

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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October 1, 2021

Intermediate vs. Long Term Outlook

September was a negative month for the U.S. stock market. For the third quarter, the S&P 500 traded nearly flat. Since last November, the S&P 500 appreciated on a steady trajectory to a peak closing valuation reached on September 2. With the mild (less than 5%) depreciation in the S&P 500 during September, the positive momentum in the market has dissipated. This can be measured by the current price of the index breaking down through various moving averages.

Technically speaking, the outlook for the U.S. stock market in the intermediate term (1-3 months) is “cautious.” If weakness persists, it will become bearish.

The longer-term outlook is positive. Technically speaking, the S&P 500 is well above its 200-day moving average which is a long-cycle technical indicator. Macro-economic data shows continued economic growth even when considering a possible Federal Government shutdown, supply chain issues, rising labor costs, future Fed tightening, less government fiscal stimulus, rising inflation and rising interest rates.

Based on your investment objectives, risk tolerance and time horizon, and intermediate-term cautious/long-term bullish outlook may stimulate different responses. For risk-averse investors with a shorter time horizon, the intermediate-term cautious technical signal might drive the investment allocation decision. For investors with more appetite for volatility and a longer investment horizon, you may wish to focus more on the bullish long-term outlook.

We invest over time with the expectation that our investments will appreciate. Appreciation is driven by sustained profit growth. Today, in this market environment, we are seeing growth. For example, consider Amazon (AMZN).

- Amazon revenue for the quarter ending June 30, 2021 was \$113B, a 27% increase year-over-year.

- Amazon revenue for the twelve months ending June 30, 2021 was \$443B, a 38% increase year-over-year.
- Amazon annual revenue for 2020 was \$386B, a 38% increase from 2019.
- Amazon annual revenue for 2019 was \$281B, a 21% increase from 2018.
- Amazon annual revenue for 2018 was \$233B, a 31% increase from 2017.

Amazon is benefiting from the secular transition from bricks-and-mortar shopping to on-line shopping. Amazon is benefiting from the transition to cloud computing. Amazon is benefiting from the transition to on-line advertising driven by artificial intelligence. Amazon spent \$42 billion on research and development in 2020 to remain a leader in areas of rapid growth.

The growth numbers above are typical of many large-cap technology stocks. The average year/year sales growth of Facebook, Apple, Amazon, Microsoft and Google (FAAMG) was 16.5% from 2015 through 2020. It is projected to be 26% in 2021.

Today's market leading technology companies are less expensive relative to earnings than the leading companies of the Tech Bubble (yr. 2000) and the Nifty 50 (early 1970s). The chart below shows the 24-month forward P/E multiple of the leading companies.

Companies are not as expensive as the dominate companies have been in previous “peak” periods in stock market history.

FAAMG	24/m fwd P/E	Tech Bubble	24/m fwd P/E	Nifty 50	24/m fwd P/E
Apple	25.1	Microsoft	53.2	IBM	35.5
Amazon	40.8	Cisco Systems	101.7	Eastman Kodak	43.5
Microsoft	29.4	Intel	42.1	Sears Roebuck	29.2
Alphabet	24.3	Oracle	84.6	General Electric	23.4
Facebook	20.7	Lucent	37.9	Xerox	45.8
Aggregate	26.7	Aggregate	55.1	Aggregate	35.5

Source: Goldman Sachs Global Investment Research, FactSet, Datastream, STOXX

No market analyst knows the future with certainty. Delta's current outlook suggests we could see more volatile, weak market action in October but over the longer term, the stock market is likely headed higher. With each new week, we gain important insight. We look forward to updating you next week with current market developments.

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.



Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

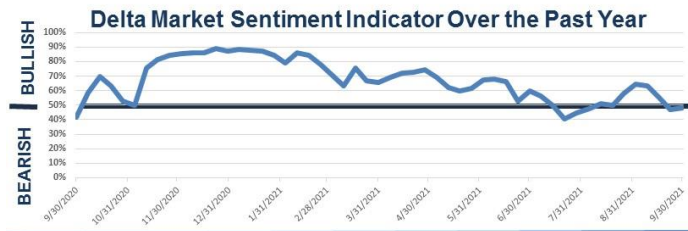
48.0

Our technical indicator increased from 47.1 to 48.0 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	8
Cycle Inception Date:	8/12/2021
Range:	47.1 – 64.6
Mean:	54.6
Bullish Weeks YTD:	36
Bearish Weeks YTD:	3
*S&P 500	-3.6%
*DJIA	-4.6%
*NASDAQ	-2.6%

* Percentage change during current cycle



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