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*The S&P 500 is sitting near all-time highs. China tensions continue to heat up. Biden picked his VP. Stimulus talks hit stalemate.*

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## The Hot List

### ↑ Coronavirus (Unchanged)

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Russia approved a COVID-19 vaccine and has plans for quick distribution to the general population this fall. However, the plans are being condemned (<https://www.pbs.org/newshour/health/russia-is-cutting-corners-on-covid-19-vaccine-clinical-trials-heres-why-they-matter>) by scientists for cutting corners as they are just starting large safety and efficacy trials. The vaccine is named “Sputnik V” and they are not releasing any of the data on the findings. President Putin has it’s “quite effective”.

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The U.S inked a deal with Moderna (<https://www.reuters.com/article/us-health-coronavirus-moderna-vaccine/trump-says-u-s-inks-agreement-with-moderna-for-100-million-doses-of-covid-19-vaccine-candidate-idUSKCN2572T5>) for 100 million doses of its COVID-19 vaccine for \$1.5 billion. This is one of the latest in deals that the government has made with companies to acquire hundreds of millions of doses of different potential vaccines. These deals are part of the Operation Warp Speed program which has a goal of delivering a vaccine by the end of the year.

The Big Ten and the Pac-12 are the latest conferences to say they won't play football this fall (<https://www.cnn.com/2020/08/11/us/big-ten-postpones-football-coronavirus-sports-trnd/index.html>) due to the pandemic. However, the Big 12, SEC, and ACC are continuing with plans for a season. The SEC will be announcing their schedule early this week.

On Saturday a testing breakthrough was announced. The FDA granted an emergency authorization (<https://sports.yahoo.com/the-nba-and-yale-just-landed-the-covid-testing-breakthrough-the-nfl-and-everyone-else-in-the-us-has-been-hoping-for-183335566.html>) for a saliva-based test, called SalivaDirect, to be used by the public. It was developed by Yale University and was funded by the NBA and the NBA Players Association. The test is expected to significantly increase the availability and turnaround time for COVID-19 testing.

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

China placed sanctions (<https://abcnews.go.com/US/wireStory/china-sanctions-11-us-politicians-heads-organizations-72277877>) on 11 U.S. politicians and organizational heads including Senators Marco Rubio and Ted Cruz. A Chinese spokesman said that the 11 had "performed badly" on issues concerning Hong Kong. This is just another example of crackdowns on opposition to the national security law pertaining to Hong Kong.

Tiktok and its U.S. employees are set to sue the Trump administration (<https://nypost.com/2020/08/13/tiktok-us-employees-set-to-sue-trump-administration-over-ban/>) over the ban of their popular video app. They claim the law is unconstitutional.

The U.S. and China postponed trade talks (<https://www.aljazeera.com/ajimpact/china-postpone-weekend-talks-trade-deal-20200814202555539.html>) that were set to take place this weekend. These talks were supposed to be a review of the progress from the phase one trade deal. They have

now been rescheduled indefinitely.

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China appears to have fallen behind on its part of the phase one agreement. However, there is really no incentive for President XI to do anything until after the election.

## **Election (+2)**

Democratic nominee, Joe Biden, selected Sen. Kamala Harris of California to be his running mate for the 2020 election. This was a historic pick because she is the first black woman and first Indian-American person on a major party ticket. Biden has spoken out about ending Trump's tax cuts and closing loopholes like capital gains and stepped-up basis, but he could be more favorable towards trade with China. Investors can expect the election to become a bigger focus as we get closer to election day.

## **Earnings (+3)**

The week ahead could be big for the retail sector. Walmart, Target, Lowes and Home Depot are among those companies that report this week. These earnings reports should give investors information about the past quarter as well as guidance for the end of the year.

## **Federal Reserve/ Stimulus (-1)**

**(<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.

## **Corporate Debt (-1)**

U.S. corporate bankruptcies are set to hit a 10-year high due to the pandemic, according to a report from S&P Global (<https://markets.businessinsider.com/news/stocks/us-bankruptcies-track-hit-decade-year-high-coronavirus-crisis-businesses-2020-8-1029492702>). So far 424 companies have filed for bankruptcy this year which is more than any year since 2010. Companies that are consumer-focused, such as retail, have been hit particularly hard, per the report.

