

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.

May 14, 2021

Faster and Faster

During the Covid recession of 2020, the S&P 500 declined by about 34% in three weeks. Five months later in August 2020, it had returned to its February 2020 high. Over the next eleven months, the S&P 500 climbed another 25% higher.

The market moves fast. Significant drawdowns can swiftly strike the market. Recovery can also happen surprising fast as long as the economy is not headed for a recession.

Below is a chart showing the number of declines in the S&P 500 by percent decline, length of the decline and length of the stock price recovery from 1950 through today.

S&P 500 Drawdowns: 1950 – 5/13/2021

Decline %	Number	Avg. Length of Decline in Months	Avg. Time To Recovery in Months
5-10	43	1	1
10-20	14	3	2
20-30	4	9	6
30-40	3	5	11
40+	3	16	41

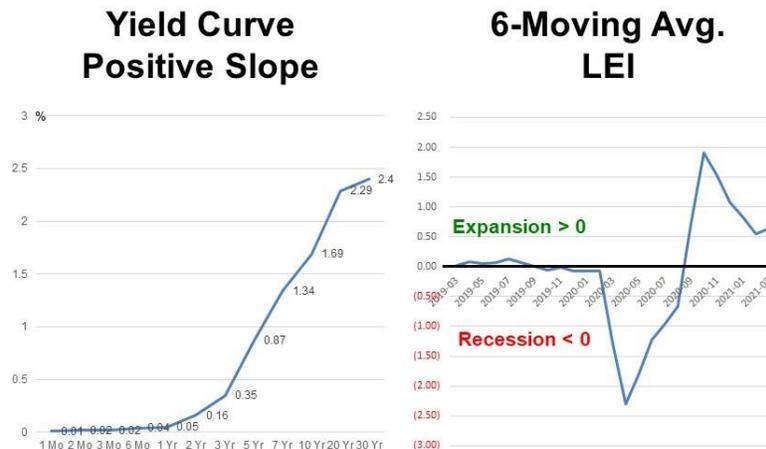
Since 1950, the S&P 500 has suffered 43 pullbacks of 5-10%. In terms of time to recovery, 5-10% fluctuations in the market are relatively inconsequential as the average time to recovery is one month.

Assuming we view stock market investing as a multi-year endeavor, the only line in the chart above that is concerning are the three instances of 40+% drawdowns when the decline and the recovery totaled almost five years.

These three cases of 40+% declines were 1973/74, 2000/02 and 2008/09. All three were associated with major recessions. Since World War 2, we have not experienced a major, multi-year bear market without the occurrence of a recession.

When the stock market begins to pull back, one of the first questions an investor may want to ask is are we headed for a recession. Again, without a recession, downside market volatility is relatively brief.

Two of the most robust predictors of the recession are the U.S. treasury yield curve and the Leading Economic Index (LEI). When the yield curve is inverted and when the six-month moving average of the LEI is negative, it is likely a recession is on the horizon. Otherwise, the coast should be clear. Today, the yield curve and LEI indicate the probability of recession in the next six months is low.



Stock price volatility can cause investors to make emotional buy/sell decisions. Given the speed at which the stock market can move, it helps to use robust, time-tested measures to help remove the emotional component of stock market investing in the heat of the moment.

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.



"If anyone wants me, I'll be in the garden with my English spading fork."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

62.0

Our technical indicator decreased
from 69.4 to 62.0 this week

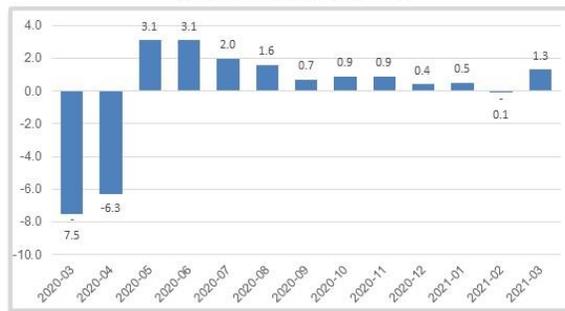
INDICATOR STATISTICS

Consecutive Bullish Weeks:	32
Cycle Inception Date:	10/8/2020
Range:	58.6 – 88.6
Mean:	75.1
Bullish Weeks YTD:	19
Bearish Weeks YTD:	0
*S&P 500	19.6%
*DJIA	20.0%
*NASDAQ	15.2%

* 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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