

Home (<https://dreamwork.financial/>) » Research (<https://dreamwork.financial/category/research/>) » Investing Hot Sheet



Published
October 26, 2020

Big week for earnings on deck. Gilead's remdesivir drug receives FDA approval. FBI warns of more election interference. Possible stimulus bill before the election?

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The Hot List

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1. Coronavirus (last week: #1)

Coronavirus cases are breaking records (<https://www.nbcnews.com/news/us-news/coronavirus-cases-break-records-states-every-part-u-s-reel-n1244647>) in the U.S. with all states feeling a surge.

Europe's second wave from the pandemic is escalating (<https://www.wsj.com/articles/european-countries-announce-new-covid-19-restrictions-record-infections-11603638712>). Countries are facing record number of infections and governments are forcing more distancing rules.

The FDA approved (<https://www.gilead.com/news-and-press/press-room/press-releases/2020/10/us-food-and-drug-administration-approves-gileads-antiviral-veklury-remdesivir-for-treatment-of-covid19>) Gilead's remdesivir antiviral drug for the treatment of COVID-19.

A volunteer in AstraZeneca's COVID-19 vaccine trial died (<https://www.nbcnews.com/health/health-news/volunteer-astrazeneca-covid-19-vaccine-trial-dies-brazil-n1244166>) in Brazil. The trials remain on hold in the

2. Federal Reserve/Stimulus (last week: #2)

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

Negotiations were getting closer with the election nearing. Speaker Pelosi said

(<https://www.forbes.com/sites/jonathanponciano/2020/10/23/pelosi-says-stimulus-bill-could-happen-before-election/#203549336559>) Friday, “We’ve put pen to paper; we’re writing the bill, and hopefully we’ll be able to resolve some of the differences. We could do that before the election if the President wants to,” Speaker Pelosi said on Friday. “I think he does. I know we do. But we want this to be a bipartisan bill to come to the floor, one that removes all doubt that it would become the law.”

Following Pelosi’s comments, Secretary Mnuchin said (<https://www.forbes.com/sites/jonathanponciano/2020/10/23/pelosi-says-stimulus-bill-could-happen-before-election/#203549336559>) that while “lots of progress” has been made, “significant differences” remain, adding that, “The President’s been very clear in his instructions to me, that if we can get the right deal, we’re going to do that. . . . The Speaker, on a number of issues, is still dug in. If she wants to compromise, there will be a deal.”

3. Election (last week: #3)

The FBI sent out warnings

(<https://www.news.com.au/world/north-america/us-politics/fbi-sends-out-warning-about-us-election-hack/news-story/3bd1ca643ea8740f72fa1649decc626d>) about a “major election security” issue which revealed U.S. voter information had been obtained by hackers. Director of National Intelligence John Ratcliffe said, “we would like to alert the public that we have identified that two foreign actors, Iran and Russia have taken specific actions to influence public opinion relating to our elections.”

Some major Wall Street firms have started increasingly advising their clients

(<https://www.cbsnews.com/news/wall-street-predicting-2020-election-democrat-blue-wave-biden/>) to prepare for a “blue wave” next month. This scenario would put Biden in the White House and give democrats the majority in both chambers of Congress.

4. Earnings (last week: unranked)

Investors are bracing for a very busy week of earnings ahead. Apple, Google, Facebook and over a third of the S&P 500 will report this week.

5. Infrastructure (last week: #5)

Infrastructure should remain in focus with the state of the economy and the need for fiscal spending.

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 ↓ 56.89 (-1.65%) to 3426.92. Investors worried, Pelosi's deadline for stimulus neared end.

Tuesday: S&P 500 ↑ 16.20 (+0.47%) to 3443.12. Markets rallied as Pelosi sounded optimistic on a deal and extended talks.

Wednesday: S&P 500 ↓ 7.56 (-0.22%) to 3435.56. No major headlines.

Thursday: S&P 500 ↑ 18.03 (+0.52%) to 3453.57. Weekly jobless claims were reported and stimulus remained in focus.

Friday: S&P ↑ 12.10 (+0.35%) to 3465.59. No major headlines.

Technical Look



The S&P 500 continued to hold the 3400 level as it broke out of the 3200-3400 trading range. The index could be forming a new range from 3400-3600, if it remains above 3400. Continue to look for 3400 to hold as support. To the upside, the previous highs near the 3600 level should be the next technical resistance.

My Takeaway

Markets continue to churn sideways heading into the election. Investors still seem to believe in the slow and steady recovery, which could get a tailwind with a vaccine or treatment. But it's still evident that there is a lot of damage done in the main street economy, which still may not have shown through into the numbers.

While there is a lot of worry surrounding the economy, the election and the future of COVID-19, investors are still left with few alternatives to the stock market. However, with low rates and unlimited firepower from the Federal Reserve, one can still justify paying high multiples for future growth in the market. This seems to be especially true when you have a Fed that has said they are willing to let inflation go above their 2% target. That isn't great news for cash.

This dynamic is causing "noise" in determining the true value of companies here. I think that value will come once rates come back to a normal level, a level giving investors a real alternative to the stock market.

A contested election still seems like the biggest thing that could really rattle markets. There are pros and cons to both candidates from a stock market perspective. But the uncertainty from a contested election would most likely upend the current rally. I would withhold from making investments based on the outcome of the election. Remember that the Trump trade was supposed to be financials and energy and they have really underperformed.

The slew of upcoming earnings reports should give us an idea of where the market could be heading to close out the year. And it sounds like a stimulus deal is coming one way or another. The number of headlines surrounding it so far almost makes me think it will be a "sell the news" event.

I'd continue to stick with your favorite tech plays, infrastructure, precious metals and overseas markets as we position for the end of the year.

Remember, 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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