

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 24, 2023

The Last Time We Were Here

The 10-year treasury yield is now above 3.9%. Because of recent economic strength, the bond markets are now pricing at least two 0.25% Fed rate hikes and no rate reductions in 2023. From February 1 through this week, the market's expectation for the terminal Fed funds rate has risen from 4.89% to 5.37%.

The last time the 10-year treasury rate was 3.9% was at the end of 2022 and in early November of last year. The S&P 500 index was roughly 3840 at the end of last year and 3749 on November 9 close. An S&P 500 near 4000 is up roughly 4% and 7%, respectively above where it was the last time the 10-year rate was 3.9%.

10-Year Treasury Yield and S&P 500 Index



What allows the stock market to hold a higher valuation today at a 3.9% 10-year treasury rate is better economic data and the probability of a recession near-term

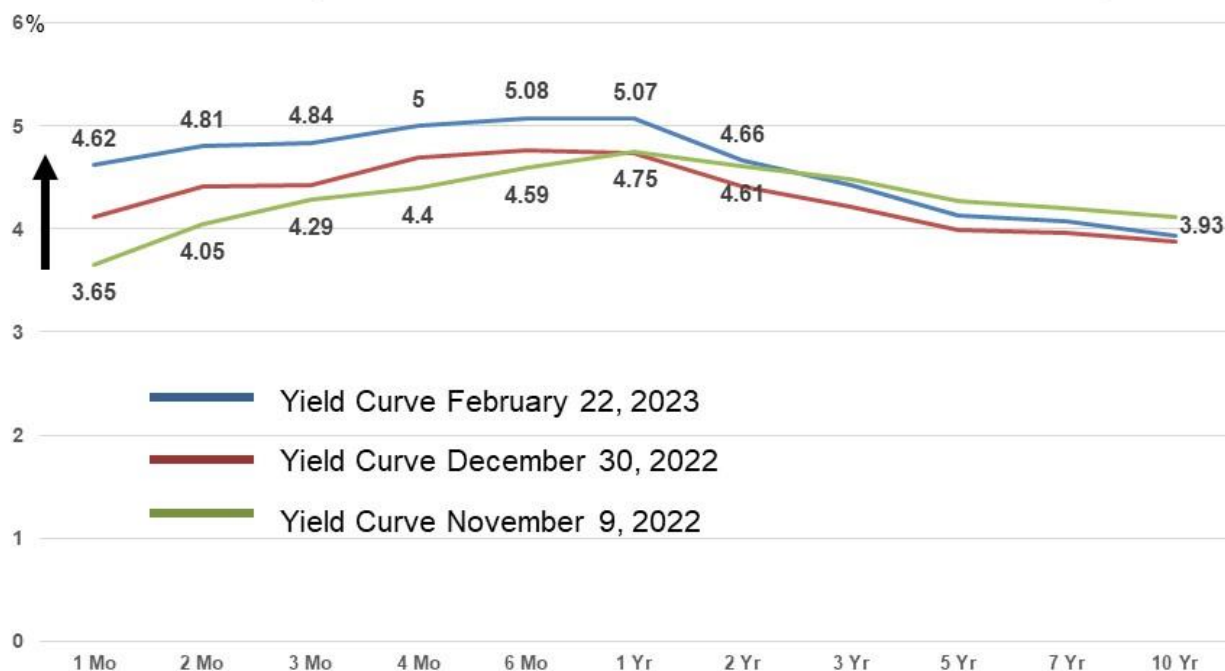
declining from about 65% to about 30% since the October market low. Essentially, earnings may not suffer a worst-case scenario outcome.

The prevailing negative for further stock appreciation that investors periodically ignore is the consistent message from the Federal Reserve that rates are going higher and will be held higher until inflation is 2%. Although the market is higher relative to the last time the 10-year treasury was 3.9%, its capacity to continue to rise is restrained by rising rates.

Investing is all about timing and opportunity. For the first time in years, we have the opportunity to earn 4.4%+ from a money market investment. 6-month treasuries offer yields above 5%. High-yield municipal bonds (federal tax free) are offering over 6% returns. As the contest between inflation and the Federal Reserve plays out in the equity market, investors should, at a minimum, take advantage of the higher yields that are now prevalent in the bond markets.

The last time the 10-year treasury rate was roughly 3.9%, shorter duration rates were lower. For example, the 1-month treasury rate on November 9, 2022 was 3.65%. This week, it is 4.62%. The 6-month treasury is up from 4.59% to 5.08%. Relative to the last time we were here, short-term risk-free investing has become even more attractive.

