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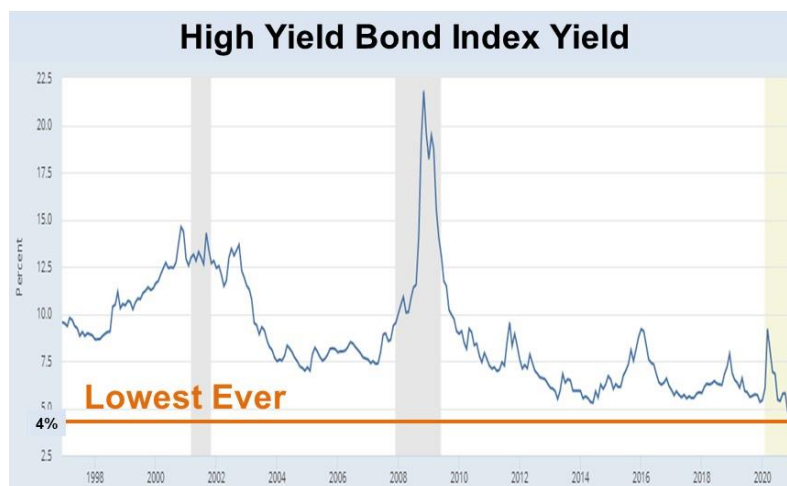
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February 12, 2021

Springboard for Higher Equity Valuations

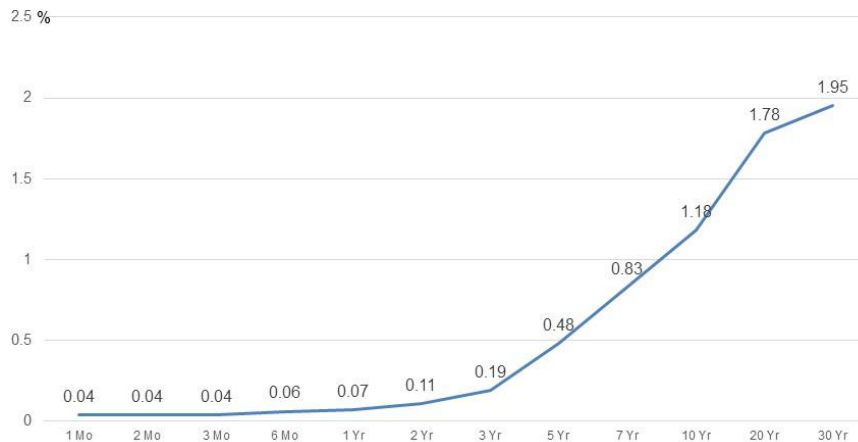
Goldman Sachs says they are seeing the “most accommodative financial conditions on record.” What this means is we have a springboard for higher equity valuations. The “springs” in the springboard are:

1. A zero to 25 basis point Fed Funds interest rate projected through this year with a 98% confidence level.
2. An inflation rate (measured by the CPI this week) showing inflation remaining steady at a rate below the Federal Reserve target rate implying the Fed will hold the Fed Funds rate very low at least through the end of this year if not substantially longer.
3. Very low corporate borrowing costs. The average yield on high-yield (junk) bonds fell below 4% this week for the first time ever. This implies a relatively “safe” lending environment and may incentivize some investors to look for higher returns elsewhere – including equities.



