

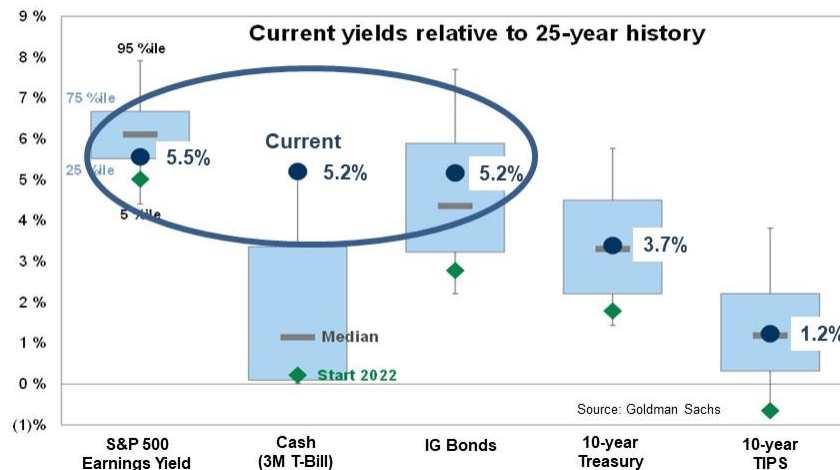
*Delta Investment Management is a registered investment advisory firm. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new turnkey asset management solution.
Delta manages portfolios at TD Ameritrade and Schwab.
Please contact Delta at info@deltaim.com or 415-249-6337 to learn more.*

May 26, 2023

Stock, Bond and Cash Yields Roughly Equal

For years when interest rates were very low, stocks were the only major asset class showing potential significant returns. Today, certificates of deposit (CDs), investment grade (IG) bonds and the earnings yield of the S&P 500 are all roughly equal at just over 5%. The earnings yield of the S&P 500 is earnings divided by price.

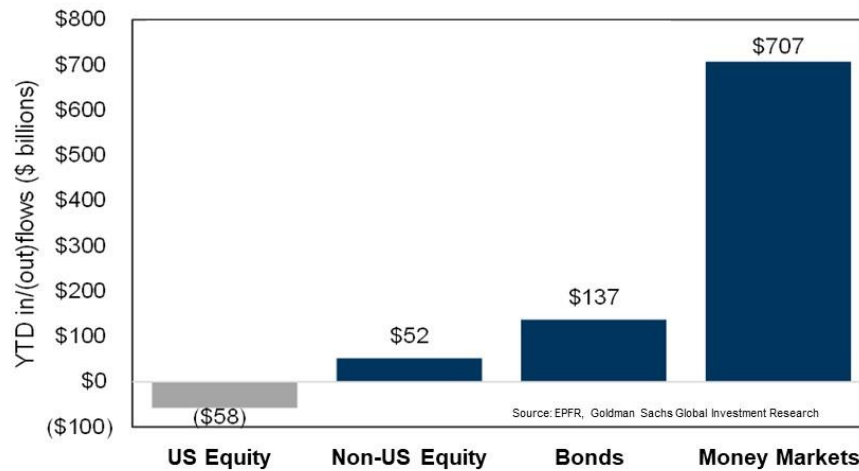
Bond & Cash Yields Similar to Earnings Yield



A major difference between stocks versus cash and investment grade (IG, high credit quality) bonds is cash and IG debt are expected to return all of the principal in addition to paying interest on the principal when the term of the investment expires. Stock values fluctuate. Depending on the timing of the buy and sell, it is quite possible the investment may either have a gain or a loss. With investor sentiment in the bottom quartile (% Bullish = 22.9%), a 5% yield on cash and IG credit looks attractive relative to buying the S&P 500 which has higher risk.

The relative risk/return profile of cash explains why fund flows are predominately into money markets and to a lesser extent, bonds. Year-to-date, flows into U.S. equities have been negative.

Mutual Fund and ETF Flows YTD (\$ billions)



The Dow Jones Industrial Average (DIA) and the equally weighted S&P 500 index (RSP) are underperforming the year-to-date performance of the 1-3-month treasury (BIL).

BIL	DIA	RSP	SPY	QQQ
1.7%	-0.3%	-0.4%	8.8%	27.8%

The significant index gains of the market-cap weighted S&P 500 index (SPY) and the NASDAQ 100 (QQQ) are being driven by mega-cap technology (e.g., Apple, Microsoft, Google, Amazon, Meta, Nvidia, Netflix, Tesla, etc.). We wrote about this in our May 12th *Delta Insights: Skinny Market*.

Unless and until stock market leadership begins to broaden, we would expect many investors will stay the course earning a 5%+ yield in low-risk assets. There are periods in market history when return-of-principal takes priority over return-on-principal.

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.



“And once they agreed to raise the national debt ceiling, did they live happily ever after?”