## Unemployment (2) (https://www.investing-hotsheet.com/subscribe-investing-hotsheet/) INVESTING HOTSHEET

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**

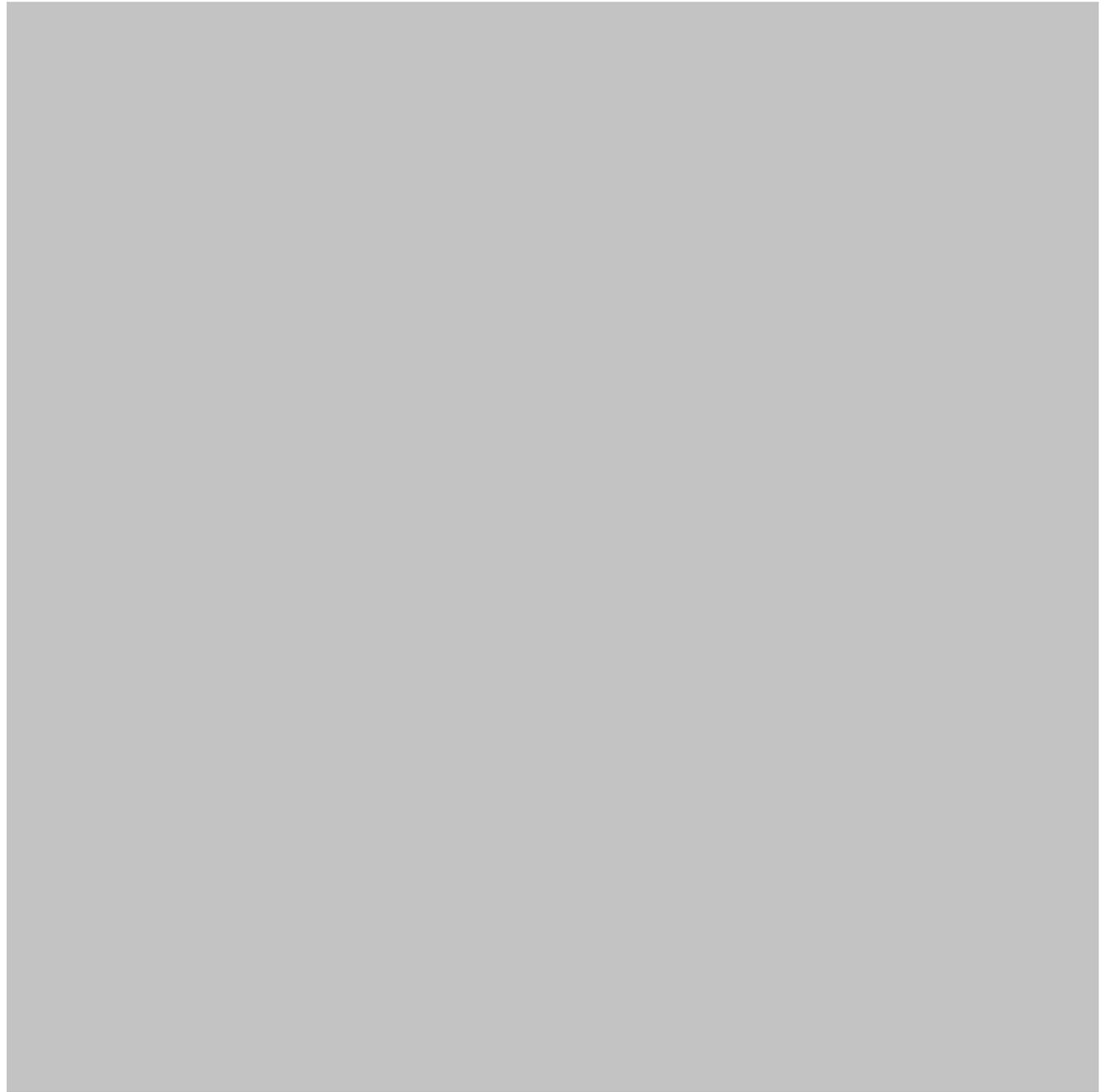
(<https://www.washingtonpost.com/business/2020/05/12/small-business-used-define-americas-economy-pandemic-could-end-that-forever/>).

## 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.

## Last Week





**Monday:** S&P 500 closed up 9.21 (+0.27%) to 3360.49. Tech stocks declined. S&P posts 7-day win streak.

**Tuesday:** S&P 500 closed down 26.79 (-0.80%) to 3333.68. U.S. inked deal with Moderna for COVID vaccine. McConnell makes negative stimulus comments.

