

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.

April 7, 2023

Let the Market Speak

Financial analysts and economists love to speak, especially after an event. Before Silicon Valley Bank (SVB) failed, all was quiet. Post SVB failing, we received the gift of many expert explanations on why and how it was obvious for a long time. As investors, we are concerned with future events, not perfectly crafted explanations of what happened in the past.

We began 2023 with the consensus expert opinion advising that the economy was headed for recession and it was probable the S&P 500 would revisit 2022 lows of about 3491. What actually happened in the first quarter of 2023 is the S&P 500 gained 7% and GDP forecasts are for growth. The financial markets seem to have an alternative narrative in mind.

What are the financial markets telling us now?

1. The high-yield spread (difference between junk bond rates and U.S. treasury rates – a measure of credit risk in the bond markets) has pulled back from about 5.2% to 4.6%. Readings below 5% usually mean the bond market perceives risk as low.
2. The CBOE Volatility Index (VIX) is below 20. This is down from about 30 three weeks ago and at a level that shows equity investor anxiety levels as normal to low (since 1990 the average is 19.6).
3. The 10-year treasury rate touched 3.27% this week. The Fed Funds rate is about 4.8%. The treasury market is saying the Fed is very near the end of rate hikes and interest rates are headed lower. The implications are inflation has been contained and economic growth will moderate.
4. The 7% advance in the S&P 500 in the first quarter is bullish.

CNBC reported that from 1929-2022, if the stock market had a positive return in the first quarter, April was positive 71% of the time. Historically, April has been one of the

stronger months of the year. It has been positive 9 out of the last 10 years with an average return of 1.8%.

Bespoke Investment Group says that since WW2, there have been ten instances of the S&P 500 having a negative return in the prior year and then a gain in the following year first quarter. In all ten cases, April and the rest of the year were positive. The chart below shows the performance of the S&P 500 Index without dividends and the performance for the Rest of Year is from April 1 to December 31.

SPX Down Prior Year, Up in Q1

Year	Prior Calendar Year % Chg	Q1 % Chg	April % Chg	Q2 % Chg	Rest of Year % Chg
Apr-54	-6.62	8.59	4.90	8.43	33.56
Apr-58	-14.31	5.28	3.18	7.46	31.14
Apr-61	-2.97	11.96	0.38	-0.65	9.98
Apr-63	-11.81	5.50	4.85	4.21	12.69
Apr-67	-13.09	12.29	4.22	0.49	6.95
Apr-75	-29.72	21.59	4.73	14.19	8.19
Apr-91	-6.56	13.63	0.03	-1.08	11.16
Apr-95	-1.54	9.02	2.80	8.80	23.01
Apr-16	-0.73	0.77	0.27	1.90	8.69
Apr-19	-6.24	13.07	3.93	3.79	13.98
Apr-23	-19.44	7.03	?	?	?

Past performance is no guarantee of future results.

