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June 1, 2018

## **Trouble With The Curve**

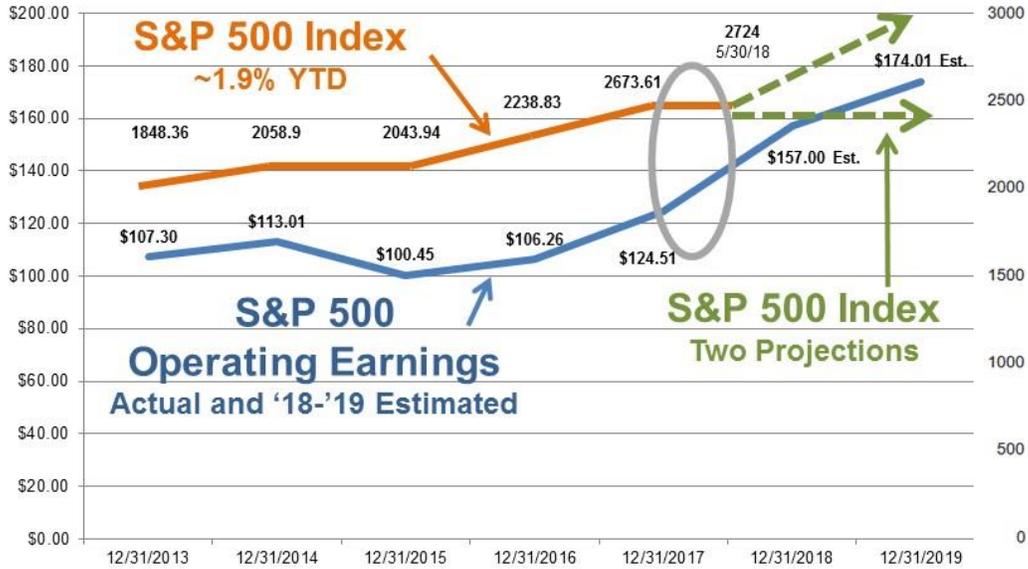
In a 2012 movie “Trouble with the Curve”, Clint Eastwood stars as a professional baseball scout who is able to recognize that a highly sought after prospect is unable to hit a curve ball. The 2018 stock market year-to-date has been unable to connect on a pitch. With just a 1.9% gain for the year, the S&P 500 remains stuck at home plate, unable to advance to first base.

The stock market is having trouble with the curve. Curve balls this year have included the volatility spike of the VIX to 50, ping-pong peace talks with North Korea, potential global trade wars, Fed rate hikes and most recently refreshed concerns about the euro with a potential Italian exit (“Itexit”).

The pitch that we are waiting for the market to hit is the 25% earnings growth projected for 2018. If the market connects with this four-seam fast ball over the middle of the plate, it is likely the market is going to easily make it to first base if not a lot more.

Time is on the market’s side. As it stays at the plate fouling off curve balls, it becomes more likely to connect with the earnings pitch. On March 31, the estimated growth rate for Q1 earnings was 17.1%. As of last Friday, with 97% of the S&P 500 companies having reported, the actual first quarter earnings growth is 24.6%. Rising earnings with no corresponding stock market appreciation creates increasingly attractive valuation.

## S&P 500 Operating Earnings and Price



The chart above shows the positive correlation between the S&P 500 index and earnings with earnings indicated on the left vertical axis and the S&P value marked on the right. This year (highlighted in grey oval), the correlation has begun to slip as earnings are rising and the market trades sideways, befuddled by curve balls. If 2018 and 2019 operating earnings expectations become reality, it is likely the S&P Index price will reconnect with earnings advances and investors will advance to at least first base.

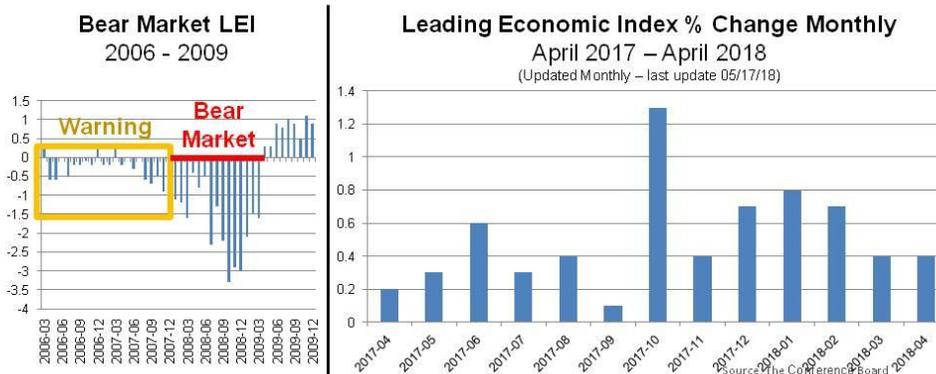
### Give Us a Call Today

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*"Life has its seasons, Kaitlin. This is the baseball season."*

# Delta Stock Market Dashboard



MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

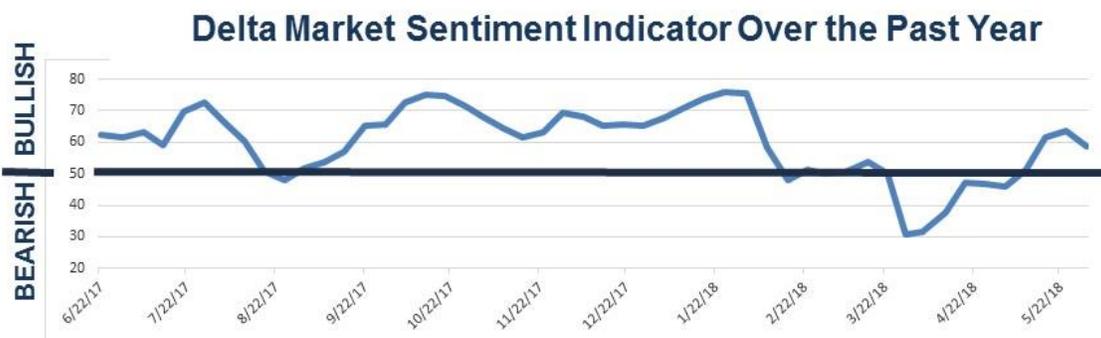
**58.7**

Our technical indicator decreased this week from 63.7 to 58.7

## INDICATOR STATISTICS

Consecutive Bearish Weeks:	4
Cycle Inception Date:	5/10/2018
Range:	51.2 - 63.7
Mean:	58.8
Bullish Weeks YTD:	16
Bearish Weeks YTD:	6
*S&P 500	-0.5%
*DJIA	-1.3%
*NASDAQ	0.7%

\*Percentage change during current cycle



(Delta MSI is published every week in *Barron's*)

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