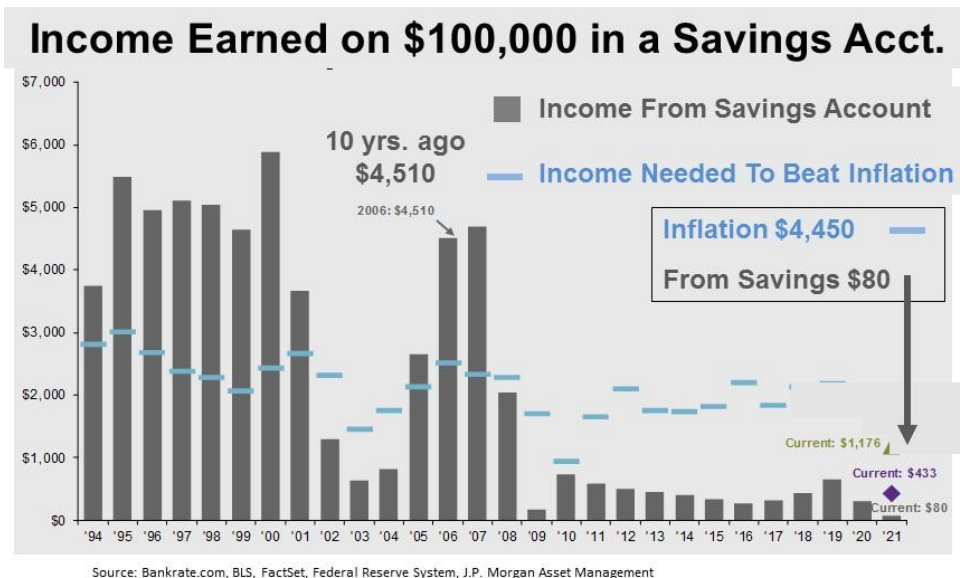


*Delta Investment Management is a registered investment advisory firm. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new turnkey asset management solution.
Delta manages portfolios at TD Ameritrade and Schwab.
Please contact Delta at info@deltaim.com or 415-249-6337 to learn more.*

September 3, 2021

Hot Potato Cash

\$100,000 invested in a traditional bank savings account earns an investor about \$80 per year. The core CPI over the past twelve months increased by 4.45% through June. To keep pace with inflation, the savings account would have to earn \$4,450 per year, not \$80. The \$100,000 investor in a bank savings account is effectively \$4,370 poorer in real dollars (purchasing power) over the past year.



Having the purchasing power of cash decline at a rapid rate as time passes makes cash a hot potato. Cash has been a loser since 2007. It has to be moved to higher return asset classes to prevent further loss.

Unfortunately, the yield on high quality fixed income investments is also well below the current inflation rate. Investment grade corporate bonds have a yield of about 1.7%. The 10-year U.S. treasury yield is 1.3%.

Unless interest rates rise substantially, stocks are the go-to investment for inflation beating returns. The forward 12-month earnings yield of the S&P 500 is estimated at roughly 4.75%. S&P 500 earnings per share are up 27% year-to-date. On every minor stock market dip year-to-date, we have seen the cash hot potato thrown into the stock market on a “buy-the-dip” trade.

Throwing the cash hot potato into the market has worked well this year. Fundamentally, the stock market is able to receive the throw and make yards after the catch. Through the second quarter, corporate profits are up 15.8% from the pre-COVID peak in late 2019.

S&P 500 Earnings Per Share (Operating)



The S&P 500 is near all-time highs. All indications are for the market to keep gaining ground.

- The U.S. treasury yield curve (10yr.>2yr.) has a positive slope.
- The 6-month moving average of the Leading Economic Index (LEI) is positive.
- The High Yield Spread has declined to 3.1% meaning bond investors are not concerned with recession risk.
- The New York Stock Exchange (NYSE) cumulative advance-decline line is well above its 200-day moving average indicating a healthy breadth supporting the bull trend.
- Liquidity, jobs and pent-up consumer demand are plentiful. There has never been more liquidity or job openings in the history of our economy.
- Interest rates (stock earnings discount rates) are persistently low.

The Delta Market Sentiment Indicator (MSI) is bullish this week and has strengthened showing increasing market momentum on an intermediate term basis.

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.



Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

64.6

Our technical indicator increased from 58.1 to 64.6 this week

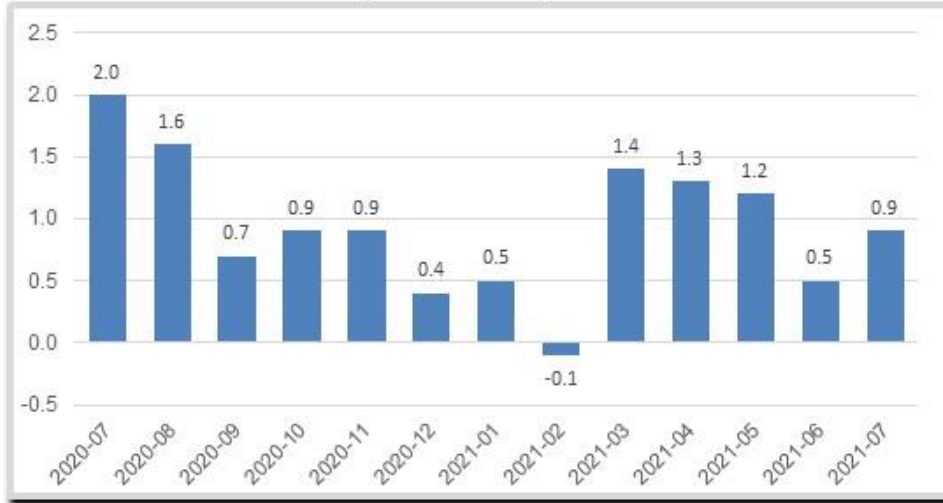
INDICATOR STATISTICS

| | |
|----------------------------|-------------|
| Consecutive Bullish Weeks: | 4 |
| Cycle Inception Date: | 8/12/2021 |
| Range: | 49.6 – 64.6 |
| Mean: | 55.8 |
| Bullish Weeks YTD: | 32 |
| Bearish Weeks YTD: | 3 |
| *S&P 500 | 1.6% |
| *DJIA | -0.4% |
| *NASDAQ | 3.3% |

* Percentage change during current cycle



Leading Economic Index % Change Monthly July 2020 – July 2021



Source: The Conference Board – last update 08/19/2021

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