Source: Bespoke Investment Group

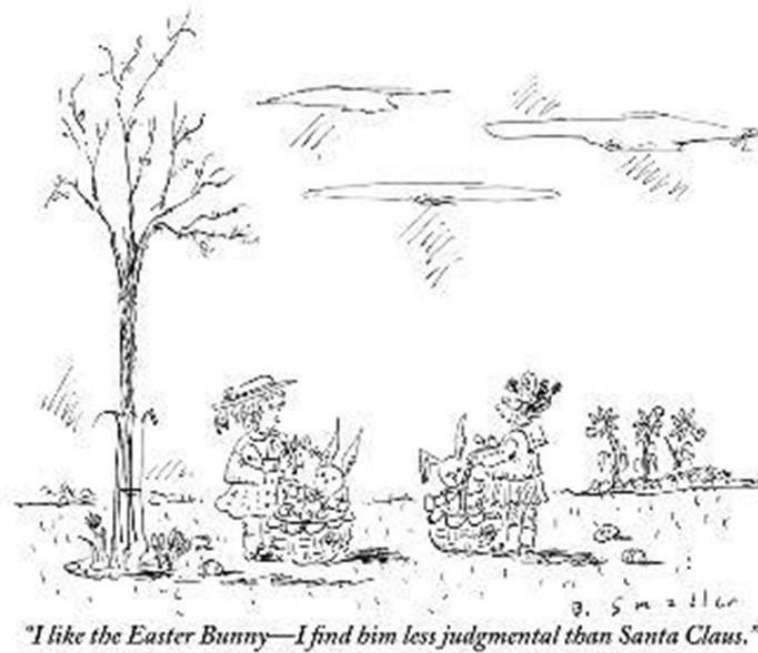
Earnings season begins next week. We should expect a bumpy start with reports from First Republic Bank (stock down 90% ytd), Citigroup, JPMorgan Chase and Wells Fargo. As we move past bank results and into the full spectrum of company reports, results may be better than expected. In the last week or two, we learned Apple's iPhone business sounds firm. Lululemon reported better than expected earnings and revenues with no signs of a sales slowdown. PPG Industries pre-announced sharply higher earnings due to better sales coating across all segments (building, aerospace and autos) combined with better margins.

Records are made to be broken. In 2023, we have several records that may be broken. On the bullish side, the most predicted recession and continued bear market may be an outlook that proves false. On the bearish side, positive returns in the first quarter may have been an aberration and not predictive of future performance. The market should have a lot to say in the next couple of weeks as earnings season unfolds.

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

BEARISH

THIS WEEK'S NUMBER IS

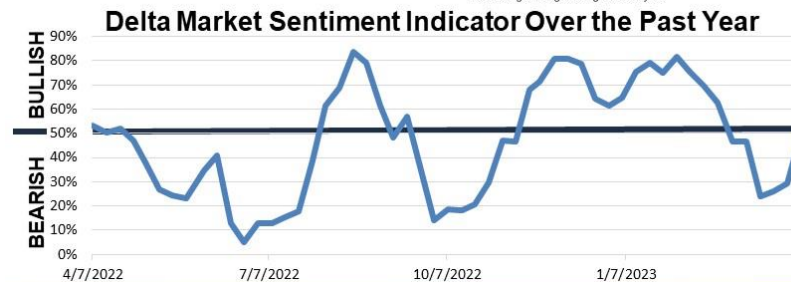
46.9

Our technical indicator increased from 29.4 to 46.9 this week

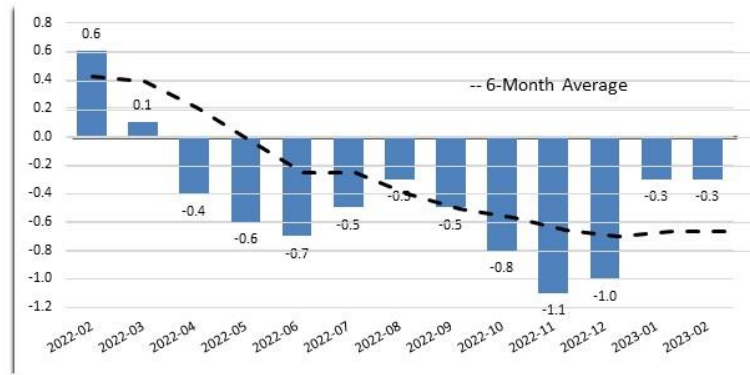
INDICATOR STATISTICS

Consecutive Bearish Weeks:	6
Cycle Inception Date:	3/2/2023
Range:	23.9 - 46.9
Mean:	36.6
Bullish Weeks YTD:	9
Bearish Weeks YTD:	5
*S&P 500	2.7%
*DJIA	1.5%
*NASDAQ	4.8%

* Percentage change during current cycle



Leading Economic Index % Change Monthly February 2022 – February 2023



Source: The Conference Board – last update 3/17/2023

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.