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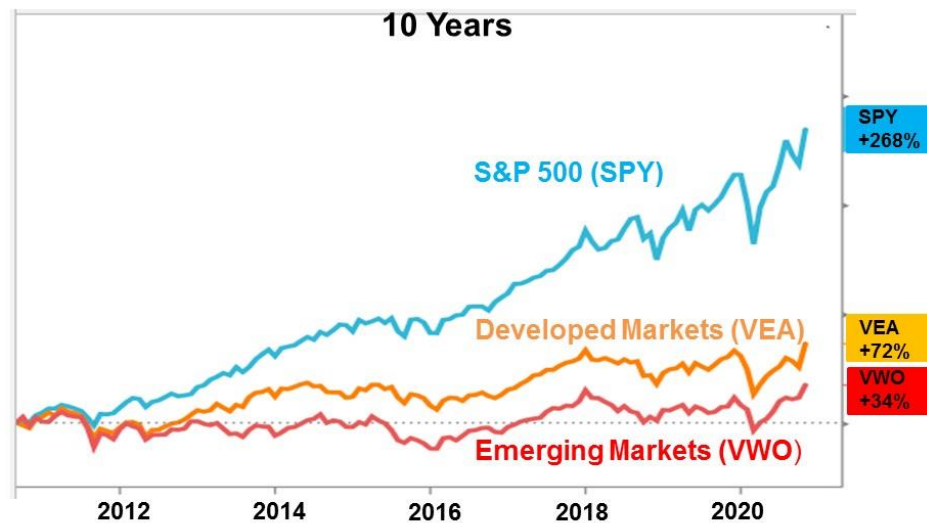
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November 25, 2020

## The Case for International Stocks

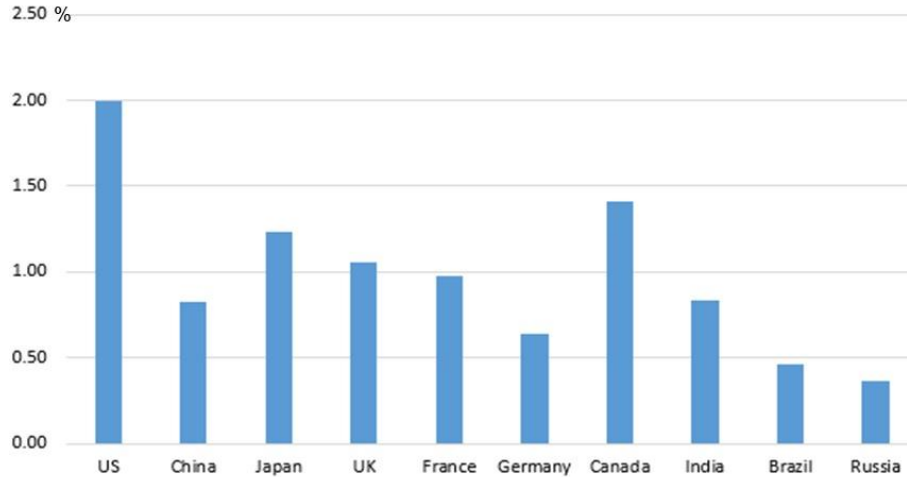
The U.S. stock market has been the best performing large economy stock market over the past decade.

### S&P 500 vs. Developed & Emerging Markets



The graph below compares the “Buffett Ratio,” or the ratio of total equity market capitalization to GDP, for the U.S. and the nine largest economies. Italy is not included for a lack of data. Although this is somewhat of a rough calculation, it does show the degree to which US stocks are richly valued versus those of other leading nations.

## Market Cap to GDP Ratio by Country



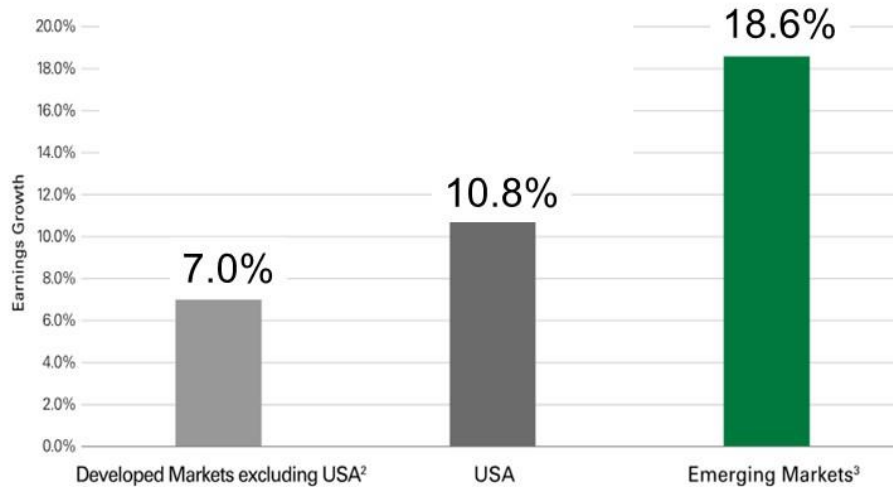
At some point, international markets (especially emerging markets) may begin to outperform. In fact, in the past six months, international stock markets have appreciated more than the S&P 500.

## S&P 500 vs. Developed & Emerging Markets



Emerging markets (e.g., Brazil, Chile, China, India, Russia, etc.) are expected to have higher long-term earnings growth rates than both the U.S. and other international developed markets. Earnings growth at attractive relative values make having an allocation to emerging markets a reasonable investment choice.

