

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 9, 2022

Pushed to the Edge

The re-re-re-adjustment of interest rate expectations higher following Fed Chairman Powell's Jackson Hole speech two weeks ago triggered a significant selloff in stocks. Then the news deteriorated further.

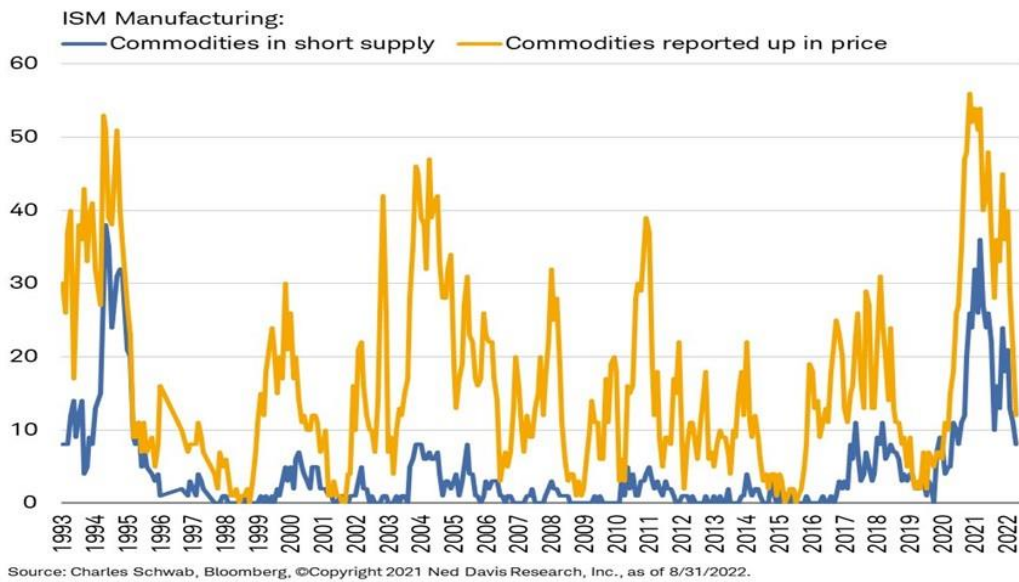
Russia announced it is shutting down of the Nord Stream 1 pipeline (supplies Western Europe with natural gas) for an extended period. This is causing a significant energy crisis in Europe. Utilities are going bankrupt and government bailouts have begun. In the UK alone, the government bailout package will cost taxpayers \$172 billion. The energy shortage creates a material problem for economic growth in Europe.

Outside of Europe, China extended the Covid lockdowns of Chengdu, and Guiyang, the capital of Guizhou province. Around the world, foreign currencies continue to lose value relative to the dollar. The Japanese yen is now at a 24-year low relative to the dollar and the euro is at a 20-year low. The China lockdowns and strong dollar are a drag on the earnings prospects for U.S. multinational companies.

With the sell-off in stocks, the Delta Market Sentiment Indicator (MSI) moved to the brink of bearishness. But the stock market is showing some resilience. Bulls believe inflation is fading, the Fed will pivot to a more dovish interest rate policy and China will reopen which will boost global growth. Combined with very low investor positioning and historically high levels of negative investor sentiment, the market could have a strong rally into the end of the year.

