

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 or 415-249-6337 to learn more.

September 20, 2019

Interest Rate Case Study: Housing Starts Up

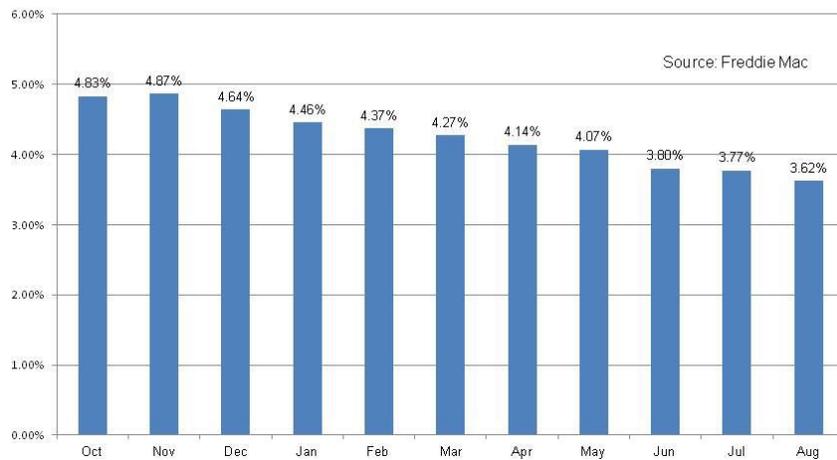
Main Street and Wall Street are strongly influenced by interest rates (the price of money). Low rates spur spending and high rates reward savers.

Housing starts (the beginning of construction of a new house) offers an excellent example of how interest rates impact economic activity and why recent Fed rate cuts may help push out the risk of recession. The Federal Reserve cut its Fed Funds rate for the second time in 2019 this week.

Less than a year ago, the 10-year treasury rate was above 3%. Although the 10-year interest rate is determined by free-market trading activity, it is influenced by what the Federal Reserve is doing with the Fed Funds rate. The 10-year rate is used as a benchmark for mortgage rates. At the beginning of September, it was as low as 1.5%.

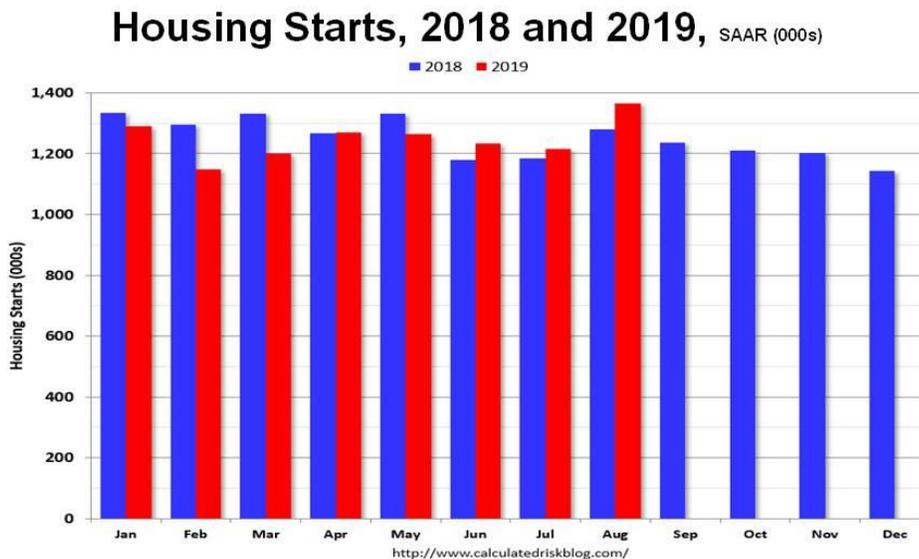
As treasury rates fell, so did mortgage rates. Below is a chart of 30-year fixed rate mortgage rates from October of last year through August of this year. The average 30-year fixed rate loan rate in August was 3.62%, down from nearly 5%.

30-Year Fixed Rate Mortgages Oct '18- Aug '19



In early 2019, housing starts were running well below 2018 levels. Because of relative weakness early in 2019 when interest rates were higher, housing starts are down 1.8% year-to-date compared to the same period in 2018.

