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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.*

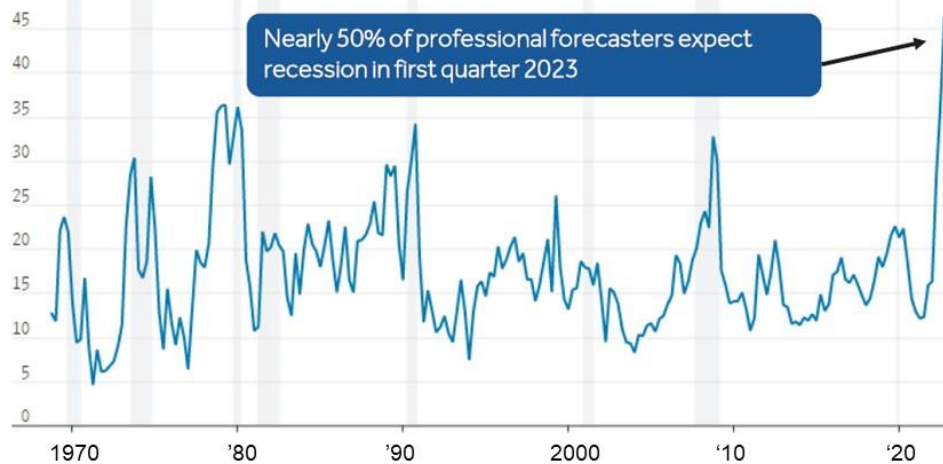
December 9, 2022

## **Stock Market Consensus Can Be Dangerous**

Throughout history, the stock market has frequently behaved in an unexpected manner. In March of 2020 with the S&P 500 down roughly 35% because of Covid lockdowns, who forecasted an up 18.4% year for the index? With the Fed Funds rate near 4% on its way to 5% (according to the Fed), who would expect the 10-year treasury rate to fall from 4.3% about a month ago to about 3.5% this week? The inversion of the 2year/10year treasury rates reached a 40-year low of -0.84%. Many important moves that occur in financial markets are a surprise to a majority of market participants.

We are heading into the most forecasted recession of the past 50 years.

## **Philadelphia Federal Reserve Anxious Index**



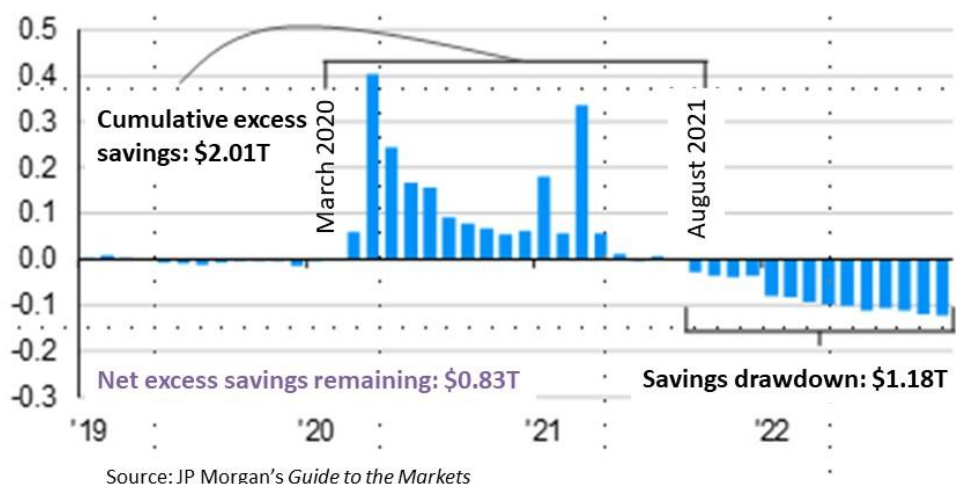
Source: WSJ / Federal Reserve Bank of Philadelphia / Canaccord  
Quarterly Data

JPMorgan's S&P 500 forecast for early 2023 is much like the other major investment banks. "We expect that the lows we've seen this year in equity markets will likely be re-tested in the S&P 500 early next year, and we see an ongoing trend of pullback in risk assets, and a rise in allocation to bonds."

When there is strong consensus thinking about the future market trend, it often pays to be a contrarian. If nothing else, maintaining portfolio diversification keeps an investor in position to benefit from any market scenario, no matter how unexpected.

One reason why the U.S. economy may not go into a recession in early 2023 is consumers are still sitting on \$830 billion of excess savings according to JPMorgan Chase. The figure below reflects the difference in monthly realized savings vs. pre-pandemic trend savings.

## Excess Personal Savings During the Pandemic



Better than expected retail sales and record travel statistics show consumers are putting the money to work this holiday season and may continue to do so into next year.

Another reason we may not experience recession in early 2023 is the unemployment rate is at a 50-year low of 3.7%. In the November employment report, average hourly earnings increased by 0.6% month-over-month and 5.1% year-over-year. The employment reports have consistently surprised to the upside.

