



**Published  
May 26, 2020**

*All 50 states have begun reopening. China tensions continue to escalate. The Fed has more ammo. What's next for the stock market?*

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

## The Hot List

↑  
H  
O  
T

### Coronavirus

All 50 states have started reopening. **States like New York, Massachusetts and Rhode Island are showing drops in case counts.** (<https://www.usnews.com/news/health-news/articles/2020-05-18/most-us-states-reopening-as-coronavirus-cases-decline>) Others like Hawaii, Vermont and Alaska are hardly seeing any new cases at all. However, **President Trump says he wouldn't shut down the economy again** (<https://www.cnbc.com/2020/05/21/trump-says-he-wont-close-the-country-if-second-wave-of-coronavirus-hits.html>), even if a second wave hits.

Joining the race to end the pandemic, **Novavax has begun human testing for its Covid-19 vaccine** (<https://fortune.com/2020/05/25/novavax-coronavirus-vaccine-human-trial-results/>). It expects the results in July.

## **China Trade War**

**(<https://www.nytimes.com/reuters/2020/05/01/business/01reuters-health-coronavirus-usa-china.html>)**

**The Senate just passed a bill on the oversight of Chinese companies**

**(<https://www.cnbc.com/2020/05/20/senate-passes-bill-on-oversight-of-chinese-companies-alibaba-shares-move-lower.html>)**. It requires companies to state that “they are not owned or controlled by a foreign government.” Another part of the legislation says that if American regulators aren’t able to inspect the company audits for three consecutive years their stock will be banned. This comes after the Trump administration moved **to block shipments of semiconductors to Huawei** (<https://www.reuters.com/article/us-usa-huawei-tech-exclusive/u-s-moves-to-cut-huawei-off-from-global-chip-suppliers-as-china-eyes-retaliation-idUSKBN22R1KC>).

## **Federal Reserve**

**(<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)**

**Powell reiterated to 60 Minutes that the Fed isn’t out of ammunition**

**(<https://www.axios.com/jerome-powell-coronavirus-stimulus-response-d94cd03a-af34-4f30-a620-e5ccc03c28cf.html>)**. He said “there’s really no limit to what we can do with these lending programs that we have.”

There is still potential for a Phase 4 stimulus package. **The latest proposal could gain bipartisan support** (<https://www.forbes.com/sites/jackbrewster/2020/05/21/a-stimulus-proposal-emerges-from-the-ashes-with-gop-support-infrastructure-spending/#64422f4563ec>).

## **Corporate Debt**

**Hertz filed for bankruptcy last week**

**(<https://www.forbes.com/sites/chriswestfall/2020/05/23/hertz-files-bankruptcy-stunning-us-automakers-as-leaders-scramble-for-solutions/#67987b235634>)**. They become the latest corporate casualty related to the pandemic.

A report showed the probability for U.S. restaurants to default on their debt has soared over the last few weeks, **according to S&P Global Market Intelligence**

**(<https://finance.yahoo.com/news/us-restaurants-probability-of-defaults-soars-amid->**

## Infrastructure

Talk of an infrastructure bill had been dying down in recent weeks

(<https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-5-18-20--Dreamwork-Financial-Group.pdf>),

however, it appears this effort is gaining steam yet again. **Infrastructure spending is garnering more Republican support**

(<https://www.forbes.com/sites/jackbrewster/2020/05/21/a-stimulus-proposal-emerges-from-the-ashes-with-gop-support-infrastructure-spending/#64422f4563ec>) as part of a Phase 4 stimulus bill.

## Last Week



**Monday:** S&P 500 closed up 90.21(+3.15%) to 2953.91. Moderna reported optimistic vaccine results. Powell made comments hinting at further stimulus.

**Tuesday:** S&P 500 closed down 30.97 (-1.05%) to 2922.94. Statnews published a report dampening Moderna's vaccine results. Powell and Mnuchin took questions from Senators.

**Wednesday:** S&P 500 closed up 48.67 (+1.67) to 2971.61. Fed minutes provide further stimulus hopes.

**Thursday:** S&P 500 closed down 23.10 (-0.78%) to 2948.51. Another bad weekly unemployment report was published.

**Friday:** S&P 500 closed up 6.94 (+0.24%) to 2955.45. China tensions continued to escalate.

## Technical Look



The S&P 500 is currently in the upper part of the trading range that it has traded over the last month. From here, expect upside resistance around the 3000 level. This level is also near the 200-day moving average, so it is even more significant from a technical standpoint. If the S&P breaks out to the upside, it would be getting into pre-pandemic levels – which would make me a little skeptical until we get more certainty in the economy.

On the downside, expect some support at 2900. If there is a break below that mark, look for additional support around 2800 and the 50-day moving average.

## My Takeaway

The market continues to show incredible strength in the face of terrible economic data. With some states being partially reopened for three weeks, it appears investors are starting to feel better about a recovery. And, the positive news flow around vaccines has given stocks a boost.

It still feels like the market has run a little too far, too fast. On the other hand, The Fed has thrown an unprecedented amount of assistance at supporting financial markets. Rates at near zero and their plan to purchase bond ETFs provides even more support to stock prices. However, things need to eventually start picking up without help from the Fed, or the recovery will be suspect.

But then again, maybe the stock market is no longer reflective of the overall “Main Street” economy. Most of the companies in the S&P 500 are giant, international companies. Many of them have balance sheets that can withstand economic crises. Additionally, most of them have access to leading edge technology that can continue to maximize revenues while eliminating the need for certain jobs.

After all, there are reports that Amazon is looking to acquire JCPenney for its locations. TJMaxx stands to gain from picking over the “carcasses” of the apparel industry. We could be seeing a time where the rich get richer and the poor collapse. This dynamic could possibly justify some of the run we are having in the market.

In the meantime, investors continue to get the opportunity to reposition their portfolios ahead of the next market move. If you are optimistic about the reopening, you may want to add a little risk here and vice versa if you are not as confident. Otherwise, stay committed to your long-term strategy with your core holdings while being neutral with your tactical allocations.

If you would like help building your custom portfolio, **contact DreamWork Financial Group (<https://dreamwork.financial/contact/>)**, and let us help you develop your Investing Gameplan™. We will work closely with you to understand your situation and create a unique strategy that works for you.

Until next time,

Clint