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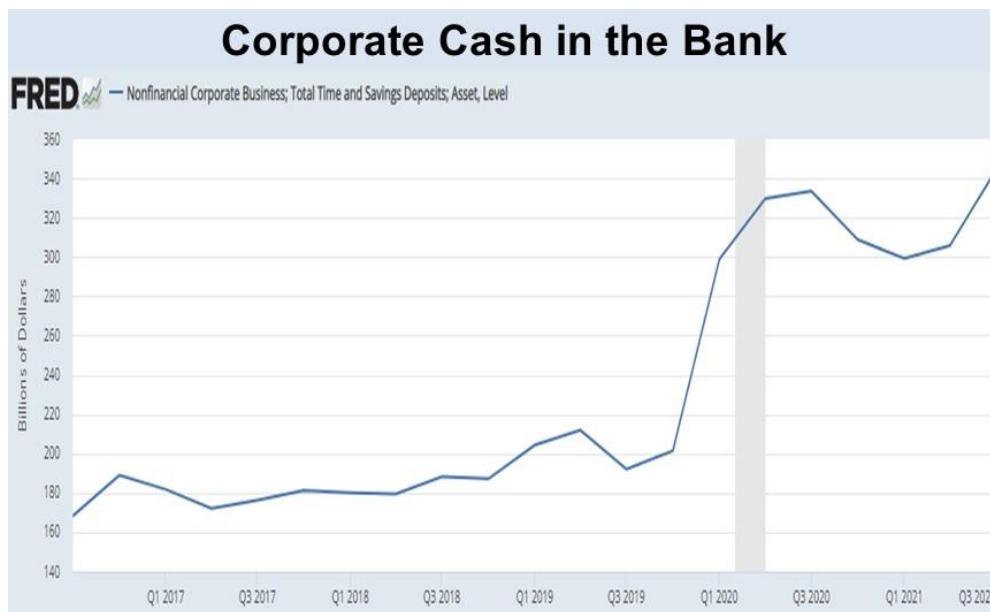
*Delta manages portfolios at TD Ameritrade and Schwab.*

*Please contact Delta at [info@deltaim.com](mailto:info@deltaim.com) or 415-249-6337 to learn more.*

February 11, 2022

## **Bailout, Borrow, Earn and Spend**

There are many measures of corporate “cash.” Whatever measure of cash is used, the trend is the same. Cash positions on corporate balance sheets have risen sharply in the past two years as a result of strong earnings, federal Covid relief money and extreme low interest rate borrowing. Today, cash on corporate balance sheets conservatively measured by time and savings deposits (not including banks) is roughly \$344 billion, up from about \$190 billion two years ago.



As equity holders, we should benefit from this cash stockpile. Management teams are not paid to have too much cash on the balance sheet. They are paid to put the cash to work to enhance shareholder value. This is done via investments in the business (capital expenditures), mergers and acquisitions, stock buybacks and increased dividends.

Capital expenditures are up 18% year-over-year and 19% relative to the fourth quarter of 2019 (pre-Covid).

## Capital Expenditures Reported Of 191 S&P 500 Companies to Report 4Q 2021: Capex +18% year/year and +19% vs. 4Q 2019

Sector	Aggregate YoY	Aggregate 2-yr growth
Consumer Discretionary	-7%	32%
Consumer Staples	19%	30%
Energy	32%	-30%
Financials	22%	19%
Health Care	22%	22%
Industrials	25%	-5%
Information Technology	39%	61%
Materials	73%	17%
Real Estate	-38%	-16%
Communication Services	18%	14%
Utilities	16%	17%
<b>S&amp;P 500</b>	<b>18%</b>	<b>19%</b>

