

*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.*

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September 17, 2021

## **Brain vs. Body**

The brain says stay but the body says run. Greed is a mental sentiment while fear is emotional. Behavioral economists say the sensation of fear is twice as strong as the thought of greed. This explains why investors sometimes allow their emotional decisions to override higher level investment considerations.

The S&P 500 is up more than 100% since the March 2000 Covid low. The advance in some stocks seems almost unbelievable. For example, Crocs Inc. (CROX) has appreciated 1,400% from its Covid low. Your gut may be saying “too far too fast.” Headline news is as disconcerting as ever. September and October are months when the stock market has suffered significant declines historically. Fear can take hold and an investor may be inclined to sell. Since the start of September, the Dow Jones Industrial Average, NASDAQ and S&P 500 have been under selling pressure.

The American Association of Independent Investors (AAII) bullish sentiment measure fell from 43.4% bullish on September 1 to 22.4% bullish on September 15. 22.4% is a 52-week low. Bearish sentiment as of September 15 was 39.3%.

Despite the bearishness of many investors, economic data this week points to a brighter future. The consideration of data, however, is a mental pursuit rather than an emotional stimulus. In investing, body may win over mind in the short run. Selling pressure can have momentum. Over time, mind usually has sway over body as the market tends to follow established investment metrics.

Considerations this week:

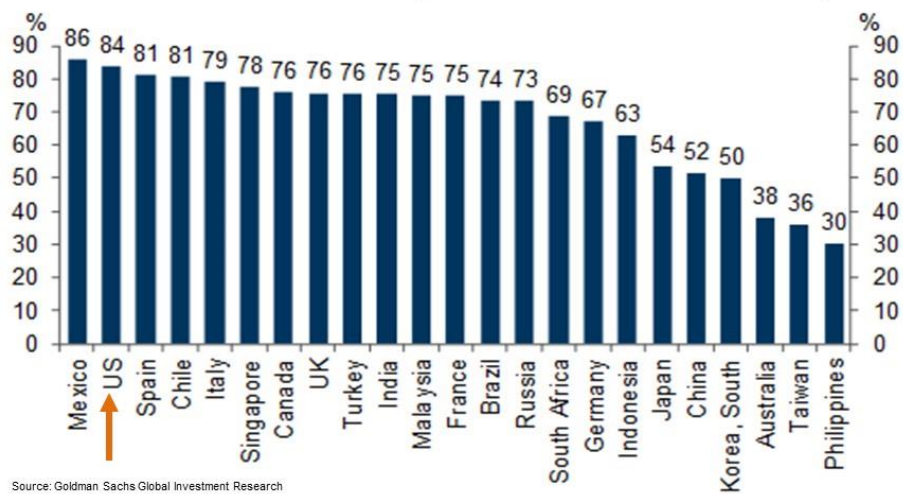
**Inflation/Interest Rates:** August core CPI (a measure of inflation) rose by a less than expected 0.1% month-over-month, and the year-on-year rate declined three tenths to 4.0%. This was the second consecutive month core CPI inflation slowed. The 10-year U.S. treasury rate is roughly 1.3% which is about the same rate it has been for the past

three months. Low interest rates (partly determined by low inflation) are supportive of current stock Price/Earnings (P/E) multiples.

**Industrial Production:** Industrial production finally eclipsed its pre-pandemic level this week. Industrial production was even stronger in August than meets the eye as it advanced despite the impact of Hurricane Ida and ongoing semiconductor shortages.

**Covid Cases in Decline:** The estimated percent of the U.S. population with immunity to Covid from either vaccines and/or having had Covid is 84%.