Treasury Yield Curves – Short Rates Up



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

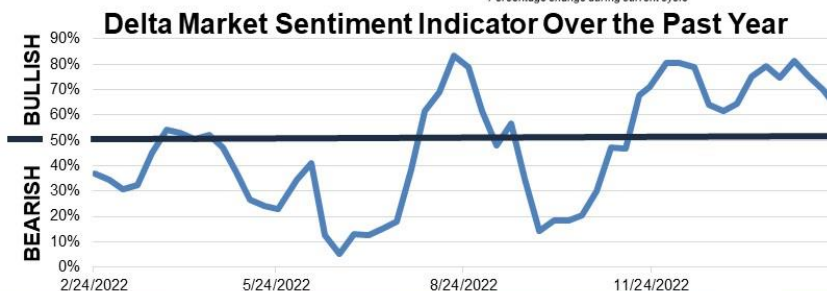
62.8

Our technical indicator decreased
from 69.7 to 62.8 this week

INDICATOR STATISTICS

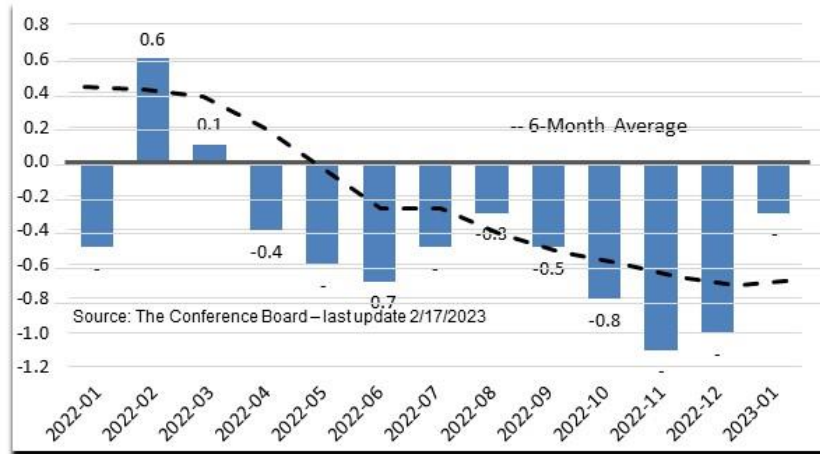
Consecutive Bullish Weeks:	15
Cycle Inception Date:	11/17/2022
Range:	61.6 – 81.4
Mean:	72.5
Bullish Weeks YTD:	8
Bearish Weeks YTD:	0
*S&P 500	2.7%
*DJIA	-1.1%
*NASDAQ	5.2%

* Percentage change during current cycle



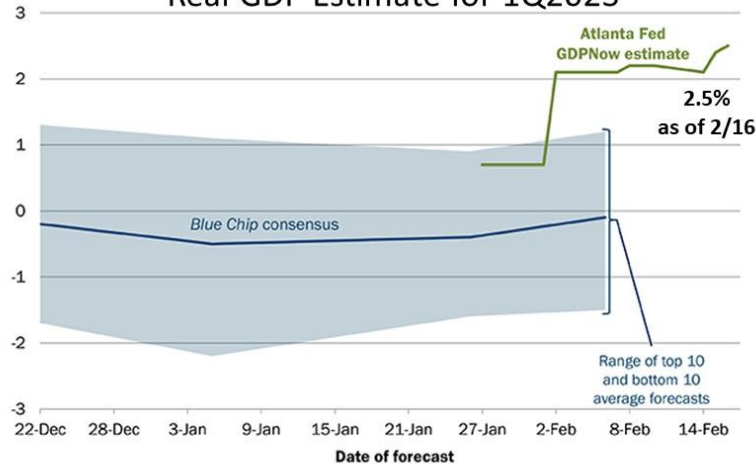
Leading Economic Index % Change Monthly

January 2022 – January 2023



Atlanta Fed GDPNow Forecast

Real GDP Estimate for 1Q2023



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Pursuant to the provisions of Rule 206(4)-1 of the Investment Advisors Act of 1940, we advise all readers to recognize that they should not assume that recommendations made in the future will be profitable or will equal the performance of past recommendations. This publication is not a solicitation to buy or offer to sell any of the securities listed or reviewed herein. The contents of this letter have been compiled from original and published sources believed to be reliable but are not guaranteed as to accuracy or completeness. Nicholas Atkeson and Andrew Houghton are also principals of Delta Investment Management, a registered investment advisor. Clients of Delta Investment Management and individuals associated with Delta Wealth Adviser may have positions in and may from time to time make purchases or sales of securities mentioned herein.

THIS NEWSLETTER IS PROTECTED BY THE COPYRIGHT LAW. UNAUTHORIZED DISTRIBUTION AND/OR REPRODUCTION BY PHOTOCOPY OR ANY OTHER MEANS IS STRICTLY PROHIBITED AND PUNISHABLE BY A FINE OF UP TO \$25,000.