

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.

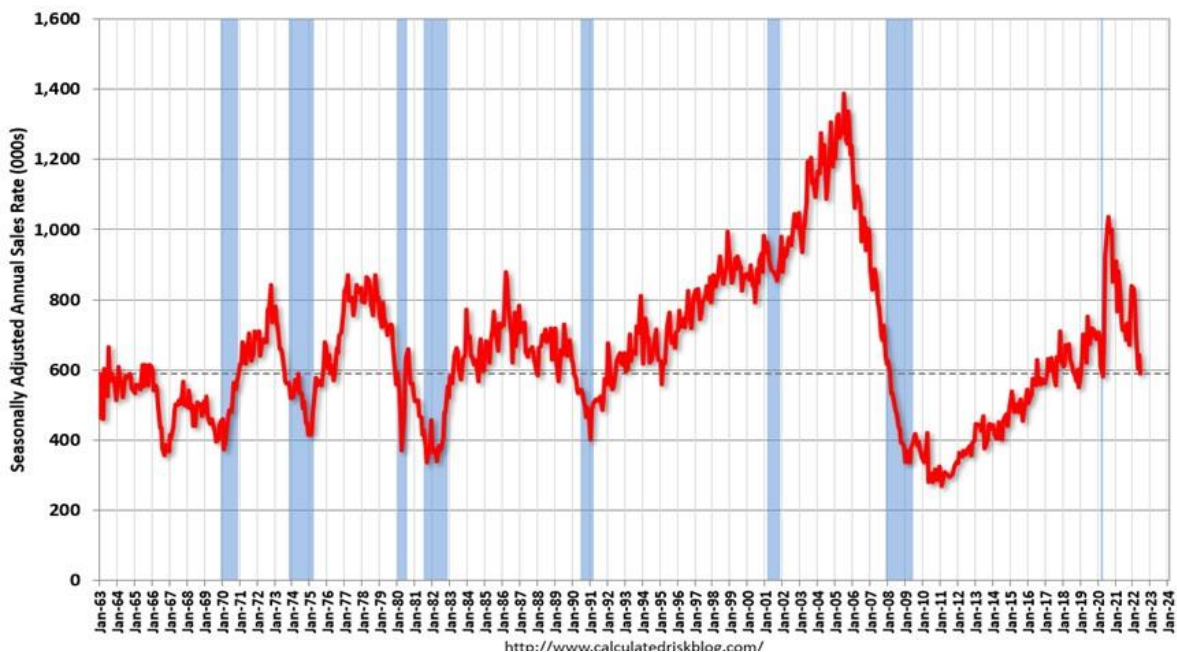
July 29, 2022

When Recession Is Good News

The Advance Q2 GDP Report indicated that real GDP decreased at a seasonally adjusted annual rate of -0.9% which marked the second straight quarter of contraction. Real GDP in Q1 was down -1.6%. Two sequential quarters of negative GDP growth is the layman's definition of recession. The official recession designation is determined by the National Bureau of Economic Research (NBER), usually months after the trough of the business cycle.

The inverted yield curve and negative Leading Economic Index (LEI) say we are in recession. Collapsed commodity prices signal recession. Three straight months of declining consumer confidence say we are in a recession. The 17.4% decline year-over-year in new home sales say we are in or near a recession.

New Home Sales vs. Recessions Since 1963



Challenging or negative growth outlooks from Walmart, Shopify, McDonald's, General Motors, UPS, Meta, Qualcomm and Best Buy so far this earnings season say we are in a recession.

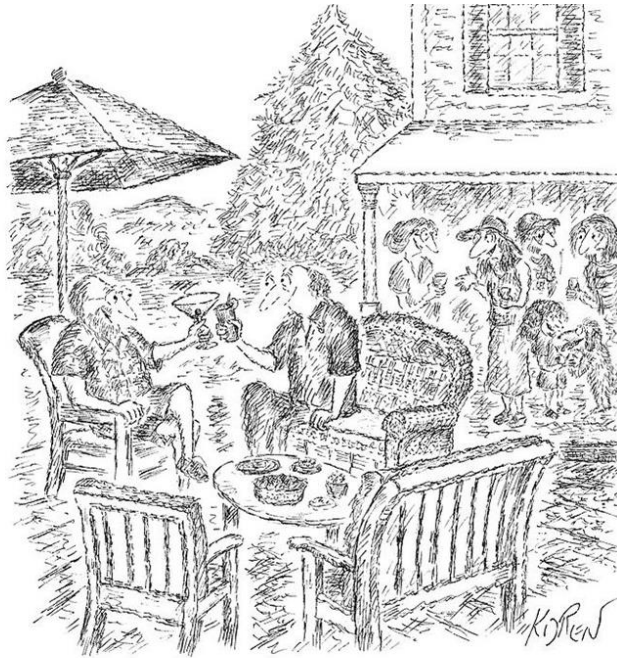
Contrary to the above, Federal Reserve Chairman Powell says we are not in a recession. The good news is the stock market is not listening to what Powell says but is "data-dependent." The additional good news is Powell says the Fed is also becoming more "data-dependent."

What "data-dependent" translates to is we are in/near a recession and the Federal Reserve will be less aggressive with rate hikes than planned and are expected to cut interest rates beginning in 2023. This is a case when recession news today is a positive for stocks. Lower interest rates allow for multiple expansion.

The other primary reason why a recession now is a positive for the stock market is recession appears to be mostly priced in. Recession news has not taken the stock market down to new lows in the past several weeks. Rather, the market is responding positively to the increasing realization that we are in recession and the rate increase outlook will be less severe. The 20-30% decline in the first half of the year was for the recession that almost no one saw coming. The second half of the year may be a pricing in of eventual recovery.

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.



"Here's to a medically uneventful summer!"

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

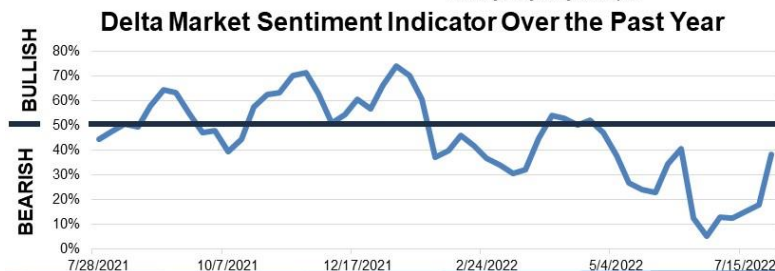
38.6

Our technical indicator increased from 17.9 to 38.6 this week

INDICATOR STATISTICS

Consecutive Bearish Weeks:	13
Cycle Inception Date:	5/4/2022
Range:	5.2 – 40.8
Mean:	23.3
Bullish Weeks YTD:	8
Bearish Weeks YTD:	22
*S&P 500	-4.7%
*DJIA	-3.9%
*NASDAQ	-4.4%

* Percentage change during current cycle



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