

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.

September 2, 2022

Jackson Hole

Since Fed Chairman Powell spoke on Friday from Jackson Hole Wyoming, the S&P 500 has pulled back by about 6%. The sudden market depreciation could be considered the “Jackson Hole.” The hole developed in reaction to Powell’s statements about higher rates for longer and a “sustained period of below trend growth.” The peak in the Fed Funds rate is now projected to be 3.75% and it appears that investors are expecting S&P 500 earnings to be roughly \$220 in 2023, down from an expectation of roughly \$240.

The 10-year yield climbed 26% in August from 2.58% to 3.26%. Not only do rising rates suppress economic activity, but higher rates also place downward pressure on stock P/E (Price/Earnings) multiples.

Leading up to Friday, the S&P 500 had bounced nearly 18% from its June-lows on the expectation the Fed might be near a pivot point of slowing rate hikes and potential rate cuts in 2023. This bullish expectation was built on inflation having already peaked and indications the economy and inflation had begun to slow. The pivot theory has been shelved for now or at least pushed out.

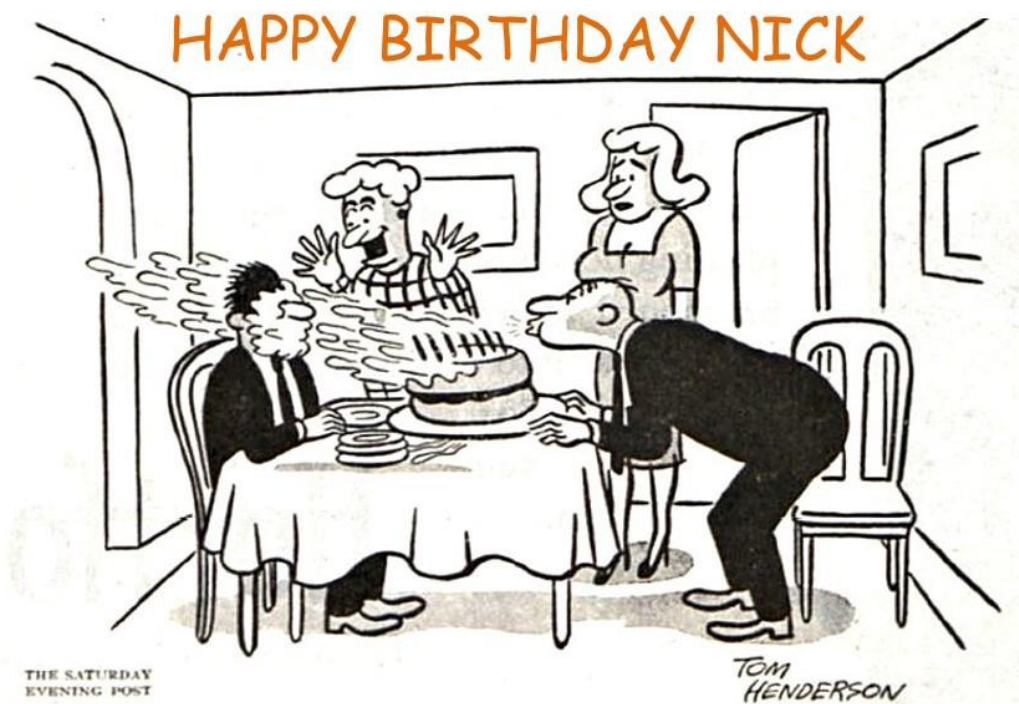
The Fed’s policy of “forcefully” reducing demand via higher interest rates “will very likely” cause a softening of labor market conditions. Not only do investors not like this language, rising unemployment reduces tax revenues, raises unemployment benefit costs and increases government deficits. Going into an election on November 8, this approach may be politically difficult to implement. In the next couple of months, it would not be a surprise to see the Fed soften its hawkish language.

Stocks are very oversold with a low single digit number trading above their 10-day moving average. For the moment, macroeconomic and geopolitical actions are dictating stock prices. In the near-term, the market will be subject to volatility based on new inflation, interest rate and growth data as well as developments in Ukraine which is

a significant source of energy and food inflation around the world and in China with more lockdowns. Technically, the Delta Market Sentiment Indicator (MSI) remains Bullish this week at 61.6. The Atlanta Fed's GDPNow forecast for Q3 jumped higher to 2.6 on stronger construction spending.

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

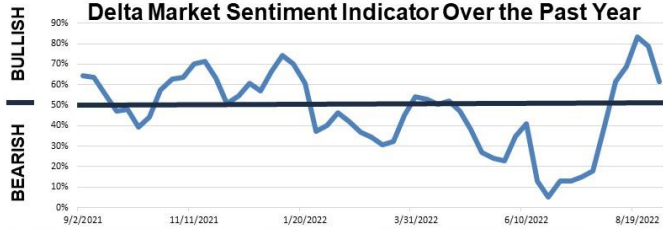
61.6

Our technical indicator decreased from 78.9 to 61.6 this week

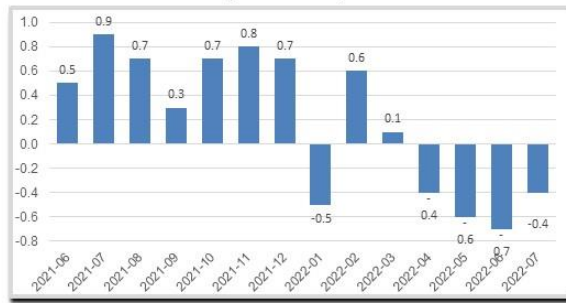
INDICATOR STATISTICS

Consecutive Bullish Weeks:	5
Cycle Inception Date:	8/4/2022
Range:	61.6 – 83.5
Mean:	70.9
Bullish Weeks YTD:	13
Bearish Weeks YTD:	22
*S&P 500	-4.3%
*DJIA	-3.2%
*NASDAQ	-7.0%

* Percentage change during current cycle

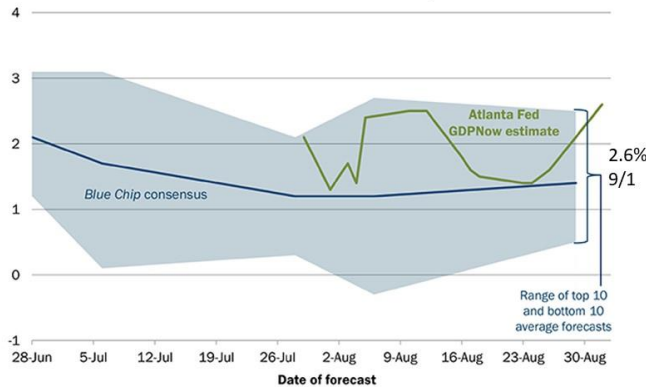


Leading Economic Index % Change Monthly July 2021 – July 2022



Source: The Conference Board – last update 8/18/2022

Atlanta Fed GDPNow Forecast Real GDP Estimate for Q3 2022



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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