

*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.*

April 1, 2022

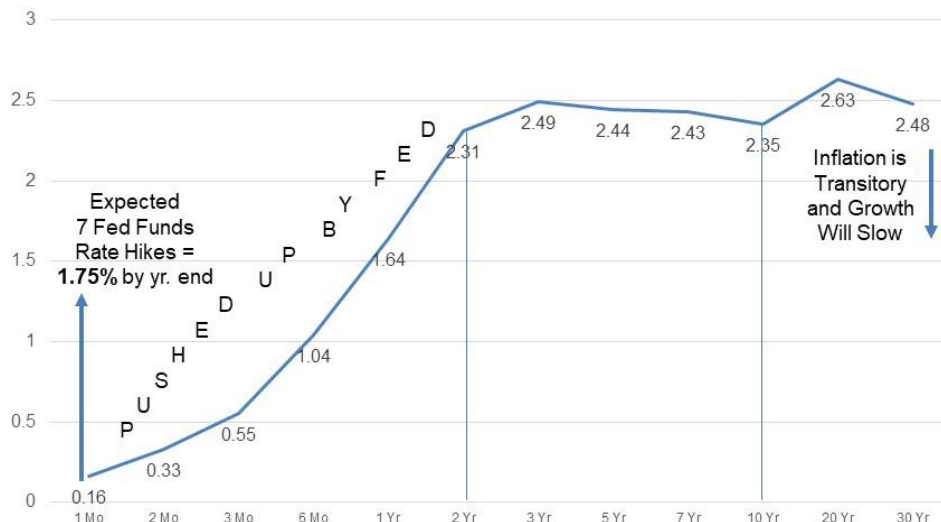
Yield Curve Twister

The Federal Reserve is expected to raise the overnight lending rate between banks (Fed Funds interest rate) at least seven times this year from about 0% to about 1.75%. The duration of an overnight loan is measured in hours. Raising this ultra-short duration interest rate is causing other short-duration rates to rise materially higher. For example, the 2-year treasury rate began the year at 0.78%. This week, it reached 2.3%.

Long-duration interest rates (e.g., durations of 10 years or more), are significantly impacted by economic growth and inflation expectations. Consensus thinking today is inflation will subside over the course of the next year or two and GDP growth will decelerate back to its long-run average once the Covid financial booster wears off.

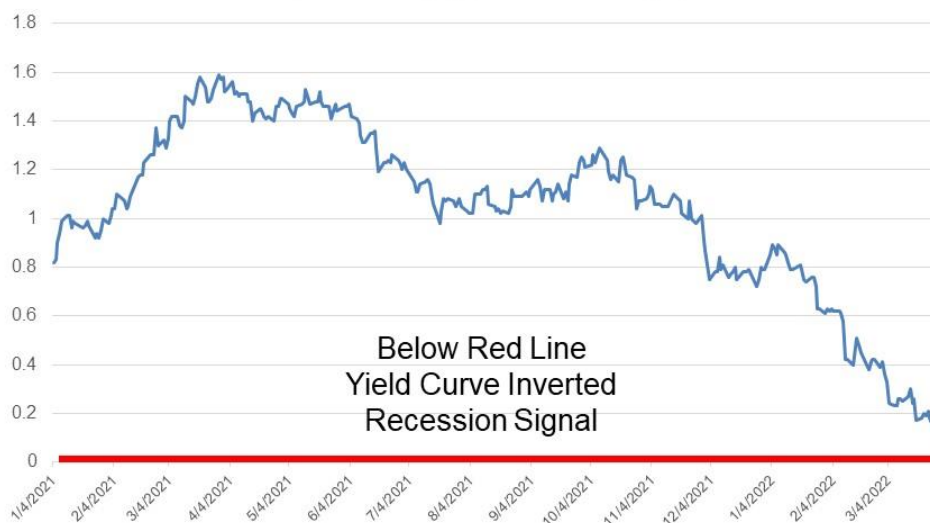
Rising short-duration rates versus much slower rising/flat long-duration rates is subjecting the yield curve to a game of Twister.

