

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.

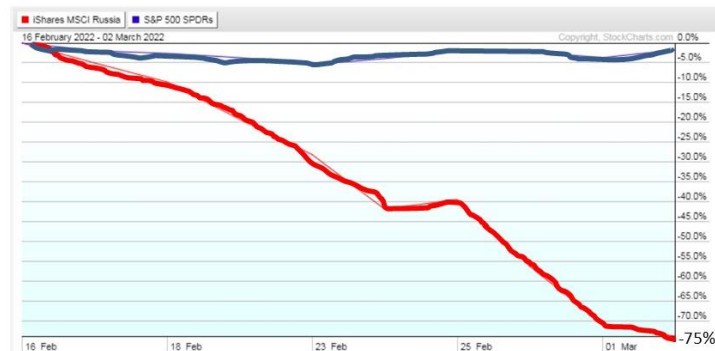
March 4, 2022

Connected World, Connected War

The world of 2022 is highly connected via media/Internet and commerce. A ground war cannot be executed in isolation. Russia may be taking ground in Ukraine, but in many other important areas, it is suffering significant loss.

The Russian stock market is “uninvestable” as sanctions/restrictions prevent free market trading. The Russian stock market is closed. Even with the market closed, Russian market ETFs continue to trade and offer a proxy for current values. In the past two trading weeks, the Russian stock market lost more than 75% of its value measured by the ETF (ERUS).

Russian Stock Market Since Invasion

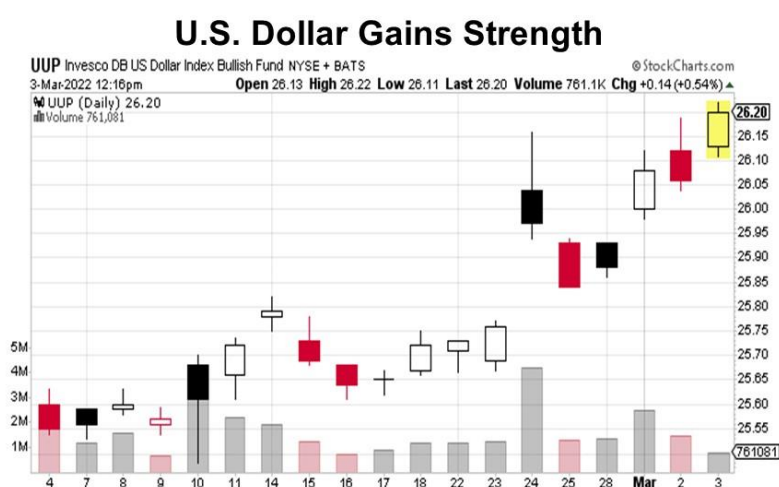


As of today, 100 Russian rubles are equal to \$0.86 (86 cents in U.S. dollars), down about 40% since the invasion. The Papua New Guinean Kina and Turkmenistani Manat are 33x more valuable than the ruble relative to the U.S. dollar. The ruble now trades on par with the Laotian Kip.

Russia’s banking system is fighting to retain deposit assets to avoid collapse. This week, Russia more than doubled interest rates to 20% in an all-out effort to avoid financial system meltdown.

Sberbank, a Russian majority state-owned bank and the largest bank in Russia, has lost 99.9% of its value since the start of 2022. It has experienced huge cash outflows and expressed concerns for the “safety of its employees and properties” – i.e., “failing or likely to fail.” The bank’s subsidiaries in Austria, Croatia and Slovenia are being liquidated.

Conversely, the U.S. dollar has gained strength. Strength in the dollar is somewhat a measure of a flight to safety and strength the U.S. financial system. The world is placing its bets on how the Russian invasion of Ukraine will end and the winner does not appear to be Russia.



Russian government default on its bonds is a rising risk. Their 18-month bonds are trading at 82% of par value. Credit-default swap contracts on Russian 5-year debt are signaling about a 56% likelihood of default. Russia’s ability to obtain debt financing from around the world is impaired.

In the global, connected world, Russia has already lost. The loss will last for years. Western European energy policy is shifting away from Russia. 60% of what Russia exports is comprised of petroleum/carbon fuels. Without trust, there will be little trade.

55% of Germany’s gas imports come from Russia, as well as approximately 50% of its coal and 30% of its oil supply. Germany’s energy policy is now pivoting completely away from Russian sources of energy. Their newly developed distrust of Russia can be measured by their just announced plan to spend €100bn this year to modernized their military and to maintain much higher military spending levels going forward for years.