Factory orders reported this week also surprised to the upside with a 1% increase month-over-month in October versus the consensus expectation of 0.7%. There was an unexpected rebound in business spending (nondefense capital goods orders excluding aircraft). Higher than expected business spending provides a boost to GDP forecasts.

If we do not go into a recession, the bear market may be behind us. The recent bear market was 25% and lasted 9 months (assuming we do not go to new lows). The average non-recessionary bear market has been 24% and 7 months.

## 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 see from your résumé that you enjoy attending the occasional soccer match."*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

**80.6**

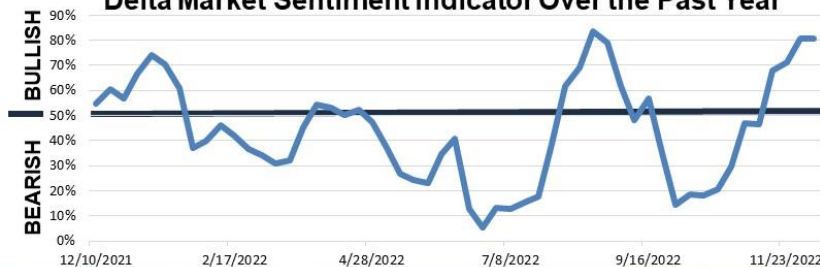
Our technical indicator unchanged  
at 80.6 this week

### INDICATOR STATISTICS

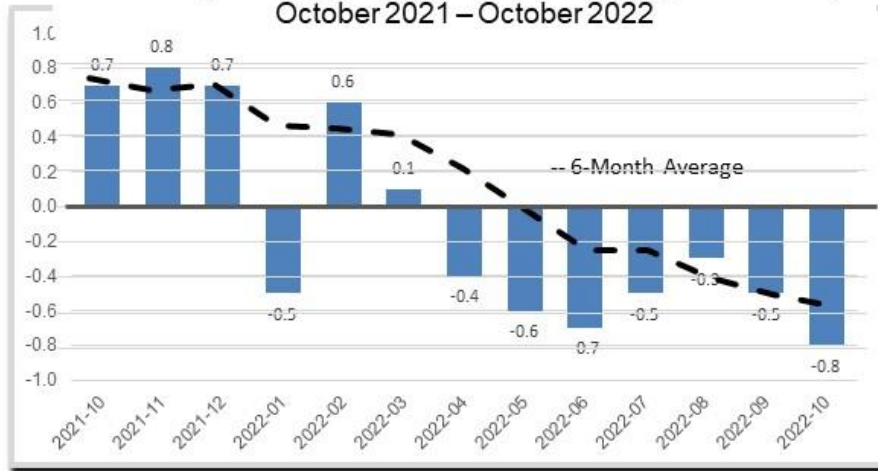
Consecutive Bullish Weeks:	4
Cycle Inception Date:	11/17/2022
Range:	67.8 – 80.6
Mean:	75.1
Bullish Weeks YTD:	17
Bearish Weeks YTD:	30
*S&P 500	1.7%
*DJIA	1.0%
*NASDAQ	0.8%

\* Percentage change during current cycle

### Delta Market Sentiment Indicator Over the Past Year

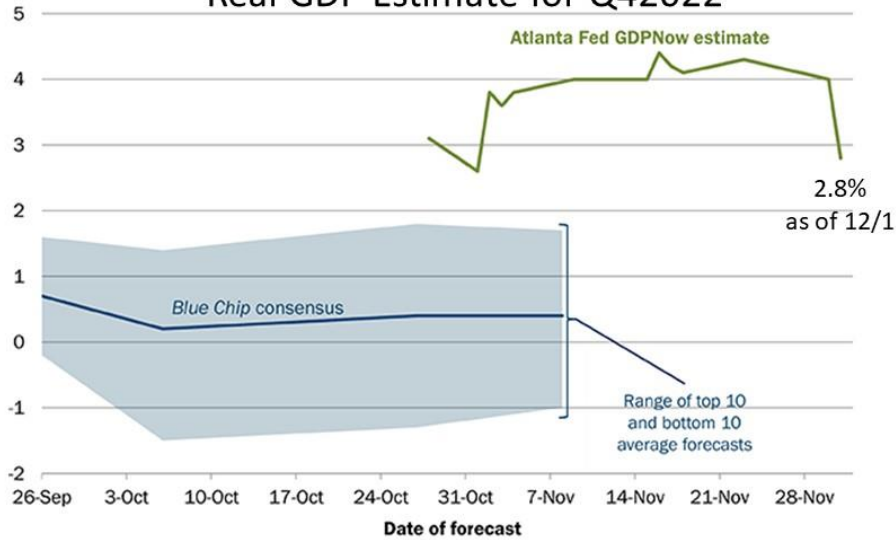


## Leading Economic Index % Change Monthly October 2021 – October 2022



Source: The Conference Board—last update 11/18/2022

## Atlanta Fed GDPNow Forecast Real GDP Estimate for Q42022



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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