## Emerging Markets Earnings Growth



<sup>1</sup>Based on expected 5-year earnings growth rates. Expected earnings growth is based on estimates and forward-looking statements, which are limited in their ability to predict future growth.

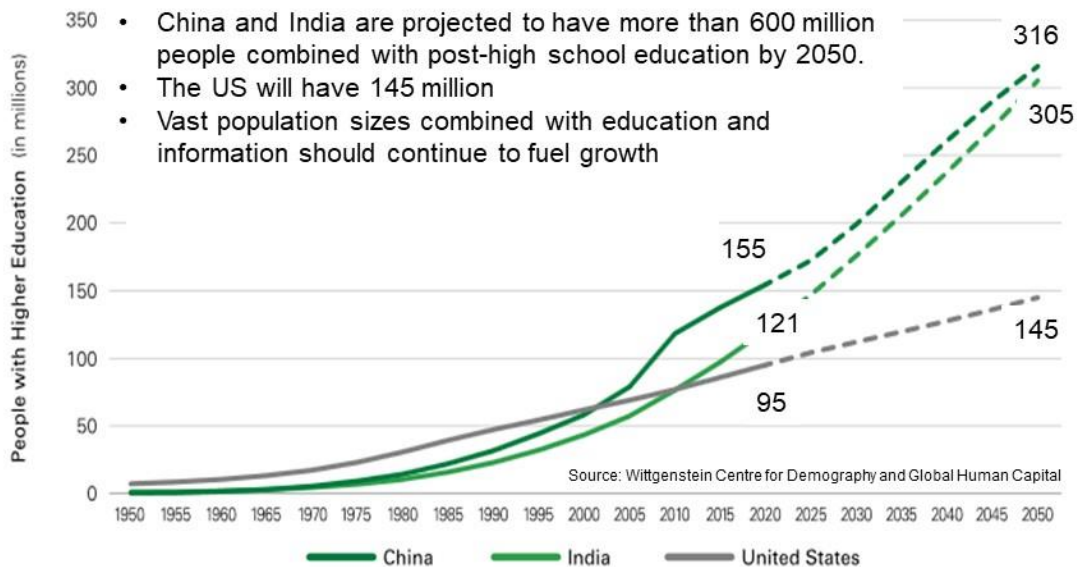
Source: Bloomberg, as of September 2020.

<sup>2</sup>Developed Markets includes the G7 countries, Western Europe, Japan, Australia, New Zealand & Canada

<sup>3</sup>EM markets represent the Bloomberg Emerging Market constituents

Beyond attractive valuation and earnings growth, emerging markets are rapidly becoming the largest economies in the world, driven by huge populations that are increasingly becoming well educated and more affluent.

## China, India and U.S. Higher Education



Stock markets sectors often experience “super-cycles.” For example, small capitalization stocks may outperform large capitalization stocks for years. Value stocks outperformed growth stocks for more than a decade up until about three years ago. The outperformance of the U.S. stock market versus international markets is an

example of a super-cycle. At some point, the U.S. stock market will not lead all other stock markets. It is impossible to predict the exact timing. What we are able to determine is the fundamental landscape is in place to allow international stocks to continue their recent outperformance for a sustained period of time.

### **Let Us Help You Position for 2021 – Give Us a Call Today**

Give us a call or send an email if you would like to schedule an annual account review. If you do not currently have an investment account with Delta, we invite you to contact us to schedule your free portfolio review.

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).

**HAPPY THANKSGIVING!**

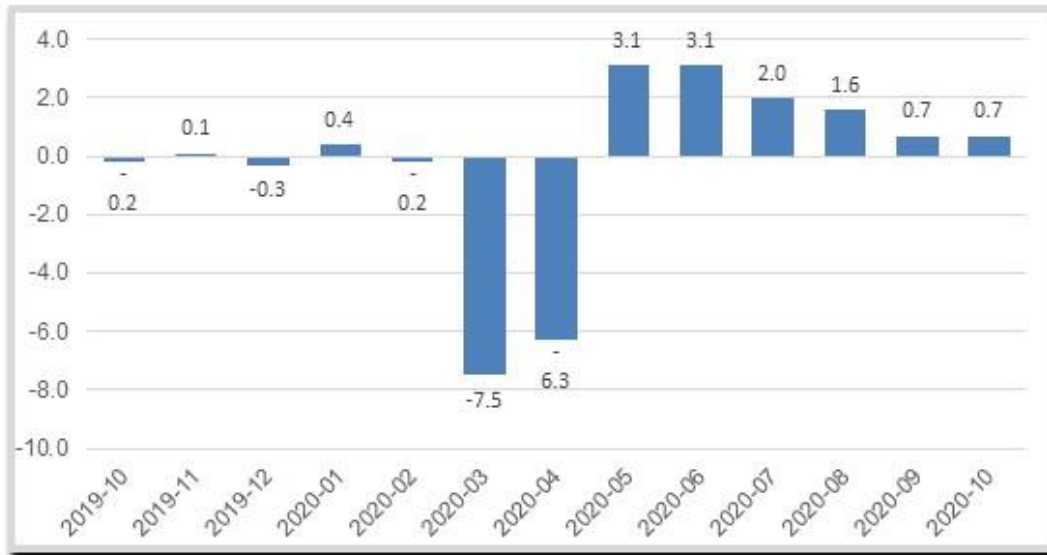


*"I'd like the Thanksgiving Day Special, on the rocks."*

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# Delta Stock Market Dashboard

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



Source: The Conference Board, updated monthly – last update 11/19/2020

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