

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.

October 9, 2020

Conversation with Hundred Billion Dollar Manager

We are in the fourth quarter of one of the most unusual stock market years in history. The economy experienced peak output and then one of the most severe recessions in history. We are 25 days from a presidential election. The economy is beset by Covid-19 while stocks have reached all-time highs.

Today, we spoke with the chief research director at a prestigious hundred billion-dollar plus investment manager about what he sees going forward. The following are highlights from our conversation:

The recession is over. Coming out of recessions, investors tend to be overly pessimistic. Many investors have missed the market rally and record amounts of money is being held in cash equivalent investments. His team believes U.S. Gross Domestic Product (GDP) growth in 2021 will be roughly 5%, well above the ~3% consensus forecast. They see 8-10% upside to the S&P 500 consensus earnings forecast of \$166.

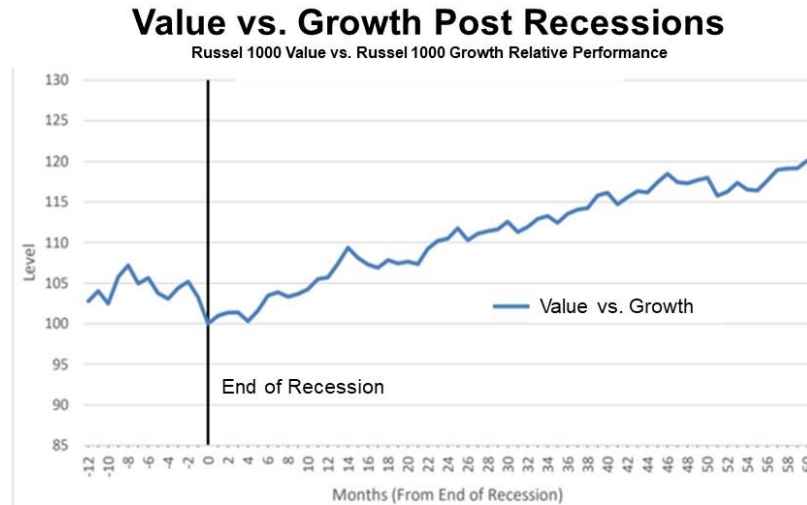
This team uses the National Bureau of Economic Research (NBER) to measure when recession begin and end. Since 1980, we have experienced five recessions, not counting the 2020 recession.

- 1) July 1980
- 2) November 1982
- 3) March 1991
- 4) November 2001
- 5) June 2009

They then looked at the relative performance of value versus growth and small capitalization versus large capitalization stocks from the official end of recessions over the next five years (60 months).

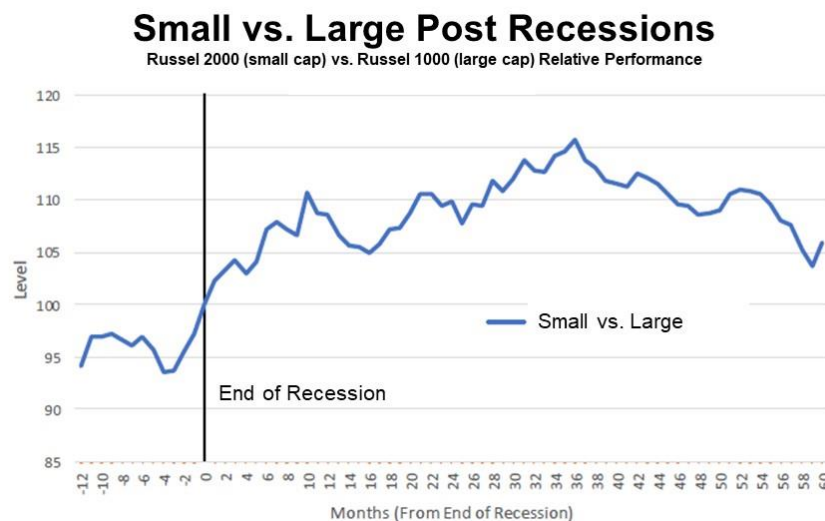
Value vs. Growth

In the months leading up to a recession, value typically underperforms growth. But, from the end of the recession over the next five years, value outperforms growth on average by 20% on a cumulative basis and 3.73% on an annualized basis. Leading up to the current recession, growth very much outperformed value. The recession is over. The money manager expects value to start to outperform.



Small vs. Large

In the months leading up to a recession, small typically underperforms large capitalization stocks. But, from the end of the recession over the next 36 months, small outperforms large on average by 15.7% on a cumulative basis and 5% on an annualized basis. Leading up to the current recession, large very much outperformed small. The recession is over. If history repeats, expect small to start to outperform.



After a stock correction in the first three weeks of September, the stock market found a near-term floor and has begun to advance again. The Delta Market Sentiment Indicator (MSI) transitioned from Bearish to Bullish this week.

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.



“Remember when, on the Internet, nobody knew who you were?”

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

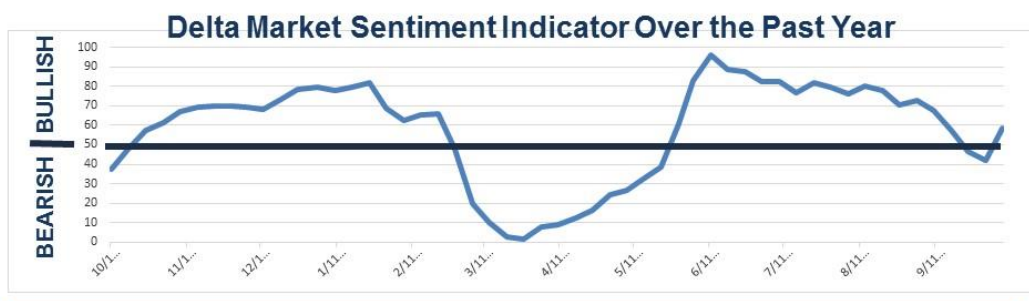
58.6

Our technical indicator increased
from 42.0 to 58.6 this week

INDICATOR STATISTICS

Consecutive Bearish Weeks:	1
Cycle Inception Date:	10/8/2020
Range:	58.6
Mean:	58.6
Bullish Weeks YTD:	26
Bearish Weeks YTD:	15
*S&P 500	NA%
*DJIA	NA%
*NASDAQ	NA%

* Percentage change during current cycle



Pursuant to the provisions of Rule 206(4)-1 of the Investment Advisors Act of 1940, we advise all readers to recognize that they should not assume that recommendations made in the future will be profitable or will equal the performance of past recommendations. This publication is not a solicitation to buy or offer to sell any of the securities listed or reviewed herein. The contents of this letter have been compiled from original and published sources believed to be reliable, but are not guaranteed as to accuracy or completeness. Nicholas Atkeson and Andrew Houghton are also principals of Delta Investment Management, a registered investment advisor. Clients of Delta Investment Management and individuals associated with Delta Wealth Adviser may have positions in and may from time to time make purchases or sales of securities mentioned herein.

THIS NEWSLETTER IS PROTECTED BY COPYRIGHT LAW. UNAUTHORIZED DISTRIBUTION AND/OR REPRODUCTION BY PHOTOCOPY OR ANY OTHER MEANS IS STRICTLY PROHIBITED AND PUNISHABLE BY A FINE OF UP TO \$25,000.