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The S&P 500 is nearing all-time highs. China tensions hit a tipping point. U.S. has over 5 million confirmed COVID-19 cases. Stimulus talks hit a snag.

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The Hot List

↑ Coronavirus (Unchanged)

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The U.S. has now surpassed 5 million confirmed COVID-19 cases (<https://www.npr.org/sections/coronavirus-live-updates/2020/08/09/900640397/u-s-hits-5-million-coronavirus-cases-as-debate-lingers-over-the-path-forward>). This now represents about a quarter of the global cases. This milestone comes as many schools are struggling with how to welcome students back to school. In addition, the Mid-American Conference became the fi

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major college football conference to cancel (<https://www.cbssports.com/college-football/news/mac-becomes-first-fbs-conference-to-cancel-2020-college-football-season-for-the-fall/>) its season.

Novavax announced **positive phase one data** (<https://ir.novavax.com/news-releases/news-release-details/novavax-announces-positive-phase-1-data-its-covid-19-vaccine>) for its COVID-19 vaccine candidate. With so many vaccine studies underway, it can be difficult to keep track of where things stand. This **vaccine tracker** (<https://www.raps.org/news-and-articles/news-articles/2020/3/covid-19-vaccine-tracker>) is available for staying up to date.

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

Tensions with China are nearing a tipping point. Last week, President Trump issued executive orders that would impose limits on the Chinese apps (<https://www.wsj.com/articles/senate-votes-to-ban-tiktok-on-government-issued-phones-11596760843>) TikTok and WeChat. A 45-day deadline was set for a U.S. company to purchase TikTok's domestic operations. This order prevents people in the United States from doing business with the owners of the apps, once the deadline is over.

The U.S. imposed sanctions (<https://www.bbc.com/news/world-us-canada-53699084>) on the Chief Executive of Hong Kong, Carrie Lam, and 10 other top officials. The sanctions targeted those undermining Hong Kong's autonomy. The U.S. Treasury accused Ms. Lam of "implementing Beijing's policies of suppression of freedom and democratic processes."

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

President Trump signed executive orders after negotiations in Congress hit a snag (<https://www.wsj.com/articles/congress-trump-administration-negotiate-over-cash-payments-business-aid-11584709517>). The executive orders are designed to extend unemployment benefits, defer payroll taxes, and extend rent deferrals. Some contend that deferring payroll taxes is a direct attack on the Social Security program which payroll taxes fund.

Election (+1)

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.

Unemployment (+2)

Unemployment remains a major issue. There are increasing signs that many of these "temporary" layoffs will become 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/>).

Corporate Debt (-1)

The 194-year-old retailer, Lord and Taylor, filed for bankruptcy last week, joining the list of other businesses who have folded due to the pandemic. 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 those names. There are concerns that these ongoing bankruptcies could spark another financial crisis.

Earnings (-3)

The bulk of companies have reported earnings and the market rally has stayed intact. The focus on earnings will start to fade as more companies report.

Infrastructure (Unchanged)

With the economic destruction that has taken place, an infrastructure bill makes sense here. Both parties keep mentioning infrastructure, but it appears the subject has gotten swept to the side at the moment. We'll continue to keep an eye on this going forward.



Monday: S&P 500 closed up 23.50 (+0.72%) to 3294.62. Tech stocks rally following earnings. Stimulus talks remain in focus.

