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The U.S. passed 2.5 million confirmed cases of COVID-19. Trump commits to another round of stimulus. The IMF sends a warning. Biden surges in the polls.

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The Hot List

↑ HOT

Coronavirus (Unchanged)

The U.S. has **surpassed 2.5 million confirmed cases (https://www.washingtonpost.com/nation/2020/06/28/coronavirus-live-updates-us/)** of Covid-19. A new wave of infections has hit the South and West. Florida, Texas and Arizona are setting new records for confirmed cases almost daily. Hospitalizations and positivity rates have also jumped, discrediting any theories that the increase is simply because of more testing.

NY, CT and NJ have **imposed a 2-week quarantine (https://www.cnn.com/2020/06/24/us/new-york-coronavirus-travel-restriction/index.html)** on visitors from states that are considered hotspots. In recent days, Florida and Texas have **shut down bars (https://www.nbcnews.com/news/us-news/texas-close-bars-limit-restaurant-dining-due-explosion-covid-19-n1232233)** and nightclubs in attempt to slow the spread of the virus.

Dr. Fauci and other health officials met before Congress for a coronavirus hearing. Fauci said he's "cautiously optimistic" and **believes a treatment could be available by the end of the year (https://www.vox.com/2020/6/23/21300563/coronavirus-vaccine-fauci-trump-testimony-house)**.

Drugmaker Sanofi said last week that **it anticipates receiving approval for its Covid-19 vaccine (https://finance.yahoo.com/news/stock-market-news-live-june-23-2020-221548702.html)** in early 2021. They are working with GlaxoSmithKline to produce it. If approved, it should be widely available in the second half of the 2021.

China Trade War (Unchanged) (https://www.nytimes.com/reuters/2020/05/01/business/01reuters-health-coronavirus-usa-china.html)

Early last week, White House trade advisor, Peter Navarro, had to walk back his comments implying the trade deal was over. Those comments caused markets to dive and forced President Trump to tweet **that the deal "is fully intact (https://finance.yahoo.com/news/stock-market-news-live-june-23-2020-221548702.html)**."

This comes at a time of high tensions between the two countries. Just two weeks ago, **President Trump threatened "complete decoupling" from China (https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-6-22-20_-Dreamwork-Financial-Group.pdf)**, just before they accelerated agricultural purchases from the U.S.

Federal Reserve (+1) (https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/)

Last week **President Trump committed to another round of stimulus (https://www.forbes.com/sites/jimwang/2020/06/22/president-trump-next-stimulus-bill-will-be-very-generous-and-announced-in-a-couple-of-**

weeks/#61acb6892b23) when speaking with reporters. He didn't disclose any details but did say it would be "very generous" and announced in a couple weeks.

Regulators **announ (https://www.cnn.com/2020/06/25/investing/fdic-volcker-rule-banks/index.html)c (https://www.cnn.com/2020/06/25/investing/fdic-volcker-rule-banks/index.html)ed easing of the "Volcker Rule" (https://www.cnn.com/2020/06/25/investing/fdic-volcker-rule-banks/index.html)** which could free up billions in capital in the banking industry. They said this will allow banks to "allocate resources to a more diverse array of long-term investments in a broader range of geographic areas, industries, and sectors than they may be able to access directly."

Corporate Debt (+2)

The **IMF slashed forecasts (https://www.nbcnews.com/business/business-news/imf-slashes-its-forecasts-global-economy-warns-soaring-debt-levels-n1231986)** for the global economy and signaled a warning on debt levels. The IMF said, in their base case, global public debt will reach an all-time high in 2020 at 101.5% of GDP. They see it increasing in 2021 to 103.2% of GDP. The IMF now estimates a contraction of 4.9 percent in global GDP (gross domestic product) in 2020, lower than the 3 percent drop it predicted back in April.

Last week, **GNC (https://www.cnn.com/2020/06/24/business/gnc-bankruptcy/index.html)** and **Chuck E Cheese (https://www.cbsnews.com/news/chuck-e-cheese-bankruptcy-parent-cec-entertainment-chapter-11/)** both filed for bankruptcy. This continues a string of high-profile bankruptcies that the U.S. has seen since the beginning of the pandemic.

Unemployment (-2)

Unemployment is becoming a prolonged issue. The weekly claims continue to exceed expectations. Sadly, a lot of the temporary layoffs may become permanent if the **trend of small business closures (https://www.washingtonpost.com/business/2020/05/12/small-business-used-define-americas-economy-pandemic-could-end-that-forever/)** continues.

Infrastructure (-1)

An infrastructure bill is really starting to pick up steam. A $1 trillion infrastructure bill was tossed around by the Trump administration on Tuesday. Then on Wednesday, **House democrats proposed a $1.5 trillion dollar bill (https://www.forbes.com/sites/mattperez/2020/06/18/house-democrats-introduce-15-trillion-infrastructure-bill/#7a4c3d506dff)** of their own.

Election (New)

The election is still a few months away, but Joe Biden has been surging in recent polls. Biden is seen by some as more hawkish on Wall Street and corporations. While it may be too early to have a major impact on markets, it is something to watch.

Last Week

Monday: S&P 500 closed up 20.12 (0.65%) to 3117.86. U.S. economic advisor makes comments on trade deal.

Tuesday: S&P 500 closed up 13.43 (0.43%) to 3131.29. Trade worries deescalate. Good news on vaccines. Talk of more stimulus.

Wednesday: S&P 500 closed down 80.96 (-2.65%) to 3050.33. CA and FL have record cases. States institute quarantines for out of state visitors.

Thursday: S&P closed up 33.43 (+1.10%) to 3083.76. COVID-19 cases continue to spike. Texas halts reopening. Unemployment claims higher than expected. Regulators ease Volcker rule.

Friday: S&P closed down 74.74 (-2.42%) to 3009.02. COVID-19 fears hurt recovery hopes.

Technical Look

For the last few weeks, the S&P 500 has been in the range of 3000-3200. This is also near the 200-day moving average, so holding that level confirmed it as support.

With Friday's selloff, the S&P closed near 3000. If this level can continue to serve as support, then the index should drift back toward the middle of the range, with 3200 being possible resistance to the upside. If it drops significantly below 3000, look for support around 2900, then again at 2800.

My Takeaway

In **last week's hotsheet (https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-6-22-20_-Dreamwork-Financial-Group.pdf)**, we mentioned that holding 3000 was very significant level for the S&P 500. We are now back at a crossroads for the markets. The S&P 500 is sitting at 3000, which is also the 200-day moving average. We are also at the halfway point for the year, which will bring out lots of rebalancing of portfolios. On top of that, COVID-19 case spikes are starting to bring the case for a V-shaped recovery into doubt.

Equity markets have been at odds with the economic data for a while. This setback in the recovery is certainly not going to help that data improve. However, the Federal Reserve has shown they are willing and able to do whatever they can. This setback does help them keep their foot on the gas.

I think it is still smart to get a little more conservative with your long-term portfolio. I have been skeptical of how quickly the market has recovered. Fundamentals seem a little stretched here.

However, with your tactical funds, it may be smart to continue having exposure to tech, as years of adoption trends are getting pulled forward into a few months. The shutdown could only strengthen the bulk of these tech leaders. You may even want exposure to gold or gold miners here, to benefit from the "money printing' that's going on across the globe.

If you think things will get back to normal more quickly, then you may want to add to industrials or hospitality names. If you think things are going to take longer, get more defensive with consumer staples or utilities.

In the meantime, 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 in these challenging economic times.

Until next time,

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