

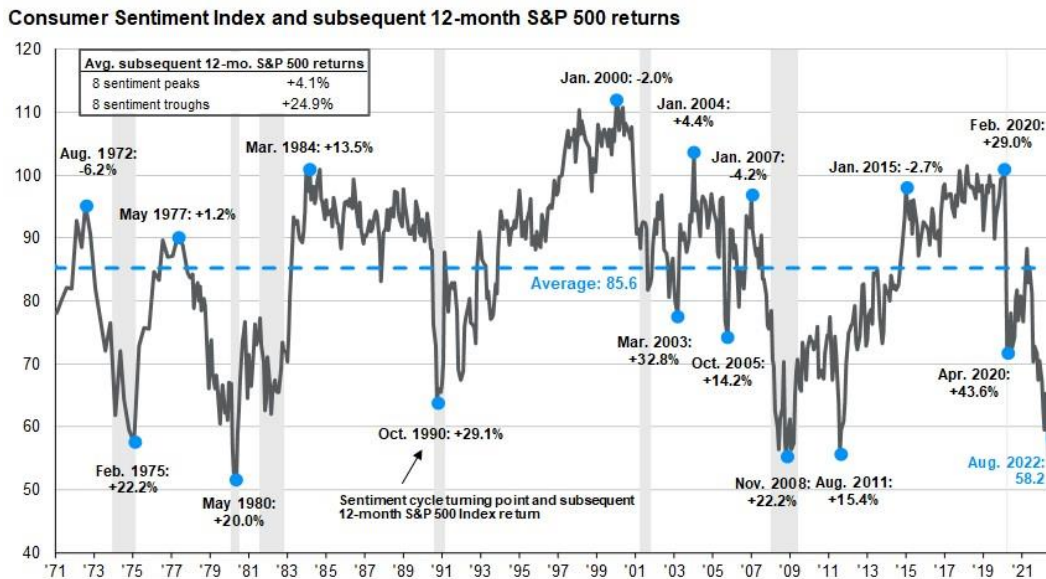
*Delta Investment Management is a registered investment advisory firm. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new turnkey asset management solution.
Delta manages portfolios at TD Ameritrade and Schwab.
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September 16, 2022

What Do You Expect

Not much if you are a consumer. Consumer confidence is near the lowest level it has been since 1971.

Consumer Sentiment at All-Time Low

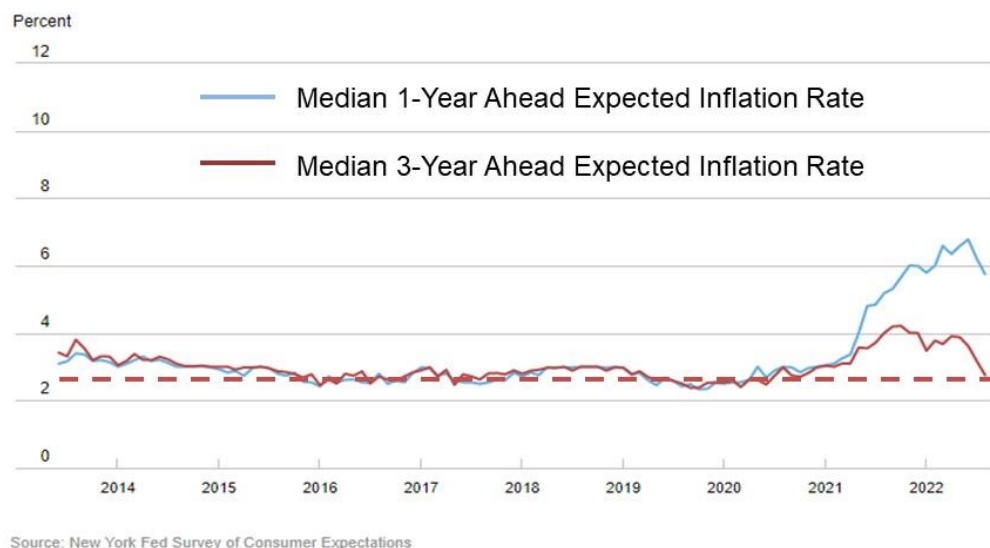


The good news is the average subsequent twelve-month return of the S&P 500 from confidence lows is roughly 25%.

The market has shown that if the Fed continues to raise rates aggressively, sustained appreciation is unlikely. The S&P 500 is trading about where it was in the middle of May (4 months ago). In May, the Fed raised rates by 0.5%. In June and July, the Fed implemented two consecutive “jumbo” rate hikes of 0.75%. Next week, it will likely make it three consecutive jumbo hikes (total 2.75-3% increase from May through September). The upside surprise in recent inflation readings and the large rate hikes is why the S&P 500 is trading below the 4,000 level currently.

Consumers expect inflation to come down. In fact, consumers expect inflation three years from now to be below where they have expected it to be on average over the past decade.

