

*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](mailto:info@deltaim.com) or 415-249-6337 to learn more.*

April 18, 2019

## **The State of (Bank of) America**

Bank of America (BoFA, stock ticker symbol: BAC) has 66 million retail customers. According to the Census Bureau, the population of the U.S. is roughly 327 million. 22.6% of the population is below 18 years old. Bank of America's retail client base represents roughly 26% of adult Americans. Bank of America's earnings report released earlier this week may be used as a barometer of the financial health of American consumers and the main street economy.



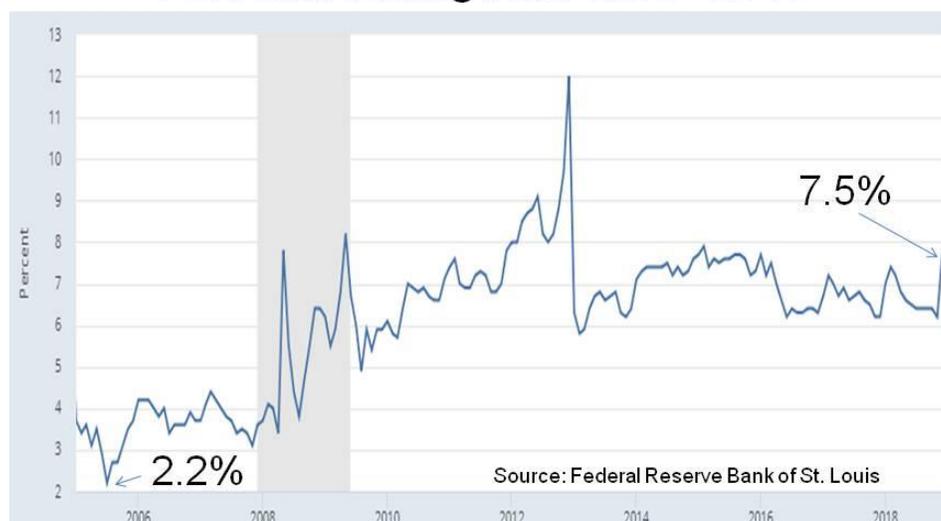
BoFA's largest division is its consumer lending business. Year-over-year, profits were up 25% to \$3.2 billion. Loans across its consumer and commercial businesses rose at least 3% and deposits rose 5% to \$1.4 trillion.

BoFA CEO Brian Moynihan said "Economic growth and consumer activity in the U.S. continue to be solid, businesses of every size are borrowing and driving the economy and asset quality is strong." The company plans on adding 350 financial centers in new and existing markets by 2021 to reach more than 90 percent of the U.S. population.

As a bonus, BofA is raising its minimum wage to \$20 an hour over the next two years. The Federal minimum wage is \$7.25 and the highest state minimum wage is \$12/hour (the District of Columbia is \$14/hour and many cities and counties in Washington and California are greater than \$15/hour). The Bank employs roughly 204,490 people.

In 2005, prior to the 2008 recession, the personal savings rate in the U.S. was 2.2%. The savings rate may have been very low partly as a result of many people seeing their homes as a form of savings. Then the housing market collapsed. Since the recession, the savings rate has climbed to the mid to high single digits and is currently 7.5%. A higher savings rate should contribute to the sustainability of economic growth over time.

### Personal Saving Rate 2005 - 2019



For those of you who watch stock price action daily, you may be wondering why Bank of America stock (BAC) did not show a more positive reaction to their earnings news. Bank of America is a large financial institution with global exposure and a wide array of business activities not related to retail banking and making loans to businesses. Some of these parts of the Bank's business were weak in the quarter. Profits declined by 26% year-over-year in the global markets division. Institutional trading profits and investment banking fees were lower than expected.

For the past six months, analysts have been revising downward S&P 500 earnings estimates. The first quarter earnings season which began this week should help us gauge if analysts are too pessimistic. A week into earnings season, 83% of the companies that have reported beat earnings estimates. But, it is too early in the reporting cycle to know if this is significant. What we do know is the large number of consumers Bank of America interacts with seem to be doing well.

This positive conclusion is supported by the stock action in the consumer discretionary sector (Consumer Discretionary SPDR ETF – XLY) which is trading at all-time highs.

### Consumer Discretionary ETF XLY



Given consumers represent roughly 70% of U.S. GDP, their financial health matters and the report is good.

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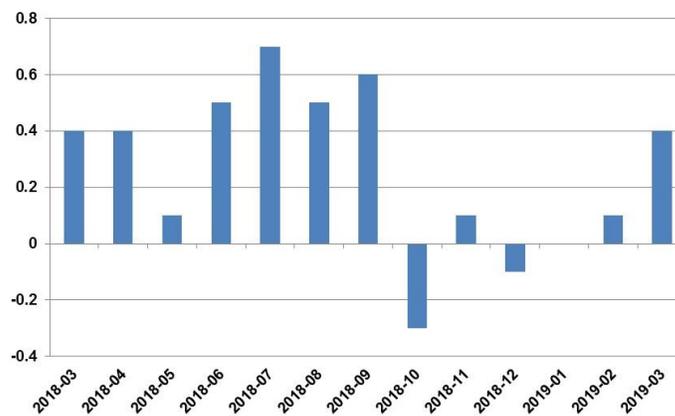


*"You're kidding. I thought it was Friday."*

# Delta Stock Market Dashboard

## Leading Economic Index % Change Monthly

March 2018 – March 2019  
(Updated Monthly – last update 04/18/19)



Source: The Conference Board

### INDICATOR STATISTICS

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

**73.2**

Our technical indicator decreased this week from 77.6 to 73.2

Consecutive Bullish Weeks:	12
Cycle Inception Date:	1/31/2019
Range:	59.5 – 77.7
Mean:	72.3
Bullish Weeks YTD:	12
Bearish Weeks YTD:	4
*S&P 500	7.6%
*DJIA	6.4%
*NASDAQ	9.9%

\* Percentage change during current cycle

### Delta Market Sentiment Indicator Over the Past Year



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

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