

*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 or 415-249-6337 to learn more.*

March 19, 2021

Who's in Charge?

Not former Supreme Allied Commander Europe, White House Chief of Staff Alexander Haig. In 1981, following the assassination attempt on Ronald Reagan, AI declared "I am in control here." Just as it was in 1981, he is still not in charge today.

Anxiety is not controlling the stock market currently either. The CBOE volatility index (VIX), a measure of investor anxiety/uncertainty, closed below 20 this week for the first time since February 21, 2020. The VIX has fallen to pre-Covid crisis levels. Investors collectively appear confident that the economy is on track to full normalization and Covid is no longer a disruptive force of unknown magnitude.

CBOE Volatility Index (VIX)



What does appear to be in control of stock market price behavior lately is the steadily rising 10-year US treasury rate. As the 10-year rate rises, stock P/E multiples compress, especially in the high-multiple NASDAQ 100 index.

10-Yr Treasury Rate vs. NASDAQ 100 YTD



Stock price corrections can happen by stocks trading sideways through time rather than down. In a growing economy, earnings for most companies rise as time passes. With earnings rising through time and the stock price remaining flat, the Price/Earnings multiple is shrinking/"correcting." This week, the Federal Reserve formally increased their US GDP forecast from a range of 3.7%-5% growth to 5.8%-6.6% growth. The economy is growing at an accelerating rate. Yet, many of the fast-growing, large technology stocks have traded flat for the past six months.

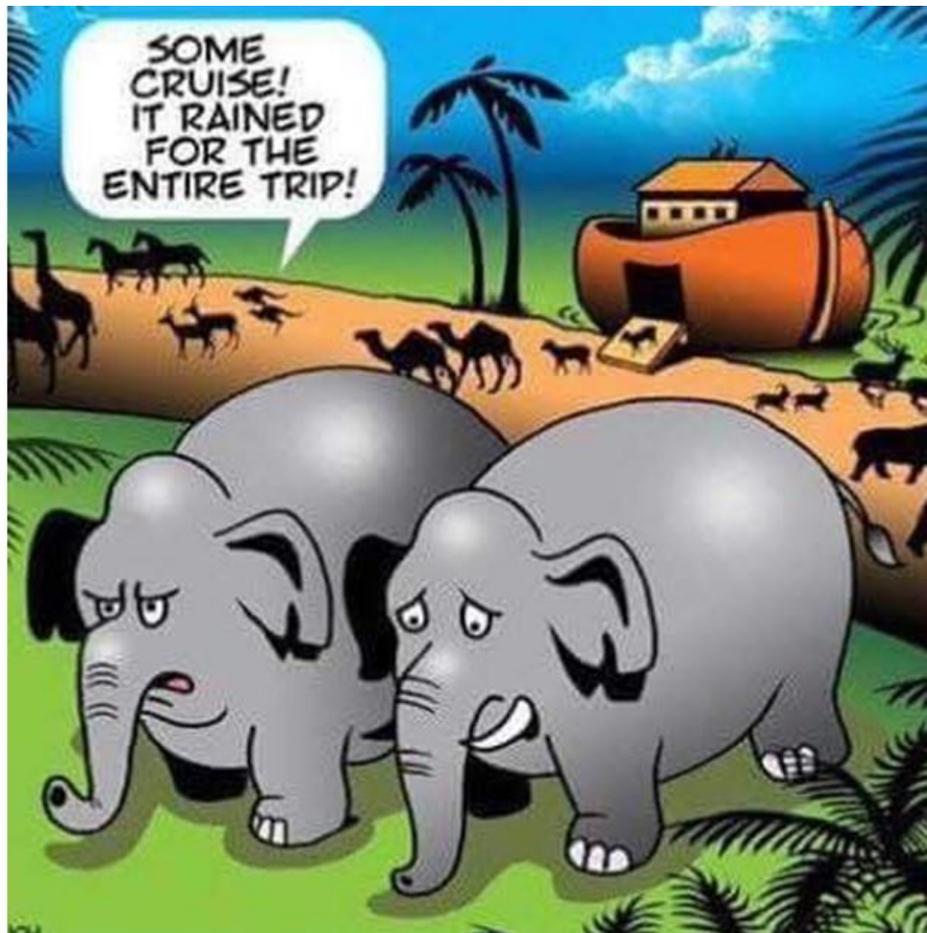
Sideways Price Action FB, AMZN, NFLX 6 Mths