Source: FactSet, BofA US Equity & Quant Strategy

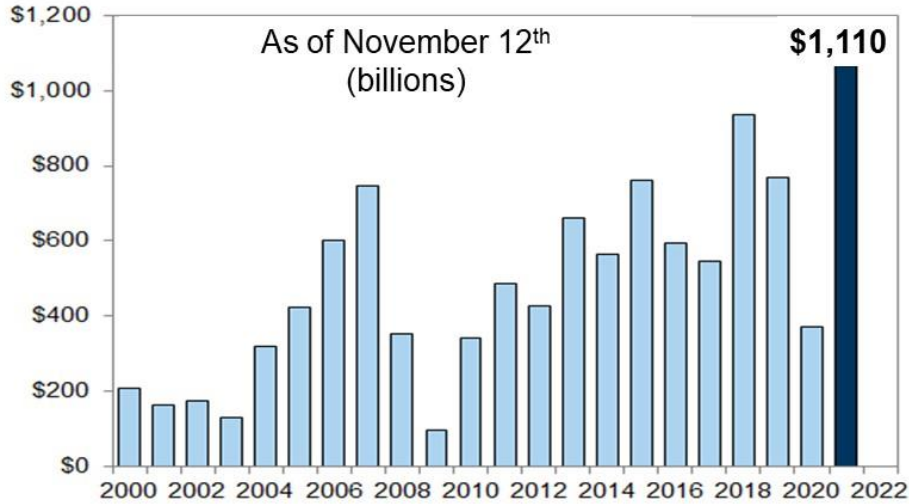
BofA GLOBAL RESEARCH

2021 was a record-breaking year for mergers and acquisitions. Rob Kindler, Global Head of M&A at investment bank Morgan Stanley says about the outlook for 2022: “While it may not be another record year, all the key elements that made the 2021 M&A market so strong are largely in place”



Share buyback authorizations also reached record highs in 2021 and the record pace of buybacks is expected to continue in 2022.

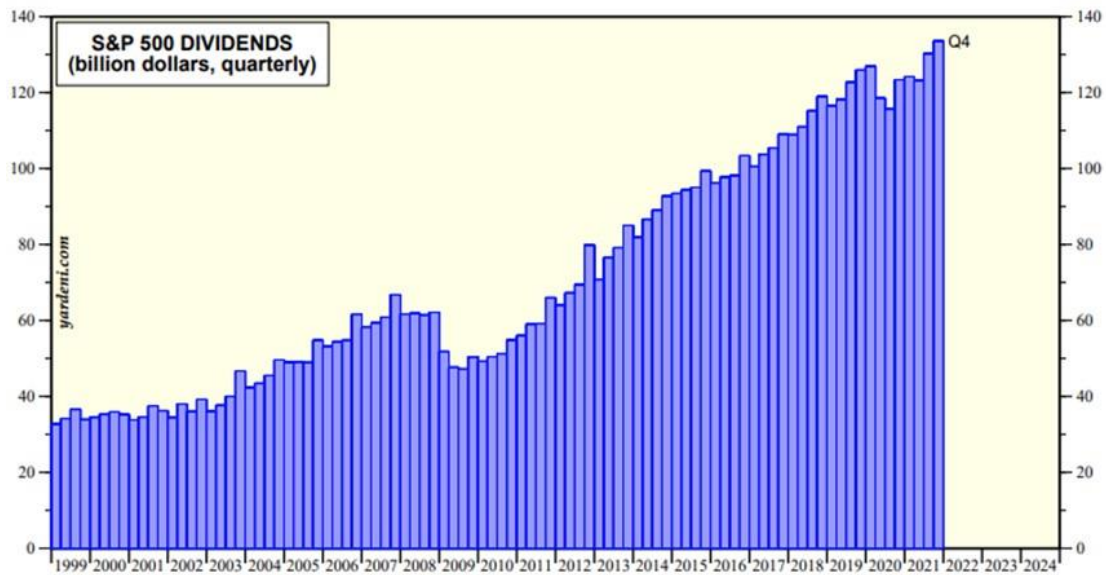
## U.S. Share Buyback Authorizations



Source: Goldman Sachs Asset Management

For the past three years, the S&P 500 dividend growth rate has been roughly 10%. Barron's projects continued and possibly an accelerating dividend growth rate: "Dividend growth has not caught up with the massive earnings recovery since 2020, as companies remain cautious about distributing cash in a less certain environment."

## S&P 500 Dividends



Source: Standard & Poor's, YardeniResearch, Inc.

With more than half of the S&P 500 having reported fourth quarter earnings, it looks like earnings growth will be roughly 27%. This will mark the fourth straight quarter of earning growth above 25%.

Rapidly rising interest rates are the most clear and present threat to stock appreciation. A 7.5% year/year increase in the Consumer Price Index (CPI) reported this week is the highest level of inflation since February 1982 and has helped propel the 10-year U.S. treasury rate to 2% for the first time since mid-2019. Over the past year, strong earnings growth has lifted the market higher despite contraction in the Price/Earnings (P/E) multiple as a result of rising rates. It is likely that the interplay of stock appreciation fueled by strong earnings growth will continue to be only partially offset by higher interest rates and a contracting P/E.

### **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).



*"Whatever it is, he's been watching it all afternoon."*

# Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BEARISH**

THIS WEEK'S NUMBER IS

**46.2**

Our technical indicator increased from 40.0 to 46.2 this week

## INDICATOR STATISTICS

Consecutive Bearish Weeks:	3
Cycle Inception Date:	1/27/2022
Range:	37.2 – 46.2
Mean:	41.1
Bullish Weeks YTD:	3
Bearish Weeks YTD:	3
*S&P 500	4.2%
*DJIA	3.2%
*NASDAQ	5.9%

\* Percentage change during current cycle



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