

*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.*

January 8, 2021

### Rising Above the Chaos

Despite the chaos on Capitol Hill, the stock market moves higher. Often, chaos raises investor uncertainty which places downward pressure on stock prices. But not this time.

With the Democrats taking both Senate seats in Georgia, the expectation for more fiscal stimulus near-term is elevated. Higher levels of fiscal spending generally should increase the pace of economic growth but may also raise the inflation rate. Evidence of the change in investor expectations in the wake of the Georgia Senate runoff election may be seen in the roughly 16% rise in the U.S. 10-year treasury rate since the election this week.

## 10-Year U.S. Treasury Rate



Investors appear to be saying:

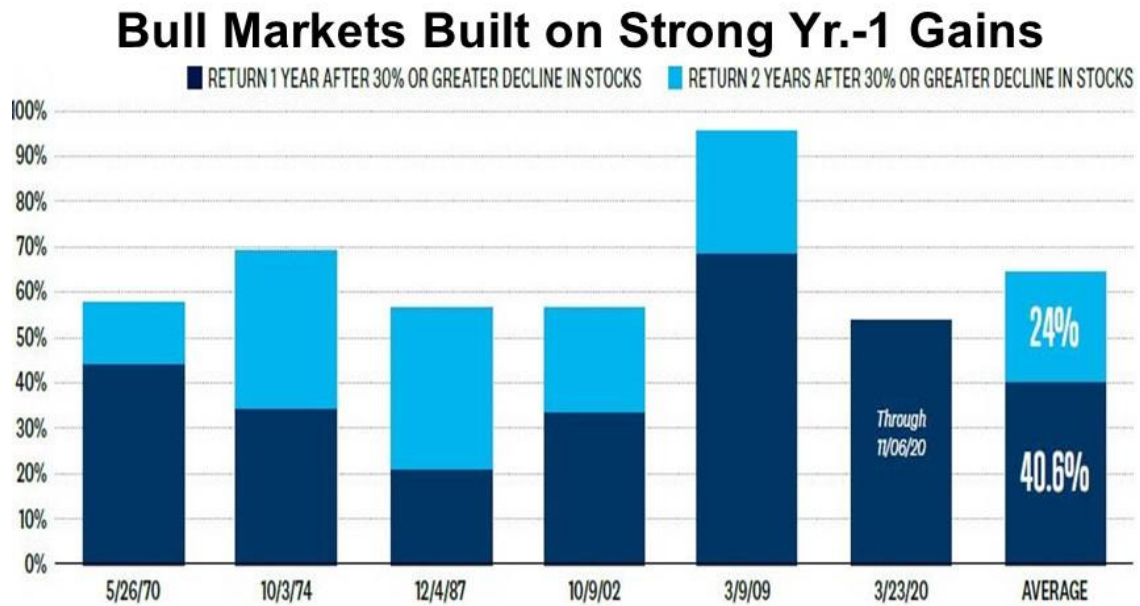
- 1) Increased growth is good for all stocks, and

- 2) Increased growth may disproportionately help cyclical, value and small-cap stocks. These stocks tend to be more economic cycle sensitive and are trading at lower P/E multiples than the mega-cap technology/growth stocks.

As we move deeper into 2021, we will be monitoring the impact of rising interest rates on the historically high P/E multiples of the large-cap growth sector. It is possible that rates move sufficiently high as to cause multiple compression in the best performing stocks of 2020.

The stock market is exhibiting powerful momentum currently. Earnings, economic reopening and recovery are in up-trends. This week, the U.S. ISM Manufacturing and Service indexes were reported well above expectations. Over 82% of global manufacturing is in an expansion phase. The financial markets are awash in capital. Even though interest rates have risen this week, they are low on an absolute basis and equities remain attractive.

Momentum is a powerful predictor of future stock behavior in the short and intermediate term.



Source: LPL Research, FactSet 11/06/20

Includes returns following declines of 30% or more in the S&P 500 Index since 1970. Year 2 returns include benefits of compounding from year 1 returns. All indexes are unmanaged and can't be invested in directly. Past performance is no guarantee of future results.

And even strong end-of-year gains tend to have momentum.

## End of Year 2020 Rally is Bullish

>10% S&P 500 Index Gains In November And December

Year	S&P 500 Index Return		
	November/December Return	January Return	Following Year Return
1954	13.6%	1.8%	26.4%
1962	11.6%	4.9%	18.9%
1970	10.5%	4.2%	10.8%
1985	11.3%	0.2%	14.6%
1998	11.9%	4.1%	19.5%
2020	14.3%	?	?
	Average	3.0%	18.1%
	Median	4.1%	18.9%
	% Positive	100.0%	100.0%

Source: LPL Research, FactSet 12/30/20 (S&P 500 price as of noon ET)

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The modern design of the S&P 500 stock index was first launched in 1957. Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.

From a stock market perspective, 2021 is off to a strong start. Experienced traders often say, “the trend is your friend.” 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).



*Prucker*  
 "My horoscope says I'm to beware of an unexpected love affair."

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

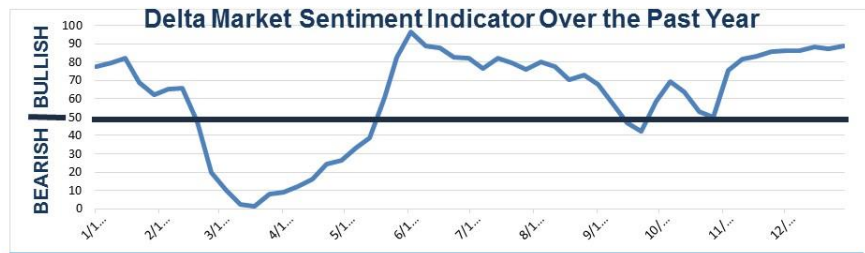
**88.6**

Our technical indicator increased from 87.3 to 88.6 this week

### INDICATOR STATISTICS

Consecutive Bullish Weeks:	14
Cycle Inception Date:	10/8/2020
Range:	58.6 – 88.6
Mean:	75.5
Bullish Weeks YTD:	1
Bearish Weeks YTD:	0
*S&P 500	10.3%
*DJIA	9.5%
*NASDAQ	14.0%

\* Percentage change during current cycle



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