

*Delta Investment Management is a registered investment advisory firm headquartered in San Francisco. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new partner. 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.*

March 1, 2019

### **Down 20%, Up 20%, More Wood to Chop**

Investors just experienced what it is like to be down 20% and then right back up 20%. It equals a 4% loss.



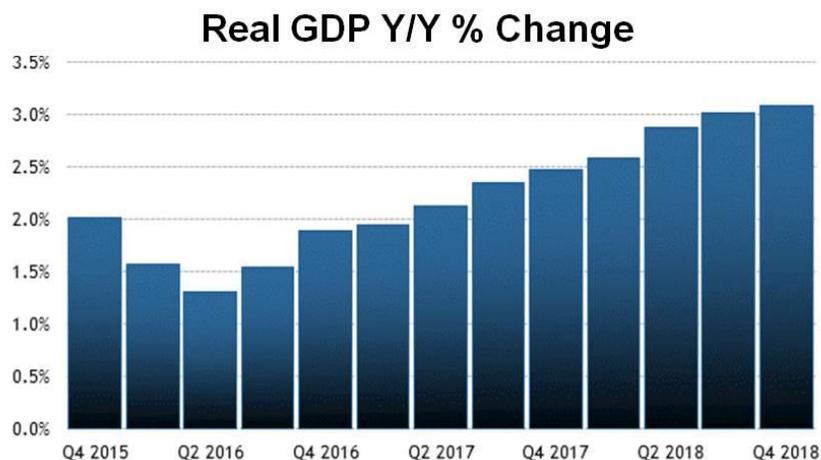
This is explained by how percentages work. Percentage down is calculated from a large number (SPX 2,940.91). Percentage up is calculated from a smaller base (SPX 2,346.58) which means a smaller absolute rise in the market still equals 20%. For investors to recover all of the losses from the high, their portfolio would have to appreciate by 25% from the low.

The percentage math gets worse as the loss grows. For example, if a portfolio starts with \$100 and loses \$50, it is down 50%. For the portfolio to return to its original \$100 amount, it would have to appreciate by 100%.

Percentage math helps explain why losses are so painful and why avoiding major loss should be a top priority in an investment portfolio. Delta specializes in risk mitigation to avoid major loss.

## 4Q 2018 Fundamental Disconnect

The Q4 GDP estimate was released this week and showed economic output increased year-over-year 3.1% in the fourth quarter which was ahead of consensus expectations.



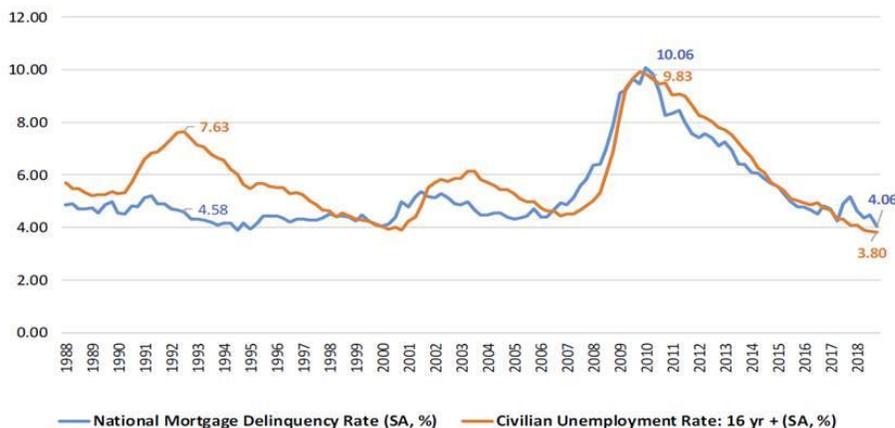
Source: Bureau of Economic Analysis; updated 02/28/19

Personal spending increased 2.8% and accounted for 1.9% percentage points of the change in Q4 real GDP. Despite the stock market's 20% decline in the fourth quarter, the US economy grew at a pace above expectations.

In addition to a market bounce, consumer confidence is bolstered by a strong labor market. When people have jobs and confidence is high, generally consumer spending remains positive and the economy expands. Importantly, the financial sector is not stressed by defaults. A stressed financial sector and tightening credit standards can restrict economic activity.

## Mortgage Delinquency & Unemployment Rates

Seasonally Adjusted, percent



Source: MBA's National Delinquency Survey; [www.mba.org/nds](http://www.mba.org/nds); U.S. Bureau of Labor Statistics (BLS)

The stock market is considered to be a leading economic indicator. Investors factor in their forward expectations in today's stock prices. It appears, at least from the

standpoint of a possible recession, the stock market got it wrong in the fourth quarter. This is not unusual. Since WWII, the S&P 500 has experienced 37 corrections (down =>10%). In 26 cases (70%), there was no recession. The Delta MSI remains bullish this week.

### Give Us a Call Today

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) if you have questions about how we can assist you in managing your investment accounts.



*"Remember when, on the Internet, nobody knew who you were?"*

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# Delta Stock Market Dashboard

## INDICATOR STATISTICS

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

**77.7**

Our technical indicator increased  
this week from 77.4 to 77.7

Consecutive Bullish Weeks:	5
Cycle Inception Date:	1/31/2019
Range:	59.5 – 77.7
Mean:	71.3
Bullish Weeks YTD:	5
Bearish Weeks YTD:	4
*S&P 500	3.5%
*DJIA	4.1%
*NASDAQ	4.0%

\* Percentage change during current cycle



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

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