

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.

June 2, 2023

Jobs Jolt

With inflation cooling and job openings falling, the market began pricing in an end to the Fed tightening and there was speculation we would even see rate cuts later this year. A year and a half into the rising rate cycle, the steepest ever, this cooling was welcome, was expected and instilled hope that the Fed was done. Some longer duration stocks (tech and consumer discretionary) caught a bid and bounced hard. The bounce has been limited to a narrow (but important) segment of the market but has not lifted all boats. Year-to-date (through 5/31), three sectors are positive and seven are negative:

Sector Returns YTD & QTD

	<u>YTD</u>	<u>QTD</u>
Technology	34%	10%
Comm Services	33%	10%
Consumer Discretionary	18%	1%
Industrials	-1%	-4%
Consumer Staples	-2%	-3%
Materials	-3%	-7%
Healthcare	-6%	-1%
Financials	-7%	-1%
Utilities	-7%	-4%
Energy	-12%	-8%

As of 5/31/2023

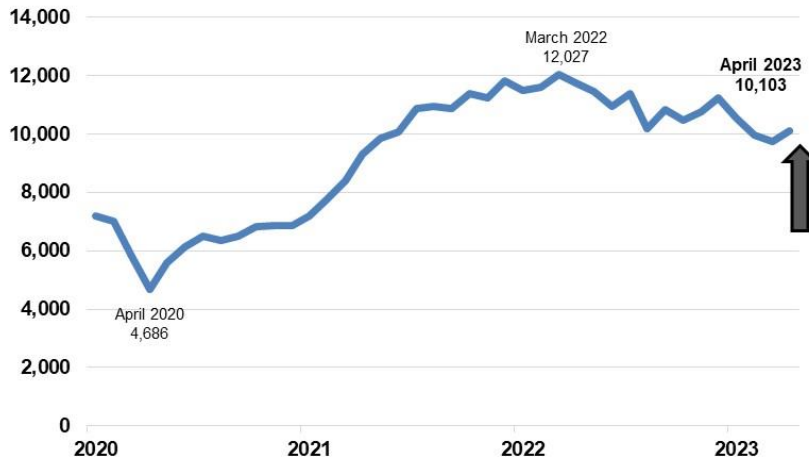
Although only three of the sectors are positive, Technology, Comm Services and Consumer Discretionary represent 47% of the market capitalization of the S&P 500.

The Fed has articulated they want the labor market to weaken as a way to temper/lower wage gains, workers' bargaining power and accelerating price growth. Since peaking in March 2022, job openings have rolled over. Ahead of every recession, job openings

trend down. The US job openings reported on Wednesday morning surged in April to 10.1 million vs. estimates of falling further to 9.3 million.

Job Openings

(in thousands)

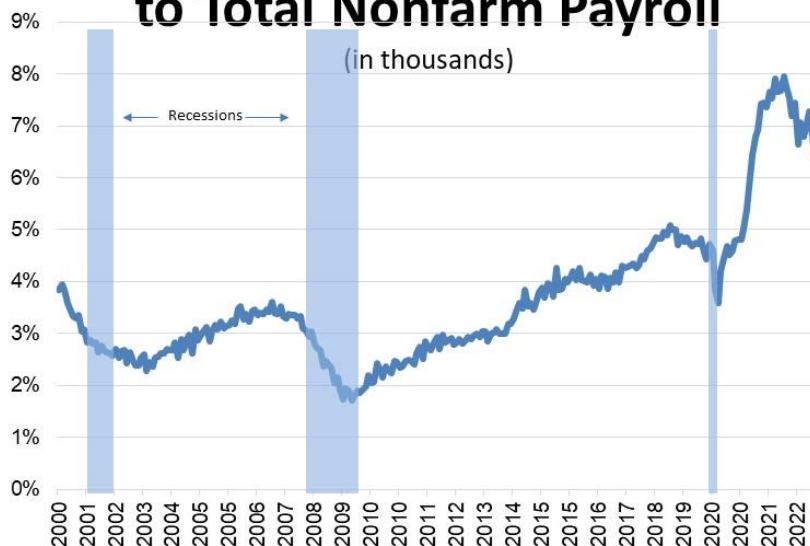


Source: U.S. Department of Labor

Maybe a better way to think of job openings is as a percentage of total jobs with the overall job market expanding,. In March 2022 the percentage of job openings to total nonfarm payroll reached an all-time high of 7.9%, over two times the average of 3.7 the past two decades. As of the last reading in April, the percentage was 6.5.

Percentage of Job Openings to Total Nonfarm Payroll

(in thousands)



Source: U.S. Department of Labor

Having a strong job market is good. The Fed just doesn't want it too good. Before we see real tightening in the labor market, we think the job openings need to fall to six million or 4% of total nonfarm payrolls. Based on last week's comment from the Fed, a pause is still the baseline case when they meet on June 13-14 as they ascertain the impact of their hikes.

