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The S&P awaits a big week of earnings. The Fed holds its July meeting. Tensions with China continue to escalate. More stimulus checks could be coming in August.

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The Hot List

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Coronavirus (Unchanged)

Early data released on an experimental AstraZeneca-Oxford vaccine (<https://www.npr.org/sections/health-shots/2020/07/20/893211400/early-oxford-astrazeneca-coronavirus-vaccine-data-encouraging-scientists-say>) was very “encouraging” according to scientists at Johns Hopkins. The vaccine has triggered an immune response in participants while only having minor side effects. Over 1,000 patients have been tested without any serious reactions.

The U.S. government announced an agreement with Pfizer for the large-scale production and nationwide delivery of 100 million doses of a COVID-19 vaccine once one is approved. The agreement also allows the U.S. government to receive up to 500 million doses if necessary.

China Trade War (Unchanged)

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

As tensions with China continue to increase, the U.S. ordered the shutdown of the Chinese consulate (<https://www.cnn.com/2020/07/24/politics/us-agents-houston-chinese-consulate/index.html>) in Houston. Officials believed the Chinese were using their diplomatic facilities in the U.S. in efforts of espionage against the country. This resulted in China ordering the shutdown of the U.S. consulate (<https://www.wsj.com/articles/china-orders-u-s-to-close-chengdu-consulate-in-retaliation-to-houston-move-11595564849>) in Chengdu. This continued escalation between the two countries is creating fear of a larger conflict.

Earnings (+1)

Earnings remain in focus this week with several big names to report. This week, investors will hear from tech giants such as Apple, Amazon, Facebook and Google. These announcements have the potential to move the markets.

Federal Reserve/ Stimulus (-1)

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

Treasury Secretary, Steve Mnuchin, said Republicans are prepared to introduce the next stimulus package (<https://www.whio.com/news/trending/mnuchin-virus-aid-package-coming-soon-1200-stimulus-checks-coming-august/VDL4H6YIMBDOHCKEC6W3M4PXJY/>) on Monday. He told reporters at the Capitol they are ready to move fast and another round of \$1200 stimulus checks would be coming in August.

The Federal Reserve is set to meet for its two-day July meeting this week. They are expected to hold interest rates steady. Following the decision Wednesday there will be a press conference led by Chairman Powell.

Election (Unchanged)

Many polls are projecting Biden to win in November. This could cause a disruption for the stock market. Former VP Biden says he will end most of Trump's tax cuts. (<https://thehill.com/homenews/campaign/505170-biden-tells-potential-donors-he-would-end-trump-tax-cuts-even-though-many><https://www.cnbc.com/2020/06/29/biden-tells-donors-he-will-end-most-of-trumps-tax-cuts.html>) He wants to end "shareholder capitalism" by closing loopholes such as capital gains and stepped-up basis. He also mentions he could hike the corporate tax rate to 28%.

However, Biden should have much better trade relations with China, which would be a welcome change for the markets.

Corporate Debt (+1)

To date in 2020, twenty-one different public and private retailers have filed for bankruptcy. This is more than double for this time last year. Here is a **running list** (<https://www.retaildive.com/news/the-running-list-of-2020-retail-bankruptcies/571159/><https://www.retaildive.com/news/the-running-list-of-2020-retail-bankruptcies/571159/>) of retail bankruptcies that occurred during the pandemic. A Fed official mentioned recently (<https://www.theglobeandmail.com/business/economy/article-fed-official-warns-covid-19-bankruptcies-could-trigger-a-financial/>) that ongoing bankruptcies could potentially spark another financial crisis.

Unemployment (-1)

Unemployment claims exceeded expectation levels again this past week. Unemployment is becoming a prolonged issue. Signs point to many of these "temporary" layoffs becoming permanent if there is a continued rise in **small business closures**

(<https://www.washingtonpost.com/business/2020/05/12/small-business-used-define-americas-economy-pandemic-could-end-that-forever/>).

Infrastructure (Unchanged)

The House passed another infrastructure bill (<https://www.politico.com/news/2020/07/01/house-infrastructure-bill-347355>) last month. Infrastructure spending continues to make sense here. However, the big question is whether our government is too divided to agree on a bill that President Trump will sign.

Last Week



Monday: S&P 500 closed up 27.11 (0.84%) to 3251.84. Markets received positive vaccine news from Astrazeneca.

Tuesday: S&P 500 closed up 5.46 (+0.17%) to 3257.30. The EU agreed on breakthrough stimulus.

Wednesday: S&P 500 closed up 18.72 (+0.57%) to 3276.02. US ordered China to close consulate in Houston.

Thursday: S&P 500 closed down 40.36 (-1.23%) to 3235.66. Weekly unemployment claims were announced. Tech stocks sold off after Apple probe was announced.

Friday: S&P 500 closed down 20.04 (-0.62%) to 3215.62. Intel's earnings miss dragged down tech stocks.

Technical Look



Last week, the S&P 500 opened at the upper end of the trading range that it's been in for months now. And despite a slew of headlines and earnings this past week, the S&P essentially closed at the same spot.

There could be a breakout to new highs if the S&P can successfully close above the 3235 level. If it fails to break out, expect a sharp pullback to the lower end of this range near 3000 on the S&P.

My Takeaway

The S&P 500 seems like it's getting ready to make another big move. It has been testing the upper end of the recent trading range and should either break out or snap back sharply. The week ahead is filled with earnings from mega cap tech companies like Amazon, Apple, Google and Facebook. It also has a 2-day Fed meeting and a possible coronavirus stimulus package to digest. If there was a week for the market to make a big move, this upcoming one is it.

Everyone seems to be expecting a pullback which makes me think of one two things: the crowd is wrong and the S&P is ready to shift gears higher or the crowd is going to be very right and we have another monumental, panic-induced selloff.

How investors need to prepare for it really depends on their individual circumstances. If you are older, or less risky, then you may want to get a bit more conservative with your core holdings here as you may not have enough time to recover any significant losses. However if you are younger, or riskier, then you may want to stay aggressive as you have more time to recover from a sharp decline.

With your tactical funds, gold still remains attractive here with "easy money" policies taking place around the globe. I am still a fan of tech stocks here with the new online habits consumers are forming which should continue after the pandemic is over. However, it may be wise to take a few profits in these names ahead of the major week of earnings. Another area that has been looking attractive is emerging markets such as India. Investors who are looking for growth in the U.S. are seeing a crowded trade with stretched multiples. It may be smart to start adding some emerging market stocks to your tactical portfolio.

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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