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March 22, 2019

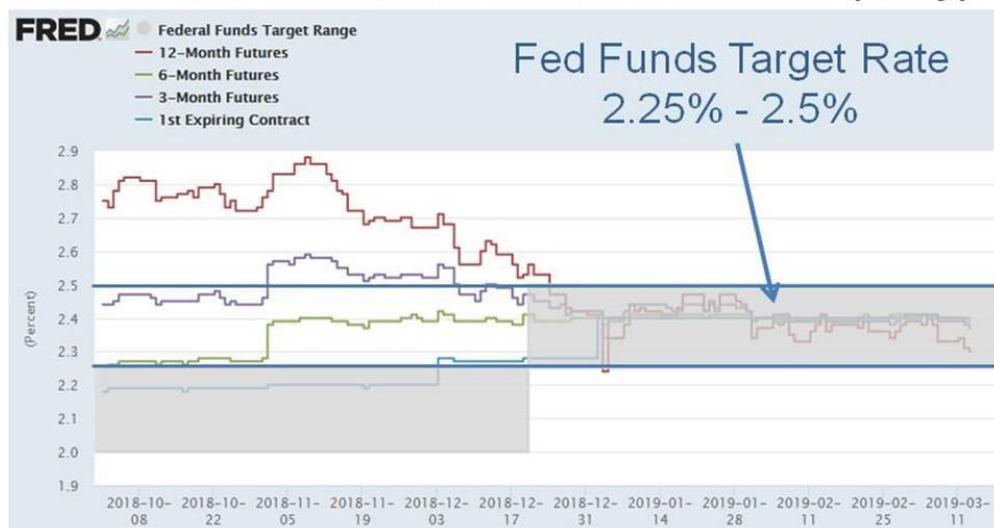
## One Less Thing to Worry About

Dear Nick,

When it comes to investing your money in the stock market, it may seem like there is a lot to worry about. The big worry is that you will lose your money. This big worry is nourished and amplified by a steady stream of disturbing information broadcast in headline media.

This week, the Federal Reserve gave us one less thing to worry about. The Fed says they are not going to raise interest rates in 2019. They communicate their forward interest rate expectations with a graph called the “dot plot.” The Fed dot plot graph implies no rate increases, compared with their December dot plot which indicated two increases this year. The chart below shows how Fed Funds future contracts are all now pricing in no change to the Fed Funds rate.

### Rates on Fed Funds Futures Contracts (daily)



When it comes to stock investing, the big three worries are 1) earnings, 2) interest rates and 3) the risk appetite of stock buyers. Having one of the big three worries become a non-worry is a significant improvement in the investment landscape.

We live in a world of instant information. World events are broadcast in real-time and then “priced-into” stock valuations almost instantaneously. How does the market do it? How does the stock market “know” whether to go up or down based on this nearly constant flow of disparate information?

The world’s information flows through a filter or sorting mechanism that is used to determine if stocks should go up or down. The filter is:

1. Will the new information cause earnings to rise or fall?
2. Will the new information cause interest rates to rise or fall?
3. Will the new information cause investors to become more greedy or fearful?
4. Some combination of the above?

No change in interest rates for 2019 reduces uncertainty/investor anxiety which tends to make them more willing to buy stocks – less discounting of future earnings. No change in interest rates when interest rates are low makes stocks relatively attractive compared to fixed income investments. No change in interest rates means future earnings in today’s dollars have more value. All good.

### **Next Up, Earnings**

Consensus earnings estimates for the S&P 500 for the first quarter of 2019 are -3.6%. If earnings are down on a year-over-year basis in the first quarter, this will be the first time this has happened since the second quarter of 2016. At the end of 2018, the consensus earnings estimate for the first quarter was up 2.8%. The consensus earnings estimate for the S&P 500 for the calendar year 2019 was roughly \$174 six months ago. Today, it is roughly \$168. The S&P 500 earnings outlook is deteriorating and it is not clear when and where the deterioration will end.

In about three weeks, earnings season will begin which should provide some clarification as to the direction of earnings. With the interest rate question off the table for now, the earnings question rises in importance.

This week, the Leading Economic Index was updated for February with a month over month change of +0.2%. This was the strongest percent month/month change since last September. For now, recession risk in the next six months is not a major worry. Employment trends remain positive and the stock market is willing to give the earnings

question a pass for now.

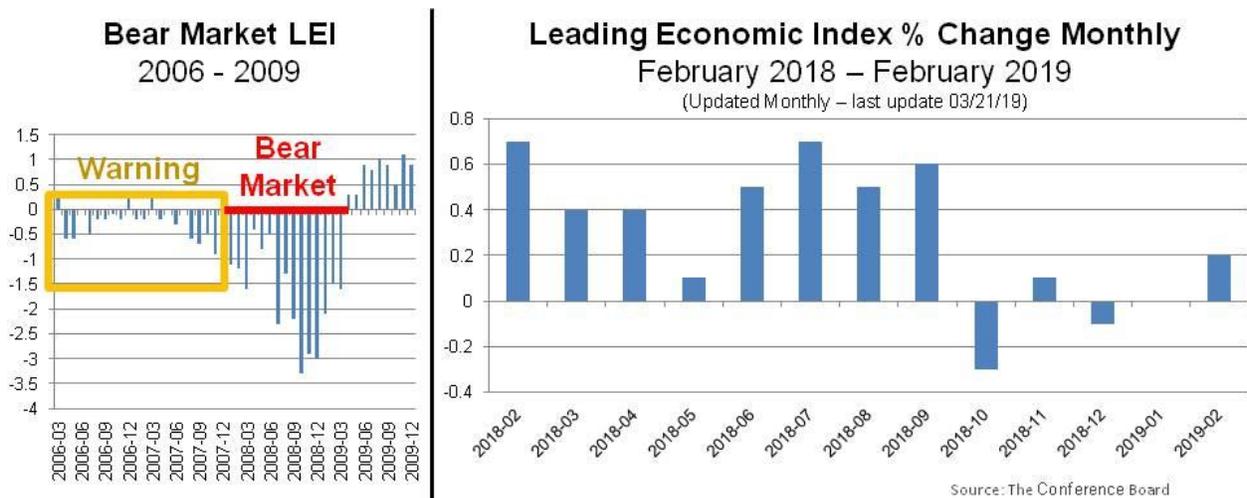
## Give Us a Call Today

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

## Delta Stock Market Dashboard



### INDICATOR STATISTICS

MARKET SENTIMENT IS

**BULLISH**

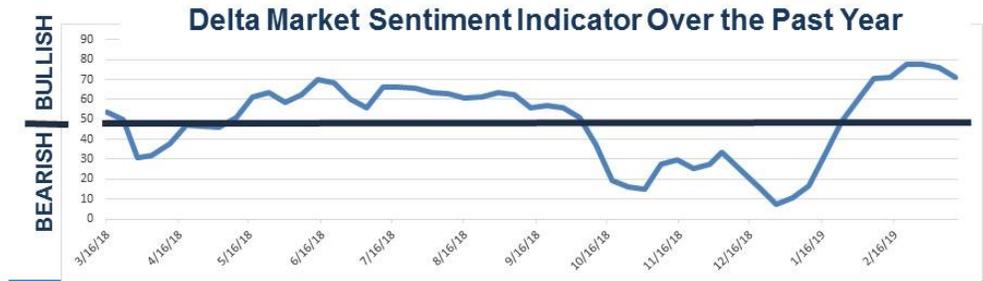
THIS WEEK'S NUMBER IS

**71.0**

Our technical indicator decreased  
this week from 75.9 to 71.0

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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