

*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.*

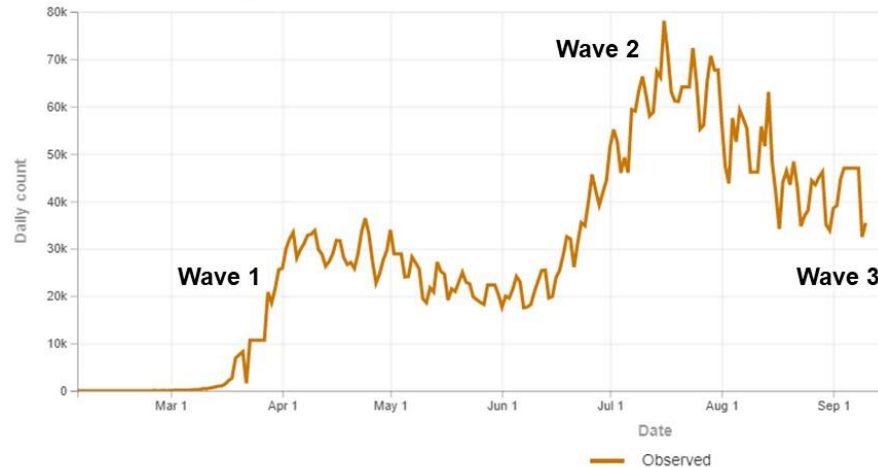
*Please contact Delta at [info@deltaim.com](mailto:info@deltaim.com) or 415-249-6337 to learn more.*

September 25, 2020

### **Covid-19, Market Wave 3**

The Covid crisis is impacting the stock market in waves. Wave 1 struck in March with a mandated global economic shutdown and 35% market collapse. Wave 2 arrived mid-summer with a significant rise in confirmed cases and renewed business closures. Between the June 8 high and June 15 low, the S&P 500 lost about 8% of its value. Despite a brief pullback in June, the S&P 500 quickly looked through the case spike partly because the number of deaths remained low, expectations of additional federal stimulus, record low interest rates and further economic reopening later in the year.

#### **Daily Covid-19 Infections U.S.**



Wave 3 began in September. Wave 3 is less about new Covid cases and more about downward adjustments to investor expectations.

- No new stimulus bill (HEALS or Heroes Acts) passed since the CARES Act
- Many schools across the country did not open in-classroom education this fall
- Many businesses remain closed or are operating in a restricted manner
- Early, optimistic vaccine availability estimates were pushed out from the fall 2020 to late spring 2021

Essentially, actual Covid management and economic recovery is falling short of high expectations from just a few months ago. The S&P 500 has corrected by a little over 10% from its recent all-time high achieved on September 2. On average over the past 30 years, September has been the worst month for the S&P 500 with an average decline of 0.32%.

2020 has been filled with uncertainty. In March, the CBOE Volatility Index (VIX) reached 85. This week, it has been near 30. Since March, it has not traded below 20. By contrast, the VIX was typically below 20 averaging 15 from 2012 through 2019. Despite elevated uncertainty, the stock market touched all-time new highs September 2.

The safety net to the stock market continues to be very low interest rates. Uncertainty places downward pressure on stock prices. What is offsetting elevated uncertainty are all-time low interest rates which are projected to stay low for the next several years. The 10-year U.S. treasury offers 0.67% yield per year. For example, Apple, which is roughly up 100% from the March low, offers a 3% yield currently. Apple may appreciate over the next ten years while the 10-year treasury will not if held to term. Although Apple is substantially more expensive than it was six months ago, it is relatively inexpensive in a low interest rate investment environment.

The news flow remains unpredictable and volatility is elevated. In the intermediate term, the stock market has become weaker technically and risk is elevated. The Delta Market Sentiment Indicator (MSI), an intermediate-term stock price indicator, turned bearish this week. Over a longer period of time, we should expect to see a winding down of the Covid-19 crisis and a resumption of more normal business cycles.

### **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 told him if he watched too much football, that would happen."

