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*The S&P 500 is higher after last week's Fed meeting and a better-than-expected jobs report. So, what is the drop in interest rates telling us?*

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## The Hot List

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### 1. Inflation

Global food prices hit a 10-year high (<https://www.bbc.com/news/business-59172665>) according to the U.N.

### 2. Federal Reserve

FOMC met last week (<https://www.reuters.com/article/usa-fed/fed-unveils-buying-taper-holds-to-transitory-inflation-belief-idUSKBN2HO0AD>) for a 2-day meeting. The committee left rates near zero, but did announce that they'd start to

meeting. The committee left rates near zero, but did announce that they'd start to slow bond purchases by around \$120B per month.

### 3. Employment

The U.S. added 531K new jobs (<https://finance.yahoo.com/news/october-2021-jobs-report-labor-department-hiring-covid-shortages-180531280.html>) in October, which was better than the 450K expected. Unemployment rate dropped to 4.6%. The Labor Force Participation Rate held steady. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

### 4. COVID-19

Pfizer's antiviral pill cuts risk (<https://www.abc57.com/news/new-developments-with-pfizers-covid-pill-vaccines-for-kids>) of severe COVID-19 by 89%. Pfizer also gets approval (<https://www.abc57.com/news/new-developments-with-pfizers-covid-pill-vaccines-for-kids>) for kids 5-11 to be vaccinated.

### 5. Capitol Hill

Congress approved \$1.2 trillion (<https://www.washingtonpost.com/us-policy/2021/11/05/house-infrastructure-reconciliation-vote/>) infrastructure bill.

## Last Week

**Monday:** S&P 500 +8.29 (0.18%) to 4613.67. No major headlines.

**Tuesday:** S&P 500 +16.19 (+0.37%) to 4630.65. S&P 500 hits all-time high as Fed's 2-day meeting begins.

**Wednesday:** S&P 500 +29.92 (+0.65%) to 4660.57. October ADP report beats expectations.

**Thursday:** S&P 500 +20.32 (+0.44%) to 4680.89. Weekly jobless claims report was in line with expectations.

**Friday:** S&P 500 +17.54 (+0.37%) to 4697.60. The U.S. added 531K new jobs in October. Unemployment rate drops.

## Technical Look

**Potential Support:** If the S&P 500 drops from these levels, there could be support around the psychological level of 4600. Below that it may find support at the previous highs of

**Potential Resistance:** With the S&P 500 at all-time highs, there are no established levels of resistance.

resistance.

# My Watchlist

Defensive

Luxury

Cybersecurity

Experiences

Fintech

## My Take

The S&P 500 continued its hot streak after the Fed announced it would start tapering last week. In addition to that, we had a much better-than-expected jobs report announced Friday.

To my disbelief, rates actually declined. Who would've thought that a strong jobs number and the Fed's tapering would actually lead to lower yields in the 10-year? Inflation is clearly here, so why would investors lock in bond rates at these levels?

Are they buying into the "transitory" argument that the inflation we are seeing is due to supply chains? Or could they see more of a threat from deflation? I can certainly make a case for both inflation and deflation.

The market certainly seems like it's wanting to melt up after breaking through the previous resistance. With rates staying lower, the move higher in stocks makes sense. It's just that low rates don't necessarily make sense to me at the moment.

Until I can wrap my head around what's happening with rates, I'm remaining defensive with exposure to secular themes like luxury, experiences, fintech and cybersecurity.

If you need help or would like me to manage your investments, please **contact DreamWork Financial Group (<https://dreamwork.financial/contact/>)** today.

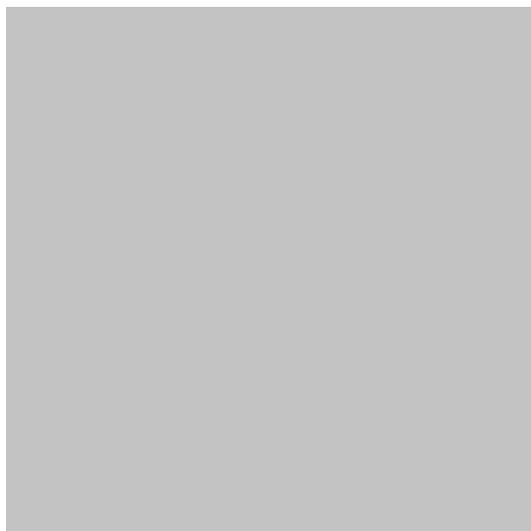
Until next time,

Clint Kirby

Chief Financial Strategist

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