Delta Dashboard

The Delta MSI declined from 38.6 to 31.8 this week signaling a weakening of the average stock (in the S&P 500). The LEI has been declining for 13 consecutive months signaling a worsening economic outlook and a risk of a recession later this year. The Atlanta Fed's GDPNow Q2 GDP forecast is 2%, well ahead of the consensus which is running around 0.8%

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.



*"My desire to be well-informed is currently
at odds with my desire to remain sane."*

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

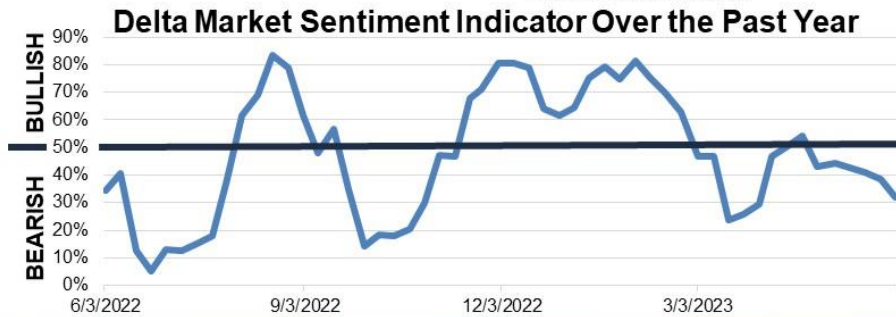
31.8

Our technical indicator decreased from 38.6 to 31.8 this week

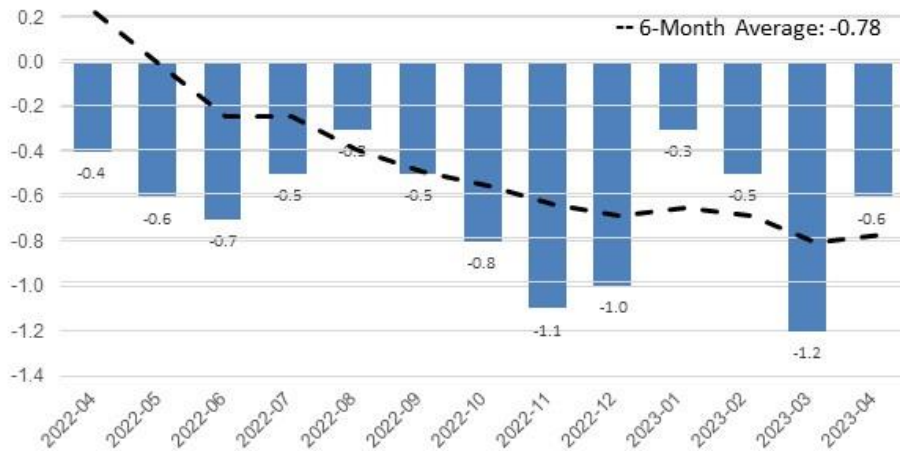
INDICATOR STATISTICS

Consecutive Bearish Weeks:	6
Cycle Inception Date:	4/27/2023
Range:	31.8 - 44.5
Mean:	40.3
Bullish Weeks YTD:	12
Bearish Weeks YTD:	10
*S&P 500	2.6%
*DJIA	-1.8%
*NASDAQ	7.9%

* Percentage change during current cycle



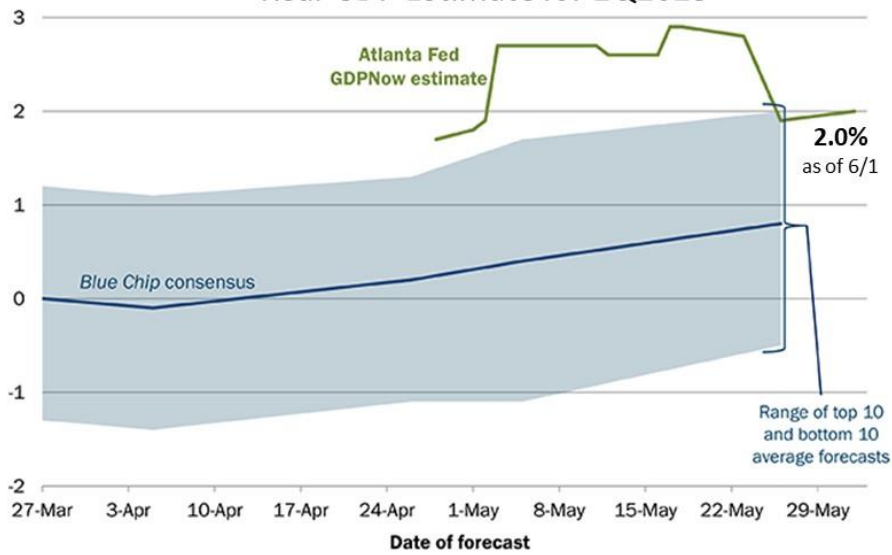
Leading Economic Index % Change Monthly April 2022 – April 2023



Source: The Conference Board – last update 5/18/2023

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.