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BEARISH**

THIS WEEK'S NUMBER IS

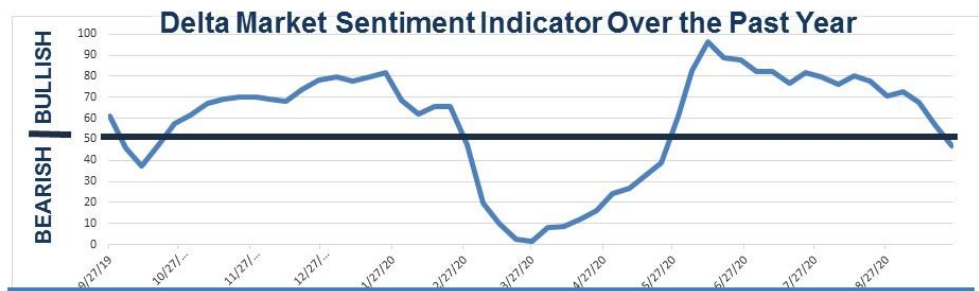
**46.8**

Our technical indicator decreased  
from 57.2 to 46.8 this week

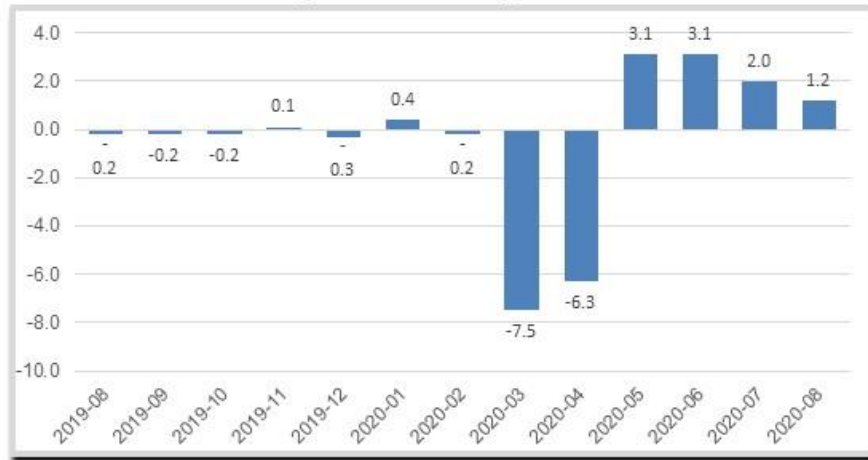
### INDICATOR STATISTICS

|                            |           |
|----------------------------|-----------|
| Consecutive Bearish Weeks: | 1         |
| Cycle Inception Date:      | 9/25/2020 |
| Range:                     | 46.8      |
| Mean:                      | 46.8      |
| Bullish Weeks YTD:         | 25        |
| Bearish Weeks YTD:         | 14        |
| *S&P 500                   | NA%       |
| *DJIA                      | NA%       |
| *NASDAQ                    | NA%       |

\* Percentage change during current cycle



## Leading Economic Index % Change Monthly August 2019 – August 2020



Source: The Conference Board, updated monthly – last update 8/20/2020

Pursuant to the provisions of Rule 206(4)-1 of the Investment Advisors Act of 1940, we advise all readers to recognize that they should not assume that recommendations made in the future will be profitable or will equal the performance of past recommendations. This publication is not a solicitation to buy or offer to sell any of the securities listed or reviewed herein. The contents of this letter have been compiled from original and published sources believed to be reliable, but are not guaranteed as to accuracy or completeness. Nicholas Atkeson and Andrew Houghton are also principals of Delta Investment Management, a registered investment advisor. Clients of Delta Investment Management and individuals associated with Delta Wealth Adviser may have positions in and may from time to time make purchases or sales of securities mentioned herein.

THIS NEWSLETTER IS PROTECTED BY COPYRIGHT LAW. UNAUTHORIZED DISTRIBUTION AND/OR REPRODUCTION BY PHOTOCOPY OR ANY OTHER MEANS IS STRICTLY PROHIBITED AND PUNISHABLE BY A FINE OF UP TO \$25,000.