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The COVID-19 Delta Variant remains in focus as cases continue to rise globally. A 2-day Fed meeting and massive earnings ahead this week.

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The Hot List

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1. COVID-19

Delta variant spreads globally (<https://www.bbc.com/news/world-57907681>) as WHO confirms the variant in 124 territories. Here in the U.S., COVID-19 cases are rising in all 50 states (https://www.cnbc.com/2021/07/23/covid-cases-are-rising-again-in-all-50-states-across-us-as-delta-variant-tightens-its-grip.html?__source=iosappshare%7Ccom.apple.UIKit.activity.Mail).

2. Earnings

Companies have been reporting better-than-expected earnings for the most part as profits hold steady (https://www.cnbc.com/2021/07/23/earnings-season-has-been-great-so-far-with-profit-margins-holding-up-in-the-face-of-inflation.html?__source=iosappshare%7Ccom.apple.UIKit.activity.Mail) amidst inflation. The upcoming week is the biggest week for earnings this quarter as Apple, Amazon, Microsoft and other titans report.

3. Federal Reserve

The FOMC meets this week for a 2-day July meeting. No actions are expected but tapering (<https://www.marketwatch.com/story/fed-to-tiptoe-towards-tapering-next-week-11627061356>) may be discussed.

4. Geopolitics

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

In another show of power, Chinese authorities cracked down on more overseas listings. This time its focus was on the private education (https://www.cnbc.com/2021/07/23/us-listed-china-education-stocks-plunge-as-beijing-regulators-crack-down.html?__source=iosappshare%7Ccom.apple.UIKit.activity.Mail) industry.

5. Infrastructure

Infrastructure bill failed to pass (<https://www.cnbc.com/2021/07/22/biden-infrastructure-plan-senate-could-vote-on-bipartisan-bill.html>) in the Senate last week but could get another shot this week.

Last Week

Monday: S&P 500 -68.53 (-1.58%) to 4258.63. Market tanked. Renewed COVID-19 fears.

Tuesday: S&P 500 +64.58 (+1.52%) to 4323.21. Stocks recovered after Monday's drop.

Wednesday: S&P 500 +35.48 (+0.82%) to 4358.69. Earnings in focus as majority are topping expectations.

Thursday: S&P 500 +8.79 (+0.20%) to 4367.48. Home sales bounced back. Weekly unemployment claims jumped.



Friday: S&P 500 +44.31 (+1.01%) to 4411.79. S&P 500 hits new highs as earnings continue to impress.

Technical Look

Potential Support: Last week, we referenced that “a break below 4300 [on the S&P 500] would lead us back near the 50-day moving average.” That’s exactly what happened during Monday’s selloff. The bounce of the 50-day and the jump above 4300 has made each of those levels even stronger.

Potential Resistance: With the markets at new highs, there are no clear resistance levels in sight for the S&P 500.

My Watchlist

Tech Titans (US) (<https://dreamwork.financial/tech-titans-us/>)

Cloud Computing (<https://dreamwork.financial/cloud-computing/>)

Defensive (<https://dreamwork.financial/defensive/>)

Tactical Opportunities (<https://dreamwork.financial/tactical-opportunities/>)

Healthcare (<https://dreamwork.financial/healthcare/>)

My Takeaway

Last week was a roller coaster for the S&P 500. Monday’s selloff touched the 50-day moving average on the lows but by Friday the S&P was at new highs reaching over 4400 by week’s end. This rally should be no surprise to Hot Sheet readers, as the TINA trade (There Is No Alternative to stocks) is clearly intact. With Treasury rates going lower and inflation running higher, it appears the best place to get a real return (net of inflation) is the U.S. stock market.

Currently the Fed seems to be on the sidelines, which puts the emphasis on the reopening economy. And with the abundance of effective vaccines, the U.S. seems to be the best positioned for a reopening. However, the Delta variant is making the reopening trade a little more questionable. So it may very well come down to the vaccination rate on whether we could see another economic setback.

The week ahead is significant as investors will get further clarity from the Fed as well as earnings from the biggest companies in the world. If earnings continue to meet expectations and new hospitalizations don’t overwhelm capacity, I’d expect the TINA trade

to continue. However, potential headwinds seem to increase by the day so make sure to have a game plan as things get choppy.

If you need help, please **contact me at DreamWork Financial Group** (<https://dreamwork.financial/contact/>) to 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.

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