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S&P notches a 7-day win streak. Mega-cap tech moves to top of hotlist. COVID-19 test could be a game changer. The Fed pulls out a new monetary tool.

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The Hot List

↑ Mega Cap Tech (+1)

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Mega cap tech stock prices have gone parabolic. U.S. tech stocks are now worth more than the entire European stock market. Apple's gains, just since the beginning of August (\$320 billion), are bigger than all but 14 companies in the S&P. Tesla is now the 9th biggest company in the S&P at \$417 billion, making it bigger than companies like Wal-Mart and Johnson & Johnson.

Since the beginning of the year, Apple and Tesla stock prices have increased by a

combined \$1.19 trillion in market cap. That increase comes with no major changes to the companies – just the way investors have decided to value them.

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Coronavirus (-1)

The FDA approved a rapid test (<https://www.fda.gov/news-events/press-announcements/covid-19-update-fda-authorizes-first-diagnostic-test-where-results-can-be-read-directly-testing-card><https://www.fda.gov/news-events/press-announcements/covid-19-update-fda-authorizes-first-diagnostic-test-where-results-can-be-read-directly-testing-card>) from Abbott Labs. This test would be available in point-of-care settings with results in 15 minutes. These tests are reported to cost around \$5 and should start coming available in October. Following the news, President Trump announced a \$750 million deal (<https://www.wsj.com/articles/trump-to-announce-deal-with-abbott-laboratories-150-million-rapid-covid-19-tests-11598551488>) with Abbott Labs for 150 million of these rapid tests.

The FDA commissioner said he is willing to fast track a coronavirus vaccine (<https://www.reuters.com/article/us-health-coronavirus-usa-hahn/fda-commissioner-says-willing-to-fast-track-covid-19-vaccine-ft-idUSKBN25Q0G7>) before phase 3 trials end. In addition, AstraZeneca received a \$396 million down payment (<https://www.fiercepharma.com/manufacturing/az-nets-396m-downpayment-for-300m-plus-eu-vaccine-doses>) from the EU for over 300 million COVID-19 vaccines. Lastly, Early data showed that Moderna's vaccine may be safe and effective in elderly (<https://www.fdanews.com/articles/198747-modernas-covid-19-vaccine-may-be-safe-and-effective-in-elderly-patients-data-shows>) patients.

Federal Reserve/ Stimulus (+1)

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

The Fed held its virtual Jackson Hole summit last week. Chairman Powell gave a speech where he unveiled the Fed's new approach to inflation (<https://www.washingtonpost.com/business/2020/08/27/powell-jackson-hole-inflation/>), called average inflation targeting. Under this approach, they would let inflation run hotter than normal and will look more toward long-term averages, where inflation has been lagging.

In regards to a stimulus, Senate Republicans are now discussing the idea (<https://www.politico.com/news/2020/08/28/coronavirus-relief-child-care-404529>) of a "skinny stimulus." Under this proposal, they would do away with stimulus checks and put \$500 billion toward the programs with bipartisan support.

China Trade War (-1)

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

The U.S. and China held “constructive” trade talks last week (<https://www.bbc.com/news/business-53900054>) after lengthy delays. Later, China announced new restrictions (<https://www.wsj.com/articles/china-tightens-ai-export-restrictions-11598703527>) on exports of artificial-intelligence technology, which seemed to be aimed at complicating the potential sale of TikTok’s U.S. operations to a domestic company.

Election (Unchanged)

The RNC was held last week. Here is a recap (<https://www.bbc.com/news/election-us-2020-53942272>) from the BBC.

Unemployment (Unchanged)

Over a million jobless claims were reported for the second week in a row. Unemployment claims are trending back in the wrong direction after dropping below 1 million claims a couple weeks ago.

