



Published
December 27, 2021

The FDA approved 2 new COVID-19 pills. GDP increased 2.3% in Q3. PCE was highest since 1982. Is the “Santa Claus rally” here after all?

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

The Hot List

↑
H
O
T

1. COVID-19

The FDA has approved (<https://wgntv.com/news/coronavirus/as-fda-approves-2-covid-19-pills-some-experts-voice-concern/>) two pills that are meant to treat COVID-19. South Africa’s rapid decline in cases might indicate that the Omicron peak may have passed (<https://www.pbs.org/newshour/world/south-africas-decline-in-new-covid-19-cases-may-indicate-omicron-peak-has-passed>).

2. Federal Reserve

In the most recent Fed meeting, it was announced that they would double the pace of tapering to \$30B per month. Chairman Powell also mentioned that their focus has shifted to employment in determining when to raise rates.

3. Inflation

The Fed's preferred inflation measure, PCE (https://www.abc12.com/news/national/a-key-inflation-measure-just-hit-a-nearly-four-decade-high/article_91996a64-b234-56a8-89af-7b3750f0302f.html), rose 5.7% in November which was the fastest increase since 1982. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Economy

Third quarter GDP increased (<https://www.usnews.com/news/economy/articles/2021-12-22/3q-gdp-increased-to-2-3>) to 2.3% as it was adversely affected by the delta variant.

5. Capitol Hill

Democrats look (<https://www.cnn.com/2021/12/19/politics/joe-manchin-build-back-better/index.html>) to scale back Build Back Better after Manchin says he won't vote for it.

Last Week

Monday: S&P 500 -52.62 (-1.14%) to 4568.02. Omicron fears weigh on stocks.

Tuesday: S&P 500 +81.21 (+1.78%) to 4649.23. Stocks bounce after Omicron-led selloff.

Wednesday: S&P 500 +47.33 (+1.02%) to 4696.56. 3rd Quarter GDP beats estimates. Consumer confidence rose.

Thursday: S&P 500 +29.23 (+0.62%) to 4725.79. Consumer spending increases at fastest pace in 39 years.

Friday: Market Closed.

Technical Look

Potential Support: The S&P 500 has broken out to the top end of the trading range. The



previous support levels are still in play. The 4600 level has been mild support, while 4500 is the key level that needs to hold to prevent a major decline.

Potential Resistance: With the S&P 500 sitting at new highs, there is no real resistance to the upside if it goes higher from here.

My Watchlist

Defensive

Luxury

Metaverse

Fintech

My Take

In last week's Hot Sheet, I mentioned that it's important to not chase the headlines. Much of the current volatility is normal price action in an uncertain market – and just when the news seemingly had investors ready to sell over omicron, the Santa Claus rally showed up. Now the S&P 500 is sitting at new highs with some bullish momentum.

There is still a ton of uncertainty surrounding the underlying economy, so the choppiness will probably stick with us a little longer. Until we get clarity on how COVID-19 plays out, then it's still pretty tough to gauge where the economy sits. That's the position that the Fed is currently in. So, while the Fed is currently unwinding QE and getting ready to tighten, Omicron may have given them just enough cover to not act. This "goldilocks" situation could be a sweet spot for stocks.

Personally, it feels like the economy is pretty strong, but a rising interest rate environment is giving investors pause. However, it is pretty clear that Powell and the Fed aren't going to do anything more than necessary. So, until we get an inflation number that truly takes our breath away, I think policy will remain accommodative for stocks when you think of real returns (net of inflation).

For this reason, fundamentals will remain more important than ever. Companies with real earnings and real growth will continue to get a premium, while those that don't will continue to face pressure. If you have a long-time horizon, use the dips to buy companies that you want to own 5 years from now. If you have a shorter-time horizon, stay focused on companies with solid values and free cash flow.

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

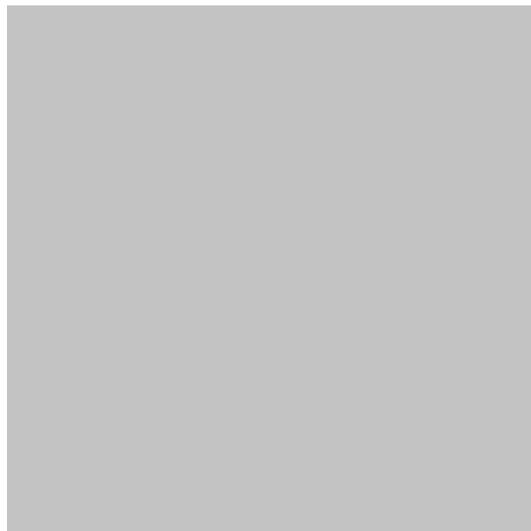
Until next time,

Clint Kirby

Chief Financial Strategist

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.

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.



IS A FEE-ONLY FIDUCIARY

Learn More [\(/research/fiduciary-101-what-you-need-to-know/\)](/research/fiduciary-101-what-you-need-to-know/)

