

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.

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May 7, 2021

Peak Growth?

Apple, Microsoft, Amazon and Google represent 19% of the S&P 500 and 37% of the NASDAQ 100. From April 27 through April 29, these four companies all reported significant upside to both revenues and earnings. Google's (Alphabet) revenues were up 34% y/y and the company authorized \$50 billion in stock buybacks. Microsoft's revenues were up 19% y/y. Apple's revenues were up 54% year/year and the company authorized \$90 billion in share buybacks. Amazon's revenues were up 44% y/y.

Since April 29, the S&P 500 and NASDAQ 100 have traded lower.

S&P 500 and NASDAQ 100



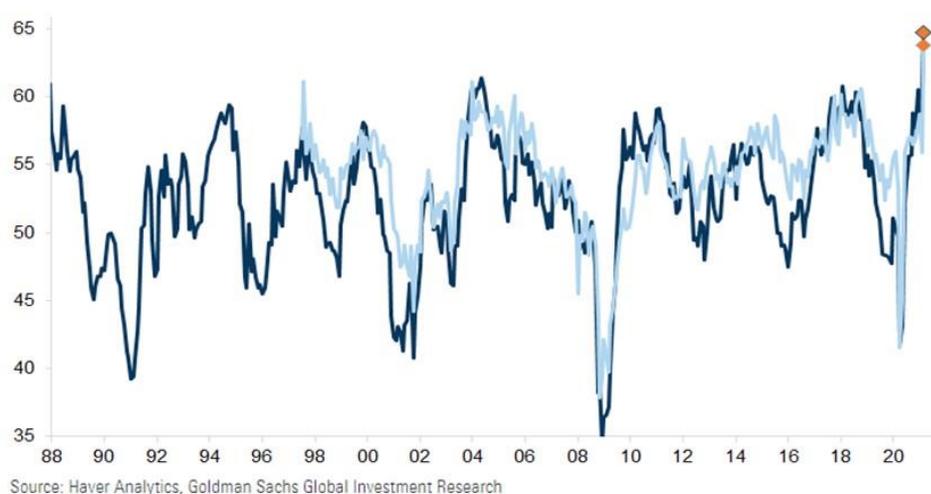
Lower prices on higher earnings equates to Price/Earnings (P/E) multiple compression. Investors may be wondering if the positive rate of change in earnings can get any better. Although earnings are likely to continue to grow, the rate of growth may slow. Slower earnings growth is usually rewarded with a lower P/E multiple.

Personal income surged 21.1% month-over-month and personal spending rose 4.2% in March. Wages and salaries were up 1.1% month-over-month, yet the clear driver was personal current transfer receipts (government stimulus checks), which were up 95.1%. Those receipts helped drive up the personal savings rate to 27.6% from 13.9% in February.

As the Covid crisis subsides, we can be assured that government transfer payments will also subside. Because so much personal wealth is being driven by temporary government transfer payments, it adds to the consternation that we are seeing peak growth.

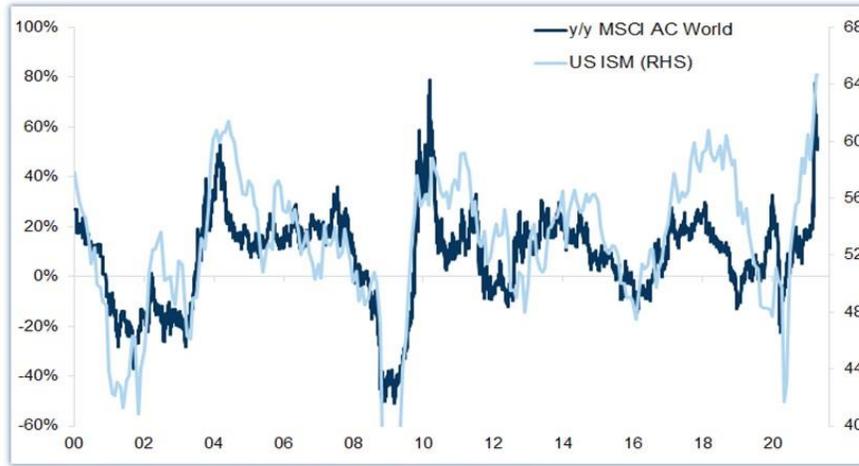
The US manufacturing and services ISM measures are the highest they have been since 1983. When looking at the chart, it does appear we are likely closer to a top than a bottom.

