

*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 or 415-249-6337 to learn more.*

February 26, 2021

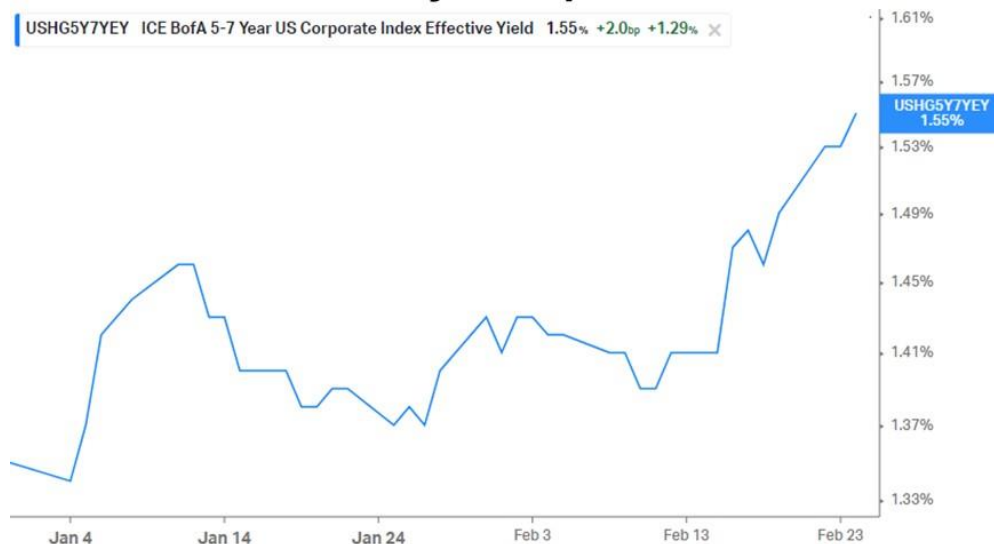
When Do We Become Fixed Income Investors?

We buy financial assets to make a return on our money. The more return we seek, usually the more risk we accept. When risk-free assets offer almost no return (for example the one-month U.S. treasury rate is 0.06%), most investors are willing to accept some risk for some return.

Interest rates have been very low for the past year. This has made stocks (a risk asset) relatively more attractive than fixed income investments. Interest rates have moved steadily higher since last August and at some point, fixed income investments may become more attractive than stocks.

Today, the 10-year U.S. treasury rate is roughly 1.48% (up from about 0.5% six months ago). High-grade US corporate debt with a maturity of 5-7 years offers 1.55%. The forward 12-month dividend yield on the S&P 500 is roughly 1.64%.

Year-To-Date 5-7yr. Corporate Debt Yield



As of this week, even after a significant increase in interest rates, stocks generally appear to be relatively attractive compared to fixed income. The S&P 500 offers a higher yield and, importantly, the potential for growth.

As investors, we should require a materially higher yield from our fixed income investments in exchange for giving up the opportunity for principal appreciation. In the short-run, the shock of rapidly rising rates can make stocks volatile. But, the calculus remains unchanged as stocks continue to offer attractive total returns relative to fixed income.

It helps to take a step back and look at the longer, historical picture. Below is chart showing the high-grade U.S. 5-7-year corporate debt yield over the past twenty years.



The year-to-date increase in interest rates is hardly visible when viewed in the framework of the past twenty years. This interest rate could double from here before it returned to a somewhat normal, low level.

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.



"I'm stone-cold sober. What do you recommend?"

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

78.1

Our technical indicator decreased from 84.2 to 78.1 this week

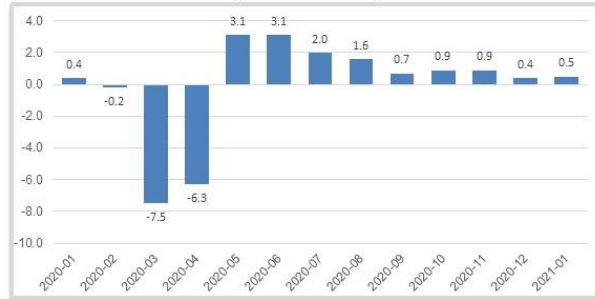
INDICATOR STATISTICS

| | |
|----------------------------|-------------|
| Consecutive Bullish Weeks: | 21 |
| Cycle Inception Date: | 10/8/2020 |
| Range: | 58.6 – 88.6 |
| Mean: | 78.3 |
| Bullish Weeks YTD: | 8 |
| Bearish Weeks YTD: | 0 |
| *S&P 500 | 13.2% |
| *DJIA | 12.2% |
| *NASDAQ | 18.0% |

* Percentage change during current cycle



Leading Economic Index % Change Monthly January 2020 – January 2021



Source: The Conference Board, updated monthly – last update 02/22/2021

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