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*COVID-19 is still surging. The Fed is expected to announce tapering next month.
Afghanistan is in crisis. Inflation worries continue.*

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The Hot List

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1. COVID-19

Six states, including Alabama, have almost no ICU beds left as COVID-19 hospitalizations (<https://www.forbes.com/sites/joewalsh/2021/08/19/these-6-states-have-almost-no-icu-beds-left-as-covid-hospitalizations-soar/?sh=498199036bb5>) soar.

2. Federal Reserve



There is growing support within the Fed to announce tapering (<https://www.cnbc.com/2021/08/16/theres-growing-support-within-the-fed-to-announce-the-tapering-of-bond-purchases-in-september.html>) at the September meeting. The Fed's Jackson Hole retreat is now going to be virtual (<https://www.barrons.com/articles/federal-reserve-jackson-hole-retreat-51629577071>) due to COVID-19.

3. Inflation

Krispy Kreme is the latest to raise prices (<https://news.yahoo.com/krispy-kreme-is-raising-prices-in-september-because-of-inflation-172531653.html>) as inflation pressures mount. (<https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/>)

4. Geopolitics

President Biden says there is “a long way to go and a lot could still go wrong” in the Afghanistan evacuation (<https://www.cnbc.com/2021/08/22/biden-afghanistan-evacuation-us-has-long-way-to-go.html>).

5. Employment

The unemployment rate remains elevated but continues to fall. Small businesses still having trouble finding workers (<https://www.cnbc.com/2021/08/10/the-labor-shortage-isnt-main-streets-biggest-problem.html>).

Last Week

Monday: S&P 500 +11.66 (+0.26%) to 4479.66. No major news.

Tuesday: S&P 500 -31.58 (-0.79%) to 4448.08. July retail sales numbers disappoint.

Wednesday: S&P 500 -47.81 (-1.07%) to 4400.27. Fed minutes released. Taper talk highlighted.

Thursday: S&P 500 +5.53 (+0.13%) to 4405.80. Weekly jobless claims were better-than-expected.

Friday: S&P 500 +34.78 (+0.79%) to 4440.58. No major news.

Technical Look

Possible Support: The 4400 level on the S&P 500 has become even more significant after it



Possible Support: The 4400 level on the S&P 500 has become even more significant after it was tested again last week. A close below that would be more worrisome than before.

Possible Resistance: Near all-time highs, there is no significant resistance but there could be some near the psychological 4500 level.

My Watchlist

Tech Titans (US) (<https://dreamwork.financial/tech-titans-us/>): Strong future cash flows, hedge against potential deflation

Financials (<https://dreamwork.financial/defensive/>): Good play if we get higher rates, stronger economic data

Healthcare (<https://dreamwork.financial/healthcare/>): Defensive trade, COVID-19 play

Value (<https://dreamwork.financial/value/>): Increasing uncertainty and low rates put greater focus on fundamentals

My Take

Stocks had another wild ride last week as uncertainty is picking up, and for good reason. COVID-19 has surged to the point where states are running out of ICU beds. Inflation is showing up everywhere. The Fed is preparing to taper. And now, there is a major crisis in Afghanistan.

With everything going on, I'd expect volatility to continue for the near future. Investors are faced with a tough decision between losing to inflation in cash or reaching for yield up the risk curve (in stocks or riskier bonds).

It seems to me like this is a point where you may want to get slightly more defensive, especially those who are risk averse. The stock market is 6-9 months forward-looking, and I think that we may have already seen the peak in earnings and stimulus. While I don't see rates drastically higher, which leans favorably to stocks, I do think the comps will only get tougher as we look back in the future.

While low rates can offset lots of headwinds, stocks don't move up in a straight line. For those who don't need the funds for 10+ years, you should be hoping for a pullback to buy more at a lower price. The key is to have to have a plan in place before things pull back. And now sitting here near all-time highs, seems like the perfect time to revisit your risk level and portfolio allocations.

Please contact me at DreamWork Financial Group (<https://dreamwork.financial/contact/>) to build an Investing Gameplan™ for you.

Until next time,



Clint Kirby

Chief Financial Strategist

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