

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



Published
October 5, 2020

President Trump gets Covid-19. The election is a month away. Stimulus talks looking hopeful. Job growth slows but stays steady. TikTok may still be banned.

If you're looking for past Investing Hot Sheets please visit our [Newsletter Archive \(/newsletter-archive/\)](#).

The Hot List

↑
H
O
T

Coronavirus (Unchanged)

Europe is facing a second wave of COVID-19 infections. This time they are planning on fighting it without full-blown lockdowns (<https://www.wsj.com/articles/europe-shunning-new-lockdowns-fights-resurgent-coronavirus-with-local-restrictions-11600940232>). Instead, they are just tightening local social-distancing restrictions.

Florida moved to phase 3 (<https://www.wcjb.com/2020/09/25/restaurants-and-bars-in-florida-will-operate-at-100-capacity-in-phase-3-of-the-states-reopening-plan/>) of its reopening. Restaurants and bars can now operate at 100% capacity.

Federal Reserve/ Stimulus (+1)
(<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

House Speaker Pelosi said Sunday
(<https://www.nj.com/coronavirus/2020/10/second-stimulus-check-progress-but-no-deal-yet-on-new->

in regards to a second stimulus bill. It sounds like a deal could come as early as this week. President Trump even tweeted “our great USA wants and needs stimulus. Work together and get it done. Thank you”. The Federal Reserve has made it clear that they are in support of more stimulus (<https://www.barrons.com/articles/powell-and-mnuchin-tell-congress-send-more-fiscal-stimulus-to-stabilize-recovery-51600802997>) as well.

Election (-1)

The first Presidential debate was last week. There wasn't very much to be enthusiastic about as far as new ideas are concerned. Wall Street seemed unimpressed as well. The first vice presidential debate is coming up on Wednesday.

President Trump announced that he and first lady Melania tested positive for COVID-19. This announcement was stunning for many, but the White House physician said the president should be able to continue his duties without disruption.

A contested election is still a very possible scenario. Hackers are reportedly targeting both campaigns. In addition, issues have arisen over post office funding and confusion around mail-in ballots. Combine that with fears of voter suppression, and a contested election seems like a very possible outcome. If that were to happen, the uncertainty could wreak havoc on the stock market.

Unemployment (+1)

The September jobs report showed (<https://www.wsj.com/articles/september-jobs-report-unemployment-rate-2020-11601593020>) a continued economic recovery, 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.

China Trade War (-1)

(<https://www.nytimes.com/reuters/2020/0/health-coronavirus-usa-china.html>)

Treasury Secretary Mnuchin warned that TikTok will still be banned

(<https://www.forbes.com/sites/roberthart/2020/09/30/mnuchin-warns-tiktok-to-meet-all-us-security-requirements-in-oracle-deal-or-be-banned/#32d68c4a36c7>) if it fails to meet all U.S. security requirements in the Oracle deal.

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 jumped 53.14 (+1.61%) to 3351.60. Momentum continues to the upside. No major headlines.

Tuesday: S&P closed down 16.22 (-0.48%) to 3335.38. Markets closed lower on COVID-19 concerns but consumer confidence beats expectations and home prices increased.

Wednesday: S&P rose 27.62 (+0.83%) to 3363.00. Markets shake off the negative reaction from debate and rose on increased optimism from ADP report and Mnuchin's comments regarding stimulus talks.

Thursday: S&P rose 17.80 (+0.53%) to 3380.80. Markets rose on weekly jobless claims and stimulus hopes.

Friday: S&P fell 32.38 (-0.96%) to 3348.42. Markets close lower on Trump Covid-19 fears and soft jobs report.

Technical Look



The 3200-3400 range in the S&P-500 stayed in the spotlight last week. It got within 5 points of 3400 last week before falling back near the 50-day moving average on Friday. Looking forward, the same technical levels should be in play going forward. The 50-day moving average should serve as a barometer on which way the market wants to move in the short run. If the S&P-500 goes below the 50-day, the momentum could drop to 3300 or lower to 3200 depending on the headlines. If it moves above the 50-day, look to 3400 for resistance.

My Takeaway

The market moved sideways last week and stayed firmly in the trading range of 3200-3400. Investors still seem to be brushing off fundamentals as market moves are coming from short-term headlines and momentum. While the jury is still out on the future of Covid-19 and the election, I'd be surprised to see any bold moves to far out of that trading range.

Personally, I think investors are more worried about the election being contested than the actual outcome. I don't think that it's a probability but it's certainly a possibility. I can't see the market responding well if we happen to go an extended period without knowing the outcome.

The recent unemployment report didn't make me feel too warm and fuzzy. Though, it didn't make me too uneasy either. Mainly, I'm disappointed to see the job growth slowing and participation rate dropping as well. For how well the market has performed, I'd want to see a little better job growth to back it up.

However, it is looking like a stimulus bill could pass this week. This should be a positive for stocks and the overall economy. I think that some of it was priced in last week, so the market could sell off if talks fall apart.

While things are relatively calm, I'd take this moment to position for upcoming volatility ahead of the election. It is probably smart to raise cash as well as making sure you are properly diversified. 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 areas that I want to put cash to diversify during the potential upcoming volatility. Lastly, I think infrastructure plays should do well post-election as both candidates should 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

Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.

fi · du · ci · ar · y

A fiduciary is someone who holds a legal or ethical relationship of trust with one or more clients and is bound to take action in the clients' best interests.



DreamWork
FINANCIAL GROUP

IS A FEE-ONLY FIDUCIARY

Learn More [./research/fiduciary-101-what-you-need-to-know/](/research/fiduciary-101-what-you-need-to-know/)