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A third of the companies in the S&P 500 are reporting this week. Will they push the index to all-time highs or could it form a double-top?

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The Hot List

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1. Inflation

World Bank sees “significant” inflation risk (<https://www.reuters.com/business/energy/world-bank-sees-significant-inflation-risk-high-energy-prices-2021-10-21/>) from higher energy prices.

2. Federal Reserve

Chairman Powell said the Fed is “on track” (<https://finance.yahoo.com/news/powell-federal-reserve-on-track-for-tapering>)

(<https://finance.yahoo.com/news/powell-federal-reserve-on-track-for-tapering-asset-purchases-170040408.html>)” to begin slowing the pace of its Treasury and agency mortgage backed securities, aka “tapering.”

3. COVID-19

With COVID-19 cases declining, the CDC is “very carefully” monitoring the Delta-plus (<https://nypost.com/2021/10/24/cdc-carefully-monitoring-delta-plus-covid-19-variant/>) variant. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Earnings

Next week will probably be the most important one of the earnings season. We will hear from the companies that make up a huge weighting of the S&P 500 such as; Apple, Amazon, Alphabet (Google), Microsoft and Facebook.

5. Employment

Weekly jobless claims hit a 19-month low (<https://www.reuters.com/article/us-economy/u-s-weekly-jobless-claims-hit-19-month-low-labor-market-recovery-gains-traction-idUSKBN2HB1HG>) as labor market starts to tighten.

Last Week

Monday: S&P 500 +15.11 (+0.34%) to 4486.48. No major headlines.

Tuesday: S&P 500 +33.15 (+0.74%) to 4519.63. Strong earnings continue to drive stocks.

Wednesday: S&P 500 +16.56 (+0.37%) to 4536.19. Dow hits record. Bitcoin ETF launched.

Thursday: S&P 500 +13.59 (+0.30%) to 4549.78. Jobless claims hit 19-month low. Home sales rebound.

Friday: S&P 500 -4.88 (-0.11%) to 4544.80. Powell says Fed is “on track” for tapering.

Technical Look

Potential Support: If the S&P 500 falls from here, expect to see support near 4400. This has been a significant level during the latest run, and it’s also right where the 20 and 50-day moving averages are sitting.

Potential Resistance: The S&P 500 is near the all-time high. Any significant move high would put it into uncharted territory, with no real resistance in sight. Any resistance from here could be seen as a double top and make the 4550 level tougher to break in the future.

My Watchlist

Defensive

Value

Cybersecurity

Financials

Fintech

My Take

The week ahead is going to give us a lot of information about what to expect for the rest of the year. We will hear from 30% of the companies in the S&P 500, including Apple, Amazon, Microsoft and Alphabet (Google). So, it's pretty easy to make the case that good earnings should mean all-time highs, while bad earnings could mean double-top.

In addition, Powell has basically told us that they are tapering in November. My gut says it should be reflected in the market by now, but I also think investors may be only hearing what they want to hear.

The 10-year Treasury yield continues to rise toward recent highs of 1.7%, with many saying it could hit 2% by the end of the year. Earlier in the year when it hit this level the market had a bit of a tantrum. So, I don't see why that wouldn't be the case again.

Ultimately, it should be earnings and economic data that determine the overall direction of the market. Rates getting back to normal levels will certainly be healthy for the economy, but that doesn't mean that the stock investors are going to like it.

I expect volatility to really pick up with big up and down days in the near future. For this reason, I want to remain defensive with exposure to certain long-term themes, such as fintech and cybersecurity. Value oriented names also are looking more attractive with rising interest rates.

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,

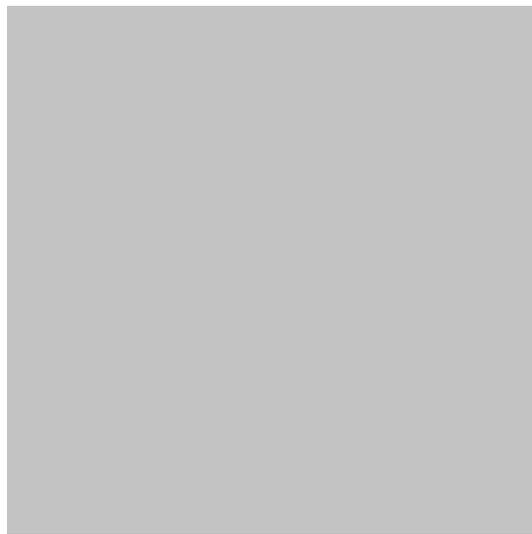
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