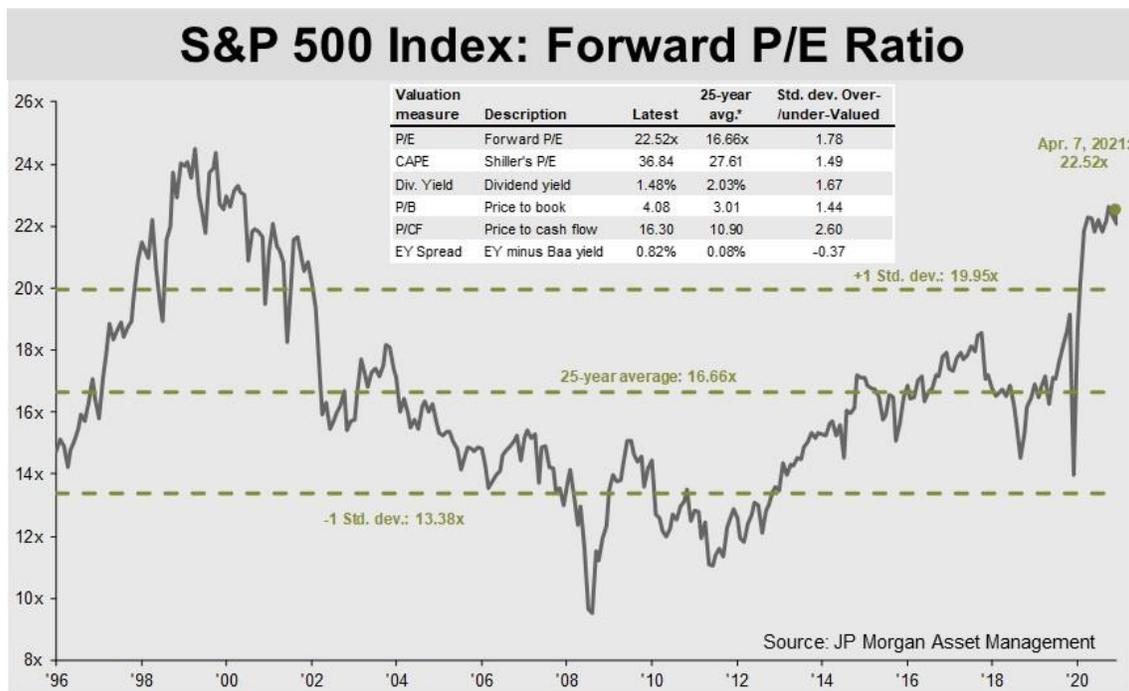


*Delta Investment Management is a registered investment advisory firm. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new turnkey asset management solution.  
Delta manages portfolios at TD Ameritrade and Schwab.  
Please contact Delta at info@deltaim.com or 415-249-6337 to learn more.*

April 9, 2021

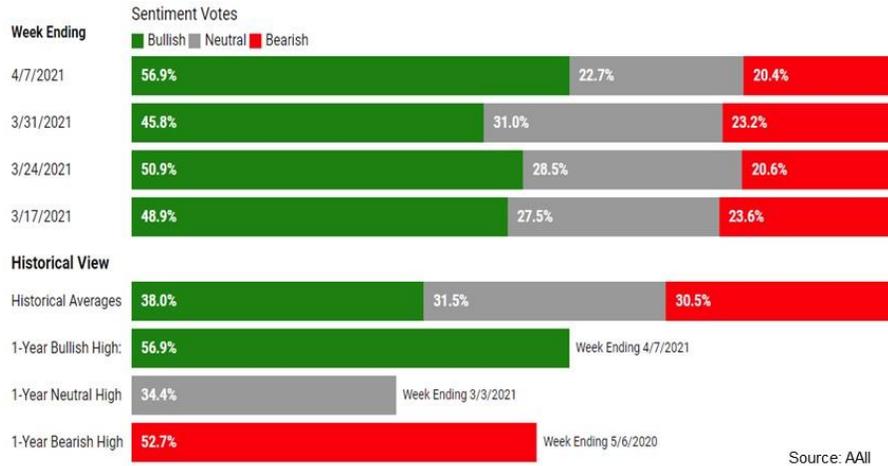
**Bullish Spirits**

The S&P 500 reached new all-time highs this week. This achievement required valuation metrics to stretch even further. The S&P 500 12-month forward P/E ratio is 22.5x today versus the 25-year average of 16.7x.



Rising bullish sentiment helps lift valuations. According to the American Association of Individual Investors (AAII), bullish sentiment is at a 52-week high with 56.9% of survey respondents indicating a bullish outlook on the stock market.

## AAII Sentiment Poll Results



Interestingly, the low bullish sentiment reading in 2020 was in July at 20% -- lower than the March/April readings of 2020. Last July, there was a Covid surge and it was unclear when a vaccine would become available. Many parts of the world increased economic restrictions.

Today, especially in the United States, the economy is reopening and Covid seems to be under control. Even in Texas which fully reopened a month ago, the CDC is reporting a steady decline in hospitalization rates. California has announced a likely full economic reopening in June.

The combination of Covid abatement, huge fiscal stimulus with easy, easy Federal Reserve monetary policy certainly supports strong bullish sentiment. The most obvious threat to this bullish story is the possibility inflation and interest rates run too far too fast and place downward pressure on valuation. What helped equities accelerate to the upside this week was the 7% decline in the 10-year US treasury rate from a high of about 1.76% to 1.63% which suggests low inflation may persist.

Interest rates are an important element of equity valuation. Baa rated corporate bond yields are often used to provide a measure of where the P/E ratio of the S&P 500 could be. The logic of this is a “yield” equates to earnings (E) divided by price (P), E/P. If we invert yield, we obtain a P/E. The Baa bond rating suggests a “medium-grade” rating; in other words, typical of the companies that make up the S&P 500 index.

The current Baa bond yield is 3.64%. If interest rates remain at about current levels, we could see further S&P 500 P/E expansion. The inverted Baa bond yield implies a 27x P/E multiple for the S&P 500. The forward 12-month earnings estimate for the S&P 500 is \$184.24. At a 27x P/E, we may be on the path to S&P 500 5,000.

## 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](http://www.deltaim.com) or email us at [info@deltaim.com](mailto:info@deltaim.com).



*"I thought I'd never laugh again.  
Then I saw your jacket."*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

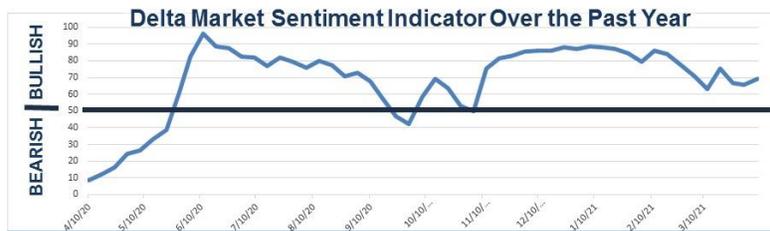
**69.4**

Our technical indicator increased  
from 65.8 to 69.4 this week

### INDICATOR STATISTICS

Consecutive Bullish Weeks:	27
Cycle Inception Date:	10/8/2020
Range:	58.6 – 88.6
Mean:	76.1
Bullish Weeks YTD:	14
Bearish Weeks YTD:	0
*S&P 500	18.6%
*DJIA	17.6%
*NASDAQ	20.7%

\* Percentage change during current cycle



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