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Published  
August 24, 2020

*The markets hit new all-time highs. Mega-cap tech distorting the S&P. New emergency use treatment available for COVID-19. Postal Service under pressure. Small businesses face uphill battle.*

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## The Hot List

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### Coronavirus (Unchanged)

President Trump announced an emergency use authorization (<https://news.yahoo.com/trump-pushes-covid-19-treatments-175709089.html>) to treat COVID patients with convalescent plasma. This announcement was made after White House officials complained that delays were politically motivated by FDA. This treatment uses blood plasma taken from patients that have recovered is full of antibodies.

## Mega Cap Tech (+6)

The Top 6 largest companies in the S&P 500 now comprise nearly 30% of the index (<https://markets.businessinsider.com/news/stocks/stock-market-giants-record-sp500-weighting-decades-tech-returns-surge-2020-8-1029488390>) as the mega-cap tech trade is very crowded.

## China Trade War (-1)

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

Secretary of State Mike Pompeo stated Friday

(<https://www.reuters.com/article/us-usa-trade-china-pompeo/china-promised-to-follow-phase-one-trade-deal-pompeo-says-idUSKBN25H1P9>) that China has promised to comply with the Phase One trade deal with the U.S. despite the delay in talks to review its progress.

TikTok confirmed it will sue the Trump administration

(<https://www.theverge.com/2020/8/22/21397131/tiktok-lawsuit-president-trump-china-ban-executive-order>) over the executive order banning its U.S. operations.

## Election (Unchanged)

The pandemic has placed increasing pressure on a postal system that has struggled fiscally for years. Now it has become a pawn in the election coming up as the postal service seeks aid (<https://www.vox.com/recode/2020/8/7/21358946/postal-service-mail-delays-election-trump-mail-in-ballots>) from Congress.

## Federal Reserve/ Stimulus (+1)

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

Fed officials said they expect COVID-19 will “weigh heavily” on economy, according to the minutes (<https://www.nbcnews.com/business/markets/fed-officials-expect-coronavirus-will-weigh-heavily-economy-minutes-show-n1237331>) from the most recent Fed meeting.

The possibility of a new round of stimulus remains unclear as both sides are at a stalemate.

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This week the Fed will hold its annual Jackson Hole summit **virtually** (<https://www.bloomberg.com/news/articles/2020-08-23/-past-peak-central-banking-on-view-as-jackson-hole-goes-virtual>).

## Unemployment (+1)

Weekly unemployment claims jumped back over 1 million (<https://www.cnn.com/2020/08/20/economy/unemployment-benefits-coronavirus/index.html>), which hurt economist hopes for a second straight week below a million claims. Economists were hoping to see the trend continue to decline after last week's number.

## Corporate Debt (-1)

Small business is closing at twice the rate (<https://www.cnbc.com/video/2020/08/20/small-businesses-fewer-than-500-employees-are-closing-at-rates-twice-of-bigger-companies.html#:~:text=A%20new%20study%20by%20Kronos,as%20PPP%20lans%20run%20out.>) of bigger companies during the pandemic, according to a study by Kronos.