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

38.6

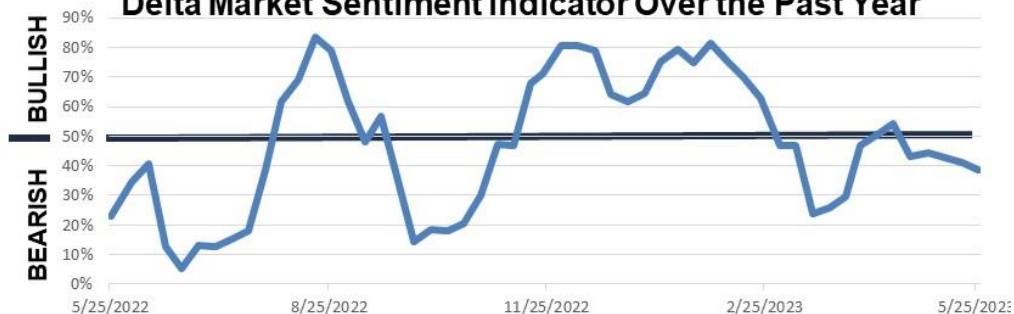
Our technical indicator decreased from 41.0 to 38.6 this week

INDICATOR STATISTICS

Consecutive Bearish Weeks:	5
Cycle Inception Date:	4/27/2023
Range:	38.6 - 44.5
Mean:	42.0
Bullish Weeks YTD:	12
Bearish Weeks YTD:	9
*S&P 500	1.1%
*DJIA	-2.6%
*NASDAQ	4.9%

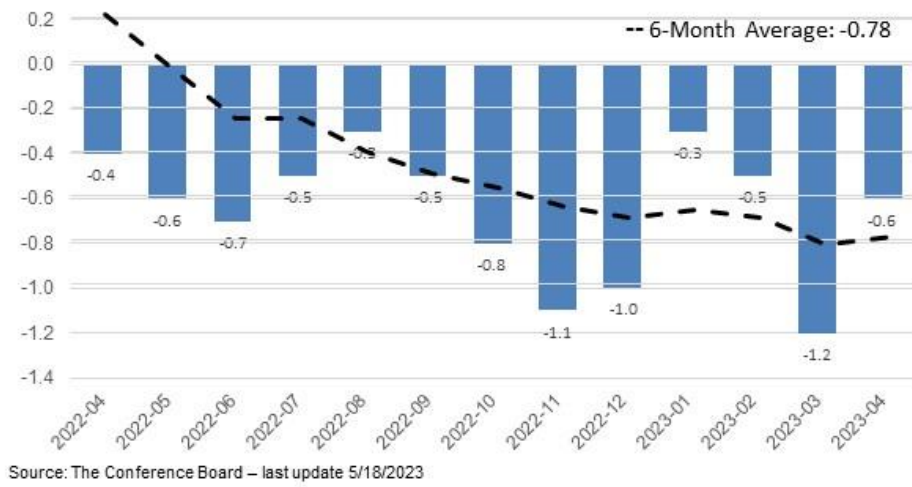
* Percentage change during current cycle

Delta Market Sentiment Indicator Over the Past Year



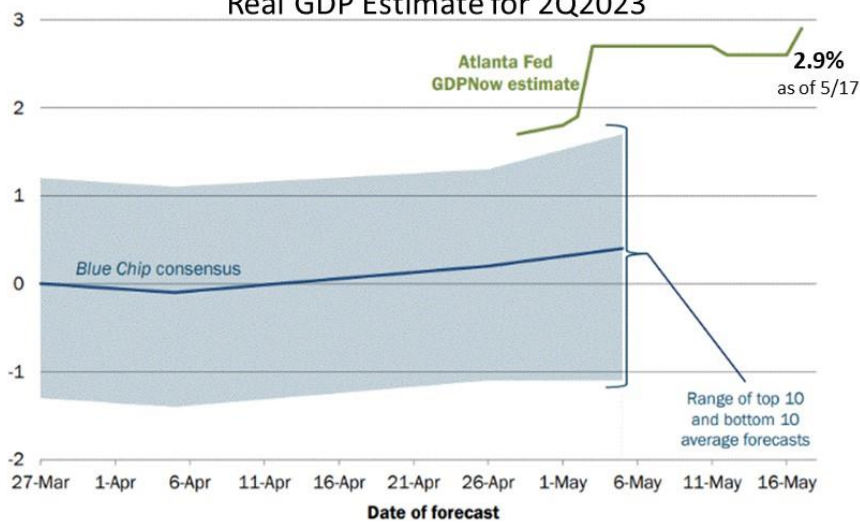
Leading Economic Index % Change Monthly

April 2022 – April 2023



Atlanta Fed GDPNow Forecast

Real GDP Estimate for 2Q2023



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