

*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.*

July 23, 2021

**Narrative Shift**

Although the S&P 500 Index is enjoying a fairly smooth ride higher this year, there have been significant trend shifts below the surface. There has been a narrative shift from Covid-under-control, government stimulus, rapid-reopening, inflation to Covid-not-so-much-under-control, peak growth, global slowdown.

From January through March, rapid reopening and government easy money policy helped lift the 10-year US treasury from about 0.95% to 1.75%. Many investors believed it was a foregone conclusion that we were headed into a high-inflation, higher interest rate environment. From April forward, the narrative has featured peak growth concerns, especially with the Delta variant gaining traction. The 10-year U.S. treasury rate declined from 1.75% to 1.20%.

**10-Year U.S. Treasury Yield YTD**



The swing in growth/inflation/Covid expectations that drove interest rates up and then down fueled significant sector leadership changes year-to-date. Value and small-cap gave up their first quarter price momentum leadership to large-cap and growth when interest rates began falling.

As a result of this up and down action, momentum as a stock factor has performed poorly year-to-date.

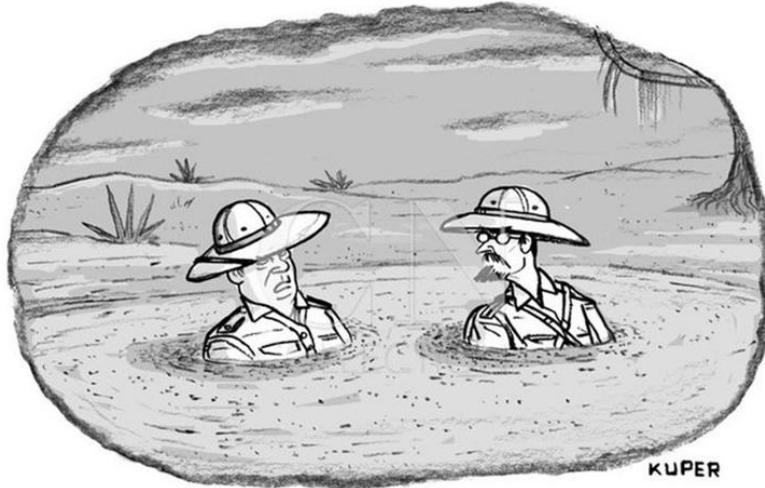


The Delta Market Sentiment Indicator (MSI) is an intermediate term price momentum indicator. The loss of momentum by the average stock in the market has caused the MSI to turn bearish this week. This is not necessarily a signal that the longer-duration bull-trend is over. It is more of a warning that in the near and intermediate term, risk is elevated and the market may take a breather or correct further before potentially moving higher.

We are in the first weeks of earnings season. The strength of earnings may reshape market internals once again. It is possible many of the currently out-of-favor stocks will recover some lost ground. In fact, following the market decline on Monday, value and small-cap have appreciated at twice the rate of the S&P 500 through Wednesday close. The CEOs of United Airlines, Delta, Coca-Cola and Chipotle Mexican Grill all say they have not seen any adverse impact from changes in customer behavior due to the Delta variant. It is likely the narrative will shift again before year-end.

### 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](http://www.deltaim.com) or email us at [info@deltaim.com](mailto:info@deltaim.com).



*"Thank God for the elephant."*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BEARISH**

THIS WEEK'S NUMBER IS

**40.5**

Our technical indicator decreased  
from 50.1 to 40.5 this week

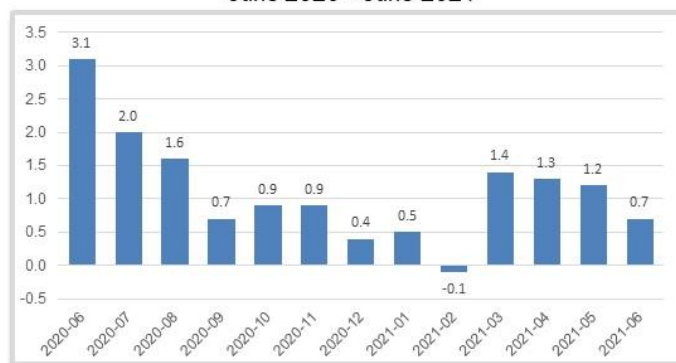
### INDICATOR STATISTICS

Consecutive Bearish Weeks:	1
Cycle Inception Date:	7/22/2021
Range:	40.5
Mean:	40.5
Bullish Weeks YTD:	27
Bearish Weeks YTD:	1
*S&P 500	NA
*DJIA	NA
*NASDAQ	NA

\* Percentage change during current cycle



## Leading Economic Index % Change Monthly June 2020 – June 2021



Source: The Conference Board – last update 07/22/2021

---

Pursuant to the provisions of Rule 206(4)-1 of the Investment Advisors Act of 1940, we advise all readers to recognize that they should not assume that recommendations made in the future will be profitable or will equal the performance of past recommendations. This publication is not a solicitation to buy or offer to sell any of the securities listed or reviewed herein. The contents of this letter have been compiled from original and published sources believed to be reliable, but are not guaranteed as to accuracy or completeness. Nicholas Atkeson and Andrew Houghton are also principals of Delta Investment Management, a registered investment advisor. Clients of Delta Investment Management and individuals associated with Delta Wealth Adviser may have positions in and may from time to time make purchases or sales of securities mentioned herein.

THIS NEWSLETTER IS PROTECTED BY COPYRIGHT LAW. UNAUTHORIZED DISTRIBUTION AND/OR REPRODUCTION BY PHOTOCOPY OR ANY OTHER MEANS IS STRICTLY PROHIBITED AND PUNISHABLE BY A FINE OF UP TO \$25,000.