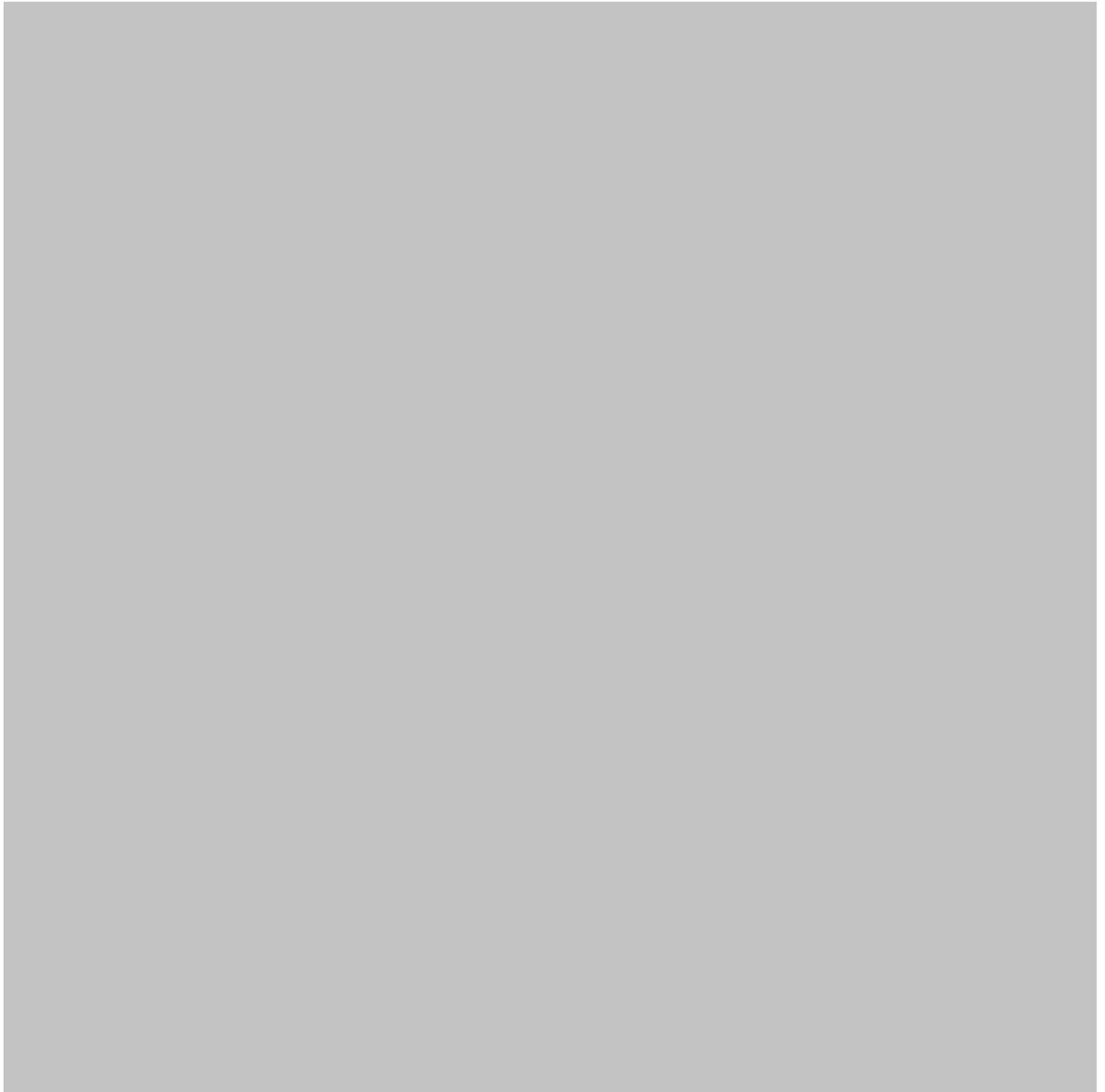
**Wednesday:** S&P 500 closed up 46.65 (+1.40%) to 3380.34. No major news. S&P briefly touched a record.

**Thursday:** S&P 500 closed down 6.92 (-0.20%) to 3373.43. Weekly jobless claims were better than expected.

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**Friday:** S&P 500 closed down -0.58 (-0.02%) to 3372.85. Retail sales numbers came in above expectations.

## Technical Look



After 5 straight days of gains, the 3200 level had been confirmed as support. That momentum continued last week as the S&P 500 ran straight into the all-time highs before hitting selling pressure.

## My Takeaway



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Going forward, let's see if the S&P can break through the all-time highs which is current resistance. If that occurs, it will be in uncharted waters and could really go crazy. However, if we fail to break that level, the S&P will face even more selling and could drive it sharply back to the 3200 level.

Last week, the S&P 500 made a run and briefly touched the all-time closing high last week. Now, it remains within striking distance. It seems like it's going to be up to the retail sector to push us through to new highs this week.

The main narrative remains the same with investors being forced with a tough decision in what to do with their money. With rates near zero, fixed income doesn't look attractive at all. But if you leave your money in cash, you could get hit by possible inflation due to the current "easy money" policies. Gold, which is a hedge to these "easy money" policies, is near all-time high valuations so it's not exactly a no brainer anymore.

This scenario has created a greedy sentiment for stocks. Growth stocks, such as technology, are trading at historically high valuations as they are a solid bet to thrive during and after the pandemic. Value stocks are trading at lower valuations for a reason. They are largely tied to the physical economy which may not look the same when things recover.

This week will give us an idea how the physical economy is doing as the major retailers report earnings. If they come through with good numbers, it may be time lean into the value names which have really lagged their growth counterparts.

With most of the obvious sectors getting too crowded, other areas that seem attractive are physical assets like timber and overseas markets like India and Japan.

As we sit near these highs in the S&P, I will continue to remind you not to get FOMO. It feels really good to buy when things are going up and sell when things are going down, but we know that's not the best strategy. Remember to stick to Buffett's strategy, "Be fearful when others are greedy and be greedy when others are fearful."

Now more than ever, you need to stick to your personal strategy. If you don't have one, contact **DreamWork Financial Group** (<https://dreamwork.financial/contact/>) and let us build a custom portfolio for you using our Investing Gameplan™.

Until next time,

Clint Kirby

Chief Financial Strategist

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