

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.

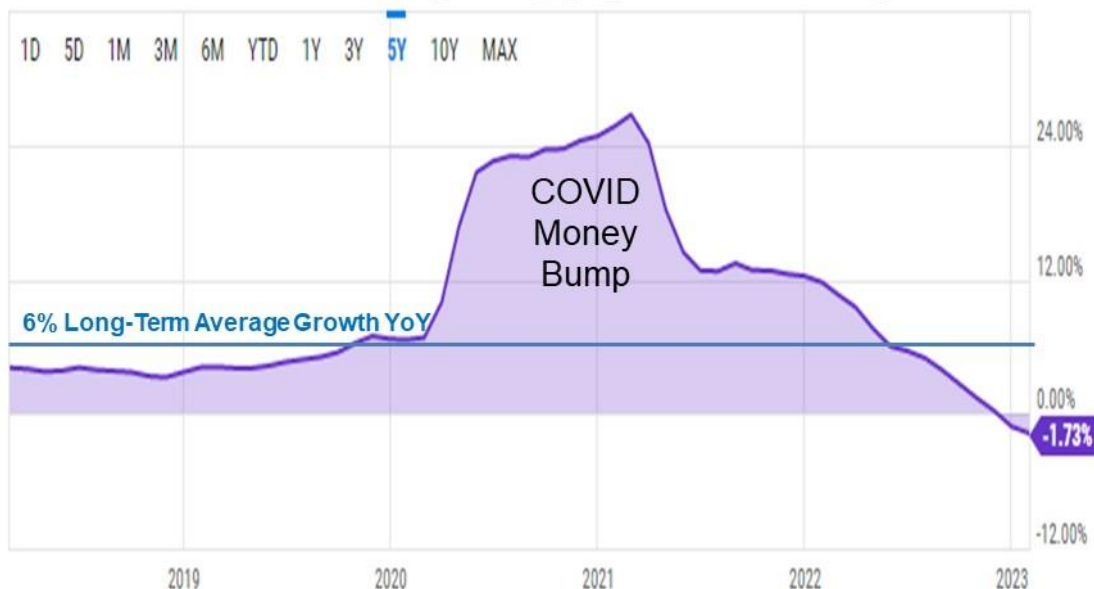
Please contact Delta at info@deltaim.com or 415-249-6337 to learn more.

March 3, 2023

Follow the Money

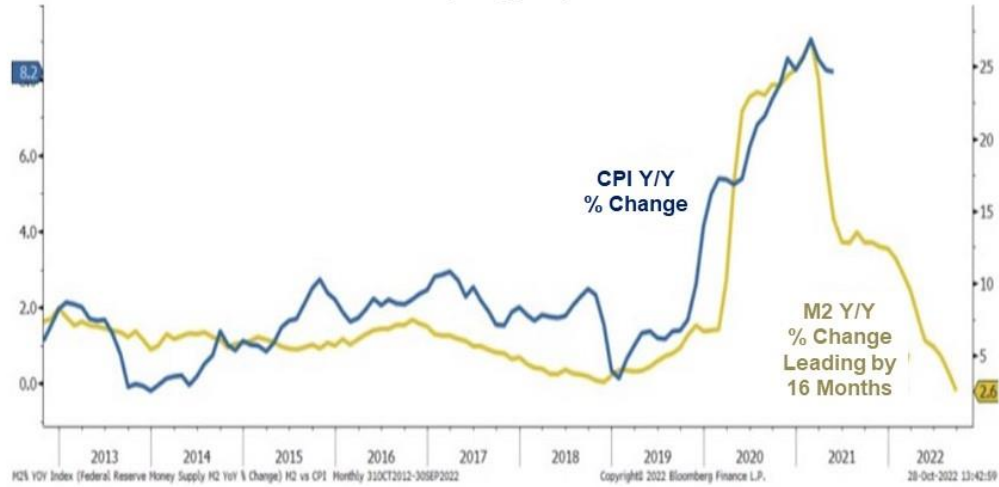
The January money supply declined by 1.7% versus a year ago. Money supply (M2) is a measure of money including coins, currency, check and savings deposits, travelers checks and money market deposit accounts. This is both the biggest yearly decline and the first time ever it has contracted in consecutive months. The monthly rate of change has been falling consistently since mid-2021 when it peaked at a 27% growth rate.

U.S. M2 Money Supply YoY Change %



An expanding money supply can stimulate consumption which is inflationary. A declining money supply does the opposite. With the money supply contracting rapidly, we should expect to see materially lower inflation later this year. Below is a graph showing how the Consumer Product Index (CPI) follows the year-over-year change in the money supply with about a 16-month lag.

M2 Money Supply vs. CPI Y/Y % Change Lagged by 16 Months



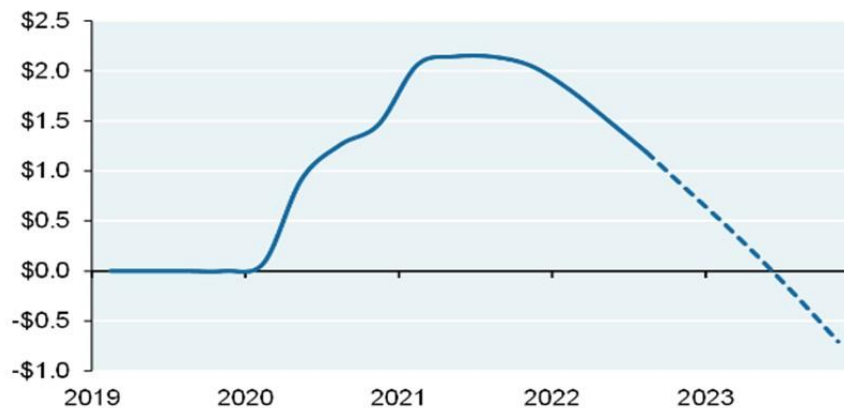
Source: Bloomberg, Morgan Stanley Research

If the current pace of money supply contraction keeps up for a few more months, overall money supply will be right back on its long-term average growth trend line of 6% year-over-year. It is somewhat surprising that the extraordinary build in money supply because of Covid is approaching normalization so quickly. Normalization of the money supply will remove one more Covid financial distortion and may provide support for the emergence of a sustained bull market.

