

*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.*

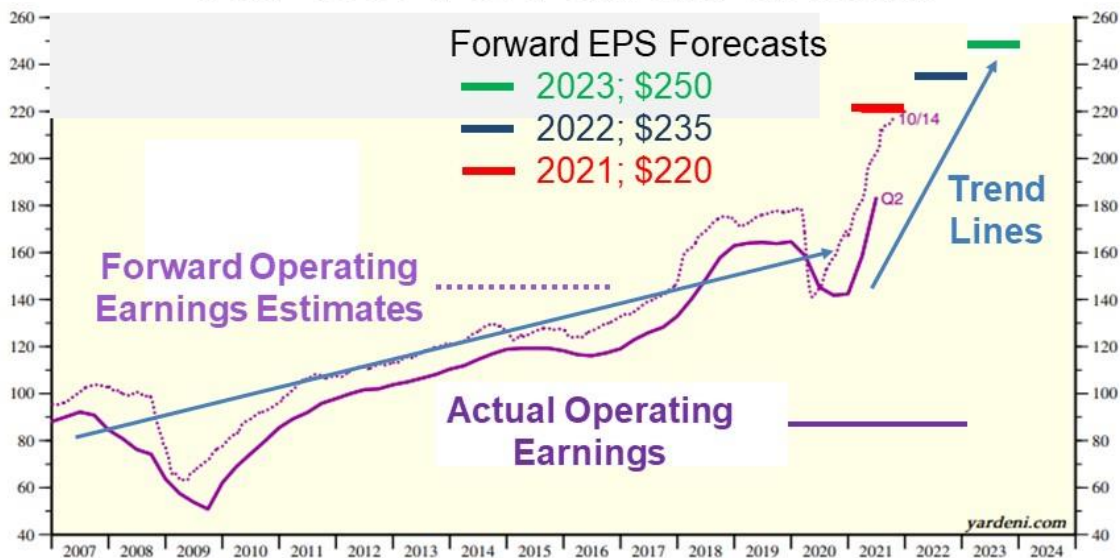
October 22, 2021

**Earnings Boost**

We are about two weeks into earnings season. On October 4, just before the start of third quarter earnings season, the S&P 500 hit its recent low. Since the low, the S&P 500 and NASDAQ 100 have appreciated by roughly 6% and 7%, respectively as good earnings reports have been consistently delivered.

In the big picture, the stock market is much higher than pre-Covid levels because earnings are much higher than pre-Covid levels. In addition to being absolutely larger, earnings growth accelerated. Earnings estimates for 2022 and 2023 call for 6.8% and 6.4% annual growth, respectively. From 2006 through 2019, average annual S&P 500 operating earnings growth was 4.8%.

**S&P 500 EPS: Forward & Actual**



\* Time-weighted average of consensus operating earnings estimates for current and next year. Monthly through March 1994, then weekly.  
\*\* From S&P until Q4-1993, then from I/B/E/S data by Refinitiv.  
Source: I/B/E/S data by Refinitiv.

Fears of rising labor costs and supply chain shortages were not entirely misguided, they just present themselves primarily in labor intensive industries that represent a minority of the market capitalization of the stock market. For example, Brinker International (ticker symbol: EAT – chain-restaurant operator of Chili's) fell 9% on a negative-earnings warning due to higher labor and commodity costs. But Brinker is a small company compared to Microsoft, Apple, Netflix, Google, Facebook, etc.

The stock market is a forward-looking indicator. The strong price appreciation since earnings season began is an acknowledgement of reported better-than-expected results and an expectation of continued better-than-expected news through the remainder of earnings season. Technically, the Delta Market Sentiment Indicator (MSI) turned bullish this week indicating broad based bullish stock price momentum in the intermediate term.

### 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).



# Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

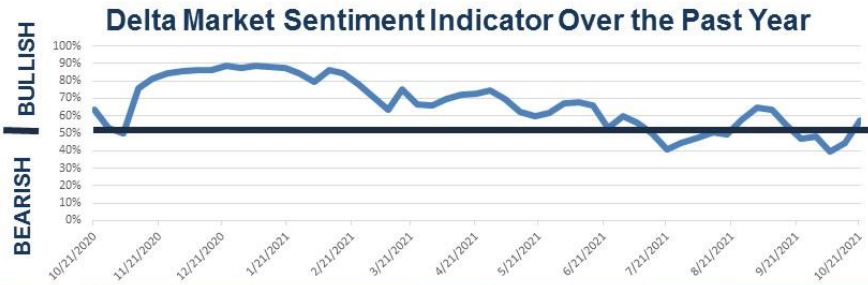
**57.5**

Our technical indicator increased from 44.4 to 57.5 this week

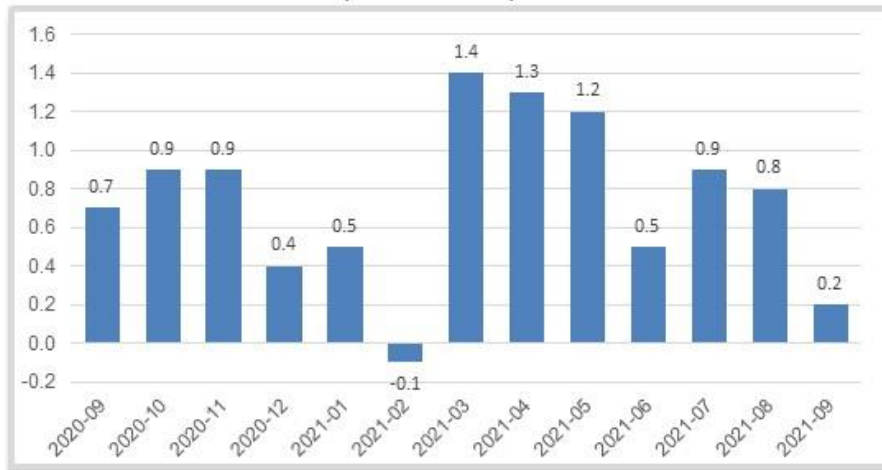
## INDICATOR STATISTICS

Consecutive Bullish Weeks:	1
Cycle Inception Date:	10/21/2021
Range:	57.5
Mean:	57.5
Bullish Weeks YTD:	37
Bearish Weeks YTD:	5
*S&P 500	NA%
*DJIA	NA%
*NASDAQ	NA%

\* Percentage change during current cycle



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



Source: The Conference Board – last update 10/21/2021

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.