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Delta manages portfolios at TD Ameritrade and Schwab.  
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December 31, 2020

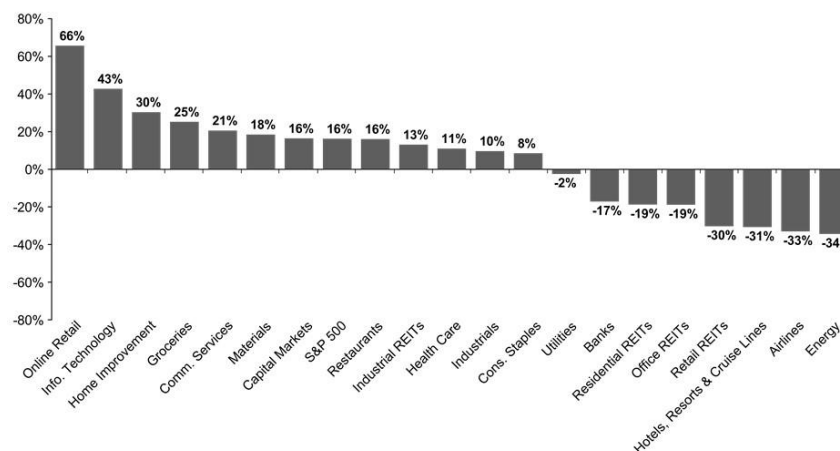
**Blackjack! 21 Beats 20 – Happy New Year 2021!**

After telling my children a story, they are getting old enough to add, “Don’t let the truth get in the way of telling a good story, Dad.” With a little wink, I say, “Never say never.” Over the past six decades, a lot of water has passed under the bridge and now we add 2020. Some of us remember where we were when Kennedy was assassinated. Many know where we were when the World Trade Center collapsed. Now, we have COVID. Like the bullets and planes, no one saw this pandemic coming.

The number question we hear from investors is how can the stock market can be at all-time highs when the world is under siege from the COVID pandemic. Some things are hard to explain. “The market is forward looking. Not all businesses are suffering. The market is telling us things will be better.” Like Annie sang, “The sun’ll come out tomorrow, bet your bottom dollar.”

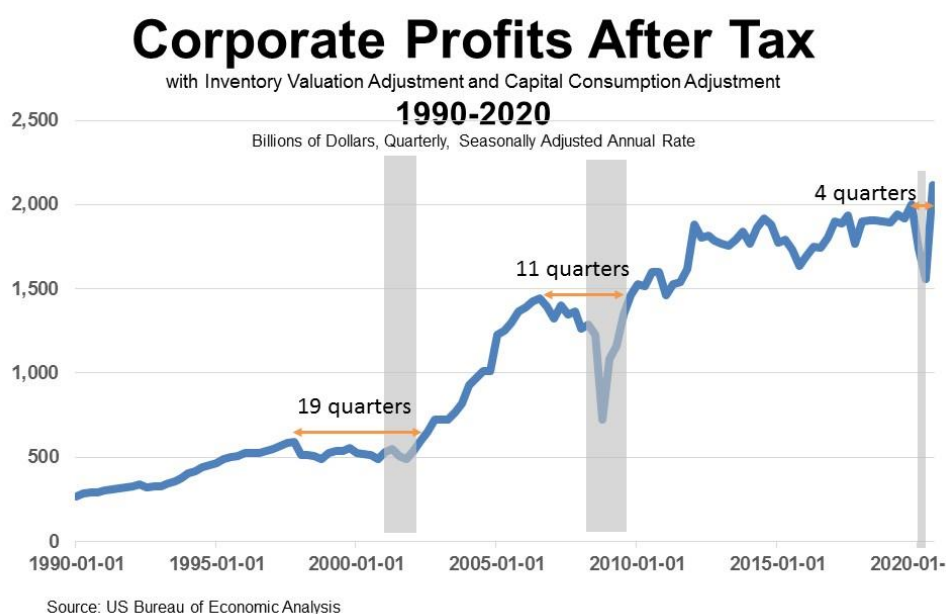
**S&P 500 Performance by Sector**

Year-to-Date Returns  
as of 12/22/2020



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management *Guide to the Markets*

