

*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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April 29, 2022

### More Sellers than Buyers

Since the intraday high last Thursday through Thursday morning of this week, the S&P 500 declined by about 7%. The reasons cited for the sell-off are Russia/Ukraine war, inflation, interest rates, hawkish Fed, Covid in China, etc. In other words, nothing new explains the sudden decline in the S&P 500 other than there have been more sellers than buyers.

### S&P 500 3-Months



When the stock market comes under stress, we look to the bond market for confirmation that investors in other important asset classes are equally anxious. To measure anxiety in the bond market, we look at the interest rate spread between non-investment grade corporate debt and short-duration U.S. treasuries. When the spread between these two rates exceeds 5% and is rising, the bond market is signaling that it is worried. Today, the spread is about 3.9%, below where it was in mid-March. For now, the bond market is not confirming the pessimism of the stock market.

# High Yield Spread

Past 10 Years



Earnings season is underway and does not explain the recent market weakness. Through Thursday morning of this week, 38% of S&P 500 companies have reported with 74% beating 1Q earnings and 68% exceeding revenue estimates. Earnings have surprised to the upside by 3.8%. For companies that have reported so far, 1Q revenue growth is around 11.3% y/y.

Interest rates (U.S. treasury rates) are lower today than where they were last Thursday. There is a significant amount of evidence we are at, or near, peak inflation. Russia's invasion of Ukraine continues to go poorly for Russia and expand and solidify western opposition to the war. The Fed's hawkishness has been steadily projected by the Fed and expected by the financial markets for the past two months.

There are times when market depreciation is best explained with the statement that there are more sellers than buyers. One of the largest sources of stock buying has come from corporations buying their stock back. Roughly 60% of S&P 500 companies are currently in earnings blackout and prohibited from buying back stock.

Conversely, when we talk to the traders on institutional trading desks about trade flows, they are seeing more sellers than buyers. According to the American Association of Independent Investors (AAII) investment sentiment survey, bearish sentiment is now at the fifth highest level it has been since the inception of the survey in 1987.

## AAII Sentiment

Reported Date	Bullish	Neutral	Bearish	12 Month Return
3/5/2009	18.92%	10.81%	70.27%	55.80%
10/19/1990	13.00%	20.00%	67.00%	30.20%
8/31/1990	23.00%	16.00%	61.00%	27.00%
10/9/2008	31.47%	7.69%	60.84%	13.50%
4/28/2022	16.40%	24.20%	59.40%	??

The sentiment chart above also shows how when bearish sentiment has been this high in the past, the S&P 500 return has been positive over the next twelve months ranging from up 13.5% to up 55.8%.

From a technical standpoint, the market decline of the past week eliminated the upward momentum of the stock market. For trend following investment strategies, the loss of bullish momentum is temporarily bearish. The Delta Market Sentiment Indicator (MSI) fell below 50 this week but remains in the +/- 3% range of the trading threshold.

### 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).



*"I used two spaces after every period."*

# Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

**47.2**

Our technical indicator decreased from 52.1 to 47.2 this week

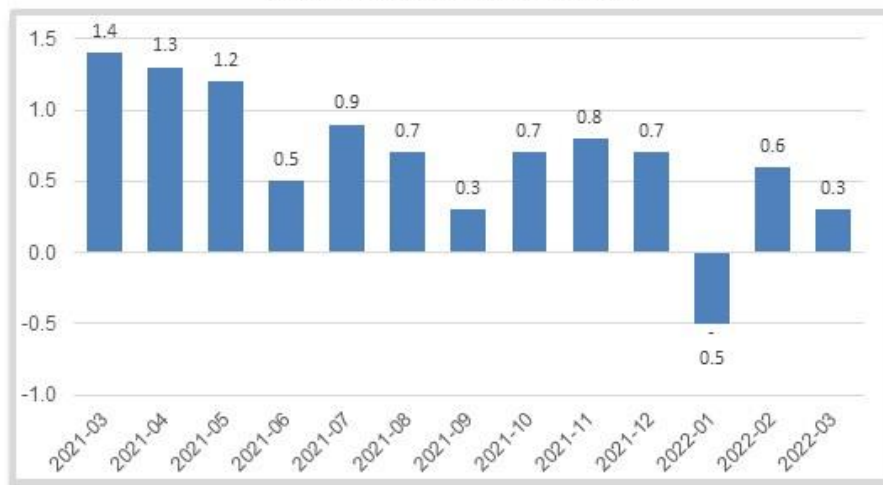
## INDICATOR STATISTICS

Consecutive Bullish Weeks:	5
Cycle Inception Date:	3/31/2022
Range:	47.2 - 54.3
Mean:	51.4
Bullish Weeks YTD:	8
Bearish Weeks YTD:	9
*S&P 500	-6.5%
*DJIA	-3.3%
*NASDAQ	-10.5%

\* Percentage change during current cycle



## Leading Economic Index % Change Monthly March 2021 – March 2022



Source: The Conference Board – last update 4/21/2022

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