

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.

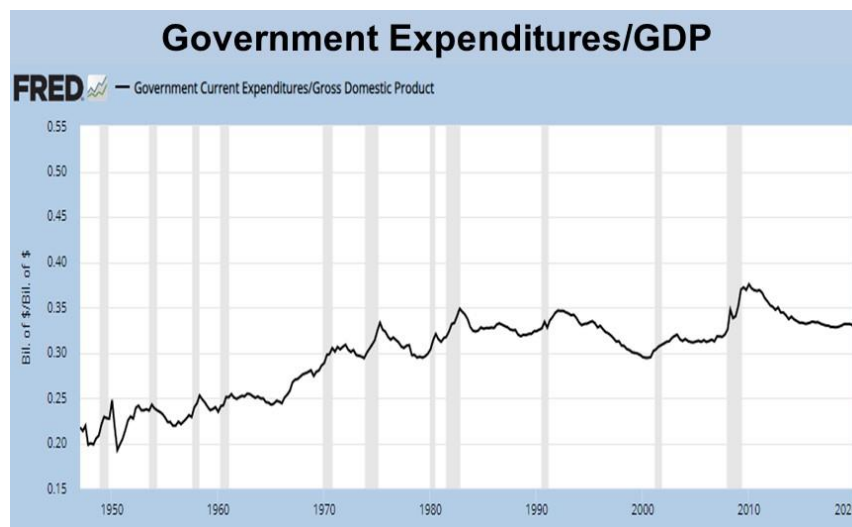
Delta manages portfolios at TD Ameritrade and Schwab.

Please contact Delta at info@deltaim.com or 415-249-6337 to learn more.

September 11, 2020

Big Spender

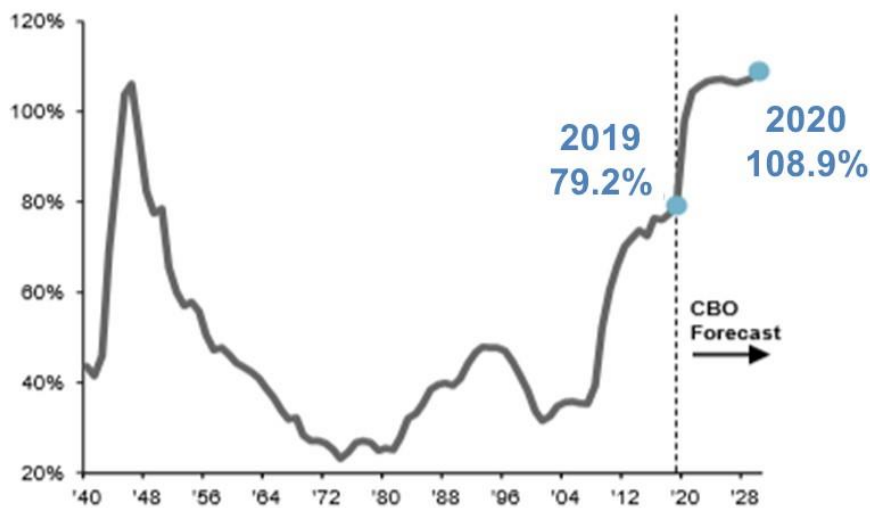
The U.S. economy is measured by its Gross Domestic Product (GDP). GDP is a summation of economic activity by individuals, businesses and government. Over the past 45 years, government expenditures have contributed about one third of GDP. In a COVID-19 world with many business activities restricted and record amounts of federal stimulus, government expenditures now represent over half of all U.S. economic activity.



Last Wednesday, the Congressional Budget Office (CBO) released its update to the budget outlook, detailing the state of the U.S. federal finances. The CBO estimates that the federal budget deficit will triple in 2020 to \$3.3 trillion from \$984 billion in 2019, pushing the budget deficit as a share of GDP to 16%, the highest since World War II.

Federal government net debt as a share of GDP is projected to rise to 98.2% in 2020 (also the highest since WWII) and increase to 109% by the end of the decade, an all-time high.

Federal Debt, % of GDP, 1940-2030



The government cannot be the big spender forever. When the COVID-19 pandemic subsides, presumably bailout government spending will subside. When this occurs, it will be important for businesses and individuals to increase their economic activity to offset the reduction in government spending. Otherwise, GDP growth may decelerate materially.

Very elevated federal debt levels are followed by periods of higher taxation. By 1918 at the end of World War I, the marginal income tax rate was raised to 77%. After World War II, the top marginal tax rate was held above 70% until 1982. Shortly after the presidential election in November, we are likely to learn more about potential tax increases. Higher taxation is a drag on economic activity.

The source of funds for government spending is taxation and borrowing. The government generally does not create capital, it redistributes it. One potential long-term impact of the COVID-19 pandemic is the government redistribution of capital from productive parts of the economy to non-productive interest and principal payments on government debt. So far in U.S. history, private sector economic growth has been able to carry the burden and raise the standard of living over time.

Three factors that are likely to impact market prices through the end of the year are the dynamics of the COVID-19 pandemic, the pace of economic recovery and discussion of tax law change stemming from the presidential election. Despite suffering the most rapid 10% correction in NASDAQ history over the three trading days of September 3-8, the U.S. stock market remains technically bullish on an intermediate term basis.

Give Us a Call Today

We have unique and sophisticated investment methods that seek to capture the stock market's gains while minimizing drawdowns in bear markets. If you would like to learn more about how we manage money, we invite you to give us a call at **(415) 249-6337**, visit www.deltaim.com or email us at info@deltaim.com.



"How was your summer?"

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

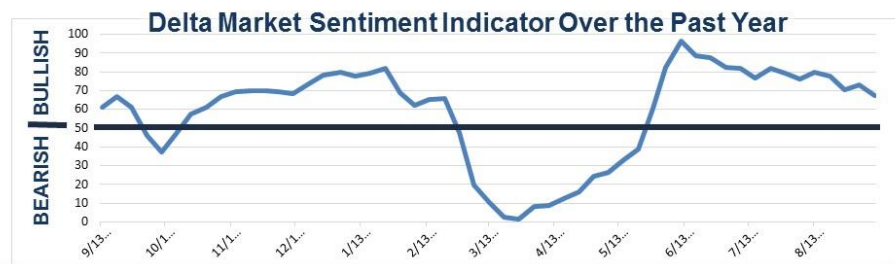
67.6

Our technical indicator decreased
from 72.9 to 67.6 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	16
Cycle Inception Date:	5/28/2020
Range:	60.9 – 96.2
Mean:	79.0
Bullish Weeks YTD:	24
Bearish Weeks YTD:	13
*S&P 500	12.9%
*DJIA	10.7%
*NASDAQ	19.7%

* Percentage change during current cycle



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