The graph below shows how “extra” savings created by Covid stimulus money is expected to fully dissipate this year. The enthusiastic spending of extra savings has contributed to high inflation. With the money spent, we should begin to see lower inflation in coming months. Again, another source of Covid financial distortion removed from the system.

Accumulated “Extra” Savings

US\$, trillions



Source: BEA, J.P. Morgan Equity Strategy. Q3 2022. Dotted lines indicate projections.

This week, the 10-year treasury rate is back up above 4% from a low of 3.3% a month ago. Recent inflation readings have been higher than expected and Fed Rate expectations are rising once again. Although the S&P 500 has a positive gain year-to-date and has remained resilient in the face of rising rate expectations in the past several weeks, it is technically showing increased risk in the intermediate term. The Delta Market Sentiment Indicator (MSI) turned Bearish this week after 15 Bullish weeks. Trading strategies tied to this indicator lowered equity exposure. For longer-term investors, many of the distortions of the financial markets caused by Covid are nearly past and we look forward to more normalized economic and stock market relationships returning later this year.

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.



“I’m stone-cold sober. What do you recommend?”

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

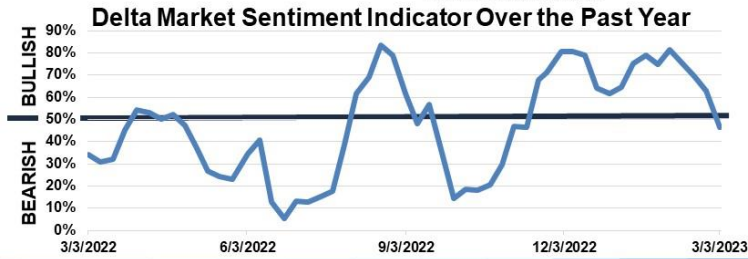
46.7

Our technical indicator decreased from 62.8 to 46.7 this week

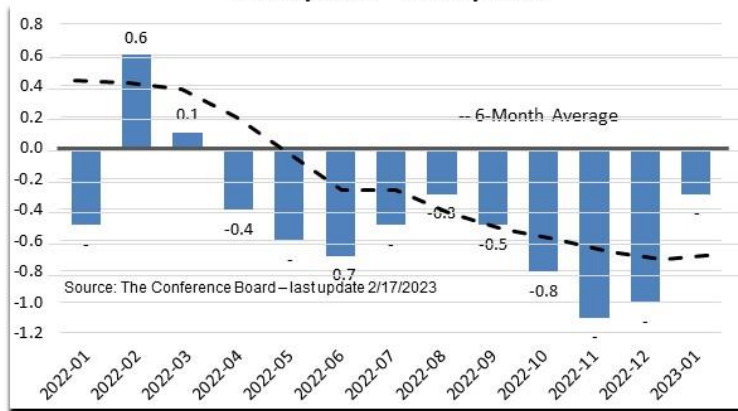
INDICATOR STATISTICS

Consecutive Bearish Weeks:	1
Cycle Inception Date:	3/2/2023
Range:	46.7
Mean:	46.7
Bullish Weeks YTD:	8
Bearish Weeks YTD:	1
*S&P 500	NA%
*DJIA	NA%
*NASDAQ	NA%

* Percentage change during current cycle

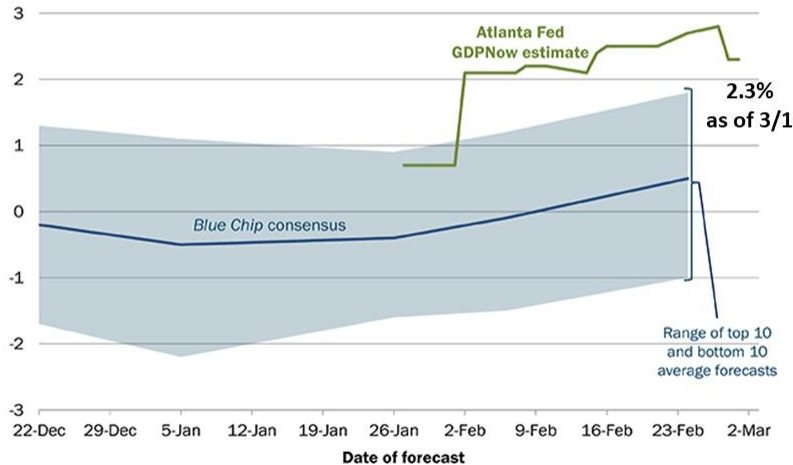


Leading Economic Index % Change Monthly January 2022 – January 2023



Atlanta Fed GDPNow Forecast

Real GDP Estimate for 1Q2023



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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