

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.

July 16, 2021

Delta Variant Pushes Covid Stocks Higher

P.T. Barnum said, “There’s no such thing as bad publicity.” So far, the Delta Variant has had no impact on our web views and phone calls. Unfortunately, the Delta Variant has not been good news for most of the stock market with the exception of “Covid stocks.”

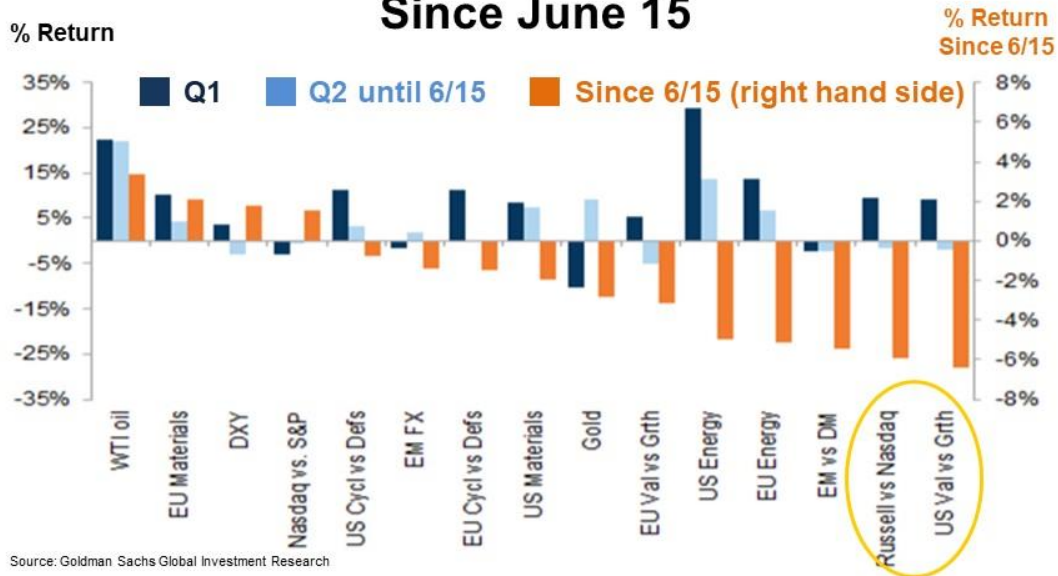
Covid stocks are very large cap, Internet/technology-intensive growth stocks that do well if the economy is open or shut. These stocks include Google, Amazon, Netflix, Apple, Microsoft, Facebook, etc. During 2020, the “Covid year”, the largest 100 stocks of the NASDAQ appreciated by 48.6%.

Investors are discounting earnings from the distant future back to today to justify the high valuations of large-cap tech stocks. When the Delta Variant diminishes the worldwide growth outlook, inflation fears subside and so does the 10-year U.S. treasury rate. Falling interest rates help the “Covid stocks” because the discount rate on future earnings is lowered. Slowing growth rates are less of a concern for these stocks as many are at the forefront of mega-growth trends and in some cases, benefit by the stay-at-home Covid economic environment.

Slowing growth expectations hurt almost all other stocks, especially cyclical stocks. We see this in the travel, restaurant, financials, industrials and energy stocks to name a few. While the S&P 500, primarily supported by large-cap technology stocks, reaches new highs, small-cap and value/dividend stocks have trended sideways to down for at least the past month.

Since June 15, there has been a pronounced change of leadership from the Russell 2000 small-cap index to the NASDAQ and from US value stocks to US growth stocks. US energy led the market in the first quarter. Since June 15, the energy sector has been underperforming.

Unwind in Reflation/Reopening Trades Since June 15



We are at the beginning of earnings season. What happens during earnings season may determine if the trends emerging since June 15 continue or abate. This week, Bank of America CEO Brian Moynihan said consumers are spending 20% more this year than they did in 2019. He sees the recovery gaining steam and strong deposit growth. This week through Thursday morning, only two companies missed consensus estimates out of 25 reports. One of the companies to miss estimates was Taiwan Semiconductor (TSM) which reported 11.2% y/y EPS growth and 19.8% y/y revenue growth. They raised their guidance and reiterated that demand for semiconductors is not cooling off.

The Delta Market Sentiment Indicator (an intermediate term price-momentum indicator) is at 50.1%. Indications above 50% are bullish and below 50% are bearish. For the average stock, momentum is at a crossroad.

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 found this stuck in the sand right next to some sleeping people."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

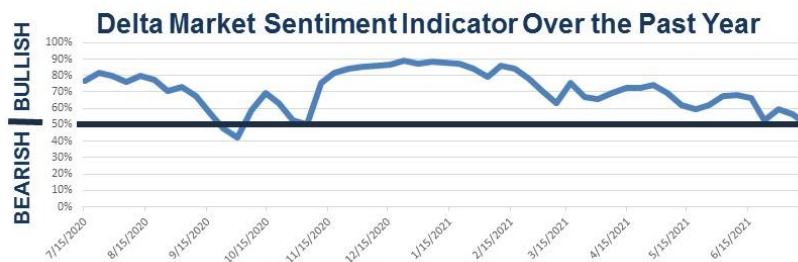
50.1

Our technical indicator decreased
from 56.3 to 50.1 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	41
Cycle Inception Date:	10/8/2020
Range:	50.1 – 88.6
Mean:	72.0
Bullish Weeks YTD:	27
Bearish Weeks YTD:	0
*S&P 500	26.5%
*DJIA	22.8%
*NASDAQ	27.6%

* Percentage change during current cycle



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