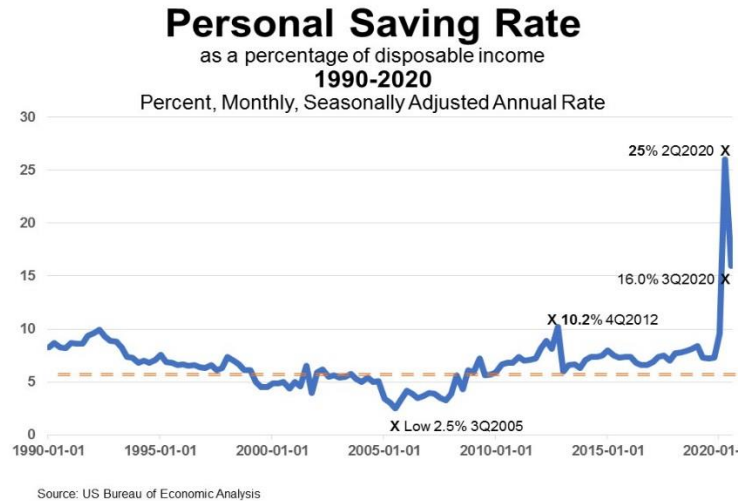
Yes, but GDP and earnings are down from a year ago and the S&P 500 is up 16% - how can that be? That is true, but take a look at corporate profits after taxes with inventory and capital consumption adjustments. After peaking in 1997, corporate profits took 19 quarters to reach new heights in the second quarter of 2002. The next peak would be in the second quarter 2007. The great recession cut profits by 50% and it took 11 quarters to surpass the previous peak. This go around, it took four.



## Unemployment and Personal Saving Rates Soared

Another question is how did savings go up with so many people unemployed? 20 million Americans lost their jobs in the spring and there are 11 million still on the sidelines today. The reported unemployment is 6.7% while the effective unemployment rate is probably closer to 11%. Personal saving rate as a percentage of disposable income peaked at 26% in Q2 and pulled back to 16% in Q3 - significantly above the 30-year average (6.7%).

Historically, the saving rate trends higher when people are fearful about their job and the economy and this time is/was no different. The speed and the magnitude this time around highlights the fear. Working from home, not commuting, not taking vacations were other factors reducing expenses and fattening the piggy bank. Remember how the S&P 500 performed did in 2013 after the previous peak in 4Q2012 of 10.2%. The S&P 500 advanced 32%.



## Glass Half Full

One more: how did net interest on US Federal debt fall from 1.7% to 1.6% of GDP in 2020? Federal debt soared. GDP contracted. Yes, but interest rates plunged from 1.9% in January to 0.5% in July to 0.9% today. In the 1980s and 1990s, federal debt to GDP was 3%. Maybe the glass is half full.

2020 was a roller coaster ride we are glad to see come to an end. The pandemic accelerated many trends. The Fed stood up aggressively to calm the markets. Continued loose monetary policy, a reopening of the economy and unleashing the personal savings could be a powerful one-two-three punch for equities into 2021.

One story my children never get tired of hearing is the “Story of Sonny” (Chapter 1 in our book *Win By Not Losing*). We have dinner with Sonny and his family weekly. If you haven’t read it, in short, Sonny beat Vegas and Sonny likes to remind us that 21 always beats 20.

Happy New Year.

## 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).



*"We love Santa, but Santa didn't know as much about investing as he thought he did."*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

**87.3**

Our technical indicator decreased from 88.3 to 87.3 this week

### INDICATOR STATISTICS

Consecutive Bullish Weeks:	13
Cycle Inception Date:	10/8/2020
Range:	58.6 – 88.3
Mean:	74.5
Bullish Weeks YTD:	37
Bearish Weeks YTD:	15
*S&P 500	8.3%
*DJIA	7.0%
*NASDAQ	12.6%

\* Percentage change during current cycle



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