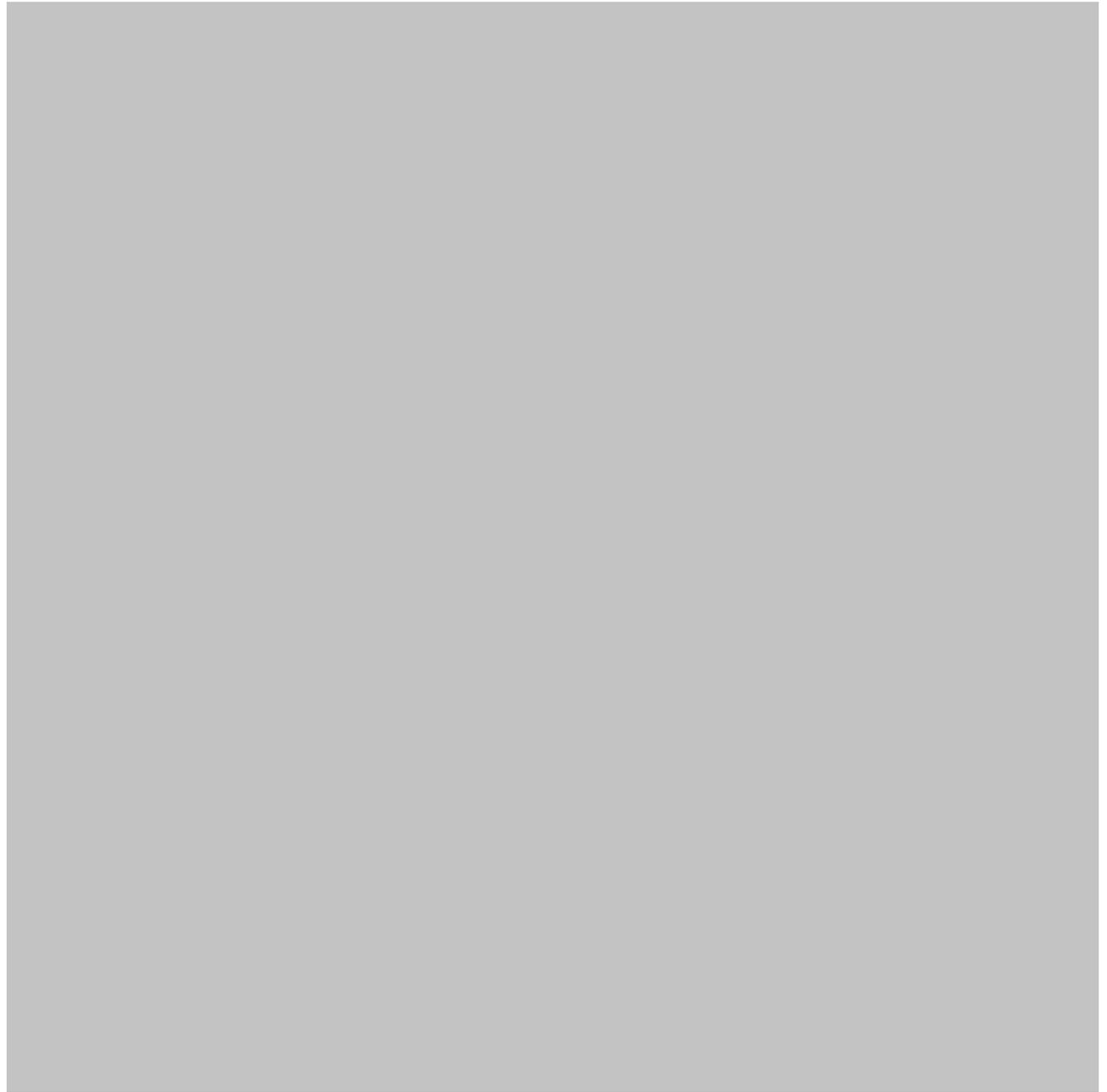
Corporate Debt (Unchanged)

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%20loans%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.



Monday: S&P 500 closed Up 34.25 (1.01%) 3431.41. FDA authorizes emergency use of plasma treatment for COVID-19.

Tuesday: S&P 500 closed up 12.39 (+0.36%) to 3442.67. New home sales data released. Consumer confidence hits pandemic-low.

