

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.

August 12, 2022

Now or Later

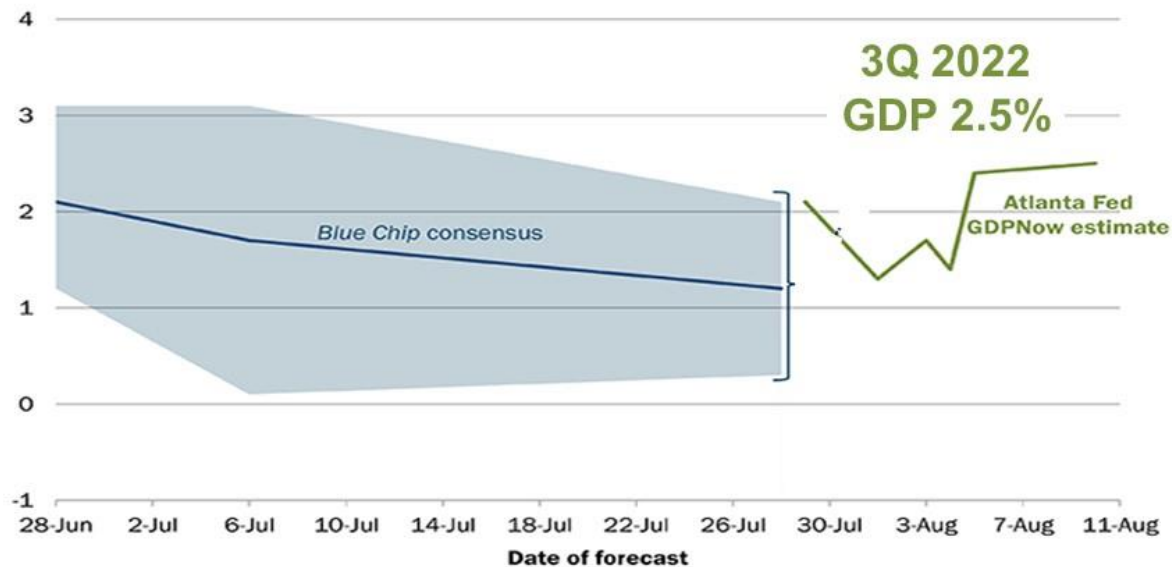
We are roughly half way through the third quarter of 2022. In the next six weeks, a substantial amount of economic data will be released, as it always is, that will shape our view of the health of the economy. This week, the big news was the Consumer Price Index (CPI) report was better than expectations and may indicate we are past peak inflation. The stock market's interpretation of this data is 1) the Federal Reserve will be less aggressive in its future rate hikes and, 2) the economy is unlikely to suffer a deep recession.

In the past month, we have heard a significant amount of debate between economists about if the economy is in a recession now or if it is about to go into a recession sometime in the next eighteen months. This debate matters to us because the timing of a recession influences different stock market outlooks over the next year.

In Scenario 1, we are in a recession now, the stock market outlook is bullish. Going forward, we should expect to see the economy recover from recession, the Fed become more dovish and stock prices move higher. In Scenario 2, we are not currently in a recession but are likely to go into a recession in the next eighteen months, we might expect the stock market to depreciate as the economy weakens.

The Atlanta office of the Federal Reserve correctly predicted negative real GDP growth in the first half of the year. We can think of no other major institution that did this. They are now forecasting above consensus GDP growth of 2.5% in the third quarter.

Atlanta Fed GDP Now Real GDP Estimate



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

The Atlanta Fed GDP forecast supports Scenario 1; we had a recession and we are now accelerating out of recession in “real” terms. Scenario 1 is also supported by the price action of the stock market. The S&P 500 was down roughly 24% by mid-June. This decline is typical of the average recession. Since the June low, the S&P 500 has recovered half of its loss which suggests the recession is behind us and interest rates will not be as high as feared.

Many economists argue that we are not in a recession now as corporate earnings are growing and employment is strong. The housing market, consumer spending and very low levels of debt delinquency also support the no recession now argument. Many of these economists believe the recession is ahead of us. They like the stock market over a three-year term but are cautious over the next twelve months.

Divergent views (buyers and sellers) are what makes a market. Technically, the stock market is gaining strength and the recovery is likely to continue in the intermediate term. Underinvested investors will feel increasing pressure to put money to work. Waiting for the perfect day to buy is an extremely difficult way to manage money and rarely successful.

Much of the reason there is disagreement among economists about what is happening with the economy currently is because the past two years have been unprecedented. Both the shutdown of the economy and the \$7 trillion reboot were unprecedented. We are now in the aftershock of these events. Normal patterns have been distorted. Since

2020, we are unaware of anyone who predicted a pandemic, a housing market boom, record low unemployment, two consecutive quarters of negative real GDP growth and the 16% S&P 500 bounce off the June lows. This is a time when technical indicators rather than economic projections may be our best guide. Technically, the market is bullish this week.

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.



"I'm going to miss summer Fridays."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

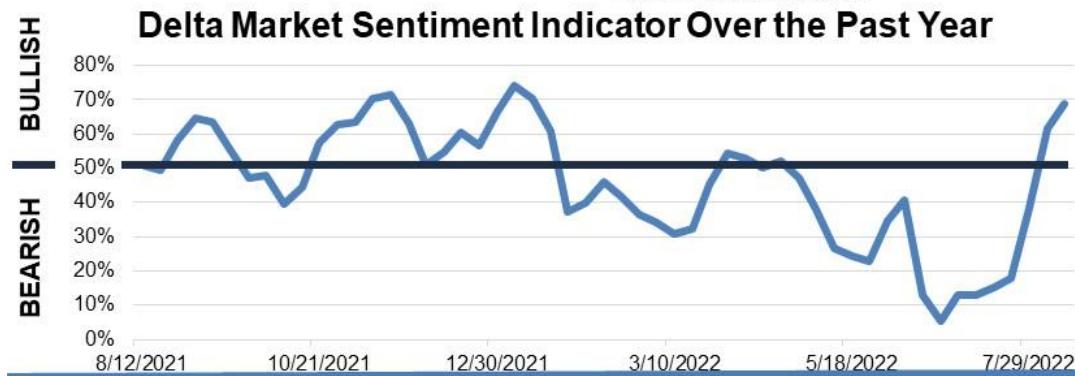
67.0

Our technical indicator increased from 61.6 to 67.0 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	2
Cycle Inception Date:	8/4/2022
Range:	61.6 – 67.0
Mean:	61.6
Bullish Weeks YTD:	10
Bearish Weeks YTD:	22
*S&P 500	2.5%
*DJIA	2.8%
*NASDAQ	2.5%

* Percentage change during current cycle



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