

*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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November 10, 2022

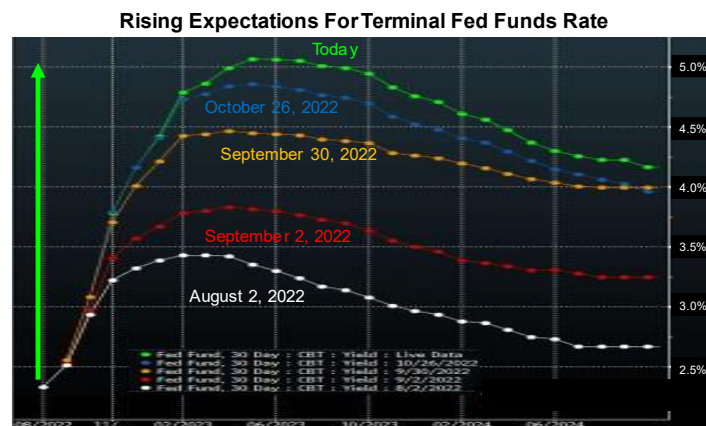
## **Bear vs. Bull**

Since mid-October, the Bull has shown some life. The S&P 500 is up by about 5% from the closing low on October 12. Bullish drivers of the market include:

- An expectation for typical seasonal strength in November and December
- A perfect history of 18 – 0 of positive S&P 500 performance from November through April in mid-term elections years dating back to 1950
- Mid-term elections that deliver a divided U.S. Congress which is expected to reduce the likelihood of any new taxes and major fiscal expenditures
- Earnings reports are not as bad as feared
- Maybe the Fed will stop raising rates sooner rather than later

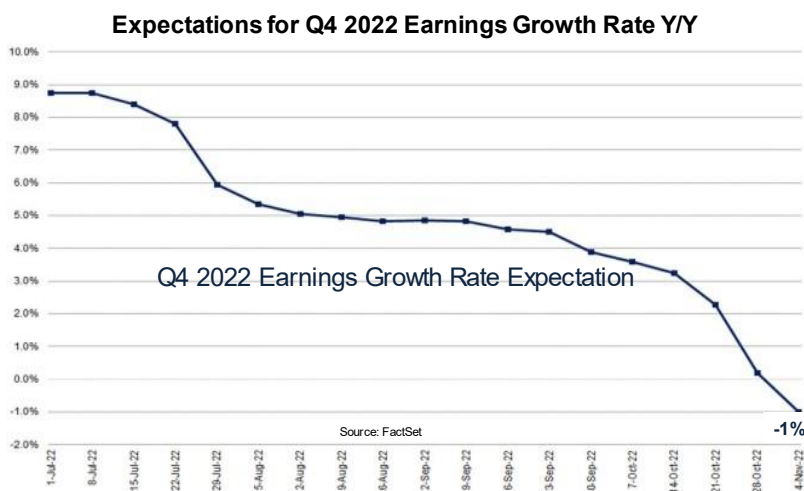
The Bull's charge is being slowed by two major factors. First, the Fed is showing no inclination for pulling back on its rate hike agenda. Last week, Fed Chairman Powell: *"...we want to be sure that we don't make the mistake of not tightening enough or loosening policy too soon."* He added that inflation and other data since September *"suggest that the ultimate level of interest rates will be higher than previously expected."*

Since August 2, the terminal Fed Funds rate expectation has climbed from about 3.4% to 5.1%.



Higher interest rates weigh on stock valuations (often translate to lower P/E multiples) and will likely further slow economic growth.

The second obstacle to the end-of-year bull charge is analysts are lowering their S&P 500 earnings estimates for the fourth quarter of 2022 and the full year 2023. In July, analysts estimated fourth quarter earnings to grow nearly 9%. At the end of the third quarter (September 30), analysts had cut earnings to grow 4%. Today, consensus estimates have been slashed further to -1%.



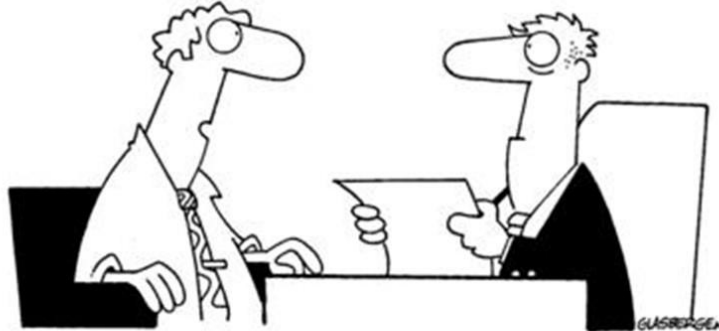
The consensus analyst estimate for 2023 S&P 500 earnings is \$233.36 (+6% from 2022e of \$221.60). But, the Bears have estimates much lower. Their range is from \$170 to \$220 for 2023.

