Quarterly Newsletter

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DELTA FINANCIAL ADVISORS
Investment Counsel

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Market Comments

The S & P 500 managed to eke out a small gain for the 3rd quarter, closing 0.58% higher for the period. September alone, however, provided some volatility and angst with stocks posting an almost 5% loss for the month. The recent selloff, though, appears to have been enough of a pause to reinvigorate the buyers rather than create more sellers. As this is being written, October has shown stock prices soaring back over 7%. As seen below, stocks on average are up roughly 16% since the beginning of 2021 and over 30% during the last 12 months. This long in the tooth bull market seems to have some life left.

Corporate earnings have been coming in strong and are a big part of the renewed buying interest in stocks. Reports from big banks, along with healthcare and tech companies, have mostly made good reading for the beginning of the new quarter. Recent big increases in energy and commodity prices have boosted stocks in those sectors, too. Interest rates have increased recently, and the 10-year treasury yield of 1.5% is now back above the S&P 500 dividend yield. More on that later, but this is not too concerning to us at this point.

Thankfully COVID numbers have been improving, and restrictions are being relaxed once again. Hopefully this trend will continue. The 3rd quarter reported one of the slowest paces of economic growth recovery on record. Improving consumer demand and the easing pandemic should improve the situation. Millions of Americans still hesitate to get vaccinated. Hopefully time and continuing success of the vaccines will ease the hesitation to get the available preventative options.

	Close	Month	YTD	1 Year
Dow	33,843.92	-4.20%	12.12%	24.15%
S & P 500	4,307.54	-4.65%	15.92%	30.00%
NASDAQ Comp.	14,448.58	-5.31%	12.11%	29.38%

	Quarter end yield	Prior Year end yield	Yield 1 year ago
10 yr. U.S. Treasury	1.53%	0.92%	0.68%

Looking Ahead

Markets continue to focus on inflation trends and the Fed's future moves. Important data is analyzed to determine if recent inflation figures are temporary or more long term. The jury is still out, but the consensus is that the Fed will begin decreasing government bond purchases (tapering) as soon as this November and will slowly start increasing short term interest rates sometime next year. The Fed continues to show patience in both regards.

The economy faces a number of issues including supply chain problems, manufacturing bottlenecks from chip and labor shortages, shipping and transportation delays, and the already mentioned increased oil prices. Labor shortages have created increased costs for employers from higher wages, signing bonuses, more flexible work arrangements and scheduled time off. The pandemic has also increased the number of early retirements, largely from baby boomers, helping lead to the recent shortages in labor. Current consensus is that the supply disruption should begin to ease over time. Improving availability of daycare, coupled with the ending of added jobless benefits, should help improve the labor situation. Energy prices will probably not be improving anytime soon, if left up to OPEC.

Washington continues to work on a massive government spending plan that could, at best, narrowly get approved. The proposed, and continually changing, tax and spend plan has the potential to have far more impact on inflation than anything that the Fed would do with monetary policy. The upfront spending in the plan could prove to create significant inflation. Some of the proposals regarding new taxes to pay for the plan face legal hurdles and would certainly have many wide-ranging effects. In fact, some of the proposed real estate tax changes run the risk of causing significant issues for commercial real estate values and the financial institutions that finance those markets, potentially increasing recessionary risks. This warrants careful monitoring.

With all of this being said, our outlook for the near term remains positive, and we believe that we will continue to see a solid recovery. Financial market trading history also looks favorable for trends moving forward.

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