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CDC revised its mask guidance. Inflation jumps. Earnings are still underway. No action from the Fed. Infrastructure bill passes.

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The Hot List

↑ HOT

1. COVID-19

With the surge in the Delta Variant, the CDC **reversed (https://www.cnbc.com/2021/07/27/cdc-to-reverse-indoor-mask-policy-to-recommend-them-for-fully-vaccinated-people-in-covid-hot-spots.html)** its mask wearing guidance.

2. Inflation

The PCE index jumped (https://www.cnbc.com/2021/07/30/key-inflation-indicator-up-3point5percent-year-over-year-in-june-vs-3point6percent-estimate.html?__source=iosappshare%7Ccom.apple.UIKit.activity.Mail) 3.5% since last June, which was the fastest pace since 1991.

3. Earnings

Last week, Big Tech released earnings that mostly exceeded expectations.

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

The Fed's 2-day July meeting concluded (https://www.forbes.com/advisor/investing/fomc-meeting-federal-reserve/) last Wednesday. No actions were taken as worries loom around the Delta Variant.

5. Infrastructure

After much delay, the Senate has unveiled a bipartisan infrastructure bill (https://www.reuters.com/world/us/us-senators-move-forward-with-infrastructure-bill-sunday-2021-08-01/).

Last Week

Monday: S&P 500 +10.43 (0.24%) to 4422.23. No major headlines.

Tuesday: S&P 500 -20.77 (-0.47%) to 4401.46. Tech earnings, home prices rise, mask mandate updated.

Wednesday: S&P 500 -0.81 (- 0.47%) to 4400.65. Fed leaves rates unchanged, makes no action in July meeting.

Thursday: S&P 500 +18.50 (+0.42%) to 4419.15. GDP and weekly jobless claims both disappoint.

Friday: S&P 500-23.89 (-0.54%) to 4395.26. Consumer spending and inflation both rise in June.

Technical Look

Potential Support: 4300 on the S&P 500 should serve as strong support after testing that level multiple times previously.

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

After last week, it is clear that the Fed is going to remain on the sidelines for the near future. This scenario puts more emphasis on the underlying economy, which is pretty strong. Corporate earnings have been mostly exceeding the extremely high expectations confirming the strength of the economy. However, corporations continue to report higher costs of materials as inflation continues to be a headwind to the rally.

COVID-19 remains the dominant concern as the Delta Variant is spreading rapidly. On top of that, the Lambda Variant has been discovered so don't expect this story to go away anytime soon. But the longer COVID-19 sticks with us, the more likely that easy money from the Fed will stick with us too.

As earnings season continues, look for clues on how the underlying economy is doing in terms of profits and inflation. If rates remain at record lows and profits continues to exceed expectations, I think the TINA trade (**T**here **I**s **N**o **A**lternative to stocks) continues. Just remember there is a minefield of negative catalysts out there, so make sure to have a game plan.

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

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