Look for the S&P 500 to break out of the 4300-4400 range, it has been giving clues on which way it is wanting to move. I personally think it's still a good time to get more defensive while being 'bar belled' to secular growth, which isn't as tied to overall trends. As inflation creeps in, discount retail is also starting to look attractive.

In the meantime, continue to be prepared for all scenarios. I can make great arguments for a 10% move either way from here.

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

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Until next time,

Clint Kirby

Chief Financial Strategist

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