

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.

February 17, 2023

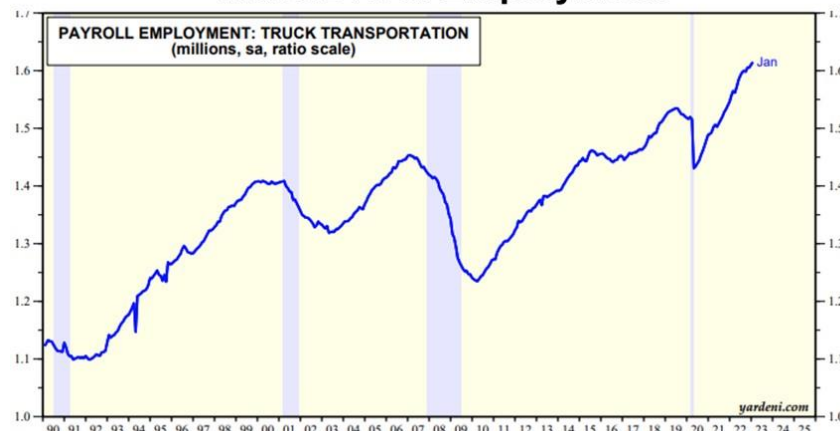
Keep on Trucking

Normally, when consumption and growth reports exceed expectations, the news is good. In today's market, better growth means higher potential inflation which means higher interest rates for longer. That is bad. Higher rates compress P/E multiples and may eventually corral the economy into recession.

In some sense, many analysts say we are facing a "lose-lose" scenario. As a base case, we are headed for recession, lower earnings and lower stock valuations. If the fundamental economy is actually stronger than expected, then rates will rise and we once again will be headed for recession, lower earnings and lower stock valuations. We seem to be in a Catch-22 paradox when all paths lead to a declining stock market.

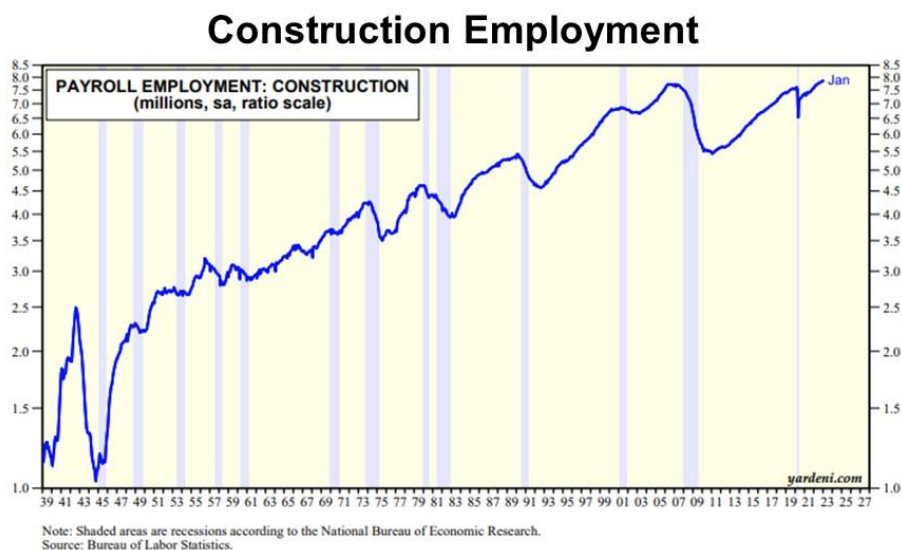
Total retail sales increased 3% month-over-month (vs. consensus expectation +1.7%) in January. Consumers are spending despite inflation pressures. Every single sales category increased, led by a 7.2% surge in the most discretionary food services and drinking places categories. All-time highs in truck driver employment reinforces the strong sales activity data.

Truck Driver Employment



Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: Bureau of Labor Statistics.

The NAHB housing market index increased in the last report. Future sales expectations and traffic of prospective buyers were up. All regions showed advancement. Optimism in the housing market is supported by all-time high construction employment.



The Atlanta Fed GDPNow model keeps climbing and is now showing a 2.5% increase in GDP for the first quarter (consensus is below 1%) As one might expect given the stronger economic data, the Producer Price Index (PPI – another measure of inflation) was up 0.7% month-over-month in January versus expectations of 0.4%. Higher inflation data caused the S&P 500 to open down by more than 1% on Thursday morning and the 10-year treasury to rise by 1.6% to 3.87% - the highest level this year.