But, housing starts in August increased to a 1.364 million annual rate, the highest rate in twelve years. The August starts were up 12.3% compared to July and up 6.6% year-over-year. Below is a graph showing housing starts by month for 2018 and 2019.



Housing starts are considered a leading indicator of economic activity. One of the ten components of the Conference Board Leading Economic Index (LEI) is “building permits, new private housing units.” New homes need new appliances, televisions, furniture, etc. Home formation is a strong, fundamental driver of consumption.

The jump in housing starts spurred by lower rates helps explain why the S&P 500 is trading near all-time highs. The Delta Market Sentiment Indicator (MSI) is bullish this week.

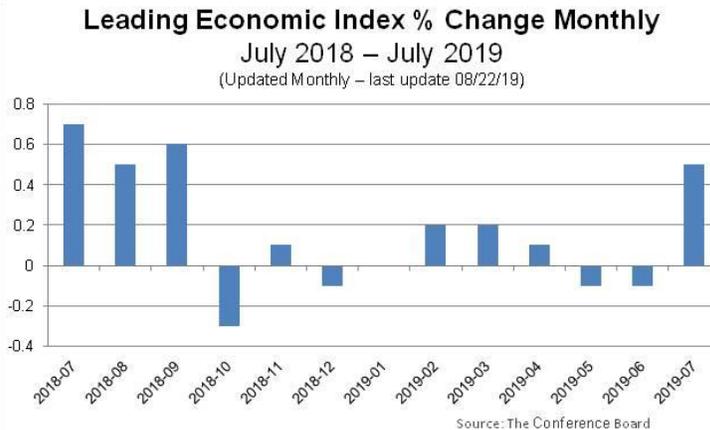
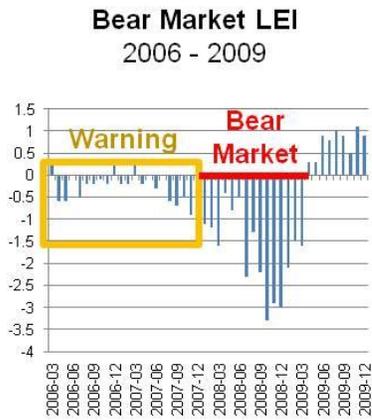
Give Us a Call Today

We invite you to give us a call at **(415) 249-6337**, visit www.deltaim.com or email us at info@deltaim.com if you have questions about how we can assist you in managing your investment accounts.



"I had no idea our marriage was so interest-rate sensitive."

Delta Stock Market Dashboard



MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

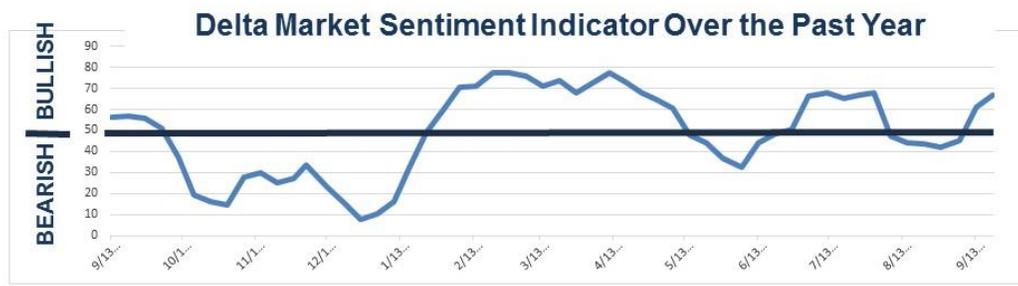
67.1

Our technical indicator increased
this week from 61.1 to 67.1

INDICATOR STATISTICS

| | |
|----------------------------|-------------|
| Consecutive Bullish Weeks: | 2 |
| Cycle Inception Date: | 9/13/2019 |
| Range: | 61.1 – 67.1 |
| Mean: | 64.1 |
| Bullish Weeks YTD: | 25 |
| Bearish Weeks YTD: | 13 |
| *S&P 500 | 0.5% |
| *DJIA | 0.3% |
| *NASDAQ | 0.7% |

* Percentage change during current cycle



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

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