1 and 3-Year Inflation Expectations



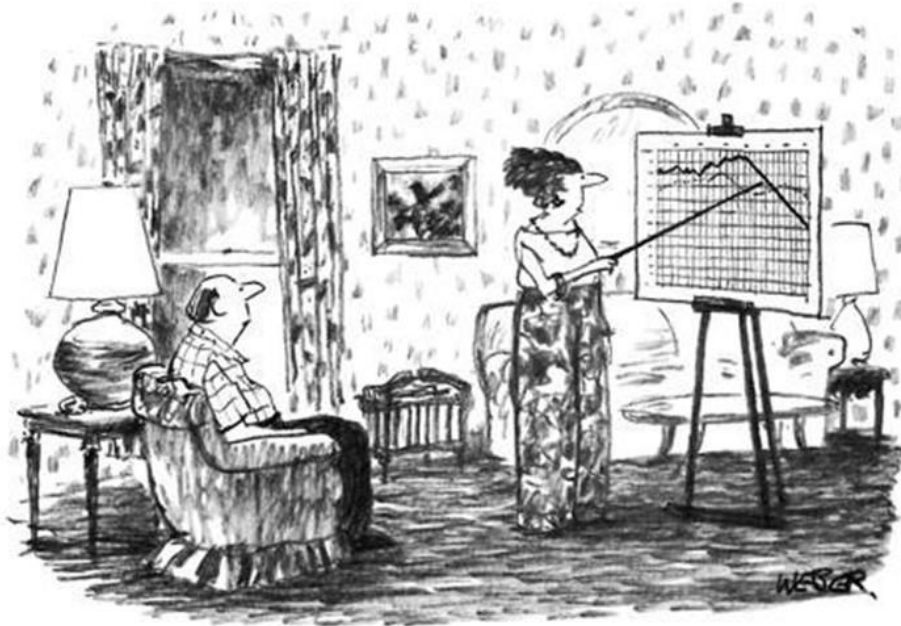
If consumers believe inflation is slowing, inflation is likely to slow. Consumer purchase behavior is partly driven by inflation expectations. If price rises are expected to slow, there is no need to rush out and buy anything. This is certainly true in the housing market where 30-year mortgage rates are now above 6% and consumers believe the economy may be headed for recession.

The Fed is data driven. Unfortunately, much of the data they are driven by has a significant time lag. The Fed is attempting to set interest rate policy by looking through the rear-view mirror.

In the near-term, the stock market is likely to struggle as the Fed hikes rates. Over time, consumer expectations for lower inflation will show in the economic data. When slowing inflation becomes evident, it will signal we are near peak interest rates. This Fed pivot signal should be a significant positive catalyst for the stock market. The 18%+ S&P 500 bounce from mid-June to mid-August was driven by a Fed Pivot expectation which fell flat in the face of stronger than expected inflation data in the past month. One day, maybe sooner rather than later, inflation will slow and the Fed will stop raising rates.

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.



“This line represents my expectations.”

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

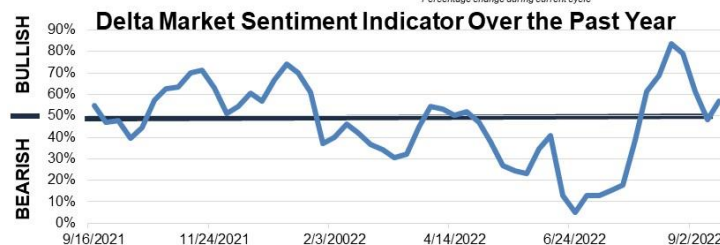
56.7

Our technical indicator increased from 48.1 to 56.7 this week

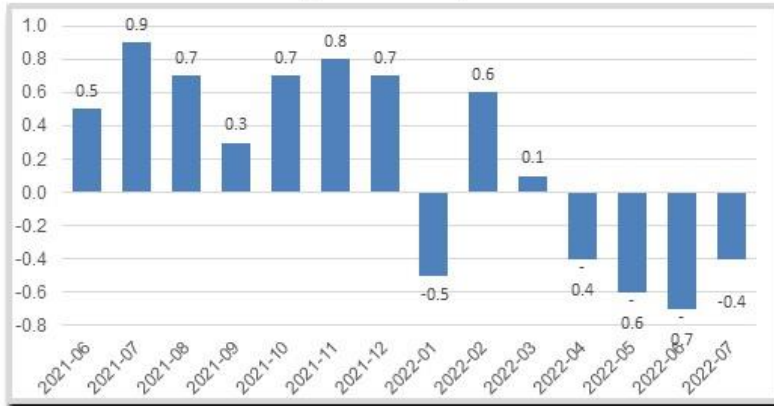
INDICATOR STATISTICS

Consecutive Bullish Weeks:	7
Cycle Inception Date:	8/4/2022
Range:	48.1 – 83.5
Mean:	65.6
Bullish Weeks YTD:	15
Bearish Weeks YTD:	22
*S&P 500	-5.2%
*DJIA	-4.9%
*NASDAQ	-8.2%

* Percentage change during current cycle

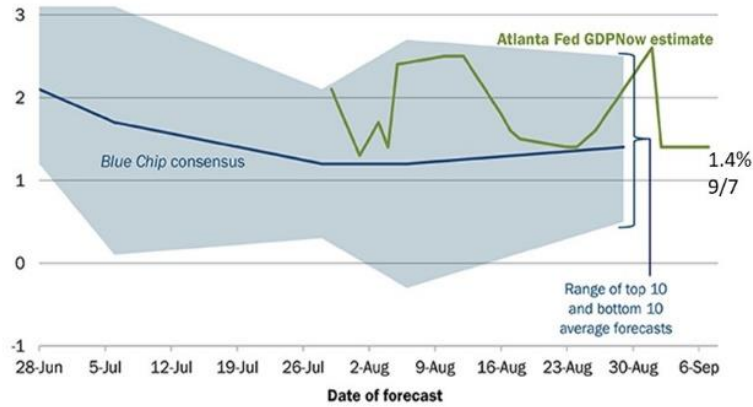


Leading Economic Index % Change Monthly July 2021 – July 2022



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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