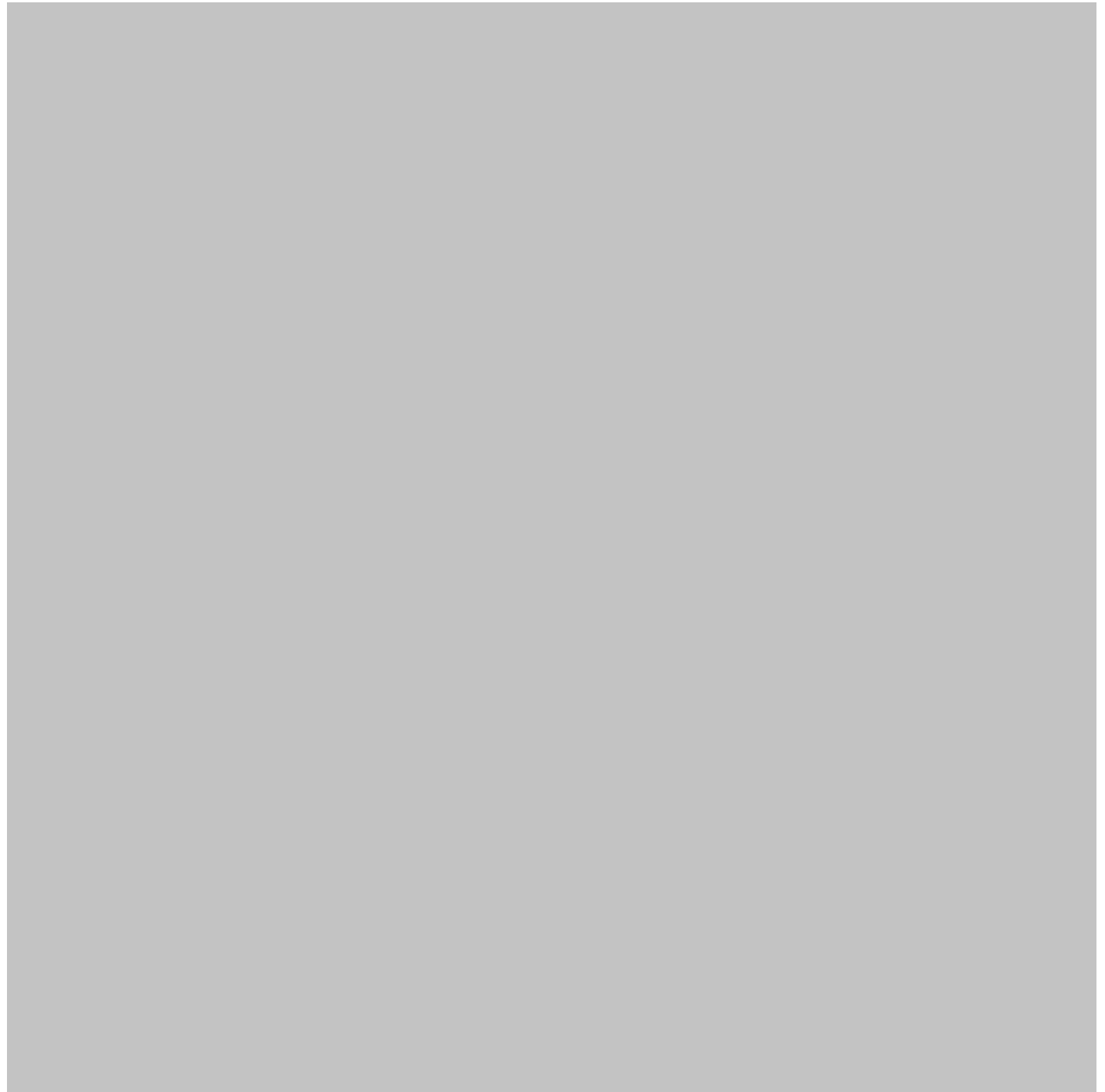
## Infrastructure (Unchanged)

Infrastructure Should become a topic in the election too. Both sides agree that they want an infrastructure bill, but what it looks like could be different.

Here's (<https://www.bloomberg.com/news/articles/2020-06-16/trump-team-weighs-1-trillion-for-infrastructure-to-spur-economy>) a look at Trump's infrastructure plan. Here's (<http://:%20https://www.cnbc.com/2020/07/14/joe-biden-unveils-green-jobs-and-infrastructure-plan-during-2020-election.html>) a look at Biden's infrastructure plan.

