

*Delta Investment Management is a registered investment advisory firm. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new turnkey asset management solution.*

*Delta manages portfolios at TD Ameritrade and Schwab.*

*Please contact Delta at [info@deltaim.com](mailto:info@deltaim.com) or 415-249-6337 to learn more.*

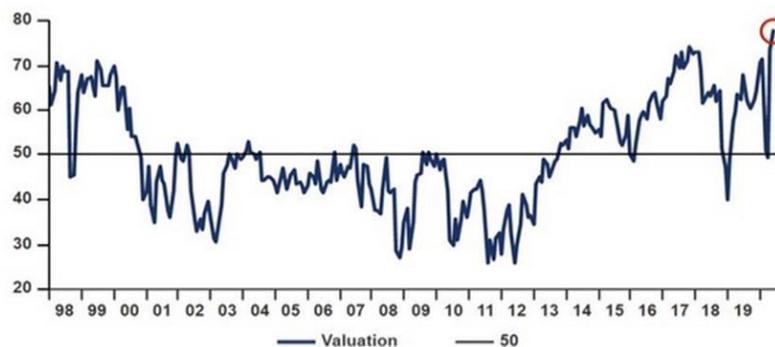
June 19, 2020

## Surprising Strength

“You can fool all the people some of the time and some of the people all the time, but you cannot fool all the people all the time” - Abraham Lincoln.

According to a Bank of America survey of professional money managers, a record percentage of the surveyed managers (~75%) believe the stock market is overvalued.

### **% Professional Money Managers Think Stock Market is Overvalued**



Source: BofA Global Fund Manager Survey, Bloomberg

The American Association of Individual Investors (AAII) survey this week shows 48% of surveyed individual investors are bearish and only 24% are bullish. The 24% bullish is down from 34% a week ago and near record lows.

Consensus earnings expectations for 2020 declined by 30% yet the S&P 500 is within a few percentage points of breakeven performance year-to-date. The outlook for 2021 is for earnings to recover to where they were in 2019. Although many investors believed the stock market would recover from the COVID-19 shutdown, few believed it would climb roughly 40% and back to flat on the year in two and a half months.

## S&P 500 YTD



If we withhold judgement based on apparent price/earnings valuation, the stock market looks bullish. Rather than rolling over this past week, the S&P 500 has been consolidating above its 200-day moving average. The 50-day moving average is approaching the 200-day in what may become a positive technical crossover.

Professional and individual Investor sentiment is very bearish. The AII survey is often used as an inverse indicator at extremes.

The Delta Market Sentiment Indicator (MSI), which tracks roughly 1,800 stocks equally weighted, is bullish at 88.8% this week. This is a strong momentum indicator that shows a broad advance.

Between the Federal Reserve and Congress, nearly \$6 trillion of stimulus has been injected into main street and the markets. Corporations have raised roughly an additional \$1 trillion in corporate debt. Money flows to its highest return use.

If we view the S&P 500 based on forward 12-month earnings yield, stocks look attractive relative to bonds. The S&P 500 forward 12-month earnings yield is 5.3% versus the 10-year treasury yield of roughly 0.7%.

Fundamentally, the economic news is generally extremely weak and may become worse. But in many cases, the statistics are better-than-expected. Retail sales increased by 17.7% in May versus a consensus estimate of up 9%. Ex-gasoline, they were up 18%.

## U.S. Retail Sales



After experiencing the two worst declines in the Leading Economic Index on record in March and April (double 2008 low readings), May was reported up 2.8% and was the largest monthly increase dating back to 1959. As the economy reopens further, the stock market is anticipating continued better-than-expected news. The market appears to be fooling most of the people at this time. We will have to wait and see what happens over time.

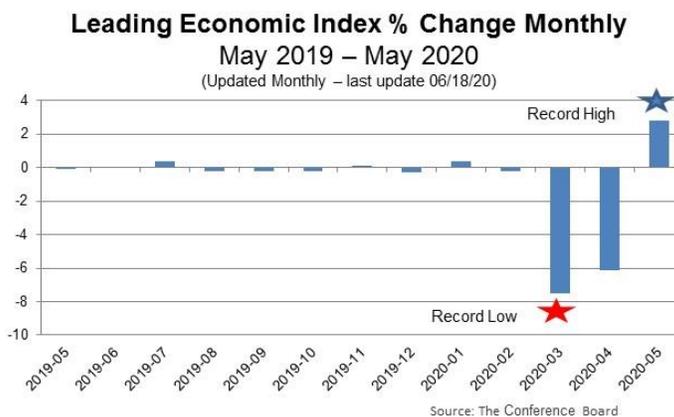
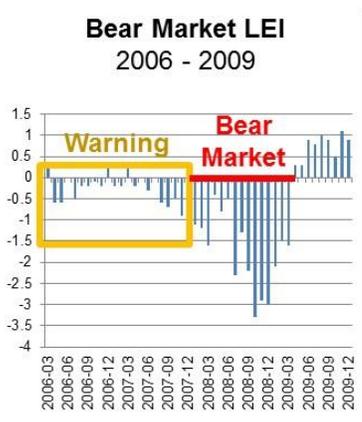
### Give Us a Call Today

We have unique and sophisticated investment methods that seek to capture the stock market's gains while minimizing drawdowns in bear markets. If you would like to learn more about how we manage money, we invite you to give us a call at **(415) 249-6337**, visit [www.deltaim.com](http://www.deltaim.com) or email us at [info@deltaim.com](mailto:info@deltaim.com).



*"Thanks for almost everything, Dad."*

# Delta Stock Market Dashboard



MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

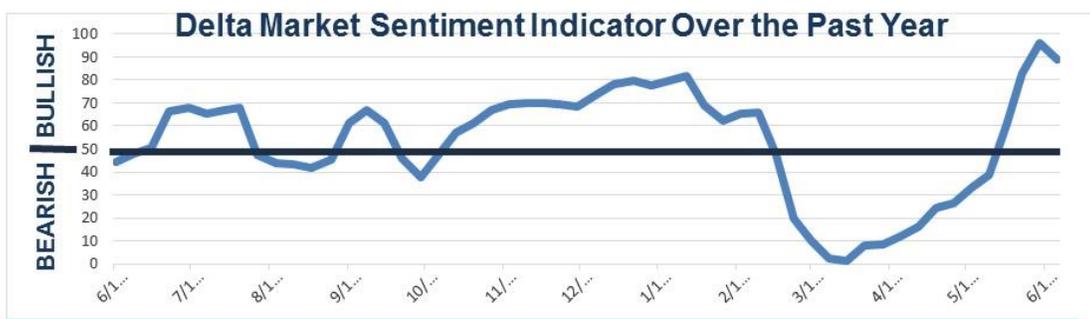
**88.8**

Our technical indicator decreased  
from 96.2 to 88.8 this week

## INDICATOR STATISTICS

Consecutive Bullish Weeks:	4
Cycle Inception Date:	5/28/2020
Range:	60.9 – 96.2
Mean:	88.2
Bullish Weeks YTD:	12
Bearish Weeks YTD:	13
*S&P 500	2.6%
*DJIA	2.3%
*NASDAQ	5.3%

\* Percentage change during current cycle



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