

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.

August 19, 2022

The Mother of All Moving Averages

Fundamental analysts have a wide dispersion on their outlooks. Several months ago, the consensus outlook for S&P 500 earnings was roughly \$250. Today, it is \$243.81. Some analysts believe the actual number will be closer to \$235 and in the worst case, \$200. If S&P 500 earnings are \$235 in 2023, the S&P 500 is trading at a P/E of 18.3x which is high relative to the 25-year average of 16.9x.

Although there is little consensus among fundamental analysts on the intermediate term outlook, the market is exhibiting very strong technical performance. From the low in mid-June, the S&P 500 is up 18%.

Many investors use stock prices as their investment guide. When prices move up through moving averages, technical investors become more bullish. One of the early bullish signals in the current rally was when the S&P 500 closed above the 50-day moving average on July 19. Many “swing” traders use the 50-day moving average as their primary guide.

The mother of all moving averages is the 200-day moving average. Lots of investors use this threshold to determine if they are bullish or bearish. Almost all investors take note when the indexes pass through the 200-day average. When the bullish crossover occurs, new money is often added to equities. This week, the Dow Jones Industrial Average crossed above the 200-day moving average and the S&P 500 is on the verge.

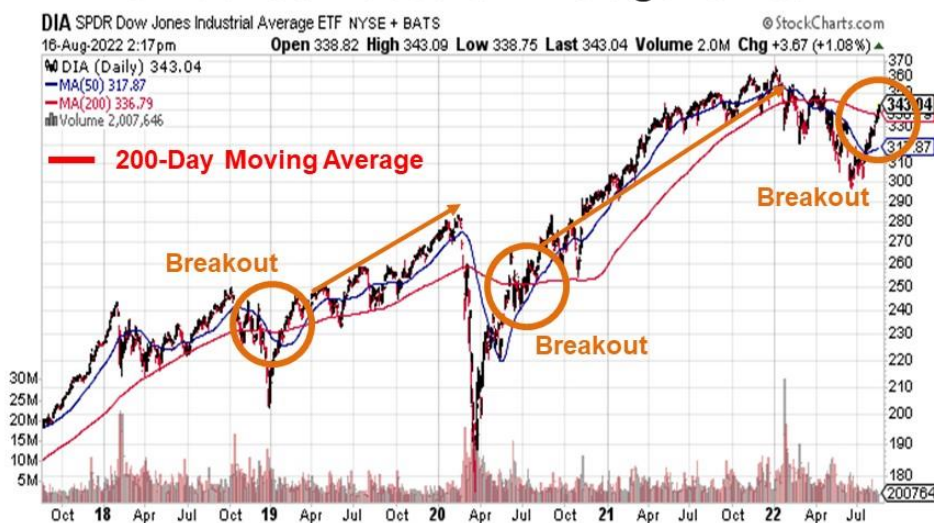
Dow Jones Industrial Average: 1-Year



The 200-day moving average is by definition, a long-duration trend signal. The number of trading days in a year is about 250. The 200-day moving average represents price action for the majority of a trading year.

When there is a bullish cross-over, the bullish trend often lasts for months/years.

Dow Jones Industrial Average: 5-Year



The chart above shows the past five years of the Dow Jones Industrial Average versus its 200-day moving average. The past five years of 200-day breakout history are typical of what has happened throughout stock market history. The Delta Market Sentiment Indicator (MSI) remains bullish this week.

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.



"It's almost back-to-school time. Steal some office supplies."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

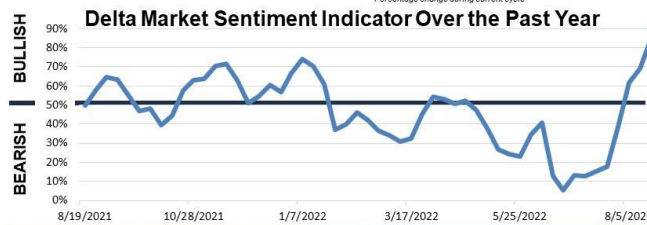
83.5

Our technical indicator increased from 67.0 to 83.5 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	3
Cycle Inception Date:	8/4/2022
Range:	61.6 – 83.5
Mean:	71.4
Bullish Weeks YTD:	11
Bearish Weeks YTD:	22
*S&P 500	3.0%
*DJIA	3.9%
*NASDAQ	2.6%

* Percentage change during current cycle



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