

*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.*

October 16, 2020

## 18 More Days

In 18 more days, the presidential election will take place. We have had one raucous debate. Trump has questioned the validity of an election dominated by mail-in ballots and has suggested he may not accept the election result if it is not favorable to him. The drama so far has caused the upcoming election to be one of the leading sources of anxiety for investors.

In 2016, the pre-election drama seemed equally high. On the day after the election pre-market, the stock market sold off sharply. During market hours, the S&P 500 gained 1.5%. From election day 2016 to now, the S&P 500 has advanced by about 65%.

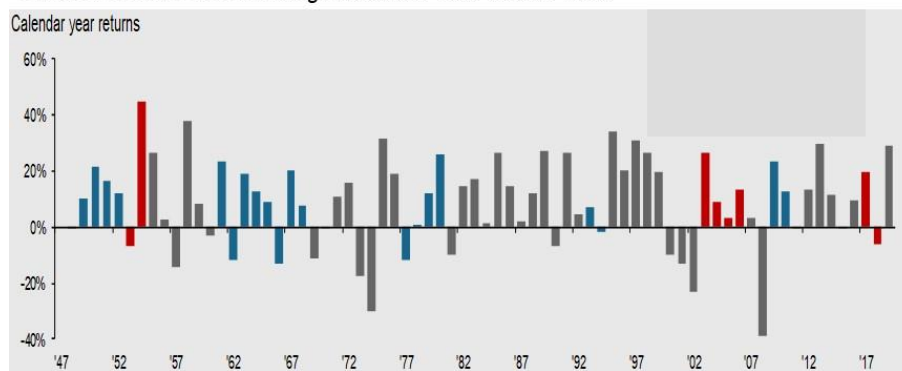
Over multi-year market periods, the stock market normally appreciates. This is true whether the federal government is controlled by the Republicans, Democrats or divided between Democrats and Republicans. In the chart below, red signifies periods of Republican controlled government, blue shows times of Democrat control and grey is divided government.

## S&P 500 Price Index

**Republican Control:** Average Calendar Year Return 12.9%

**Democrat Control:** Average Calendar Year Return 9.8%

**Divided Government:** Average Calendar Year Return 7.8%



Source: FactSet, Office of the President, J.P. Morgan Asset Management

History suggests we should not be too worried with the upcoming election and how it might impact potential stock market appreciation in the coming years. In addition to history, bond investors are showing less anxiety this week than they have since the first week of March.

The high-yield spread measures the difference in yield between non-investment grade corporate bonds and U.S. treasuries. When bond investors are worried, the spread widens. When the spread widens beyond 5% and is rising, the stock market usually struggles. The high yield spread crossed the 5% threshold to the upside in the first week of March. This week, it crossed the 5% threshold to the downside and is now 4.89%. This is the first time this has happened since the initial Covid-19 market driven sell-off in March. If the high yield spread continues to shrink, stocks are likely to perform well.



We will continue to monitor the high-yield spread for confirmation of the bullish signal. The Delta Market Sentiment Indicator (MSI) ends this week with a bullish indication as well.

### **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).



*"Let's see if the headaches, dizziness, and nausea persist after the elections."*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

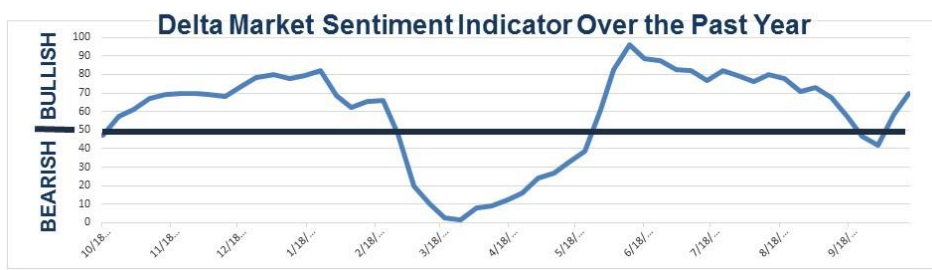
**69.5**

Our technical indicator increased from 58.6 to 69.5 this week

### INDICATOR STATISTICS

Consecutive Bearish Weeks:	2
Cycle Inception Date:	10/8/2020
Range:	58.6 – 69.5
Mean:	64.1
Bullish Weeks YTD:	27
Bearish Weeks YTD:	15
*S&P 500	1.1%
*DJIA	0.2%
*NASDAQ	2.6%

\* Percentage change during current cycle



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