ISM Highest Level Since 1983



Goldman Sachs Investment Research points out that there is a positive correlation between global equity values and the U.S. ISM index. The implication is that global equity values may also be at a near-term top.

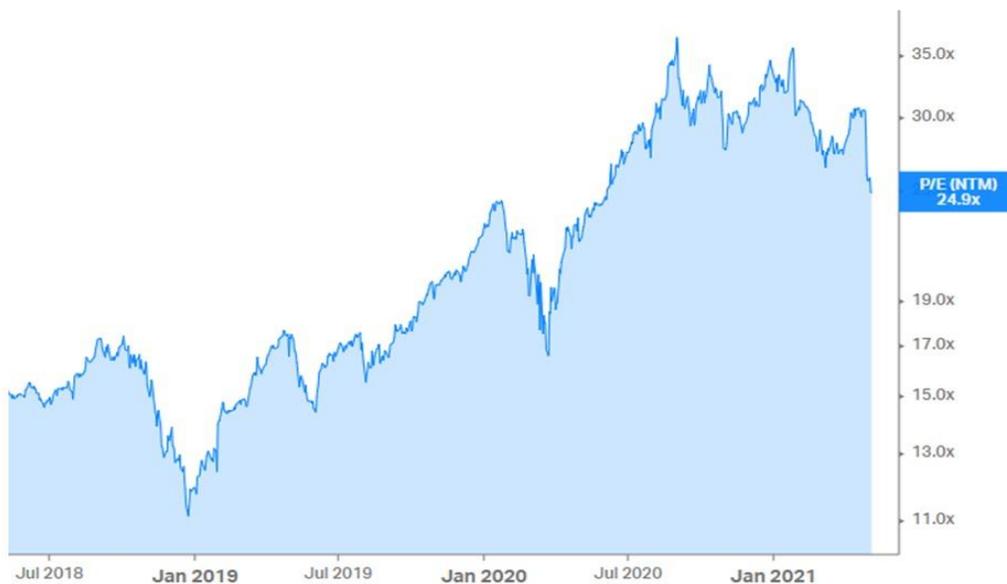
Global Equity vs. U.S. ISM



The 10-year treasury rate at about 1.56% seems to confirm the idea that recent, extraordinary growth rates are unlikely to persist.

The stock market moves fast. Apple reached a peak P/E of 37 last September and is now at about a 25 P/E. Since Apple's P/E has fallen 32%, Apple stock is down just 2%. Stocks do not necessarily need to decline to cause P/E contraction as long as there is earnings growth. Bull markets tend to stair-step higher and we may enter a period of tread rather than riser. At some point, the bull is likely to leg higher.

Apple Price/Earnings (P/E) Ratio May 2018 – May 2021



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.



"Happy Mother's Day Mom. And ditto for Thanksgiving and Christmas."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

69.4

Our technical indicator decreased from 72.2 to 69.4 this week

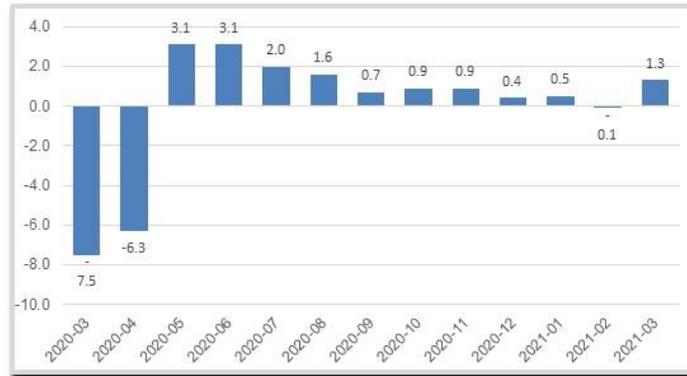
INDICATOR STATISTICS

Consecutive Bullish Weeks:	31
Cycle Inception Date:	10/8/2020
Range:	58.6 – 88.6
Mean:	75.5
Bullish Weeks YTD:	18
Bearish Weeks YTD:	0
*S&P 500	21.3%
*DJIA	21.0%
*NASDAQ	18.9%

* Percentage change during current cycle



Leading Economic Index % Change Monthly March 2020 – March 2021



Source: The Conference Board – last update 04/22/2021

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