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

Published
December 14, 2020

FDA authorizes first shipment of Pfizer's vaccine. Bipartisan stimulus bill expected. Supreme Court dismisses latest election fight.

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

The Hot List

↑
H
O
T

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

Covid-19 cases continue to surge, and many cities are reporting their highest death rates so far. This **article (https://www.nytimes.com/interactive/2020/us/coronavirus-us-cases.html?auth=link-dismiss-google1tap)** from the NY Times will show you the latest case, hospitalization and death numbers.

The FDA **authorized (https://www.nbcnews.com/news/us-news/blog/2020-12-12-covid-live-updates-vaccine-news-n1250986)** the Pfizer vaccine for emergency use. Now, the first shipment is ready to be sent out to 145 sites tomorrow.

2. Stimulus (last week: #2)

A bipartisan stimulus bill is **expected (https://nypost.com/2020/12/13/bipartisan-908b-covid-19-stimulus-bill-to-be-unveiled-monday/)** to be announced for $908 billion dollars, according to Sen. Joe Manchin.

Senators Josh Hawley and Bernie Sanders teamed up in a **bipartisan effort**

/10/sanders-hawley-mount-rare-bipartisan-push-for-1200-stimulus-checks/?sh=17f7026b250e) to send out another round of $1200 stimulus checks, while Congress remains in gridlock. They are pushing to attach this amendment to the must-pass spending bill to temporarily fund the government.

3. Unemployment (last week: #3)

Weekly jobless claims jumped as another 853,000 Americans filed new unemployment claims. This was much higher than the 725,000 expected. Jobless claims are still four times higher than they were before the pandemic. Economists are warning (https://finance.yahoo.com/news/economists-warn-after-disappointing-jobs-data-unfortunately-things-are-likely-to-get-worse-192041671.html) that “things are likely to get worse” as containment measures for the pandemic intensify.

4. Election (last week: #3) (https://www.investors.com/news/econom reserve-meeting-wall-street-expects-yield-curve-control/)

Texas filed a lawsuit challenging the election results. Then Trump and seventeen other states joined in. The Supreme Court dismissed the case but Trump still says (https://www.washingtonpost.com/politics/trump-electoral-college-challenge/2020/12/13/9f536e2a-3d4a-11eb-8db8-395dedaaa036_story.html) it’s “not over.”

5. Inflation (last week: #5)

The Labor Department reported (https://www.reuters.com/article/usa-economy/spiraling-covid-19-cases-driving-up-u-s-layoffs-inflation-still-benign-idUSKBN28K1RS) that its consumer price index rose 0.2% in November after being unchanged in October. In the 12 months through November, CPI has increased 1.6% which is below the Fed’s target of 2%. While it is currently benign due to reasons linked to COVID-19, like high unemployment, it is starting to show warning signs. Expectations for inflation have spiked (https://www.reuters.com/article/us-usa-bonds-inflation/is-u-s-inflation-coming-back-jump-in-market-measure-sparks-debate-idUSKBN28C2QI) and bond yields have been rising. A massive stimulus bill could also weaken the dollar.

Last Week

Monday S&P 500 closed down 7.16 (-0.19) to 3691.96. No major headlines.

Tuesday S&P 500 up 10.24 (+0.28%) to 3702.20. S&P 500 hits new high.

Wednesday S&P down 29.43 (-0.79%) to 3672.82. No major headlines.

Thursday S&P down 4.72 (-0.13%) to 3668.10. Weekly jobless claims jump

Friday S&P 500 down 4.64 (-0.13%) to 3663.46. Stimulus concerns.

Technical Look

The S&P 500 hit resistance at the psychological level of 3700, then started dropping back toward 3600. 3700 has now become more significant with the small decline. Going forward, look for resistance at 3700 as the index tries to get a new head of steam. To the downside, 3600 is the level to watch. If it drops below that level, it could lead to a much sharper decline.

My Takeaway

This market still seems to be riding the sugar high of near-zero interest rates, vaccine headlines, hopes of stimulus and pent-up demand on the other side of this. The setup for stocks still seems great, as there remains to be a real alternative to stocks. However, there is no denying that valuations are getting pretty high out there.

Part of me thinks this rally has plenty of room to run, since The Fed has basically said they are going to let the economy run hot. This means they could let inflation get above 2% before they start raising rates. The other part of me worries that investors who are buying at these levels are likely to get whipsawed. I believe this market has already reacted to the good news, like vaccines. These leaves us with few catalysts to drive equities higher.

The name of the game is to "buy the rumor and sell the news." If that is going to play out as it has throughout the history of

This is why you need to have a game plan, because everyone has different time horizons and risk tolerances. Times like this are where your actions really depend on your goals. Some investors may need to buy here because they can't afford to miss out on another leg higher. Others may not be able to afford another leg lower because they don't have the time to safely recover any losses.

You need to be prepared for a range of economic outcomes, as I would surely expect some turbulence as we start 2021. The areas I'm focusing on at this moment are secular tech, consumer discretionary, financials, and any other name I can find that will benefit from inflation. This should continue to be a stock picker's market. Just be careful which ones you pick as there is plenty of "froth" out there. If you need help, please **contact me at DreamWork Financial Group (https://dreamwork.financial/contact/)** and let us build your Investing Gameplan™.

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/)