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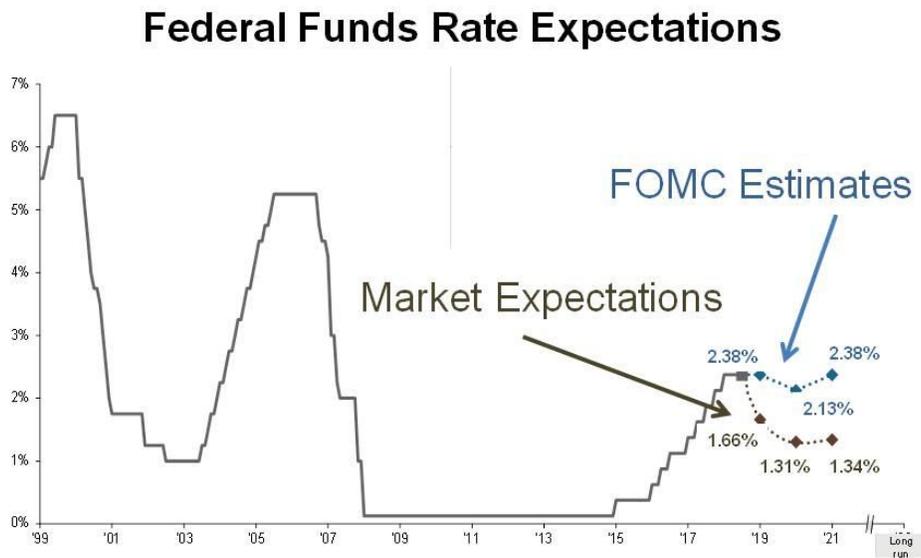
*Delta manages portfolios at TD Ameritrade and Schwab.*

*Please contact Delta at [info@deltaim.com](mailto:info@deltaim.com) or 415-249-6337 to learn more.*

July 12, 2019

## In the Money Race, the Fed is Usually in the Back of the Pack

In the world's financial markets, money is always on the move. Over the past year, money in the Fed Funds Futures market has been indicating the FOMC's (Federal Open Market Committee) Fed Funds rate estimates are too high. The market has been saying the Fed will cut rates this year well before the Fed seems to have arrived at this conclusion. Below is a chart showing market expectations for the Fed Funds rate versus the Fed's own projection of rates.



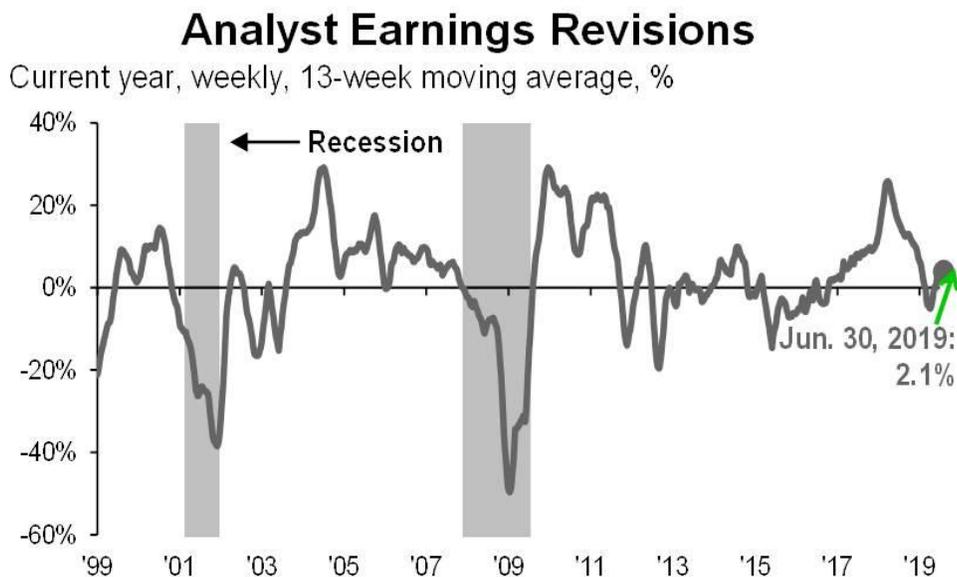
This week, Fed Chair Jerome Powell made clear that there are uncertainties in the economic outlook and inflation pressures are muted. The Fed would like to sustain the economic expansion. He is signaling that the “case for a somewhat more accommodative monetary policy had strengthened.” At the end of July, the Fed may cut the Fed Funds rate.

The Federal Reserve has had a long history of being a step behind the financial markets. Maybe the most egregious case of this in recent history was Fed Chairman Ben Bernanke saying in May, 2007 that the growing number of mortgage defaults would not seriously harm the economy.

“We believe the effect of the troubles in the subprime sector on the broader housing market will be limited and we do not expect significant spillovers from the subprime market to the rest of the economy or to the financial system.” Within a year, the investment bank Bear Stearns collapsed, housing prices across the country were declining and the financial crisis and recession of 2007-2009 was underway.

Today, the growing consensus that the Federal Reserve will begin to catch up with the financial markets and cut rates is helping support higher stock valuations.

The S&P 500 is at all-time highs. The Index rose above 3000 for the first time ever this week. In addition to lower interest rates, we may see better than expected earnings. Earnings season begins next week. After a year of reducing earnings estimates, analyst consensus earnings estimates are now being revised higher (green up arrow on chart below).



**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.



*"Shall I compare thee to a summer's day?"*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

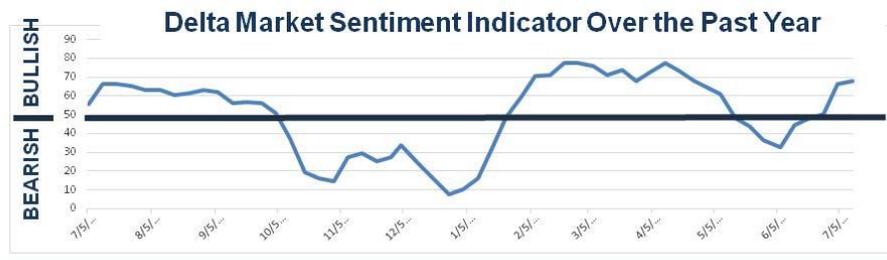
**68.0**

Our technical indicator increased this week from 66.3 to 68.0

### INDICATOR STATISTICS

Consecutive Bullish Weeks:	3
Cycle Inception Date:	6/27/2019
Range:	50.3 – 68.0
Mean:	61.5
Bullish Weeks YTD:	19
Bearish Weeks YTD:	9
*S&P 500	2.9%
*DJIA	2.1%
*NASDAQ	3.5%

\* Percentage change during current cycle



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

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