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A new COVID-19 variant was discovered. President Biden keeps Powell as Fed Chair. Will the S&P 500 bounce after Friday's selloff?

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The Hot List

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1. COVID-19

A new COVID-19 variant (<https://www.npr.org/sections/coronavirus-live-updates/2021/11/26/1059339865/coronavirus-variant-covid-omicron-travel-bans>) was discovered which is causing fears of new lockdowns.

2. Federal Reserve

President Biden reappointed Jerome Powell

<https://www.nytimes.com/2021/11/26/us/politics/biden-reappoints-jerome-powell.html>



(<https://www.npr.org/2021/11/22/1052741845/biden-reappoints-jerome-powell-as-federal-reserve>) as Fed Chair for a second term.

3. Inflation

Personal consumption expenditures rose (<https://www.bea.gov/data/personal-consumption-expenditures-price-index>) by 5% in October which is the fastest rate since 1990. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Employment

Weekly jobless claims fell to lowest level

(<https://www.nbcnews.com/business/economy/latest-weekly-jobless-claims-fall-199000-lowest-level-1969-rcna6594>) since 1969.

5. Geopolitics

Five U.S. lawmakers met with Taiwan

(<https://www.npr.org/2021/11/26/1059317314/us-lawmakers-meet-with-taiwan-president-in-surprise-visit>)ese leaders to show “rock solid” support for the self-governing island as tensions with China increase.

Last Week

Monday: S&P 500 -15.02 (-0.32%) to 4682.94. Powell reappointed as Fed Chair for a second term.

Tuesday: S&P 500 +7.76 (+0.17%) to 4690.70. U.S. tapped oil reserves in attempt to lower energy prices ahead of holiday travel. Fed minutes released.

Wednesday: S&P 500 +10.76 (+0.23%) to 4701.46. PCE inflation jumps as jobless claims hit year low.

Thursday: Thanksgiving Holiday

Friday: S&P 500 -106.84 (-2.27%) to 4594.62. New COVID-19 variant is causing fears of new lockdowns.

Technical Look

Potential Support: From last week and sticking with it: “If the S&P 500 drops from the levels, there could be support around the psychological level of 4600. Below that it may find support at 50-day moving average near 4500.”

Potential Resistance: Sticking with last week's, "The 4700 level on the S&P 500 could put up a little resistance to the upside. However, beyond that there is no real technical resistance in sight."

My Watchlist

Defensive

Luxury

Fintech

Metaverse

Discount Retail

My Take

In last week's Hot Sheet, I said I had a feeling a big move was coming based on my technical analysis and the numerous potential downside catalysts out there. The S&P 500 was clearly having trouble breaking out over the 4700 level coming into last week. So, I'm not sure how much of Friday's move is actual fear over the new variant or whether it was just an excuse for a "healthy" selloff.

Obviously fears of lockdowns would trigger more economic damage across the globe, but it would also prolong any aggressive tapering by the Fed. Interest rates plunged Friday with the 10-year back below 1.5%. If this pattern continues, there could be a rotation back into growth and away from the cyclical, reopening trades which had been working over the last few weeks.

It still feels like there could be more downside than upside based on the potential headlines that could arise in the next week or so. With that being said, this has historically been a seasonally strong time for the market, so if news arises that quells fears over the new variant, stocks could bounce and rally into year end.

For these reasons, I'm staying more defensive with my core investments while keeping exposure to upside themes like fintech and luxury. I've also minimized exposure to reopening themes like experiences until we get more clarity on the new variant.

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,

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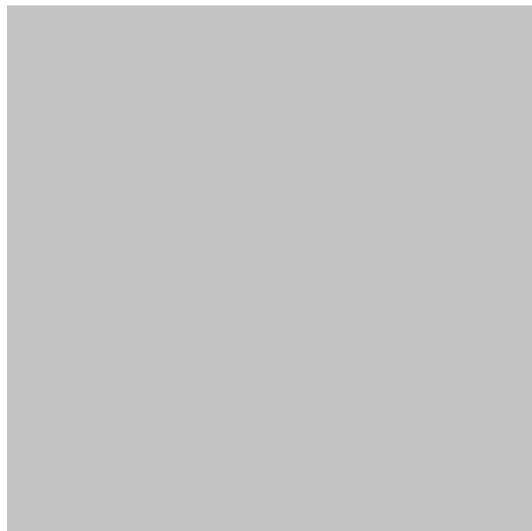


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