

*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](mailto:info@deltaim.com) or 415-249-6337 to learn more.*

May 12, 2023

## **Skinny Market**

When you look from a distance at the price performance of the S&P 500 Index and the NASDAQ 100 Index year-to-date, 2023 looks to be a good year. The S&P 500 is up by over 7% and the NASDAQ 100 Index is up by about 22%. Upon closer examination, the positive index performance is explained almost entirely by a narrow group of very large stocks.

Below are the top nine stocks by index weight in the S&P 500. These nine stocks explain 10.3% of the S&P 500's 7.3% year-to-date return. In other words, the remaining 491 stocks are collectively down by about 3%.

### **S&P 500 Index Top 9 Holdings**

<b>SYMBOL</b>	<b>INDEX WEIGHT</b>	<b>PRICE YTD</b>	<b>PRICE YTD INDEX WEIGHTED</b>
AAPL	7.45%	33%	2.5%
MSFT	6.64%	29%	1.9%
AMZN	2.73%	32%	0.9%
NVDA	2.07%	96%	2.0%
GOOGL	1.85%	32%	0.6%
BRKB	1.70%	4%	0.1%
GOOG	1.62%	32%	0.5%
META	1.50%	95%	1.4%
TSLA	1.33%	37%	0.5%
Total Weight	26.89%		10.3%
<b>S&amp;P 500 INDEX YTD</b>		<b>7.3%</b>	As of 5/11/2023 am
<b>491 OTHER S&amp;P STOCKS</b>		<b>-3.0%</b>	

The return of the NASDAQ 100 is amplified as its holdings of the stocks listed above are about two times more concentrated than they are in the S&P 500.

Skinny in a margarita can be good. Skinny in the number of stocks creating a market advance can be bad. Bull markets tend to be characterized by a broadening of market

leadership. Bear markets are characterized by a flight-to-safety (large, profitable technology companies in this case) and a narrowing of leadership before the final bottom is reached.

Part of the outperformance of these few large technology stocks in 2023 can be explained by their significant underperformance last year. This set of stocks is broadly owned. The S&P 500 was down by about 18.6% versus the NASDAQ 100 decline of 33.2% in 2022. The NASDAQ 100 became relatively more oversold in 2022 and a better relative value by the start of 2023.

The concern with a flight-to-safety trade into the largest and most robust technology stocks is that even these stocks may be used as a source of liquidity in a deteriorating stock market and economy at some point. Narrow leadership is often fragile.

A more positive take is these stocks were already used as a source of liquidity in 2022 as they were institutionally over-owned and sold partly because of their negative momentum. If this is the case, the tech rebound may be durable and overall stock market breadth should increase as this segment of the market continues to lift valuations across the board.

Over the past two years, the S&P 500 and NASDAQ 100 have shown essentially no price appreciation. Although earnings reports for the first quarter were better than expected, overall S&P 500 earnings are down -2.2% year-over-year. A sustained bull trend will require a resumption of earnings growth, lower inflation and an end to Fed rate hikes. We, along with the majority of stocks, appear to be treading water as we await a reliable indication that these growth conditions are being met.

### **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).



"Thank you all for coming. Starting next year, Mother's Days will find me at the Desert Palm Spa."

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BEARISH**

THIS WEEK'S NUMBER IS

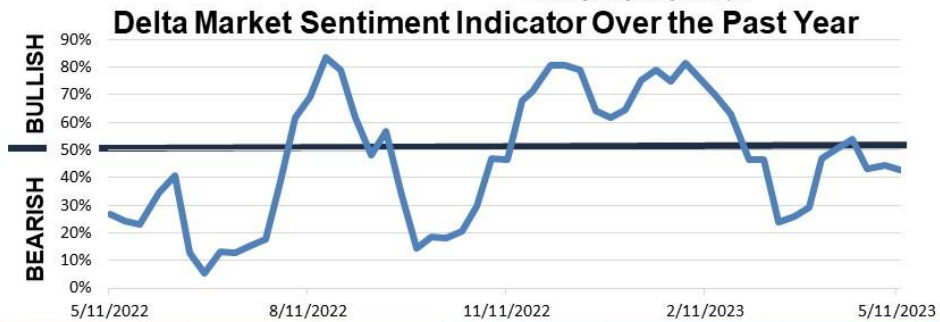
**42.9**

Our technical indicator decreased from 44.5 to 42.9 this week

### INDICATOR STATISTICS

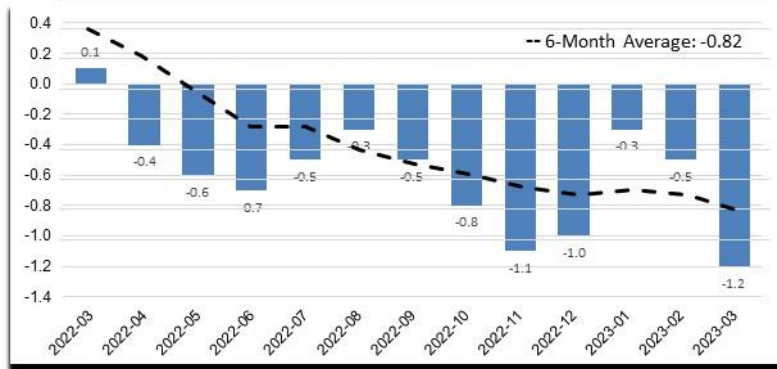
Consecutive Bearish Weeks:	3
Cycle Inception Date:	4/27/2023
Range:	42.9 - 44.5
Mean:	43.5
Bullish Weeks YTD:	11
Bearish Weeks YTD:	8
*S&P 500	0.1%
*DJIA	-1.3%
*NASDAQ	1.7%

\* Percentage change during current cycle



## Leading Economic Index % Change Monthly

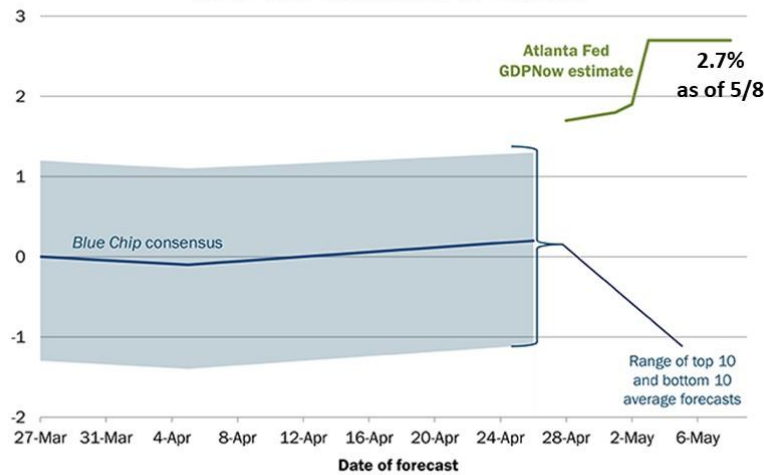
March 2022 – March 2023



Source: The Conference Board – last update 4/20/2023

## Atlanta Fed GDPNow Forecast

Real GDP Estimate for 2Q2023



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.