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States pause reopening efforts. China passes controversial law. Jobs report is better than expected. Biden leads in many national and swing state polls.

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The Hot List

↑ Coronavirus (Unchanged)

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States such as Florida and Texas continue to report record numbers (<https://www.cnn.com/2020/07/04/florida-reports-more-than-11000-new-coronavirus-cases-another-daily-record.html>) of daily coronavirus cases. Many states like New Jersey, New York and California have halted phases of reopening. Some states have postponed indoor dining indefinitely. These setbacks have resulted in the U.S. not being included on the “safe countries” list (<https://news.sky.com/story/coronavirus-eu-excludes-us-from-list-of-14->

countries-safe-for-non-essential-travel-

12018167<https://news.sky.com/story/coronavirus-eu-excludes-us-from-list-of-14-countries-safe-for-non-essential-travel-12018167>) for travel to Europe.

Pfizer announced early positive data (<https://www.pfizer.com/news/press-release/press-release-detail/pfizer-and-biontech-announce-early-positive-data-ongoing-0>) from one of its vaccine trials. The NIH Director told a Senate hearing that a vaccine is increasingly likely (<https://www.reuters.com/article/us-health-coronavirus-usa-nih/nih-director-collins-optimistic-on-covid-19-vaccine-by-year-end-idUSKBN2432FZ>) to be ready by the end of the year.

China Trade War (Unchanged)

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

Last week, China passed controversial national security law (<https://www.cnbc.com/2020/06/30/china-reportedly-passes-national-security-law-for-hong-kong.html>) for Hong Kong. Vice President Pence told CNBC that this will have an impact, and they will probably amend the trade deal now.

Federal Reserve (Unchanged)

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

Fed Chairman Powell and Treasury Secretary Mnuchin testified on the U.S. Coronavirus response in front of lawmakers last week. Powell said the outlook for the economy is “extraordinarily uncertain” (<https://www.cnbc.com/2020/06/30/treasury-yields-retreat-as-feds-powell-warns-of-prolonged-uncertainty.html>) and will depend on both containing the virus and aid from the government to recover.

The Fed minutes were released (<https://www.cnbc.com/2020/07/01/fomc-minutes.html#:~:text=Federal%20Reserve-,Fed%20officials%20see%20need%20for,accommodative'%20policy%20ahead%2C%20minutes%20show&text=The%20Fed%20released%20minutes%20from,to%20be%20%E2%80%9Chighly%20accommodative.%E2%80%9D>) Wednesday. They mentioned that the committee sees the need for “highly accommodative policy ahead.” They also hinted that easy policy may have to be used for many years. The minutes also showed that the committee discussed the possibility of targeting the yield curve in the future.

Election (+3)

Many polls are projecting Biden to win in November. Former VP Biden says he will end most of Trump's tax cuts (<https://www.cnbc.com/2020/06/29/biden-tells-donors-he-will-end-most-of-trumps-tax-cuts.html>). He wants to close loopholes like capital gains and stepped-up basis. He also mentions he could hike the corporate tax rate to 28%. However, he could have much better trade relations with China, which would be one change that markets would like.

Corporate Debt (-1)

Chesapeake and Remington joined the other names (<https://www.wsj.com/articles/pro-bankruptcy-briefing-chesapeake-files-to-cut-7-billion-debt-remington-eyes-bankruptcy-sale-to-navajo-creditors-questionable-permian-governance-11593435962>) that have filed for bankruptcy recently. One Fed official mentioned that these ongoing bankruptcies could potentially spark another financial crisis (<https://www.ft.com/content/04ee5988-7864-431a-95ff-f18388f29894>).

Unemployment (-1)

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)

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

Last Week



Monday: S&P 500 closed up 44.19 (+1.47%) to 3053.24. Record monthly increase in home sales during May.

Tuesday: S&P 500 closed up 47.05 (1.54%) to 3100.29. Consumer confidence jumped in June. Fed Chair Powell and Treasury Secretary Mnuchin testified on coronavirus response.

Wednesday: S&P 500 closed up 15.57 (0.50%) to 3115.86. ADP jobs number released for June. More vaccine hopes from Pfizer. Fed minutes were released.

Thursday: S&P 500 closed up 14.16 (0.45%) to 3130.02. Jobs numbers exceed expectations.

Friday: Market closed for holiday.

Technical Look



Going into last week, the S&P 500 closed near 3000. This level has served as support for the last couple months, so holding it was significant.

Investors should continue to watch the current range of 3000-3200 on the S&P. Expect to see resistance at 3200, which was the near-term highs. To the downside, pay attention to the 3000 level. This has been support three separate times in the last 2 months.

My Takeaway

I mentioned last week (https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-6-29-20-_Dreamwork-Financial-Group.pdf) when referring to the 3000 level of the S&P, “if this level can continue to serve as support than the index should drift back toward the middle of the range.” This is basically what happened.

Stocks continue to show strength in the face of a very tough economic backdrop. However, equity markets have been at odds with the economic data for a while. This current setback in the recovery is certainly not going to help that data improve. But with the Federal Reserve being willing to do whatever it takes, stocks could be the prime beneficiary from these policies. This setback gives them plenty of reasons to keep their foot on the gas.

I think it is still a good idea to remain conservative with your long-term portfolio. Fundamentals seem a little stretched at these prices. However, with your tactical funds, it may be advantageous to have exposure to tech, as years of adoption trends are being pulled forward into a few months because of the pandemic. The shutdown could only strengthen some of these tech leaders. In addition, I think it’s wise to maintain some exposure to gold or gold miners 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 industrial or hospitality names. If you think things are going to take longer to recover, you may want to get more defensive by investing in 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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