

*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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November 23, 2022

## **Giving Thanks for What is Offered**

Market strategists have begun publishing their 2023 stock market outlooks. Essentially, consensus thinking for 2023 is no earnings growth, no market appreciation and “risks skewed to the downside.” The U.S. economy is very likely to experience a recession in 2023. The debate between market strategists is about recession timing and severity.

Rising interest rates with declining earnings estimates is a recipe for bearish equity returns. If equities were our only investment option, we may not feel very thankful heading into Thanksgiving.

Thankfully, fixed income investing is an option. After years of near-zero interest, fixed income is offering attractive returns. For example, certificates of deposit (CDs) and 6-month and 1-year treasury securities are all offering well over 4% interest currently. For investors who prefer ETFs, there are three-month U.S. treasury ETFs with a current 30-day yield of 3.4% and a yield-to-maturity of 4.1%. The yield-to-maturity provides the investor with a look at where the yield is heading as the bonds in the portfolio rollover.

## **Yields on CDs and US Treasuries**

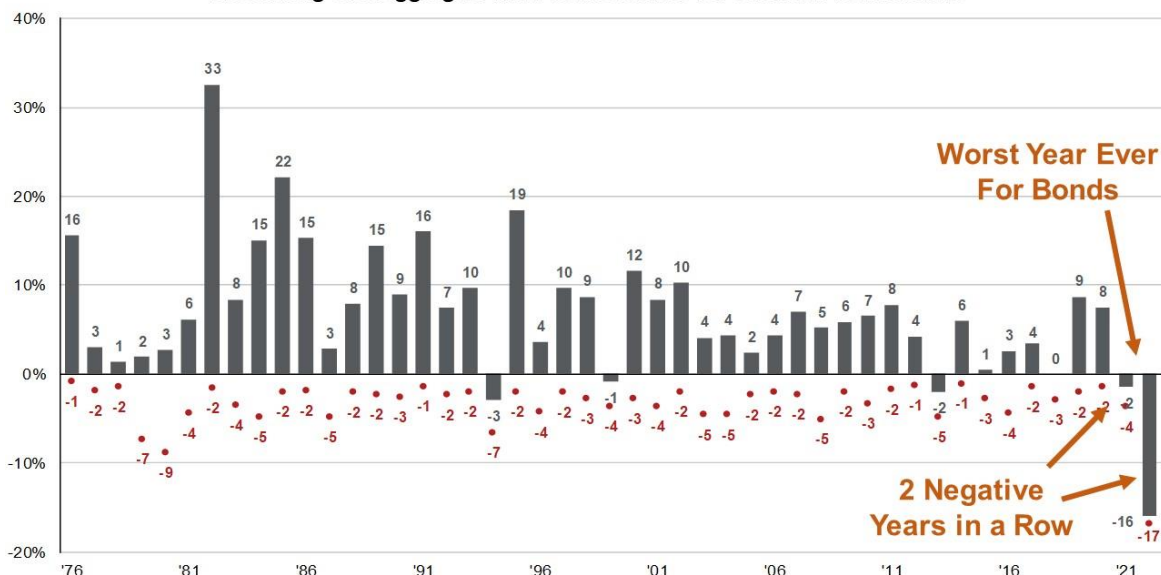
	<b>0-1yr</b>	<b>1-3yr</b>	<b>3-5yr</b>	<b>5-7yr</b>	<b>7-10yr</b>	<b>10-20yr</b>
<b>CDs</b>	4.62	4.93	4.62	5.12	5.27	5.33
<b>U.S. Treasuries</b>	4.72	4.76	4.24	3.98	3.80	4.13

It is not hard to find mutual funds, ETFs and individual bonds paying 5% plus interest. High-yield municipal bonds have yields of more than 6% and are federal tax free.

2022 was the worst year on record for the Bloomberg U.S. Aggregate Bond Index (investment grade corporate bonds). It suffered from both its worst annual performance and it was the first time that the Index posted two sequential losing years.

## Bloomberg US Agg. Annual Returns and Intra-Year Declines

Bloomberg U.S. Aggregate Intra-Year Declines vs. Calendar Year Returns



The magnitude of the negative returns in fixed income in 2022 is unprecedented. This damage was caused by the Federal Reserve raising rates at the fastest rate and by the largest amount in the past 70 years. We believe the bulk of the damage has been done. If historical precedent regains traction, we should expect to see the bond market rebound after such a negative performance.