U.S. Treasury Yield Curve 3/30/2022



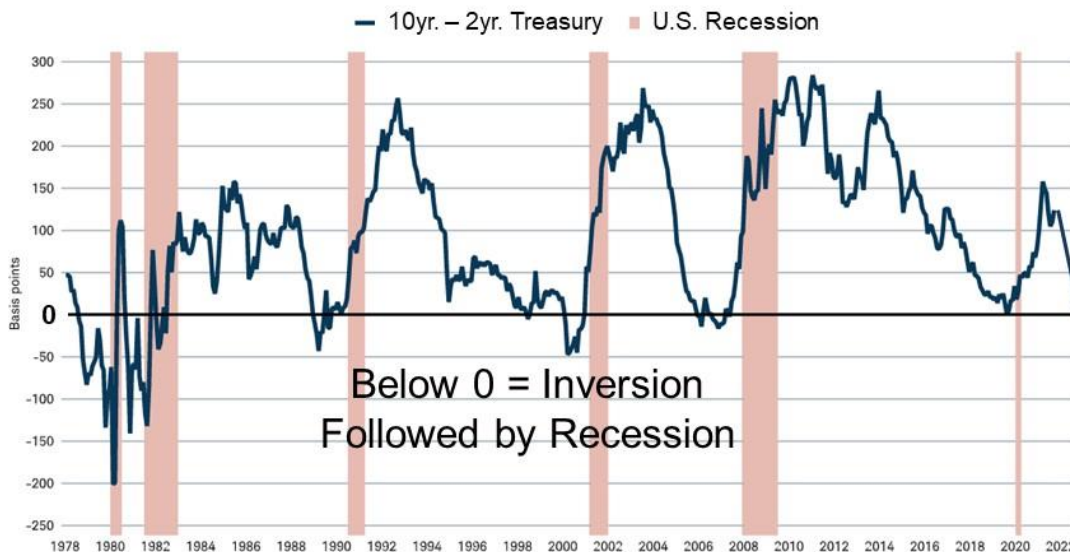
We monitor the U.S. treasury yield curve as it is an important recession indicator. When the 2-year treasury rate is greater than the 10-year rate, the economy has a high probability of downshifting into recession within the next six to twelve months. Over the past 15 months, the healthy spread between the 10-year and 2-year has nearly disappeared.

10-Yr. Less 2-Yr. Yield



Below is a history of treasury yield inversions and recessions for the past 44 years.

Yield Curve Inversions and Recessions



Bars represent National Bureau of Economic Research defined recession periods.
Source: Charles Schwab, MacroBond as of 9/30/2021.

The other important recession indicator we monitor is the Leading Economic Index (LEI). It currently shows no sign of impending recession. The LEI no recession indication is supported by the bond market which reflects its recession anxiety with the interest rate spread between treasuries and non-investment grade corporate debt. After climbing to about 4.2% two weeks ago, the spread has subsided to a somewhat complacent 3.3%. Above 5% spread usually is a signal that equities will be under pressure.

GDP growth cycles are often ended by excessive Fed rate hikes which usually are successful at lowering inflation but may go too far and cause recession. As always, the Fed is attempting to deliver a "soft landing." We are in the early phases of the rate cycle hiking process. As of this week, all indications call for continued economic growth including the treasury yield curve not inverting. We will have to wait and see if the soft-landing can be pulled off in this cycle. Our intermediate term market sentiment indicator turned bullish this week reflecting recent stock market strength and likely positive market action in the near term.

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.



Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

54.3

Our technical indicator increased from 45.1 to 54.3 this week

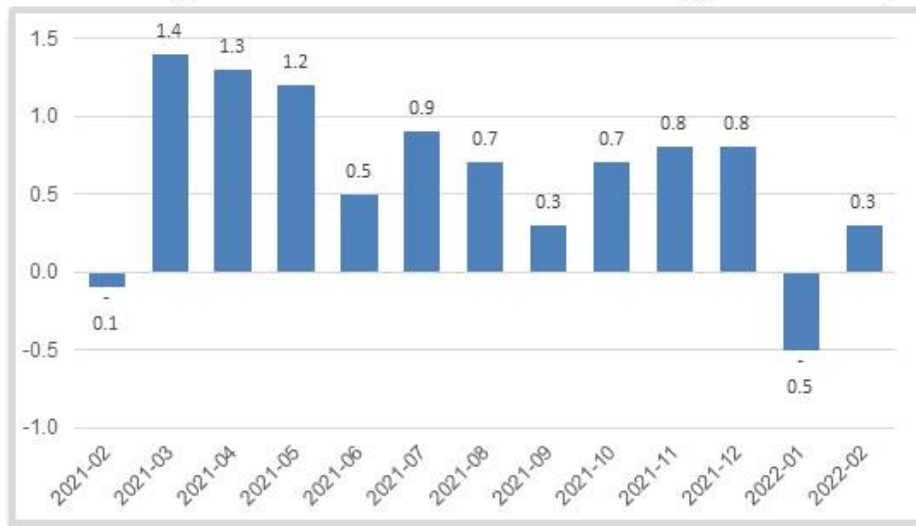
INDICATOR STATISTICS

Consecutive Bullish Weeks:	1
Cycle Inception Date:	3/31/2022
Range:	54.3
Mean:	54.3
Bullish Weeks YTD:	4
Bearish Weeks YTD:	9
*S&P 500	NA
*DJIA	NA
*NASDAQ	NA

* Percentage change during current cycle



Leading Economic Index % Change Monthly



Source: The Conference Board – last update 3/18/2022

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