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*Market rally stalls. States begin to reopen. Strong earnings reported from big tech.  
More tariffs on China?*

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## The Hot List

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### Coronavirus

FDA has authorized Remdesivir for emergency use (<https://www.bbc.com/news/world-us-canada-52511270>). This came after a study was published with positive results. This study was a randomized, placebo-controlled study which is considered the gold standard. Dr. Fauci said it had “a clear-cut, significant positive effect in diminishing the time to recovery.” While it clearly aids in the recovery, the study didn’t give any indication whether it can prevent deaths from coronavirus.

Gilead says that it donated its entire supply to the federal government (<https://www.forbes.com/sites/alexandrasternlicht/2020/05/03/entire-stockpile-of-coronavirus-treatment-remdesivir-donated-to-government-says-ceo/#1e709261725f>) and those doses will be ready to go out this week. They are expecting 140,000 prescriptions to be available by the end of the month with 1 million available by the end of 2020.

A coronavirus antibody test that is 99% accurate has been approved for emergency use (<https://www.roche.com/media/releases/med-cor-2020-05-03.htm>), according to Roche on Sunday. This test is supposed to be 99.8% accurate with a 100% sensitivity rating. Roche will provide millions of tests this month around the world.

## China Trade War

President Trump threatened new tariffs on China (<https://www.nytimes.com/reuters/2020/05/01/business/01reuters-health-coronavirus-usa-china.html>) last week. He expressed that China's role in the origin and spread of the coronavirus has become a priority over the trade agreement. In our March 2 newsletter ([https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-2-24-20\\_-Dreamwork-Financial-Group.pdf](https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-2-24-20_-Dreamwork-Financial-Group.pdf)), I mentioned that "knowing President Trump, he may try to use this situation to his advantage." Well, for better or worse, it looks like that is what he is going to do.

## Corporate Debt

The current situation continues to put pressure on companies with weak balance sheets. It appears to be hitting the energy and retail sectors the hardest. **Diamond Offshore and Whiting Petroleum filed for bankruptcy last week** (<https://www.forbes.com/sites/hanktucker/2020/05/03/coronavirus-bankruptcy-tracker-these-major-companies-are-failing-amid-the-shutdown/#2c4459013425>). JCrew is also reportedly preparing its bankruptcy filing along with JCPenney and Neiman Marcus. Unfortunately, there could be many more bankruptcies ahead.

## Federal Reserve

The Federal Reserve seems to remain "all-in" (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>) according to its most recent meeting this past Wednesday. It signaled that it would keep rates at near zero until the "economy has

weathered recent events and is on track to achieve its maximum employment and price stability goals.” In the press conference, Powell said they would continue to act “forcefully, proactively and aggressively” to help the economy recover.

## **Mega Cap Tech**

In our March 2<sup>nd</sup> newsletter, I wrote that I was nervous that the five biggest tech companies make up 20% of the S&P 500. ([https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-3-02-20\\_-Dreamwork-Financial-Group.pdf](https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-3-02-20_-Dreamwork-Financial-Group.pdf)) That is still the case right now and is really distorting the index. The S&P 500 is weighted by market cap, so a company with a trillion dollar market cap is weighted 100 times more than a 10 billion dollar company. The is troublesome to me because when the majority of passive investors are invested in this index, there is an insane amount of money in only five companies. If things turn sour for these stocks, the index will feel some pain.

## **Infrastructure**

President Trump hinted at an infrastructure bill earlier this month. It was even supported by his major critic Nancy Pelosi (<https://www.cnbc.com/2020/04/01/coronavirus-update-nancy-pelosi-proposes-infrastructure-bill.html>). She said that an infrastructure proposal is “essential because of the nature of the health and economic emergency that we are confronting.”

In an environment where demand destruction is rampant, a properly structured infrastructure bill could infuse cash back into rural communities in addition to population centers. Considering present state of U.S. infrastructure, there should be little debate around the need for a major upgrade.

## **Last Week**



**Monday:** S&P closed up 41.74 (+1.47%) to 2878.48. States begin reopening.

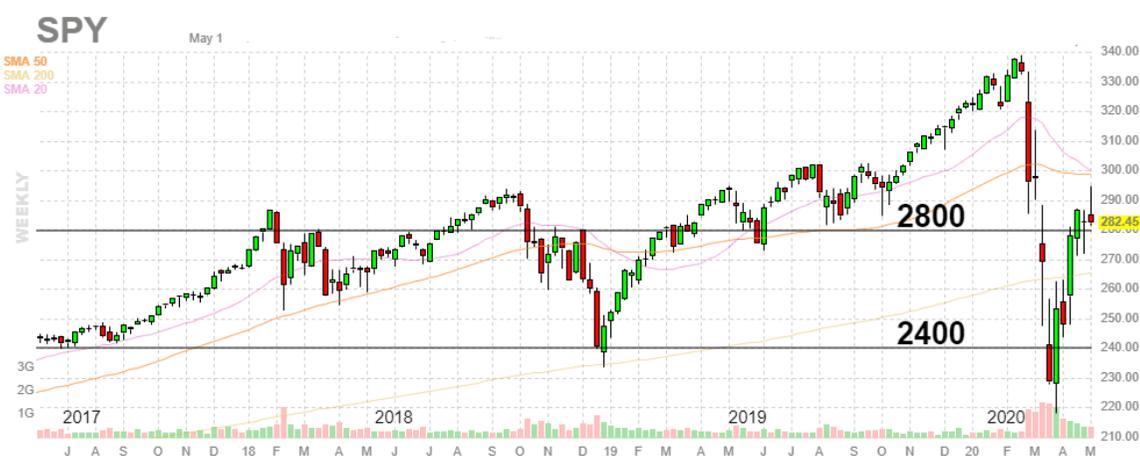
**Tuesday:** S&P closed down 15.09 (-0.52%) to 2863.39. Big tech companies start reporting earnings.

**Wednesday:** S&P closed up 76.12 (+2.6%) to 2939.51. Positive Remdesivir results and comments from the Fed.

**Thursday:** S&P closed down 27.08 (-0.92%) to 2912.43. Almost 4 million more workers file for unemployment.

**Friday:** S&P closed down 81.13 (-2.79%) to 2831.30. Investors digest big tech earnings and renewed tariff worries.

## Technical Look



For the third straight week, the S&P 500 index has closed in the ballpark of 2800. It makes sense that this would be an area where stocks would take a breather after a sharp bounce off the lows. The 2800 mark has been one of the most important support levels over the past few years. Not only have we spent the most time here, but this price has served as

clear support and resistance numerous times. We should keep a careful eye on the markets direction as we hover around the 2800 level, and that should give us an idea of which way the markets are headed from here.

## My Takeaway

As the market seems to be digesting the sharp bounce off the March lows, it is still a good time to re-evaluate your investment strategy. The Fed being “all-in” and states starting to reopen gives us reasons to be optimistic. But how optimistic can we be with the absolute economic destruction that has occurred?

In the meantime, I expect the volatility to continue. Currently, there are just too many unknowns. During times of uncertainty, we believe it makes sense to stay focused on your long-term strategy while remaining neutral with your tactical money until we get more direction with the markets.

If you would like help building your custom portfolio, **contact DreamWork Financial Group (<https://dreamwork.financial/contact/>)**, and 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,

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