## Last Week





**Monday:** S&P 500 rose 9.24 (+0.27%) to 3372.85. No market-moving headlines were announced.

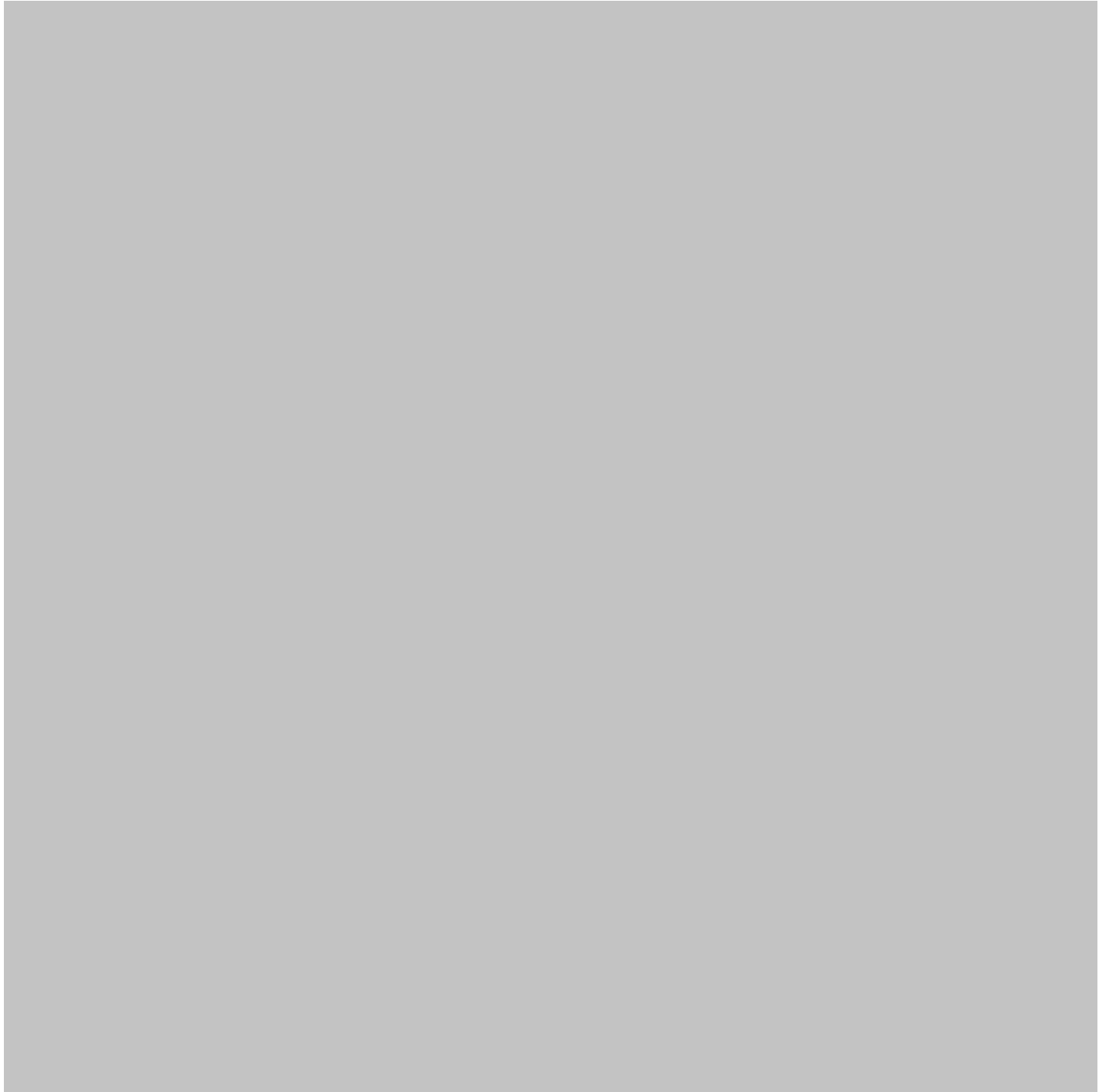
**Tuesday:** S&P 500 rose 7.82 (+0.23%) to 3389.78. Data on July housing starts was released.

**Wednesday:** S&P 500 fell 14.93 (-0.44%) to 3374.85. Minutes from July's Fed meeting were released.

**Thursday:** S&P 500 rose 10.66 (+0.32%) to 3385.51. Weekly jobless claims ticked higher.

**Friday:** S&P 500 rose 11.65 (+0.34%) to 3397.16. Existing home sales surged. S&P 500 posted record week.

# Technical Look



The S&P 500 is sitting at the highs established in February after support was confirmed at the 3200 level. Where it sits now is significant from a technical standpoint as selling pressure should increase.

## My Takeaway

Momentum continues to push the market to all-time highs. This is truly a “have and have nots” economy with half of the S&P 500 still negative for the year. The “haves” are currently the giant tech leaders with access to cheap capital. These companies are not only helped by

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their technology but they also benefit the most from the current Fed policy. These companies have come out of the pandemic stronger than they went in.

However, now these leading trades may have become too crowded. The pace in which Apple and Tesla shot up this last month has been staggering. Apple crossed 500/share (\$2 trillion market cap) and Tesla hit 2000/share (\$300 market cap). While these are two great companies at this point it feels like fear of missing out (FOMO).

The thing with crowds is that they can exit a stock just as fast as they pile in. If FOMO is what is causing someone to buy a stock, they probably aren't convinced to hold onto it long if things go south. I'm starting to worry what happens if things turn bearish in the mega cap tech stocks.

I think investors can start to rotate to the physical economy names if we have a successful treatment or vaccine. This could help the market to support the current high levels if we get more breadth in the rally. I don't think the tech leaders can keep going like this too much longer.

The election is starting to make me more nervous with the current post office situation. It is starting to be clear that the election could be contested no matter who wins. I don't see any way that a scenario like that wouldn't be scary for the market.

Keep an eye on the chart right now as we sit near the pre-pandemic highs in the S&P. This will probably bring out increased selling and resistance. If we can break through this level, the market will continue into new territory with no major resistance from the charts. Just remember not to get FOMO and chase investments that don't fit your strategy.

If you don't have a current strategy, **contact DreamWork Financial Group** (<https://dreamwork.financial/contact/>) and let us build an Investing Gameplan™ specifically for you.

Until next time,

Clint Kirby

Chief Financial Strategist

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A fiduciary is someone who holds a legal or ethical relationship of trust with one or more clients and is bound to take action in the clients' best interests.

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