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The S&P 500 hits new highs following solid earnings from Big Tech. Now investors shift their attention to a major Fed meeting this week.

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The Hot List

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**H
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1. Inflation

Core PCE **is up 3.6% (https://www.reuters.com/article/usa-economy-spending/u-s-consumer-spending-rises-solidly-in-september-inflation-stays-hot-idUSKBN2HJ1N8)** since last year.

2. Federal Reserve

Fed meeting is this week. The expectation is for them to start tapering.

3. Earnings

A third of the S&P 500 companies reported earnings last week, including "big tech." They have beat or met expectations for the most part. (https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/)

4. COVID-19

Cases continue to decline. FDA authorizes first COVID-19 shot for **young kids (https://www.reuters.com/world/us/us-fda-expected-authorize-first-covid-19-vaccine-young-children-friday-nyt-2021-10-29/)**.

5. Capitol Hill

The Senate approved a $1 trillion **bipartisan infrastructure package (https://www.nytimes.com/2021/08/10/us/politics/infrastructure-bill-passes.html)** last week.

Last Week

Monday: S&P 500-+21.58 (+0.47%) to 4566.48. Big tech kicks off earnings as S&P hits new high.

Tuesday: S&P 500 +8.31 (+0.18%) to 4,574.79. Consumer confidence increased in October. Home prices are starting to cool.

Wednesday: S&P 500 -23.11 (-0.51%) to 4551.68. Durable goods orders declined in September.

Thursday: S&P 500 +44.74 (+0.98%) to 4596.42. Economic activity declined in 3Q. Weekly jobless claims fell.

Friday: S&P 500 +8.95 (+0.19%) to 4605.37. Consumer spending rose in September. Core PCE is up 3.6% since last year.

Technical Look

Potential Support: If the S&P 500 drops from these levels, look for support around the previous highs of 4550. If it breaks below that look for further support around 4400.

Potential Resistance: With the S&P 500 all-time highs, there is no significant technical resistance in sight.

My Watchlist

Defensive

Value

Cybersecurity

Financials

Fintech

My Take

Last week the S&P 500 hit new highs after earnings came in better than expected. Now investors will shift their attention to the Fed this week. Expectations are for them to start tapering as inflation fears are ramping up. The PCE number on Friday may be telling us that inflation may stick around longer than previously expected.

With COVID-19 continuing to decline, supply chains are slowly getting back to normal. This should lead investors to shift their focus back toward fundamentals and the underlying economy. A large portion of the S&P 500 has now reported earnings that have been pretty strong for the most part.

As we get deeper into the fourth quarter, I'd expect the economy to continue to strengthen. I also expect rates to start to increase sharply as the Fed starts to gain confidence in the recovery.

With more emphasis on fundamentals in a rising rate environment, I'd expect value stocks to outperform. I still think it's smart to maintain a barbell with exposure to defensive names like discount retail and consumer staples – with secular growth themes 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,

Clint Kirby

Chief Financial Strategist

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