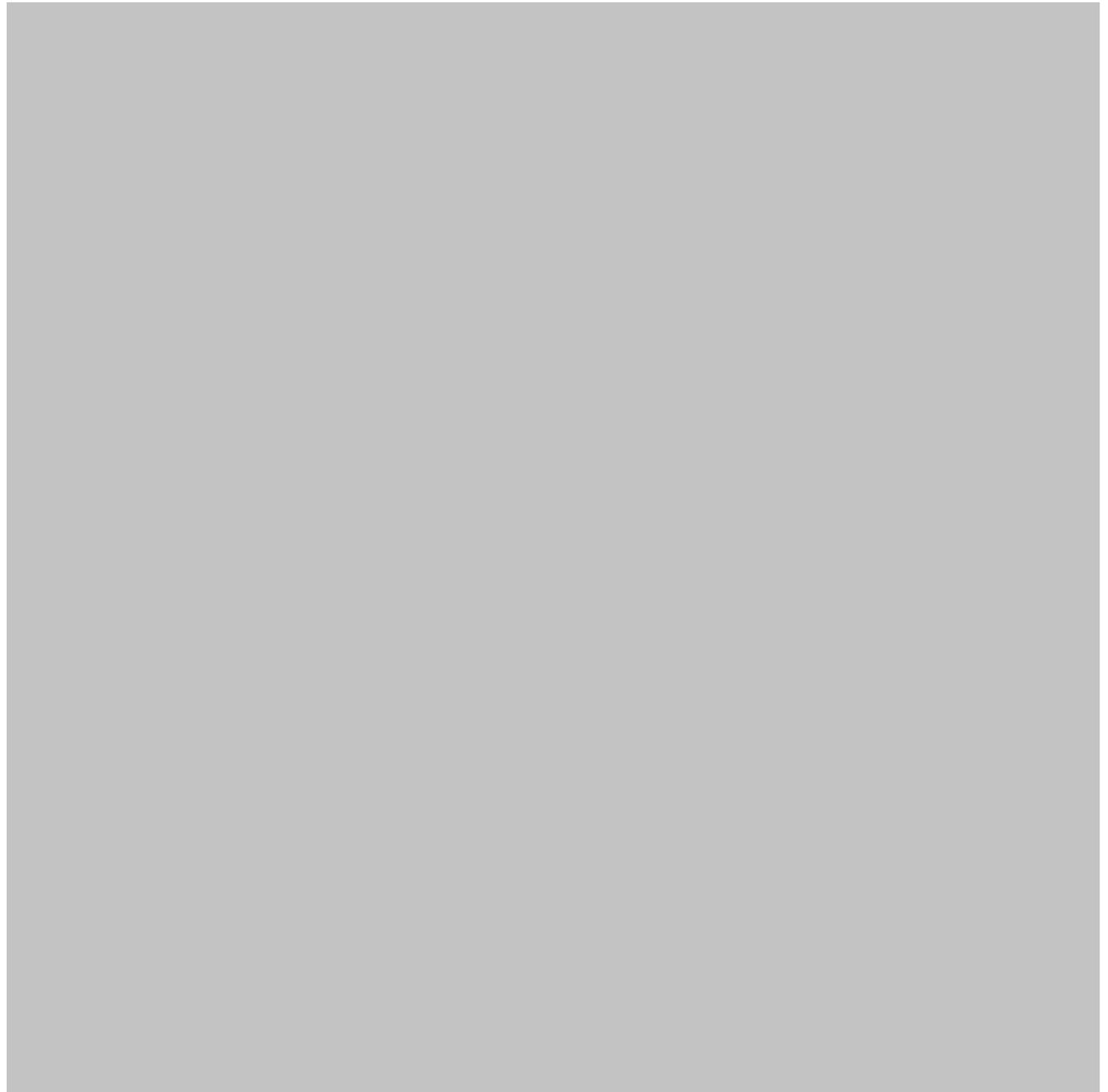
Wednesday: S&P 500 closed up 35.11 (+1.02%) to 3478.73. S&P hits another record. Salesforce earnings released. Tech stocks rally.

Thursday: S&P 500 rose 5.84 (+0.17%) to 3484. 57. Powell gives virtual Jackson Hole speech. Abbott announces new rapid COVID-19 test. Unemployment claims released.

Friday: S&P 500 rose 23.46 (+0.67%) to 3508.01. Dollar falls to 2-year low.

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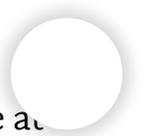
Technical Look



After hitting resistance near the February highs, the S&P 500 has broken out to new all-time highs. This momentum is leading markets into uncharted territory with no clear resistance to the upside. The prior upside resistance at the 3400 level could provide some downside support in the future, but this level hasn't been tested since the breakout.

My Takeaway

The S&P continues to shoot up, carried on the backs of the mega cap tech stocks. Here at all-time highs, there are no clear resistance levels to the upside. The premiums on these



an time highs, there are no clear resistance levels to the upside. The premiums on these tech leaders are becoming difficult to justify. [Subscribe](#) ([/subscribe-investing-hotsheet/](#))

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With low rates and lots of liquidity sloshing around in the financial system, the high-growth, futuristic stocks are soaking up a large portion of the money. I can wrap my head around higher premiums, but when Apple nearly gains a Wal-Mart in 15 trading days, with no news, it's seems euphoric.

There is no doubt that the mega-cap tech trade is crowded. These companies are a troublingly large part of the S&P, and many 401ks and IRAs are heavily invested in the S&P. Whenever, these stocks pull back, it will probably feel sharp and painful. There is a saying that in bull markets, stocks "take the stairs up and the elevator down" and that's what I'm expecting. But be careful, the timing of a correction is often very difficult to predict.

For this rally to continue, I'd like to see more participation from the cyclical stocks, which are tied to the traditional economy. If they start to perform, then this rally could have further to go, especially if we see an effective vaccine or treatment.

The rapid test from Abbott could be a real game changer for the traditional economy. But watch out for any "sell the news" events. Those who believe in an efficient market would say that public news is already "priced in".

If, or when, the S&P pulls back, look to the 3400 level for support. The way it reacts to that level should give us some information on how sharp of a correction to expect. If the market continues to rise, remember to take some gains in any of your holdings, especially those where you find it difficult to justify a higher valuation.

With the market at all-time highs and ahead of a surely turbulent election season, now is the time to review your investment strategy. If you need to make some changes or if you don't currently have a plan, **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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