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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 15, 2019

## **Disinflation Allows Stocks to Inflate**

The stock market is lifting. Part of the reason stocks are appreciating is because almost every indication is that inflation is softening. Without inflation, the Federal Reserve has little reason to raise the Fed Funds rate. Low interest rates make stocks look attractive relative to fixed income investments.

Ten years after the financial crisis of 2007-2009 when the Fed lowered the Fed Funds interest rate to zero, investors continue to struggle with where to find return. It is as hard as ever to find liquid investments with stable principal that yield 5%+ per year. The 10-year U.S. treasury rate is 2.6%. The yield on the S&P 500 is just above 2%. The stock market does not require much capital appreciation to be more attractive than bonds.

The Consumer Price Index (CPI – a measure of inflation) was reported early this week and showed inflation moved lower on a year-over-year basis. This is true for both the headline CPI (including gas prices) and for core CPI which excludes food and energy.

The Producer Price Index (PPI – what manufacturers pay for materials, etc., another measure of inflation) was reported this week and showed inflation moved lower on a year-over-year basis. This was true for both headline and core PPI.

Import and export prices were reported this week. Nonfuel import prices were down year-over-year. Non-agricultural export prices were up less year-over-year than in the previous report.

Low inflation/disinflation was a broken record this week. Last Sunday, before the trading week began, Fed Chairman Jerome Powell made clear on **60 Minutes** that the Fed would be patient before raising rates again. On Monday March 11, the S&P 500 jumped 1.3% higher. The inflation data is likely to make the Fed even more patient than they were last Sunday and the S&P 500 added almost another percentage point to its gains during the course of the week.

Technically, it is getting interesting. The S&P 500 barely broke above its 2816 resistance level this week – on an intra-day basis, it touched 2821.24 on Wednesday.

## S&P 500 Index



A move above resistance that is held for a week or so would be a good technical indicator the market may trade above its 12-month high of 2940.91 in the near-term.

Since 1950, the S&P 500 has had 13 occasions when it sold off between 10% and 20%. The average number of trading days to full recovery from the low is 71. The closing low in the most recent sell-off occurred on December 24. Through yesterday, 55 trading days have passed from the low. If the 2018 fourth quarter sell-off is typical, we would expect the S&P 500 to be back at its old high on or about the same day in 1792 that George Washington cast the first presidential veto, April 5. In case you are wondering, the vetoed bill would have given northern states more representation in Congress. George, a Virginian, found the bill to be unconstitutional.

History is a guide to the future, not a guarantee of the future. Currently, the Delta MSI is Bullish.

### 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.



*"And just how do you expect to become a made man, son, without a solid liberal-arts education?"*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

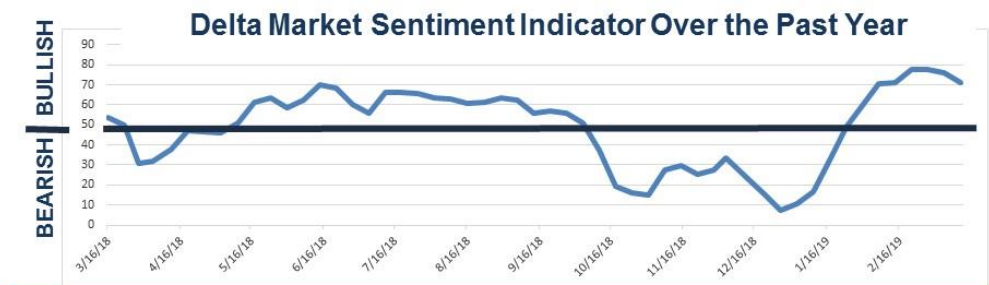
**71.0**

Our technical indicator decreased  
this week from 75.9 to 71.0

### INDICATOR STATISTICS

Consecutive Bullish Weeks:	7
Cycle Inception Date:	1/31/2019
Range:	59.5 – 77.7
Mean:	71.9
Bullish Weeks YTD:	7
Bearish Weeks YTD:	4
*S&P 500	4.1%
*DJIA	3.0%
*NASDAQ	5.0%

\* Percentage change during current cycle



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

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