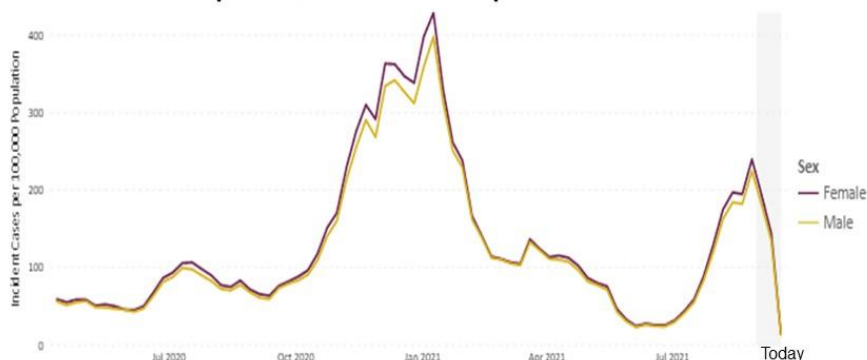
### Estimated % of Population with Immunity



Source: Goldman Sachs Global Investment Research

When a population achieves roughly 84% immunity, the spread of Covid is expected to decline materially. When we look at the COVID weekly case charts published by the CDC, this is exactly what we are seeing.

### COVID-19 Weekly Cases/100,000 Population by Sex, United States Apr. 5, 2020 – Sep. 18, 2021\*



\*Case Earliest Date is the earliest of the clinical date (related to illness or specimen collection and chosen by a defined hierarchy) and the Date Received by CDC. Source: CDC COVID-19 Line-Level Data

**Retail Sales:** Unleash the beast! The U.S. personal savings rate averaged over 10% from April through July, 2021. It is estimated that consumers have amassed about \$2.6 trillion of excess savings in the U.S. and over \$5 trillion worldwide during the pandemic. If and when Covid cases decline significantly, retail spending may accelerate.

Retail sales advanced 0.7% month-over-month in August. Excluding car sales (supply shortages because of chip shortage), retail sales were up 1.8% vs. -0.2% consensus expectations. Year-over-year, retail sales ex-auto were up 16.2%.

When the stock market begins to pull back from its highs, some investors feel it may be the beginning of the end. Losing money, even if just a “paper” loss, feels terrible. It is understandable that some investors flee rather than remain invested or add to their investments on market weakness. Feelings aside, the non-emotional response to the data this week is bullish.

### **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).



*“The flight time today is five hours in first class  
and twelve and a half in coach.”*

# Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

**55.0**

Our technical indicator decreased from 63.4 to 55.0 this week

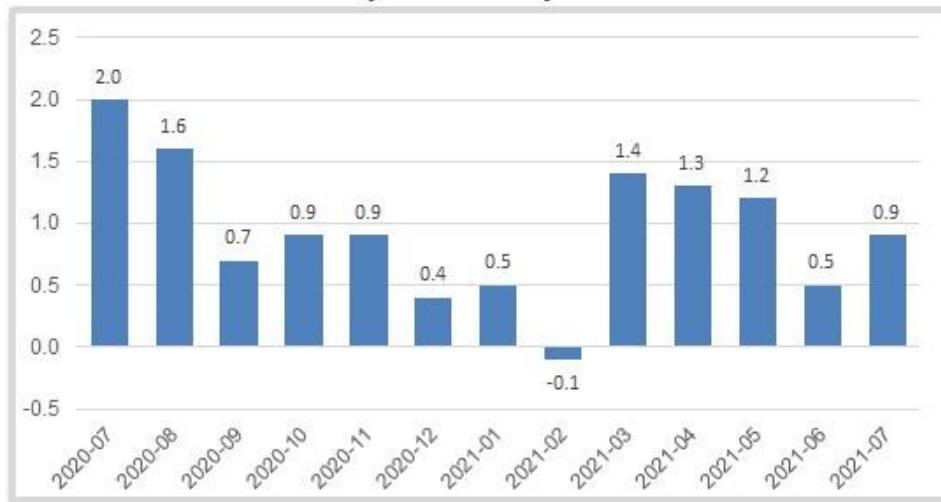
## INDICATOR STATISTICS

|                            |             |
|----------------------------|-------------|
| Consecutive Bullish Weeks: | 6           |
| Cycle Inception Date:      | 8/12/2021   |
| Range:                     | 49.6 – 64.6 |
| Mean:                      | 56.9        |
| Bullish Weeks YTD:         | 34          |
| Bearish Weeks YTD:         | 3           |
| *S&P 500                   | 0.0%        |
| *DJIA                      | -2.7%       |
| *NASDAQ                    | 1.8%        |

\* Percentage change during current cycle



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



Source: The Conference Board – last update 08/19/2021

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