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Promising news on COVID-19 vaccines from Pfizer and Moderna. The S&P continues its breakout to new highs.

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The Hot List

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1. COVID-19 (last week: #2)

Pfizer and BioNTech's vaccine was found to be more than 90% effective in preventing COVID-19 in participants. Just this morning, Moderna reported another vaccine with over 90% efficacy. Here is a tracker (<https://www.raps.org/news-and-articles/news-articles/2020/3/covid-19-vaccine-tracker>) to keep up with where the other vaccines stand.

Unfortunately, the U.S. is back to record highs for COVID-19 cases. New Mexico's governor said (<https://www.washingtonpost.com/nation/2020/11/13/coronavirus-covid-live-updates-us/>) the state is at a "breaking point" and reinstated the most restrictive statewide measures since the surge began. Oregon's governor announced a two-week statewide "freeze" on Friday to curb gatherings ahead of Thanksgiving. Here is a list of the restrictions and mask mandates (<https://www.nytimes.com/interactive/2020/us/states-reopen-map-coronavirus.html>) for all 50 states.

COVID-19 cases are not only surging in the U.S. but also globally. This tracker (<https://www.ecdc.europa.eu/en/geographical-distribution-2019-ncov-cases>) will keep you current on the COVID-19 situation worldwide.

2. Stimulus (last week: #3) (<https://www.investors.com/news/economy/reserve-meeting-wall-street-expects-yield-curve-control/>)

Analysts say it's likely (<https://www.cbsnews.com/news/second-stimulus-check-status-update-2020-11-11/>) that another stimulus bill will pass, but they are unsure of the size and the timing. In a Nov. 4 press conference, Sen. McConnell signaled that he would like a package passed before year-end. However, these analysts say any package that is passed during this "lame duck" session would likely be smaller than the \$2 trillion proposed by Democrats.

3. Election (last week: #1)

President Trump has yet to concede the election despite Biden gaining 306 votes in the electoral college. He has launched several lawsuits and has claimed voter fraud. However on Friday, election officials said (<https://www.bbc.com/news/election-us-2020-54952098>) that this vote was the "most secure in American history" and there was "no evidence that any voting system deleted or lost votes, changed votes or was in any way compromised."

4. Unemployment (last week: #5)

The U.S economy added 638,000 jobs (<https://www.cnn.com/2020/11/06/economy/jobs-report-october-2020/index.html>) in October but is still down 10 million since February. This brought the unemployment rate to 6.9% from 7.9% in September. The increase in jobs was better than expected, but the pace of growth continues to slow. The rate of long-term unemployed remains at record levels, but the participation rate is starting to show signs of recovery. At its current pace, the job market won't return to pre-pandemic levels until February 2022, according to labor economists.

5. Infrastructure (last week: #4)

Biden has laid out his \$2 trillion dollar infrastructure plan (<https://joebiden.com/clean-energy/>). The American Society of Civil Engineers has issued a near-failing grade for the country's current infrastructure for several years running, so this plan could be welcomed by Wall St. and Main St. This is a great opportunity to create jobs and prevent further deterioration of existing infrastructure which could be detrimental to many industries.

Last Week



Monday: S&P 500 up 41.06 (1.17%) to 3550.50. Pfizer vaccine news.

Tuesday: S&P 500 down 4.97 (-0.14%) to 3545.53. No major headlines.

Wednesday: S&P 500 up 27.13 (+0.77%) to 3572.66. Tech stocks rebound.

Thursday S&P 500 down 35.67 (-1.00%) to 3536.99. COVID-19 shutdown worries resurface. Weekly unemployment reported.

Friday: S&P 500 up 48.14 (+1.36%) to 3585.15. No major headlines.

Technical Look



The S&P 500 continued its bounce off the 3200 level for the second straight week. Now it is pushing up against the previous resistance at the top end of the range near 3600. If this breakout continues, the S&P 500 could break out further, with no technical resistance in sight. If the resistance holds, look for downside support at 3500, but the index is likely to stay range bound until new catalysts emerge.

My Takeaway

This week started out with another bang, as Pfizer's vaccine has given investors a light at the end of the COVID-19 tunnel. Many consider the markets to be forward-looking, around 9 months out, and this news could help investors feel more comfortable about betting on a reopening. Evidence of this shift was seen earlier this week as a major rotation occurred, with tech stocks getting hammered and reopening plays posting huge gains. However, that dynamic lasted only a few days before investors went diving back into tech.

This is a very interesting point for the market. Things certainly feel a little shaky. This market had a sharp V-shaped recovery from the pandemic lows. And, how can it be possible that the pandemic was *good* for stocks? Clearly there were companies that were positioned to thrive from the pandemic, but was it enough to drive the markets to all-time highs?

I personally feel it all comes back to near-zero interest rates and the "There Is No Alternative" [TINA] trade. This dynamic makes the math seem to favor higher growth companies. So, while this rally seems like it is getting bubbly, there is a chance it could continue for a while until the Fed is forced to raise rates. And that is where my current focus lies: potential inflation.

Despite all the terrible data, crazy election nonsense, etc., the only thing that may stop this rally is inflation. The Fed has said they are willing to let it go above their 2% target, so they are asking for it. It seems to be more a matter of when, than if. I think once investors are able to earn a normal rate of return in bonds or CDs again, this rally will likely be over. Just remember the Fed has indicated that it wants to keep rates where they are for the next couple years.

I'd watch the technical levels closely here as the S&P 500 is flirting with all-time highs again. I'd focus on 3600 and if it breaks that then it could really make a move higher. However, look to 3400 as an entry spot if we get a pullback, as that could provide some support.

As always, you really need to have a long-term strategy and stick to it. The market could really make a big move in either direction with so many positive and negative catalysts out there. If you don't have a plan, you can get whipsawed in moments like these. If you need help finding your own personal strategy during these turbulent times, please contact DreamWork Financial Group (<https://dreamwork.financial/contact/>) and let us develop your Investing Gameplan™ (<https://dreamwork.financial/investing-gameplan/>) today.

Until next time,

Clint Kirby

Chief Financial Strategist

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