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Tech stocks led the selloff last week. The election is likely to be challenged. Dr. Fauci says Covid data is "disturbing."

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The Hot List

↑ HOT

Coronavirus (+1)

Dr. Fauci stated Thursday that the current data on the Covid-19 is "**disturbing (https://www.cnbc.com/2020/09/11/us-coronavirus-data-is-disturbing-dr-fauci-says-in-disputing-trump.html?__source=twitter)**." He disputed President Trump's claim that the U.S. is "rounding the corner." Fauci stated "we're plateauing at around 40,000 cases a day and the deaths are around 1,000."

Astrazeneca announced that it had partly **resumed its coronavirus vaccine trial** (https://www.nytimes.com/2020/09/12/health/astrazeneca-coronavirus-vaccine-trial-resumes.html) after halting it for safety last week.

Mega Cap Tech (-1)

Mega-cap tech stocks led another roller coaster week in equities. After their amazing run coming into September, the top 6 tech companies lost **a combined $1 trillion (https://www.cnbc.com/2020/09/08/six-big-tech-stocks-down-1-trillion-in-three-days.html)** during the 3-day correction.

Election (Unchanged)

Hackers with ties to Russia, China and Iran are targeting people and groups involved in the U.S. election, **according to Microsoft (https://www.bbc.com/news/world-us-canada-54110457)**. They said it was "clear that foreign activity groups have stepped up their efforts." They are targeting both Trump's and Biden's campaigns.

Combined with fears over voter suppression, fraud and confusion over mail-in voting, the election could be contested regardless of the outcome. In that scenario, uncertainty could likely wreak havoc on the stock market.

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

The GOP's "skinny" coronavirus relief bill failed to pass the Senate. Now the White House and Democratic negotiators will have to look for areas of agreement in an attempt to go forward. This **article from CNET (https://www.cnet.com/personal-finance/gops-covid-relief-bill-failed-heres-what-could-happen-next/)** explains what could happen next.

Unemployment (+1)

The unemployment rate **dropped last month (\Users\clint\OneDrive\Desktop\However,%20this%20number%20may%20be%20a%20little%20inflate)** from 10.2% in July to 8.4%. This number may be a little inflated as job growth was buoyed by the hiring of 240,000 census workers, most of whom will be laid off when canvassing ends in late September. While 8.4% unemployment is still very high, this is a nice drop from the 15% peak in April.

China Trade War (-1) (https://www.nytimes.com/reuters/2020/05/01/business/01reuters-health-coronavirus-usa-china.html)

China has taken **aggressive steps (https://nypost.com/2020/09/03/china-asserts-right-to-veto-tech-deals-in-threat-to-tiktok-sale/)** to protect its technology industry. These measures have come in response to moves by the Trump administration toward forcing a sell of TikTok's U.S. business. China added 23 items to a list of technologies that would require Beijing's approval, including algorithms and A.I. that are crucial to TikTok's operations.

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.whitehouse.gov/briefings-statements/building-stronger-america-president-donald-j-trumps-american-infrastructure-initiative/) a look at Trump's infrastructure plan. **Here's (https://joebiden.com/clean-energy/#)** a look at Biden's infrastructure plan.

Last Week

Monday: Labor Day – Markets Closed

Tuesday: S&P 500 fell 95.11 (-2.78%) to 3331.85. Tech stocks lead the continued selloff.

Wednesday: S&P 500 rose 67.23 (+2.02%) to 3399.07. Tech stocks rebound.

Thursday: S&P 500 dropped 59.99 (-1.76%) to 3338.97. Weekly unemployment numbers reported. Tech selloff resumes.

Friday: S&P 500 closed higher by 1.78 (+0.05%) to 3340.97. No major headlines.

Technical Look

The S&P 500 failed to hold the 3400 level last week. This brought it firmly back into the trading range from previous months, 3200 to 3400. To the upside, the bulls will look to regain the 3400 level and make another run at the highs. However, if it fails to recover 3400, the S&P could continue to fall back near 3200, which would be the next major support level.

My Takeaway

Equity markets took investors on a roller coaster ride last week, led by selling in the mega-cap tech stocks. It appears that investors are still struggling to determine the real value in these companies. This kind of price action can often scare short-term speculators out of the markets.

There were no major headlines that led to the selling we experienced last week. It seemed to be based on technical levels. In **last week's hot sheet (https://dreamwork.financial/wp-content/uploads/Investing-Hot-Sheet-9-8-20-_-Dreamwork-Financial-Group.pdf)** I wr "If it breaks below 3400, this would be significant and would probably bring out more se to force it back into the trading range from previous months (3200-3400)." This is what happened as we are firmly back in that trading range. If the market can get back over 3400, then we could see another breakout. Otherwise, it may be tough sledding as conditions will probably be less favorable as we approach the election.

If there is any hope to this rally sustaining, I'd like to see more rotation into the cyclical stocks, which are tied to the traditional economy. If it is strictly unwinding the COVID-19 winners, then this correction could have a good bit more to go.

Currently, the "easy money" policies continue to make it more difficult to determine the fair value of stocks. The stock market could just be getting "inflated" at the expense of the Fed. This can easily happen when you combine low rates, lack of alternatives and added speculators.

Due to these conditions, I'd recommend continue trimming your COVID-19 winners and rotating into cyclicals, which could get a boost as we get closer to reopening. I'd also recommend having exposure to physical assets like timber and precious metals as well as some overseas markets like Japan and India, which lagged much of the U.S. rally.

Just remember all investors have different goals and risk tolerances. What may be right for you, may be different than others. If you need help finding your own personal strategy during these turbulent times, **contact DreamWork Financial Group (https://dreamwork.financial/contact/)** and get your Investing Gameplan™ today.

Until next time,

Clint Kirby

Chief Financial Strategist

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