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*Inflation continues to rise. COVID-19 cases are declining. The Fed prepares to taper.  
Earnings season continues.*

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

CPI (<https://www.bls.gov/news.release/cpi.nr0.htm>), prices paid by consumers, rose more than expected again in September. PPI (<https://www.bls.gov/news.release/ppi.nr0.htm>), prices paid to producers, also rose but by less than expected.

### 2. COVID-19

COVID-19 cases and deaths continue to decline

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(<https://www.cdc.gov/coronavirus/2019-ncov/covid-data/covidview/index.html>).

### 3. Federal Reserve

FOMC minutes show (<https://www.forbes.com/advisor/investing/fomc-meeting-federal-reserve/>) that most members are prepared to taper.

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

### 4. Employment

JOLTS report (<https://www.bls.gov/news.release/jolts.nr0.htm>) showed first monthly decrease in job openings this year.

### 5. Earnings

Earnings season kicked off with strong earnings from the banking sector.

## Last Week

**Monday:** S&P 500 -30.15 (-0.69%) to 4361.19. Oil hits 7-year high.

**Tuesday:** S&P 500 -10.58 (-0.24%) to 4350.61. U.S. job openings had first monthly decrease in August.

**Wednesday:** S&P 500 +13.19 (+0.30%) to 4363.80. CPI rose more than expected. FOMC minutes released.

**Thursday:** S&P 500 +74.42 (1.71%) to 4438.22. PPI rose less than expected. Weekly jobless claims decreased sharply.

**Friday:** S&P 500 +33.11 (+0.75%) to 4471.37. Retail sales unexpectedly beat estimates in September.

## Technical Look

**Possible Support:** The recent resistance level of 4400 on the S&P 500 should serve as slight support to the downside. If the index breaks below that, look for support back at 4300.

**Possible Resistance:** After breaking through 4400, the next resistance for the S&P 500 could come at the psychological 4500 level. If it breaks that, the next level of resistance to the upside would be the all-time highs near 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 broke out of the 4300 – 4400 range on the back of stronger economic data and lower interest rates. As worries shift from COVID-19 toward stagflation, last week's strong retail sales and earnings really gave the S&P 500 a boost.

Now, it's time to see if this breakout is real or just more expected choppiness. The strong data is a double-edged sword going forward. The stronger it gets, the faster we should expect a taper. It's important to remember that a significant portion of last year's returns were based on the Fed's aggressive policy. Don't you remember cheering for bad economic data just so the Fed would keep rates low? I think it's safe to say those days are over at least in the short term.

From here, we need the economy to put up solid numbers because I think the Fed will be tapering soon, whether we like it or not. This dynamic should lead to further choppiness, as investors come to grips with tighter policy.

In addition to tighter policy, it's starting to look more apparent that there will be volatility around supply chains. Companies are already complaining about lead times and supply shortages preventing them from having inventory ready for the holidays. I'd expect big winners and losers depending on who can navigate supply chains the best.

For these reasons, I think choppiness will remain and I want to remain defensive for the most part with exposure to secular growth like fintech, cybersecurity and experiences.

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,

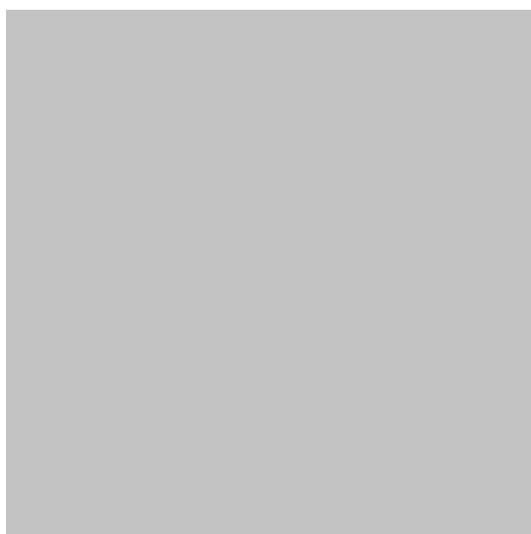
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