

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.

December 10, 2021

What To Expect

September 26, 2021: *S&P 500 Earnings Growth May Have Stalled*, Forbes

September 8, 2021: *Bank of America Sees Stocks Flatlining Through 2022*, Fortune

April 13, 2021: *The S&P 500 is Overvalued, Expect Low 10-year Forward Returns*, Seeking Alpha

May 28, 2009: *Gross Predicts a New Normal; We Will Have to Get Used to a Permanently Downgraded Economy and Much Lower Returns*, Morningstar

Should we expect low returns? Many of the brightest financial minds have been saying for the past decade that low returns (~4% or lower) should be expected from the S&P 500.

If these “new normal, low return” prediction experts were limited to three strikes, they all would have been called out a long time ago.

The S&P 500 annualized return for the past 10 years has been 16.2%. Over the past five years, 17.9%. For the past three years, 23.2%. In the past year, 28.7%. Not only is this not low growth, it is high growth and accelerating.

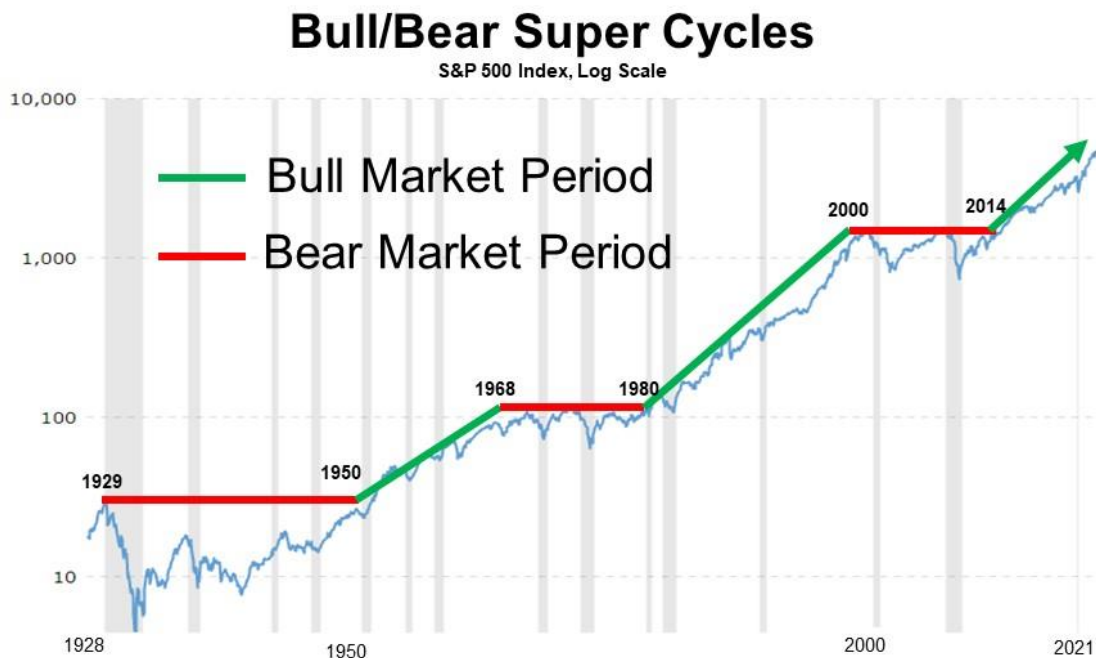
Last Friday, Delta published its 2022 S&P 500 year-end forecast at 5200. At the time we published this estimate, the forecast was for a 14% gain. If we are wrong, it is most likely because we are being too conservative.

- For 2019, Delta predicted the S&P 500 to reach 3200. It closed at 3231, up 31.2%. We were too conservative.
- For 2020, Delta predicted the S&P 500 to reach 3544. It closed at 3756, up 18.2%. We were too conservative.

- For 2021, Delta predicted the S&P 500 to reach 4300. Today, it is trading near 4700, up 25.5%. We were too conservative.

During the past three years, we experienced a presidential election, impeachment, Middle East instability, oil price volatility, UK withdrawal from the EU, George Floyd protests across the U.S., worldwide pandemic and recession. When one compares the calendar year market returns with the news flow, it seems incredible how well the market performed. This serves as a reminder not to let headline news be your primary investment guide.

Why is Delta optimistic about the market outlook in 2022? For a complete response, please see the December 3, 2021 *Delta 2022 Outlook*. From a very high level, the S&P 500 stair-steps higher over time with multi-year bullish and bearish super-cycles. The bull/bear cycles coincide with multi-year bull/bear credit cycles.



During multi-year bull cycles, S&P 500 returns average in the double digits. During bearish cycles, average returns are low single digits and it is not uncommon to have significant negative return years. Returns below include dividend reinvestment.

- **Bull Cycle:** 1950 – 1968: S&P 500 average annual return 14.7%
- **Bear Cycle:** 1969 – 1979: S&P 500 average annual return 4.8%
- **Bull Cycle:** 1980 – 1999: S&P 500 average annual return 17.4%
- **Bear Cycle:** 2000 – 2013: S&P 500 average annual return 2.2%
- **Bull Cycle:** 2014 – Nov, 2021: S&P 500 average annual return 14.9%

The current bull cycle has not ended. We say this because GDP growth is positive, earnings growth is positive, a new credit cycle has begun, the Leading Economic Index is positive and the U.S. treasury yield curve is not inverted.

If we were to experience average low single-digit returns during this bullish cycle, it would be the first time since WW2 that it happened. A low return prediction seems like a long-shot based on market history. The important prediction is most likely not what returns will be during this bullish cycle but when will this bullish cycle end.

During bullish cycles, a buy-and-hold approach usually works well. Bearish cycles require investors to be tactical and defensive. Delta is experienced with successful investing strategies in both bull and bear market environments. Before the next bearish cycle begins is the best time to have a plan for the transition from bull to bear. Let us know if we can help you be prepared for all market environments.

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.



“An almond! I thought we'd agreed—nothing extravagant.”

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

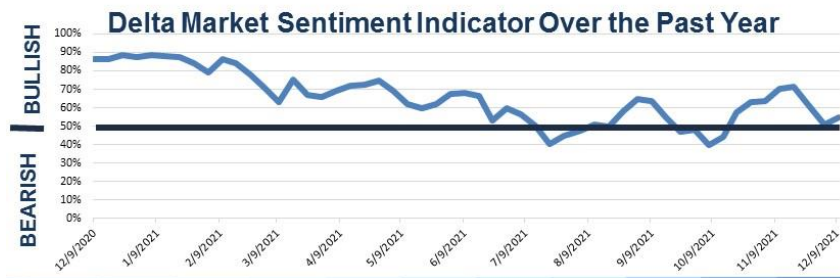
54.6

Our technical indicator increased from 51.0 to 54.6 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	8
Cycle Inception Date:	10/21/2021
Range:	51.0 – 71.4
Mean:	61.8
Bullish Weeks YTD:	44
Bearish Weeks YTD:	5
*S&P 500	3.5%
*DJIA	0.8%
*NASDAQ	3.0%

* Percentage change during current cycle



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