Boris Yeltsin was president of Russia just prior to Vladimir Putin. In 1998, the Russian economy and ruble collapsed. The government was heavily in debt, partly as a result of

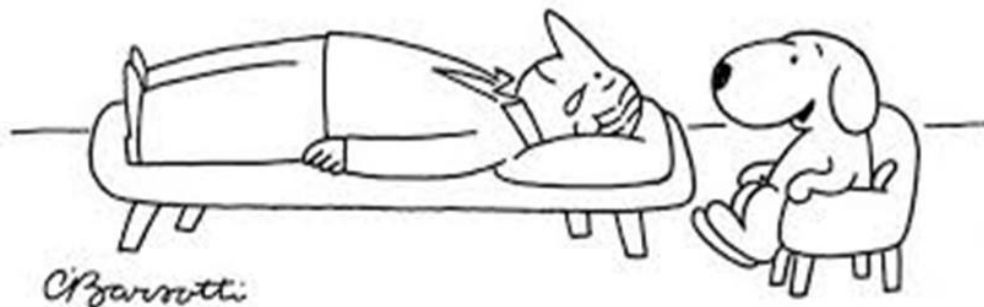
a costly war in Chechnya, and the economy slowed. The collapse triggered a political crisis which included the promotion of Vladimir Putin to run the Federal Security Service. A year and a half later, Putin was president. What goes around may come around.

U.S. economic growth data shows sustained strength. The ISM Manufacturing Index (a broad national survey of industrial business sentiment) rose to 58.6 from 57.6 a month ago with increases in production and new orders. Additionally, Goldman Sach's proprietary weekly retailer activity index was strong this week confirming that the dip in January was an anomaly. Target (TGT) had comparable store sales (comp) growth of 8.9% for the quarter ending Jan which was on top of a 20.5%. Impressively, with supply chain issues and rising labor costs, Target's operating margin was 6.8%, up from a year ago 6.5%. The stock advanced by more than 10% on the news release.

We are eager for the invasion of Ukraine to end. We hope for the silver linings that may come from this difficult situation to become evident sooner rather than later.

Let Us Help You Position Your Portfolio – 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.



"Well, I think you're wonderful."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

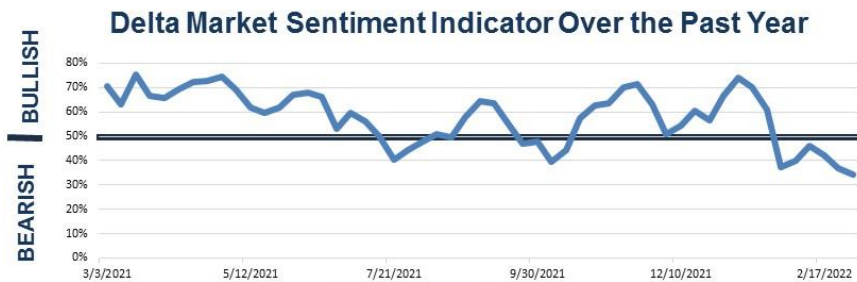
34.3

Our technical indicator decreased from 36.7 to 34.3 this week

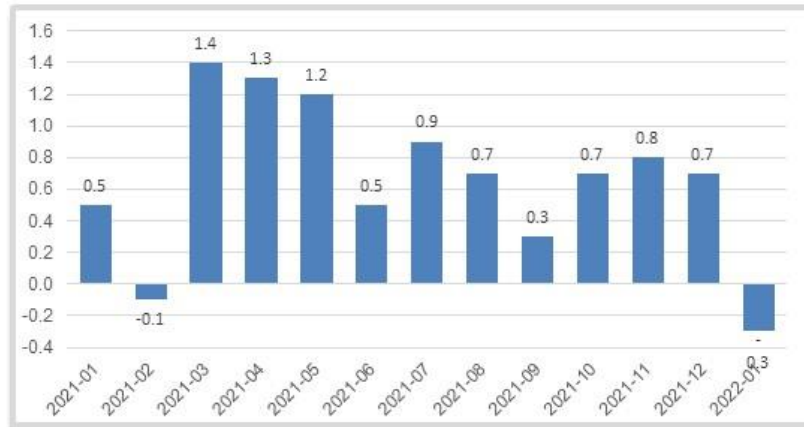
INDICATOR STATISTICS

Consecutive Bearish Weeks:	6
Cycle Inception Date:	1/27/2022
Range:	34.3 – 46.2
Mean:	39.4
Bullish Weeks YTD:	3
Bearish Weeks YTD:	6
*S&P 500	1.4%
*DJIA	-0.6%
*NASDAQ	1.8%

* Percentage change during current cycle



Leading Economic Index % Change Monthly Jan. 2021 – Jan. 2022



Source: The Conference Board – last update 2/18/2022

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