

*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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October 2, 2020

## **The Fourth Quarter**

On September 30, the last day of the third quarter, the S&P 500 index closed at 3,363 and is +5.5% YTD. Given that 837,000 people filed initial unemployment claims this week and 11.7 million people are receiving continuing unemployment claims, the S&P 500 is performing surprisingly well.

Much of the hospitality, leisure and travel industries remain closed or are operating at reduced levels. Office buildings in major cities remain mostly unoccupied (in mid-town NYC, 10% of offices are occupied). A fresh round of stimulus talks appears to have stalled 32 days prior to the November 3 presidential election. We are at the start of October and have not heard results on phase 3 vaccine trials being run by Moderna, AstraZeneca, Johnson & Johnson, Pfizer or any other potential vaccine maker.

We do have college and NFL football. As we have seen in football, a lot can happen in the fourth quarter. Roughly three years ago, the New England Patriots recovered from an 18-point deficit (21-3) against the Atlanta Falcons in the largest comeback in Super Bowl history. The Patriots scored 19 unanswered points in the fourth quarter.

2020 is characterized with high uncertainty and rapid change. COVID-19 caused unemployment to go from the lowest on record to the highest on record in a matter of months. The 10-year U.S. treasury rate began the year at about 1.9% and is now at 0.7%, bouncing along at historic low levels.

Four primary factors that have helped support equity values year-to-date are:

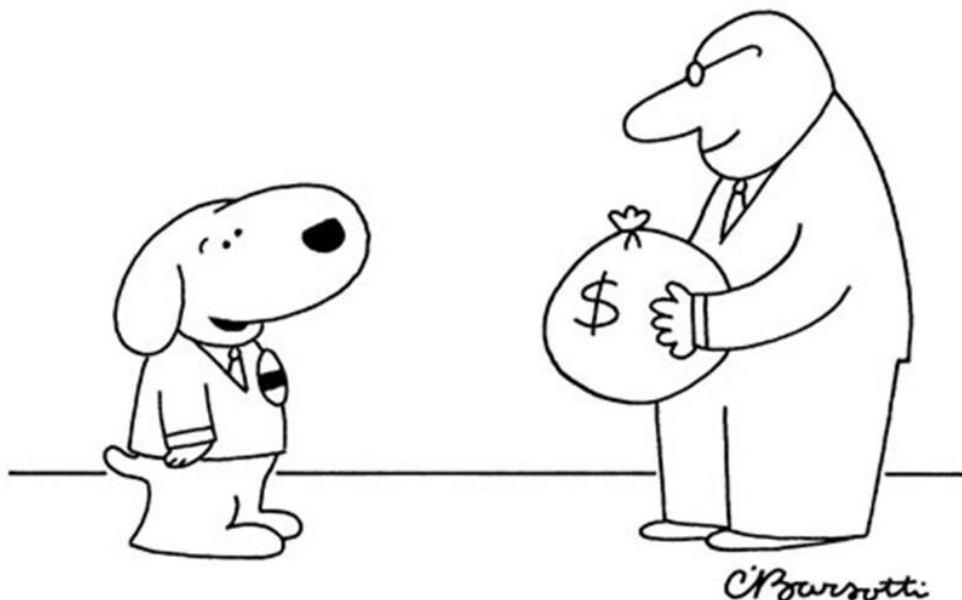
1. Record low interest rates
2. Record amounts of monetary and fiscal stimulus and capital markets support
3. The bulk of market index weightings being in technology stocks that perform well in a virtual economy
4. Hopes for a vaccine and eventual complete reopening of the economy sometime in 2021

During this fourth quarter, vaccine hopes are likely to be confronted with reality, good or bad. How the economy moves forward will also be guided by the presidential election results. We will see if the dollar regains some of its relative strength and if inflation begins to pick-up. Because of the importance and uncertainty of these fourth quarter events, we should expect the stock market to be volatile.

The potential comeback winners of the stock market fourth quarter this year are the cyclical stocks that have been set way back by COVID-19. These primarily include energy and financials, the two worst performing sectors year-to-date. The stock market has the wind at its back. The fourth quarter is historically the best quarter of the year averaging +4.7% the past 30 years. As events unfold during the fourth quarter, stay balanced (portfolio diversification and appropriate position sizes) and use volatility as an opportunity to improve the quality of your holdings.

### **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).



*"Absolutely. When I'm elected, all you'll have to do is whistle."*

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# Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BEARISH**

THIS WEEK'S NUMBER IS

**42.0**

Our technical indicator decreased  
from 46.8 to 42.0 this week

## INDICATOR STATISTICS

Consecutive Bearish Weeks:	2
Cycle Inception Date:	9/25/2020
Range:	42.0 - 46.8
Mean:	44.4
Bullish Weeks YTD:	25
Bearish Weeks YTD:	15
*S&P 500	4.2%
*DJIA	4.1%
*NASDAQ	4.8%

\* Percentage change during current cycle

Delta Market Sentiment Indicator Over the Past Year



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