If the economy goes into recession in 2023, the Federal Reserve is likely to cut interest rates. This negative scenario for the economy and equities is bullish for fixed income. Bonds are inversely correlated with interest rates.

When buying bonds, one should consider:

1. Credit risk. If the economy is likely to go into a recession in 2023, investors may want to confine fixed income investments in investment-grade bonds to avoid having delinquencies and defaults hurt your portfolio.
2. Interest rate risk. The Federal Reserve is telling us that they plan to keep raising rates in December and in the first several months of 2023. Investors may want to keep the duration relatively short until it is more evident that rate increases have stopped.

We should be thankful that after years of nearly zero interest rates, we now have an opportunity to make attractive returns in our fixed income portfolio. Give Delta a call if you would like to discuss fixed income investment options.

## 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](http://www.deltaim.com) or email us at [info@deltaim.com](mailto:info@deltaim.com).

### HOLIDAY LEFTOVERS



Stuffing



Cranberry  
Sauce



Mystery  
Relative

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

**71.2**

Our technical indicator increased  
from 67.8 to 71.2 this week

#### INDICATOR STATISTICS

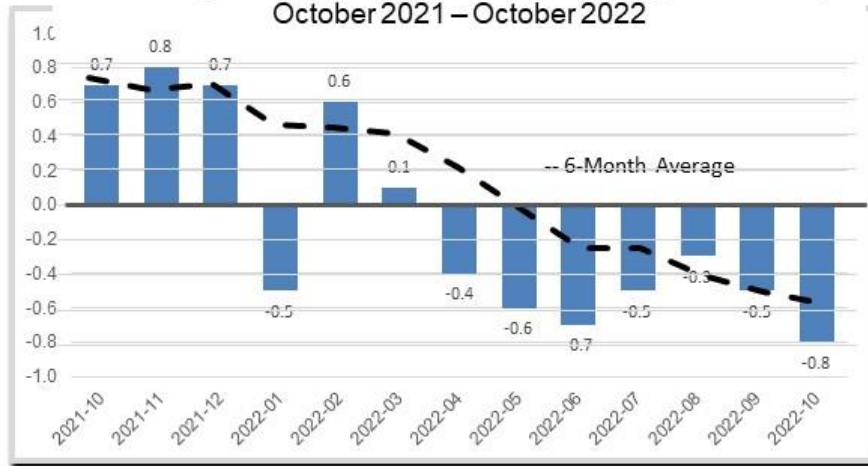
Consecutive Bullish Weeks:	2
Cycle Inception Date:	11/17/2022
Range:	67.8 - 71.2
Mean:	69.5
Bullish Weeks YTD:	15
Bearish Weeks YTD:	30
*S&P 500	1.9%
*DJIA	1.3%
*NASDAQ	1.2%

\*Percentage change during current cycle

#### Delta Market Sentiment Indicator Over the Past Year

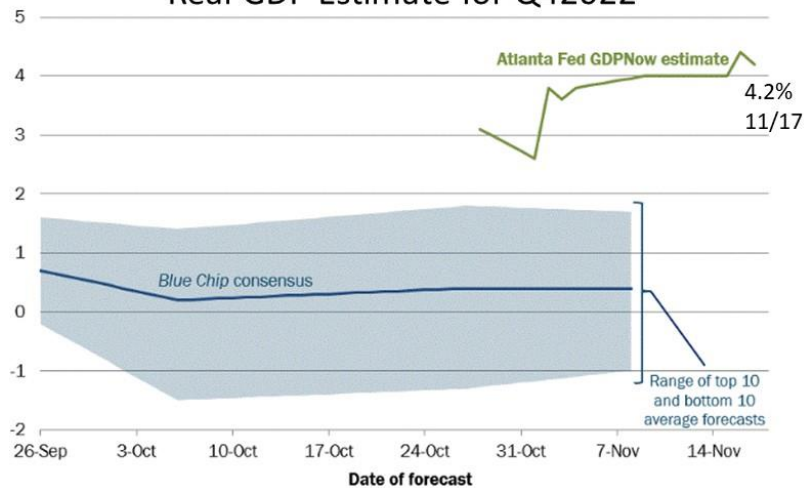


## Leading Economic Index % Change Monthly October 2021 – October 2022



Source: The Conference Board – last update 11/18/2022

## Atlanta Fed GDPNow Forecast Real GDP Estimate for Q42022



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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