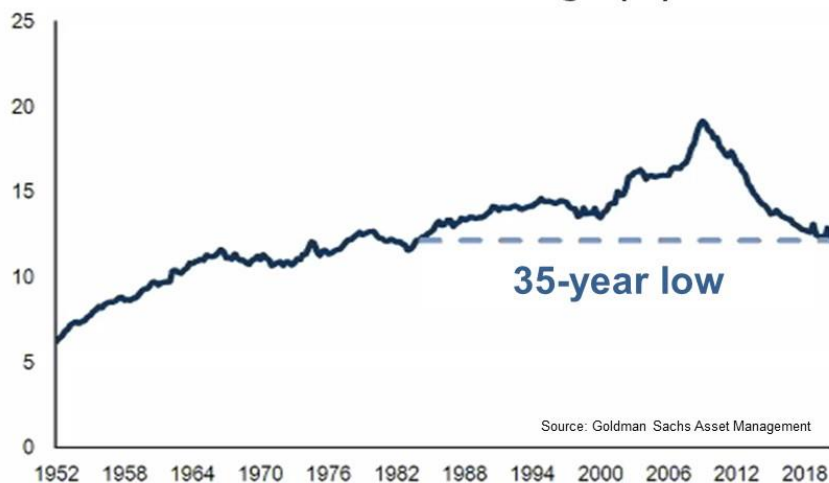
4. Junk-rated companies (companies with bonds that are rated below investment grade) are experiencing bond rating upgrades this quarter at the highest level relative to downgrades since 2013. This means that the financial prospects of many companies are improving and their borrowing costs are declining. Bankruptcies are below pre-pandemic levels.
5. The U.S. Treasury Yield Curve has a slope “up and to the right.” This is good for banks (that borrow at the short-end of the curve and lend at the long-end) and suggests the chance of recession is low – along with a positive Leading Economic Index – chart in Market Dashboard at end of newsletter.

US Treasury Yield Curve



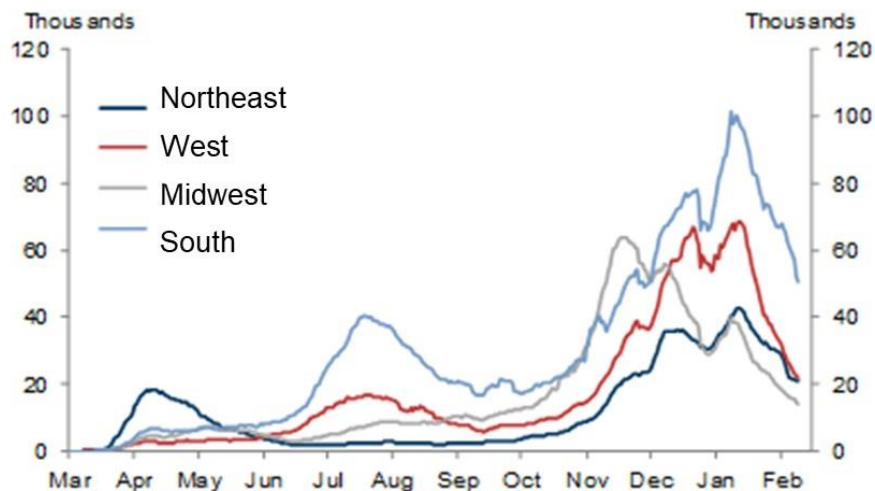
6. The Household savings rate is at 12.9%. Household leverage (debt as a percent of equity value) is at 35-year low.

Household Leverage (%)



7. Through the end of last week, roughly 60% of the S&P 500 Index companies had reported earnings. 81% beat estimates (versus the five-year average of 74%). Of the companies beating estimates, the average upside is 15.2% above estimates versus a five-year average of 6.3%. 79% of the companies reported better-than-expected revenues. The percentage of revenue beats ties for the highest rate since FactSet began tracking this metric in 2008.
8. To-date, the Federal Reserve and the U.S. Congress have injected \$7 trillion worth of stimulus/liquidity into the economy. President Biden is proposing another \$1.9 trillion currently.
9. Across the country, the Covid-19 case trend is improving rapidly. At some point, the economy will be fully reopened.

Daily Change in Confirmed Cases (7dma)



The upward trend from the March market low last year has been persistent. If anything, it appears to be gaining momentum. The trend remains our friend.

Let Us Help You Position Your Portfolio – 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 or email us at info@deltaim.com.



"And a little something for the wife."