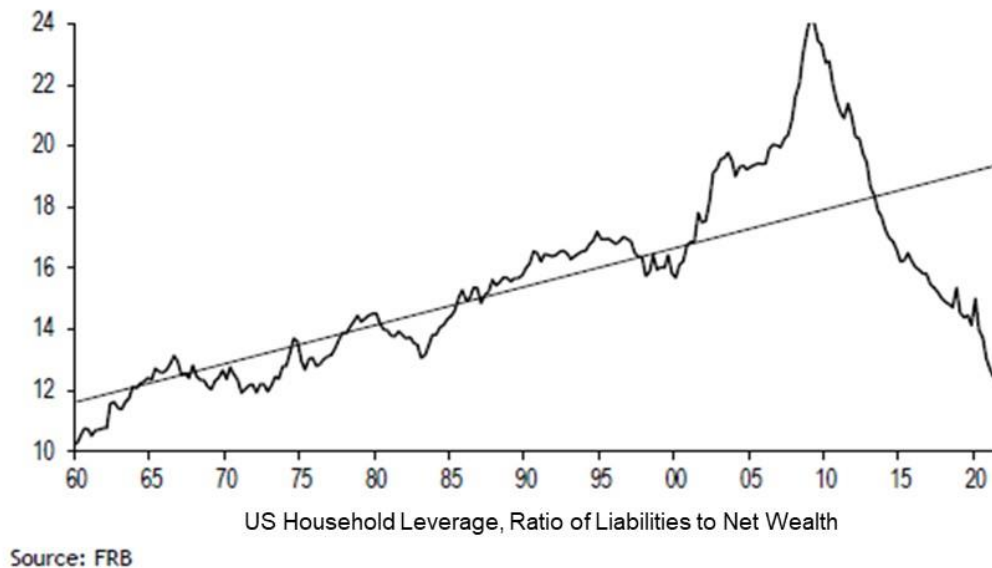
Historically, commodity prices and inflation have had high positive correlation. Below is a chart showing the collapse of commodity prices.

Commodity Prices Down, Supply Up



Fundamentally, the economy may be holding up well because consumers are in very good financial shape.

US Household Leverage (%)



The chart above makes clear that consumer balance sheets are as strong (low debt relative to total wealth) as they have been in the past forty years.

The signals investors are receiving today are mixed. The high volatility of the market reflects high uncertainty. The best answer may be to take a wait-and-see approach

until the Delta MSI becomes definitively bullish or bearish. It is currently in a +/-3% dead-band zone.

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.



"It was your first day—why not give it another twelve years?"

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

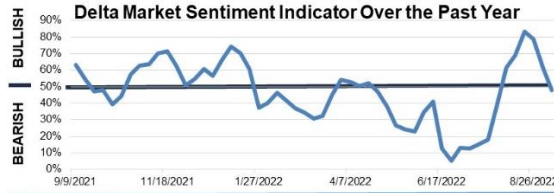
48.1

Our technical indicator decreased from 61.6 to 48.1 this week

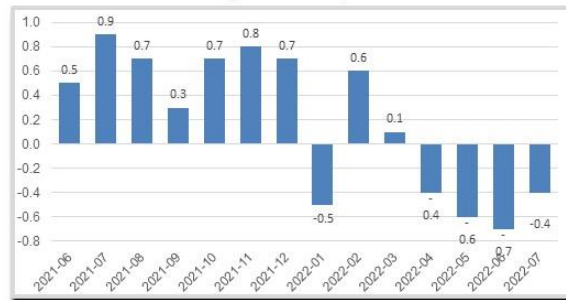
INDICATOR STATISTICS

Consecutive Bullish Weeks:	6
Cycle Inception Date:	8/4/2022
Range:	48.1 – 83.5
Mean:	67.1
Bullish Weeks YTD:	14
Bearish Weeks YTD:	22
*S&P 500	-3.2%
*DJIA	-2.8%
*NASDAQ	-6.4%

* Percentage change during current cycle

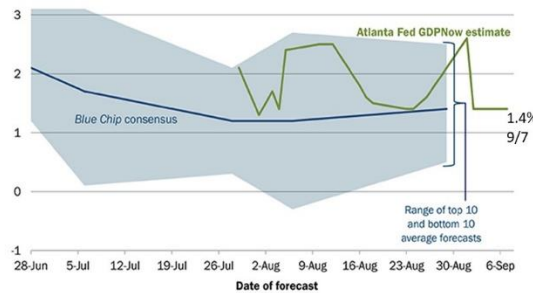


Leading Economic Index % Change Monthly July 2021 – July 2022



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

Atlanta Fed GDPNow Forecast Real GDP Estimate for Q32022



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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