

Home (<https://dreamwork.financial/>) » Research (<https://dreamwork.financial/category/research/>) » Investing Hot Sheet



Published
September 21, 2020

Tech stocks lead the selloff. Europe is seeing a second wave. A contested election is looking more likely. Is more stimulus on the way?

If you're looking for past Investing Hot Sheets please visit our [Newsletter Archive \(/newsletter-archive/\)](#).

The Hot List

↑
H
O
T

Coronavirus (Unchanged)

Pfizer CEO said it's "likely" (<https://www.bloomberg.com/news/articles/2020-09-13/pfizer-ceo-says-americans-could-get-covid-shot-before-year-end>) the U.S. will deploy a Covid-19 vaccine to the public before year end. He said that is the scenario for which his company is preparing.

Europe is seeing a second wave of infections (<https://www.bbc.com/news/world-europe-54189575>), with 300,000 new cases reported last week. Europe's weekly cases exceeded those reported during the first peak in March. The WHO director, Hans Kluge, said "this should serve as a wake-up call."

Election (+1)

It appears a contested election is becoming a very possible scenario. Hackers are targeting both campaigns. Issues have arisen over post office funding and confusion around mail-in ballots. Combine that with fears of voter suppression, and a contested election is seeming like a very possible outcome. If that were to happen, the uncertainty would wreak havoc

Federal Reserve/ Stimulus (+1) (<https://www.investors.com/news/economy/reserve-meeting-wall-street-expects-yield-curve-control/>)

The Fed held its 2-day September meeting (<https://www.nbcnews.com/business/economy/last-fed-meeting-election-likely-yield-many-questions-few-answers-n1240196>). They held rates steady, near zero, and said it will stay there until the end of 2023 or until inflation rises. They also committed to overshooting the 2% inflation target before they would start to raise rates.

Fed officials also say there is a need for a “fiscal boost” (<https://www.wsj.com/articles/why-fed-officials-keep-calling-for-fiscal-boost-what-to-expect-from-fed-meeting-11600088956>) from Congress to help fight unemployment. While Congress is at an impasse over more stimulus, a bipartisan caucus called the “problem solvers” has put together a \$2 trillion proposal (<https://www.axios.com/problem-solvers-caucus-coronavirus-bill-ab2a287e-33d2-4d69-97ef-f0d00611aa52.html>).

Mega Cap Tech (-2)

Apple has given back \$500B from its peak during tech sell off. That “froth” coming off their stock price, following the split announcement, could be a healthy sign for the markets.

China Trade War (+1) (<https://www.nytimes.com/reuters/2020/09/18/health-coronavirus-usa-china.html>)

President Trump said he is approving the Oracle-TikTok deal (<https://www.npr.org/2020/09/20/914032065/tiktok-ban-averted-trump-gives-oracle-walmart-deal-his-blessing>) deal. After originally saying the app would be banned without an outright acquisition, he has now pulled a 180 and approved a partnership deal.

However, another app in his crosshairs, WeChat, is said to be “dead” (<https://www.npr.org/2020/09/18/914519515/the-u-s-to-limit-access-to-tiktok-and-wechat-on-sunday>) in the U.S.

Unemployment (Unchanged)

The U.S. economy added 1.4 million jobs (<https://www.cnn.com/2020/09/04/economy/jobs-report-august-2020/index.html>) in August. This level marks a slowdown from earlier this summer. The economy is slowly recovering but is still down 11.5 million jobs since February.

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: S&P 500 rose 42.57 (+1.27%) to 3383.54. Deal activity picked up.

Tuesday: S&P 500 closed up 17.66 (+0.52%) to 3401.20. The Fed's 2-day meeting kicked off.

Wednesday: S&P 500 dropped 15.49 (-0.46%) to 3385.71. The Fed leaves interest rates steady.

Thursday: S&P 500 down 28.45 (0.84%) to 3357.04. Weekly unemployment report was announced. Tech stocks lead selloff.

Friday: S&P 500 down 37.54 (-1.12%) to 3319.47. Tech selloff escalated.

Technical Look



The S&P 500 couldn't retake the 3400 level last week and remains back in the trading range from previous months. The 50-day average has become very significant in the short-term. It has played both support and resistance recently. Look to the 50-day as a short-term barometer for the direction the index could be heading next.

My Takeaway

The selling in the market continued last week, as investors continued to rotate out of the mega-cap tech stocks. Cyclical areas, like basic materials and financials, are outperforming the market as we get closer to full reopening. This new strength in cyclicals is healthy and exactly what I was hoping to see from the stock market.

All signs are pointing to vaccine availability by next spring, which gives investors a light at the end of the tunnel. However, the election is between now and then, which will surely bring some volatility. This setup leads me to favor the value names, specifically those related to infrastructure. With the Fed calling for a "fiscal boost" and high unemployment, look for infrastructure stocks to start gaining steam.

From a technical standpoint, keep your eye on the 50-day moving average on the S&P 500. If we break above it, I'd expect the index to make another run at 3400. However, if it stays below the 50-day, I'd expect the S&P to drop back to 3300 and perhaps as low as 3200.

With the Fed announcing that they were going to keep rates near zero until end of 2023 and planning to overshoot their 2% inflation target, I'd continue adding physical assets like precious metals and timber.

Just remember, investors have different goals and risk tolerances. What may be right for you, may not work for others. If you need help finding your own personal strategy during these turbulent times, contact DreamWork Financial Group (<https://dreamwork.financial/contact/>) and let us develop your Investing Gameplan™ today.

Until next time,

Clint Kirby

Chief Financial Strategist

Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.

fi · du · ci · ar · y

A fiduciary is someone who holds a legal or ethical relationship of trust with one or more



DreamWork
FINANCIAL GROUP

IS A FEE-ONLY FIDUCIARY

Learn More [./research/fiduciary-101-what-you-need-to-know/](/research/fiduciary-101-what-you-need-to-know/)