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Equities had their best week in 3 months. S&P breaks out of trading range. Stimulus talks continue in the U.S. with some optimism.

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The Hot List

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1. Coronavirus (Unchanged)

Europe recorded 100,000 daily COVID-19 cases (<https://www.reuters.com/article/us-health-coronavirus-europe-cases/europe-records-100000-daily-coronavirus-cases-for-first-time-idUSKBN26U1Q0>) for the first time. This came after Russia and the U.K. saw spikes in cases. The U.K. is facing an alarming 7% fatality rate, which more than twice the U.S. France has been moving into emergency mode and has shut down bars and restaurants.

This article from National Geographic (<https://www.nationalgeographic.com/science/health-and-human-body/human-diseases/coronavirus-vaccine-tracker-how-they-work-latest-developments-cvd/>) shows you which vaccines to follow and their current status.

2. Federal Reserve/ Stimulus (Unchanged)

(<https://www.investors.com/news/economy/reserve-meeting-wall-street-expects-yield-curve-control/>)

The September Federal Reserve minutes said the economic recovery has shown signs of slowing. Fed officials say the optimism for a strong rebound hinges on stimulus (\Users\Kristin\Downloads\Early%20last%20week,%20President%20Trump%20called%20for%20ends%20to%20stimulus%20talks%20until%20after%20the%20election.%20The%20next%20day%20he%20pulled%20a%20180%20and%20suggested%20to%20get%20a%20deal%20done%20now.%20He%20offered%20a%20proposal%20which%20was%20shot%20down%20by%20both%20sides.%20On%20Sunday,%20Sen.%20Pelosi%20said%20talks%20are%20at%20an%20impasse.) from the government. Fed Chairman Powell urged Congress for another round (<https://www.npr.org/2020/10/06/920770414/feds-jerome-powell-calls-for-more-economic-aid-warning-weakness-feeds-on-weaknes>) of stimulus. He said there is more risk from doing too little than too much.

Early last week, President Trump called for an end to stimulus talks until after the election. The next day he reversed course and suggested to get a deal done immediately. He offered a \$1.8 trillion relief proposal, which is closer to the \$2.2T offer by the Democrats. The proposal was shot down by both sides. On Sunday, Sen. Pelosi said (https://www.cnn.com/world/live-news/coronavirus-pandemic-10-11-20-intl/h_abe772e082799150685e43004f38358b) talks are at an “impasse.”

3. Election (Unchanged)

If the election results are close, Wall Street fears it could be contested. President Trump has heightened the concerns (https://www.washingtonpost.com/politics/contested-election-2020-preparations/2020/10/08/49a58352-08af-11eb-a166-dc429b380d10_story.html) by refusing to commit to conceding if he loses. In the first debate, Pres. Trump claimed that voting by mail will lead to fraud and that he wants the Supreme Court “to look at the ballots.” He continued, “if it’s a fair election, I am 100% on board, but if I see tens of thousands of ballots being manipulated, I can’t go along with that.”

If there is a decisive winner in the election, then a contested election shouldn’t be a factor. But if it is close, there are fears of a new level of “political hardball”, considering the arcane laws that govern a contested election.

4. Unemployment (Unchanged)

The September jobs report showed (<https://www.wsj.com/articles/september-jobs-report-unemployment-rate-2020-11601593020>) <https://www.wsj.com/articles/september-jobs-report-unemployment-rate-2020-11601593020>) a continued economic recovery, but at a slow and steady pace. However, more layoffs are turning permanent, which may be hinting that the recovery could take even longer than expected. This current pace of job growth is

significantly slower than what we experienced during the summer months. The participation rate is also declining as folks stop looking for jobs.

Last week another 840K workers filed for unemployment. This is still higher than the worst week of the Great Recession at 690K. This number is scary, but remember that during COVID-19, Congress expanded the number of workers who could apply for unemployment insurance. These include self-employed, freelancers and others that weren't previously included in the data.

5. Infrastructure (Unchanged)

Infrastructure Should become a topic in the election too. Both sides agree that they want an infrastructure bill, but what it looks like could be different.

Here's (<https://www.whitehouse.gov/briefings-statements/building-stronger-america-president-donald-j-trumps-american-infrastructure-initiative/>) a look at Trump's infrastructure plan. Here's (<https://joebiden.com/clean-energy/#>) a look at Biden's infrastructure plan.

Last Week



Monday S&P 500 was up 60.18 (+1.80%) to 3408.62. President Trump leaves hospital. Stimulus hopes are revived.

Tuesday: S&P fell 47.68 (-1.40%) to 3360.95. President Trump calls for end to stimulus talks until after election.

Wednesday S&P jumped 58.49 (+1.74%) to 3419.44. President Trump reversed course on stimulus talks and wants a deal done soon.

Thursday S&P rose 27.38 (+0.80%) to 3446.83. Weekly jobless claims came in worse-than-expected.

Friday S&P closed up 30.31 (+0.88%) to 3477.14. Stimulus talks continued.

Technical Look



It appeared the S&P 500 was going to stay range-bound after hitting resistance at 3400 on Monday. But by Wednesday, it had broken back above the 3400 level and closed the week at 3477.

Going forward, look to 3400 for downside support on the S&P 500. To the upside, it's getting back into uncharted waters, so resistance won't be as clear. The psychological level of 3500 may show a little resistance, but expect more near the previous highs of 3600, if it gets there.

My Takeaway

Last week, the S&P 500 started to break out again. This seems to come largely from optimism around further stimulus. The rally last week was broad and included most every sector of equities.

It looks like there will be a stimulus package, one way or another, based on the commentary from each side. Sadly, politics are coming into play with this happening so close to the election. Either way, both candidates have a stimulus proposal prepared for after the election, so investors may already be investing as if this is a done deal.

The second wave of COVID-19 hitting Europe is a little disheartening. This is happening just as parts of the U.S. are trying to fully reopen. It appears that no one really knows what the future of this virus is going to look like. One thing remains clear though: vaccines, testing, tracing and treatments will be the key to getting through the pandemic. So, while the election is starting to take investor's attention, don't get caught off guard by COVID-19 headlines, positive or negative.

I continue to think it's a smart time to position for upcoming volatility as we approach the election. It would be smart to raise cash to reduce volatility and to have extra gunpowder to deploy as opportunities present themselves. I still think gold remains a smart play, not only for its value against inflation, but it can also act as a safety trade.

Pockets of tech look attractive, especially names that are part of larger secular trends. Overseas markets, like India and Japan, remain as areas where I want to deploy cash. This allows for diversification during the potential upcoming volatility. Lastly, I think infrastructure investments should do well, post-election, as both candidates will likely push a bill forward.

As always, remember that investors have different goals and risk tolerances. What may be right for you, may not work for others. If you need help finding your own personal strategy during these turbulent times, contact DreamWork Financial Group (<https://dreamwork.financial/contact/>) and let us develop your Investing Gameplan™ today.

Until next time,

Clint Kirby

Chief Financial Strategist

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