

*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.*

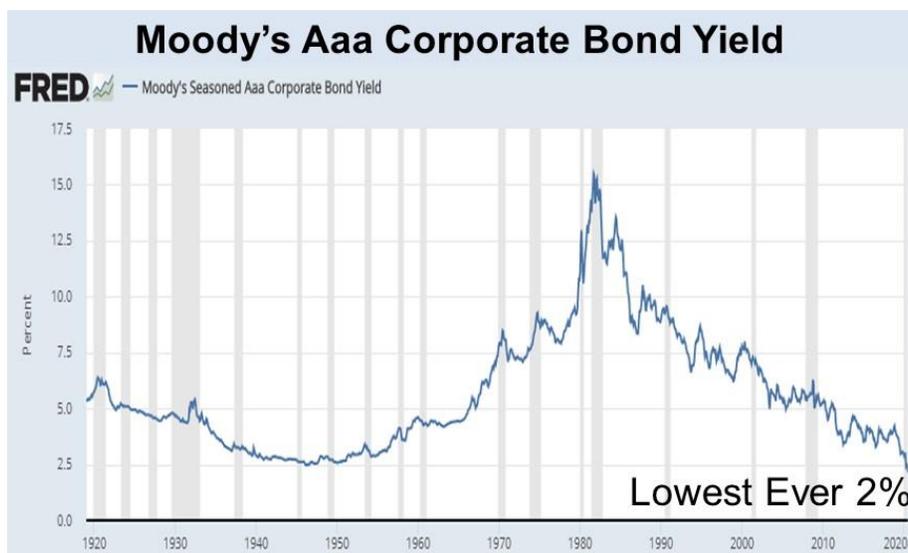
August 14, 2020

## Interest versus Dividend

When is the best time to plant a tree? Many years ago. When is the second-best time to plant a tree? Now. The same goes for investing. The best time to invest was a long time ago. Given the best option may no longer be available, the second-best time is now. Like a tree, investments generally grow over time.

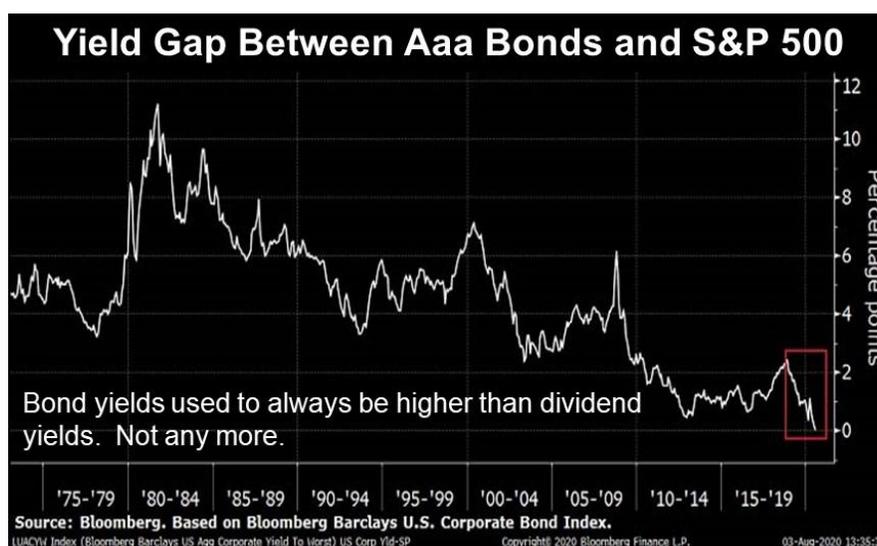
Because the stock market historically has trended higher, company dividend payouts have offered less yield than interest payments from corporate debt. Fixed income returns interest and principal, not principal appreciation when held to term. Successful long stock investments offer dividend income and capital appreciation.

Corporate interest rates have collapsed. The Moody's Aaa rated bond index is offering about a 2% yield, the lowest in history. Johnson & Johnson (JNJ) debt recently traded at a negative interest rate. Corporate debt yields have compressed partly because the Federal Reserve is providing a backstop for corporate bond liquidity – the Fed is a buyer of corporate bonds.



JNJ has a better credit rating than the U.S. federal government and offers investors a 2.75% dividend yield versus the 10-year treasury yield of about 0.7%. Over the past ten years, JNJ stock appreciated by about 245% versus the S&P advance of 278%. Over the past 20 years, JNJ is up 407% versus the S&P 500 up 235%. Given the higher dividend yield and the long-term history of appreciation, it is not hard to see why many stocks look attractive relative to similarly rated fixed income securities.

The forward twelve-month yield on the S&P 500 is roughly 2%. This is in line with the Moody's Aaa rated corporate bond index.



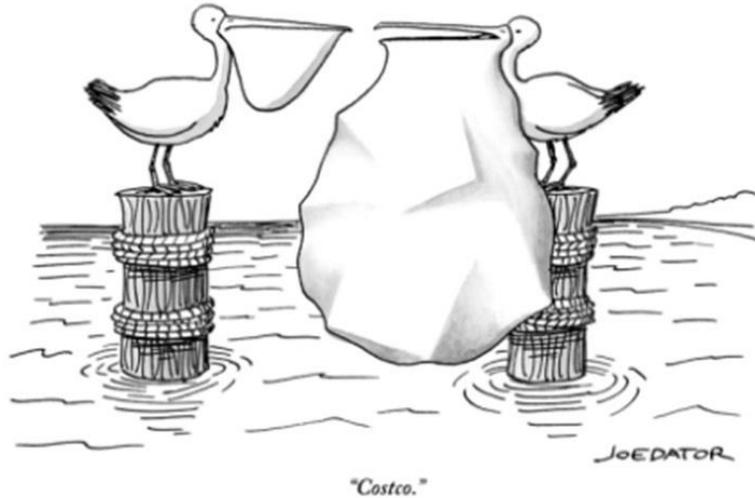
The Moody's Baa corporate bond yield is also at its all-time low of 3.2%. The Baa rating is more typical of many of the companies in the S&P 500 as it is investment grade but only one level above non-investment grade. There are many large-capitalization, high quality companies with dividends at 3% or above. The Vanguard high dividend yield ETF (VYM) has a yield of roughly 3.6%.

The combination of all-time low interest rates and record amounts of monetary and fiscal stimulus is helping lift the equity markets. Looking forward from today, the current trajectory for the economy is up. The Federal Reserve Atlanta office is projecting third quarter GDP growth of 20.5%. The consensus estimates for U.S. GDP growth in 2021 is 3.9% but there are estimates as high as 6.2%. Record liquidity plus record low interest rates plus a recovering economy equals a bullish stock market for now.

### 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).



## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

**80.1**

Our technical indicator increased from 76.0 to 80.1 this week

### INDICATOR STATISTICS

Consecutive Bullish Weeks:	12
Cycle Inception Date:	5/28/2020
Range:	60.9 – 96.2
Mean:	81.3
Bullish Weeks YTD:	20
Bearish Weeks YTD:	13
*S&P 500	11.3%
*DJIA	9.8%
*NASDAQ	17.4%

\* Percentage change during current cycle



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