Delta Stock Market Dashboard

INDICATOR STATISTICS

MARKET SENTIMENT IS

BULLISH

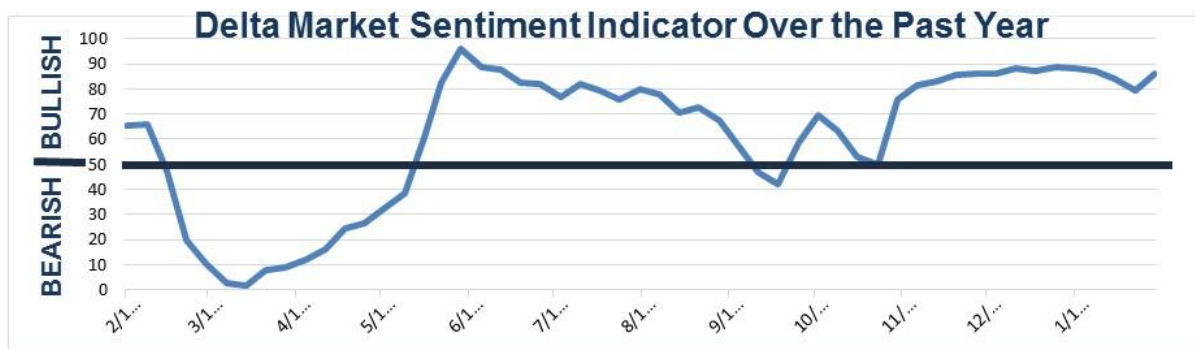
THIS WEEK'S NUMBER IS

86.1

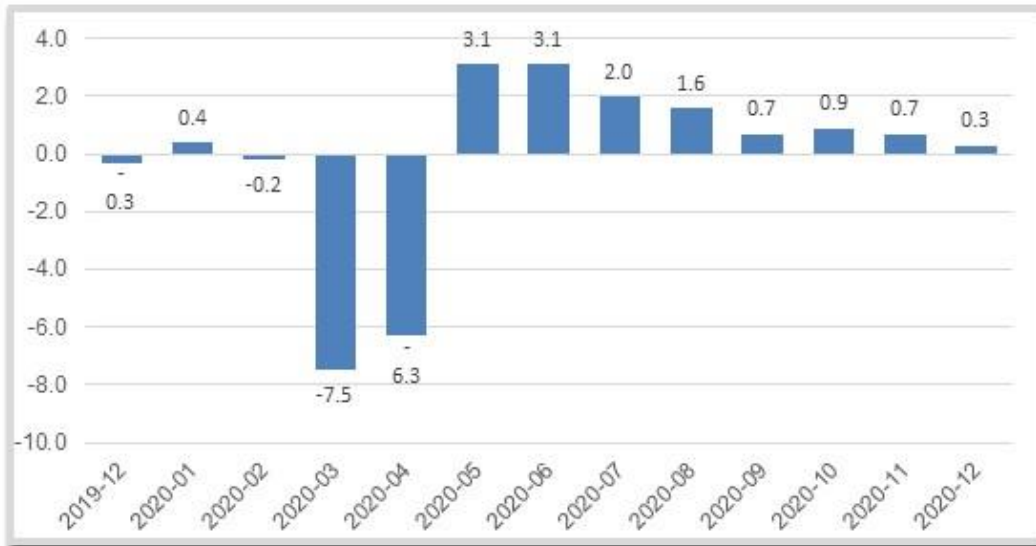
Our technical indicator increased from 79.3 to 86.1 this week

Consecutive Bullish Weeks:	23
Cycle Inception Date:	10/8/2020
Range:	58.6 – 88.6
Mean:	78.0
Bullish Weeks YTD:	6
Bearish Weeks YTD:	0
*S&P 500	13.6%
*DJIA	10.6%
*NASDAQ	22.9%

** Percentage change during current cycle*



Leading Economic Index % Change Monthly December 2019– December 2020



Source: The Conference Board, updated monthly – last update 01/28/2021

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