On January 23, the S&P 500 index closed above 4000. Since then, it has never closed below this level even though the 10-year treasury rate has climbed from about 3.43% to 3.87%. This suggests that the mix of better economic growth versus the worry related to higher interest rates may be more weighted toward better growth than higher rates allowing for higher stock valuations.

The primary indicator that the “lose-lose” stock market outlook for 2023 may be inaccurate is the stock market itself. Technically, the market has been resilient and is gaining strength. The S&P 500 completed a “Golden Cross” formation with the index passing up through the 200-day moving average followed by the 50-day moving average passing up through the 200-day moving average. Technical traders interpret the golden cross as signaling a definitive upward turn in the market.

S&P 500 Golden Cross



Fundamentally, we will have to wait and see what happens with inflation as the economy keeps on trucking. For now, the stock market advance seems to be anticipating a goldilocks outcome. If ever there were a time to be cautiously optimistic with equal emphasis on both words of this phrase, now is the time.

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.



"Save my spot?"

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

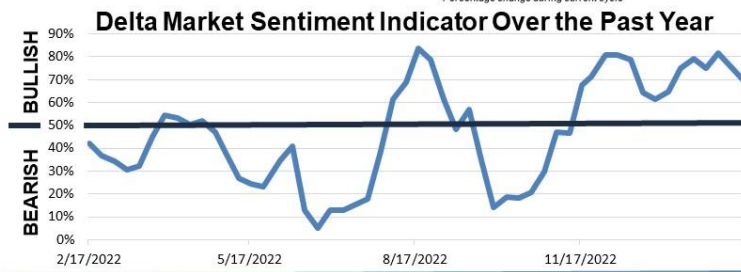
69.7

Our technical indicator decreased from 75.3 to 69.7 this week

INDICATOR STATISTICS

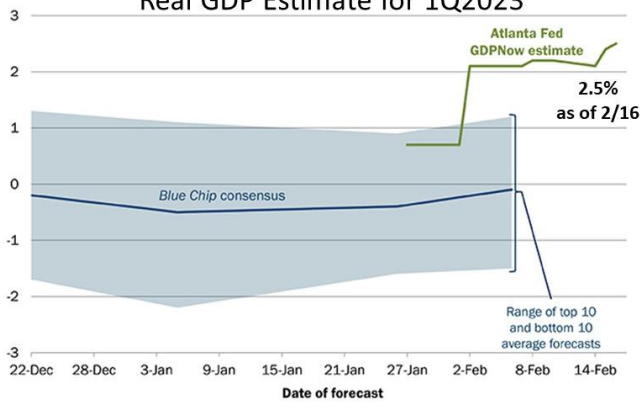
Consecutive Bullish Weeks:	14
Cycle Inception Date:	11/17/2022
Range:	61.6 – 81.4
Mean:	73.2
Bullish Weeks YTD:	7
Bearish Weeks YTD:	0
*S&P 500	5.2%
*DJIA	1.0%
*NASDAQ	8.9%

* Percentage change during current cycle



Atlanta Fed GDPNow Forecast

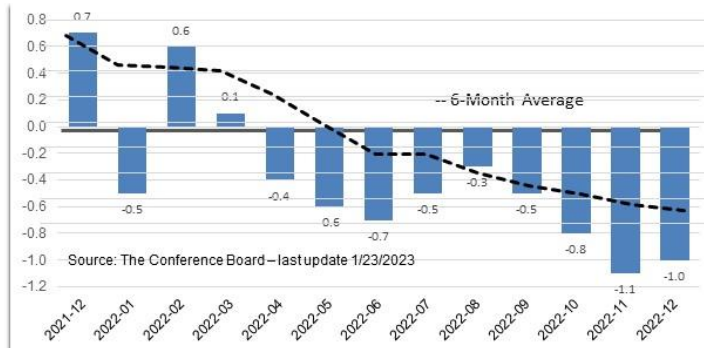
Real GDP Estimate for 1Q2023



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Leading Economic Index % Change Monthly

December 2021 – December 2022



Source: The Conference Board – last update 1/23/2023

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