Many high multiple stocks are experiencing multiple compression, but not major price depreciation. Higher earnings estimates are being discounted with rising discount rates. In a non-recessionary, expansion environment, P/E multiples eventually compress sufficiently to allow for a resumption of upward stock price movement over time. A stair-step progression higher is typical of many bull markets.

Let Us Help You Position Your Portfolio – 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 or email us at info@deltaim.com.



Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

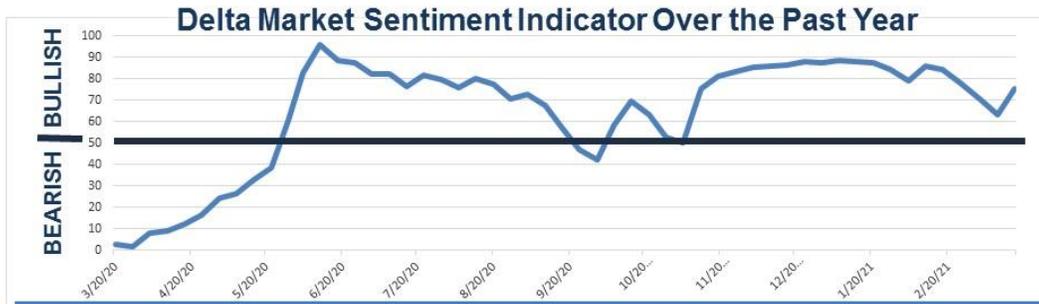
75.4

Our technical indicator increased from 63.3 to 75.4 this week

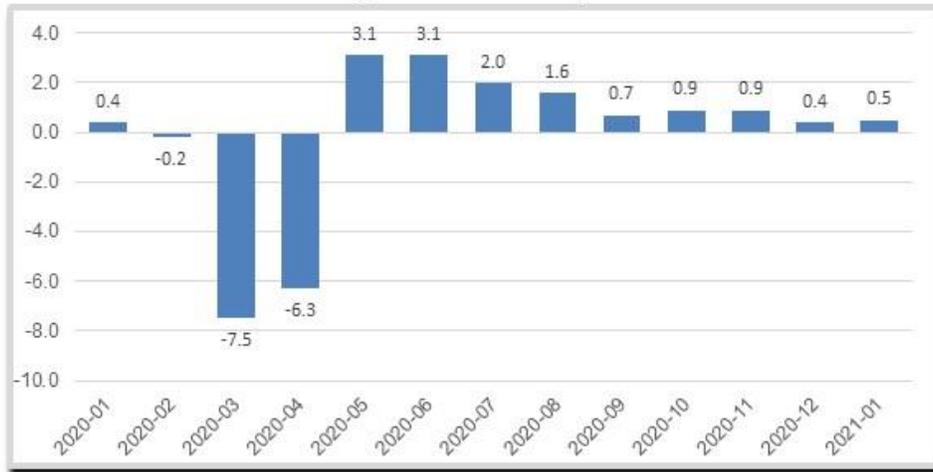
INDICATOR STATISTICS

Consecutive Bullish Weeks:	24
Cycle Inception Date:	10/8/2020
Range:	58.6 – 88.6
Mean:	77.2
Bullish Weeks YTD:	11
Bearish Weeks YTD:	0
*S&P 500	14.5%
*DJIA	16.8%
*NASDAQ	16.8%

* Percentage change during current cycle



Leading Economic Index % Change Monthly January 2020 – January 2021



Source: The Conference Board, updated monthly – last update 02/22/2021

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