

*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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December 11, 2020

## **The Good Old Days**

From August 1999 to March 2000, the NASDAQ index appreciated from about 2,500 to 5,000. At the time, “NASDAQ 5000” seemed mind-boggling high. Day trading was popular. Buying almost any stock made investors feel intelligent as the overall market was making a historic bull move. “NASDAQ 5000” became an adjective to describe conspicuous consumption.

The Initial Public Offering (IPO) market was on fire. Forbes wrote in November 1999: “The triple digit first-day gains and an unbridled demand for Internet-related stocks have led the IPO market to new highs.” The top ten IPOs of 1999 had an average first day gain of 432%. Twenty years ago, it seemed like there was an astounding amount of money chasing equities.

The NASDAQ index reached 12,607 this week. That’s up from 6,631 in March of this year. Like 2000, the index has roughly doubled in a very short period of time. Investor confidence is running high. Anything gig-economy is in high demand.

The DoorDash (DASH) IPO priced this week. The original filing range was \$90-95. It priced at \$102. It closed at \$189.51 on its first day of trading, up 86%. In 2020, DoorDash had a net loss of \$149 million through the nine months ending September 30.

AirBnb (ABNB) was planned to price in the range of \$56-60. The IPO priced this week at \$68. On day one, it traded as high as \$165, up 143%. In 2019, the company lost \$675 million. In the first nine months of 2020, the company has lost nearly \$700 million.

Observations:

- 1) When IPOs receive such eager receptions from institutional and retail investors, the overall stock market is broadly bullish. In the near-term, this suggests further

broad market appreciation. DASH and ABNB help make other publicly traded stocks appear relatively inexpensive all of sudden.

- 2) There is roughly \$5 trillion of cash being held in money market type accounts globally. Normally, this balance is closer to \$500 billion. Interest rates are very low giving impetus for this huge reserve of cash to find return. In the near-term, this is a bullish force.
- 3) In the short-run, investor expectations can run ahead of long-term valuation norms. The excitement of a rapidly rising market can become infectious. Investors may benefit at this time from looking to sectors that have lagged and applying some patience when it comes to putting new money to work.
- 4) Even if an investor put all of their money to work in the NASDAQ in March 2000 when it was at 5,000, they would have a cumulative 152% gain to the highs of this week. This equates to about a 4.7% average annual return. There were times during the 20 years when the NASDAQ was down over 80% from the 5,000 level and then down 50% in the 2008-09 recession. Staying on plan through time is an important component of successful investing.

The Delta Market Sentiment Indicator (MSI) is bullish this week. Despite a rocky year, it looks like 2020 is having a strong finish.

### **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).



*"No more jolly. This year, Christmas is gonna be jacked."*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

**86.2**

Our technical indicator increased from 85.5 to 86.2 this week

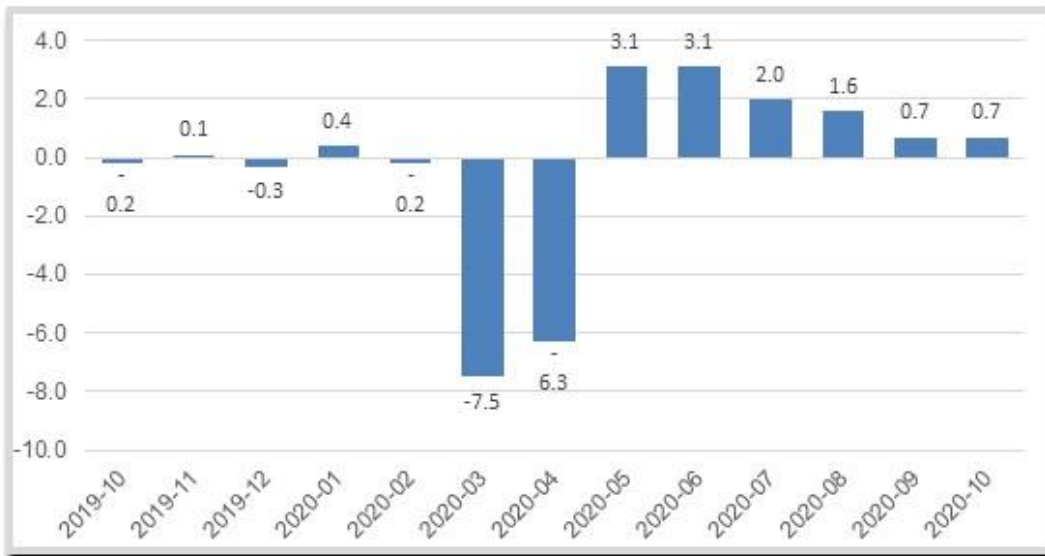
### INDICATOR STATISTICS

Consecutive Bullish Weeks:	10
Cycle Inception Date:	10/8/2020
Range:	58.6 – 86.2
Mean:	70.7
Bullish Weeks YTD:	34
Bearish Weeks YTD:	15
*S&P 500	6.5%
*DJIA	5.6%
*NASDAQ	8.6%

\* Percentage change during current cycle



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



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

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