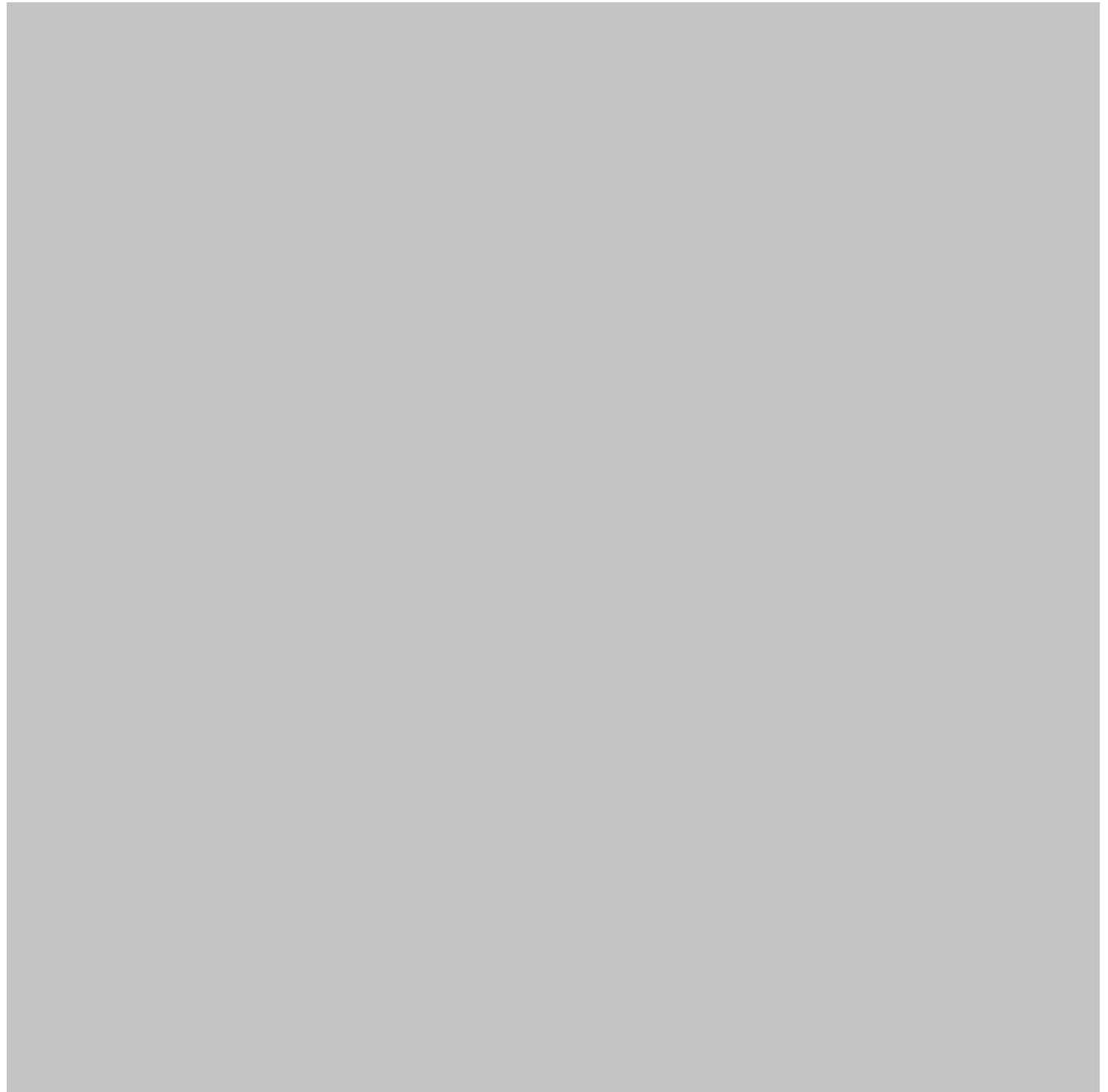
Tuesday: S&P 500 closed up 12.00 (+0.36%) to 3306.61. More companies reported earnings.

Wednesday: S&P 500 up 21.26 (+0.64%) to 3327.77. ADP report was announced. Novavax released positive vaccine news.

Thursday: S&P 500 closed up 21.39 (+0.64%) to 3349.16. Weekly jobless claims were reported.

Friday: S&P 500 closed up 2.10 (+0.06%) to 3351.26. July payroll numbers came in better than

Technical Look



In the last Investing Hotsheet (https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-8-3-20_-Dreamwork-Financial-Group.pdf), I mentioned that the 3200 level on the S&P 500 has shifted from resistance to support. Last week, the S&P confirmed the support with 5 straight days of gains. The 3200 level should continue as support to the downside. The previous high of 3393 should be the next test of resistance to the upside.

My Takeaway



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In the last Hot Sheet (https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-8-3-20_-Dreamwork-Financial-Group.pdf), I wrote “it felt like the S&P 500 was getting ready to make another big move. The index had been pushing into resistance at the upper end of the trading range for a couple of weeks. Now that we’ve made it through this big week of headlines, there is a decent chance the move could be higher. So, if the S&P 500 holds 3200, the index could be ready to test the all-time high.”

Last week, the index took a big step toward the highs, closing higher every day. The 3200 level has proven to be short-term support, and it now seems ready to test the all-time high near 3400.

But while the market is making a V-shaped recovery, the overall economy remains subdued. The major takeaway is the digital economy continues to thrive while the physical economy is struggling to survive. The most recent round of earnings supports this conclusion.

Investors are still trying to determine what this recovery will look like on the other side. There is a chance that things won’t ever be the same. Trying to pick winners and losers at this juncture may get increasingly difficult. If you want to take some risk off and go into fixed income, it will be difficult to get a significant return – especially when accounting for potential inflation.

If you want any sort of growth, the obvious winners are priced at historically high valuations. And the beaten up traditional names may take years to recover, if ever, as consumers are building new habits at a rapid pace.

As we approach all-time highs in the market, it remains prudent to take gains off the table and continue to get more conservative with your core portfolio. I often reference my favorite quote from Warren Buffett, and now seems to be a time when we need to remember it: “Be fearful when others are greedy and be greedy when others are fearful.” Don’t get FOMO as we hit all-time highs. Make sure to stick to your game plan. With your tactical funds, keep looking to precious metals or other hard assets. Overseas areas like emerging markets also remain attractive when looking for growth. While tech is an increasingly crowded trade, it is still the best positioned to benefit from a socially-distanced future. However, I’d look to secular growth trades at this point since the obvious names have experienced astronomical runs.

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,

Client



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