For the Bull to find solid footing and offer a sustained advance, the market will have to believe that it has truly found the peak in interest rates (the terminal rate) and earnings have found a bottom. Once it is evident that these two factors have been determined, the Bull will be free to roam.

### 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).

INVESTMENTS AND  
FINANCIAL PLANNING



“Explain to me again why enjoying life when I retire is more important than enjoying life now.”

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BEARISH**

THIS WEEK’S NUMBER IS

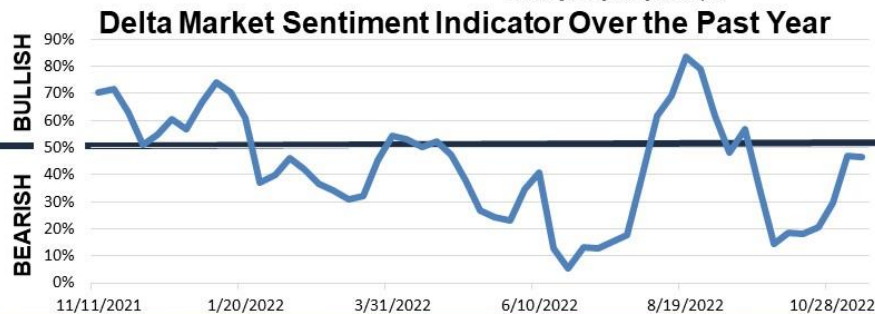
**46.7**

Our technical indicator decreased from 47.1 to 46.7 this week

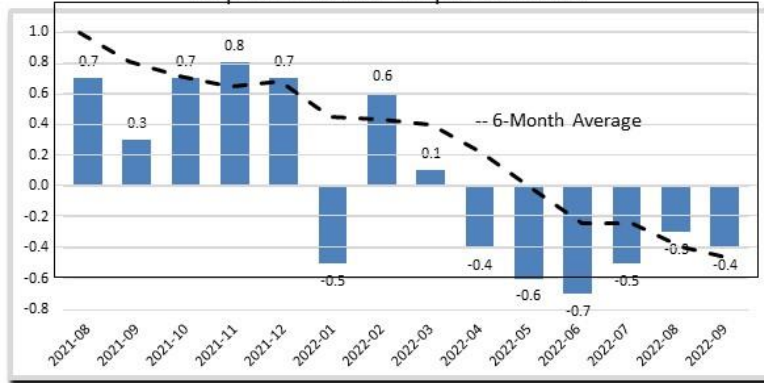
INDICATOR STATISTICS

Consecutive Bearish Weeks:	8
Cycle Inception Date:	9/23/2022
Range:	14.3 – 47.1
Mean:	28.7
Bullish Weeks YTD:	15
Bearish Weeks YTD:	31
*S&P 500	1.0%
*DJIA	9.1%
*NASDAQ	-5.4%

\* Percentage change during current cycle

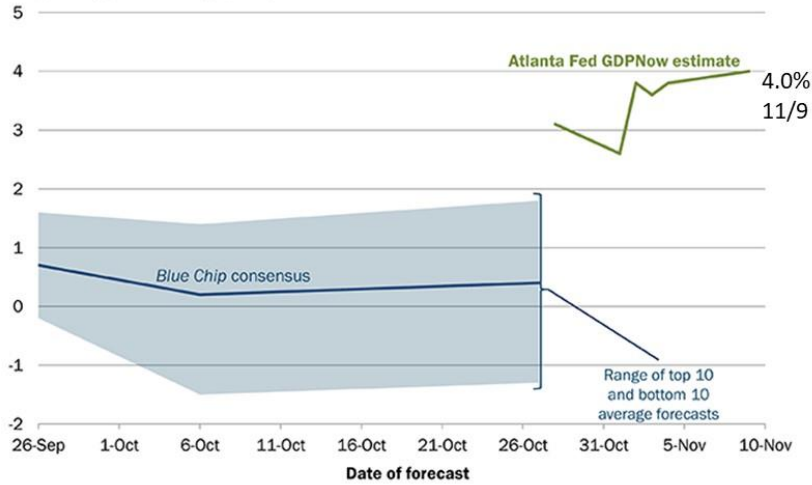


## Leading Economic Index % Change Monthly September 2021 – September 2022



Source: The Conference Board – last update 10/20/2022

## Atlanta Fed GDPNow Forecast Real GDP Estimate for Q42022



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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