

*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.*

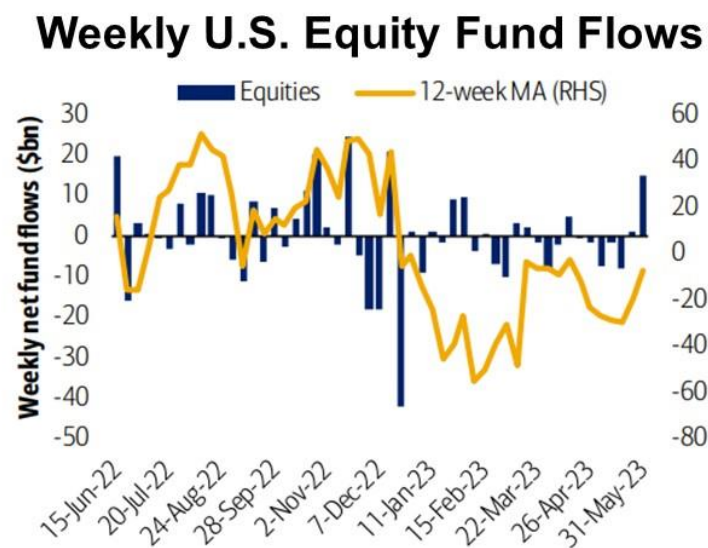
*Delta manages portfolios at TD Ameritrade and Schwab.*

*Please contact Delta at [info@deltaim.com](mailto:info@deltaim.com) or 415-249-6337 to learn more.*

June 9, 2023

## More Growth, Less Risk, Higher Rates

The market is shifting. Sentiment is turning bullish. On the prospects of better growth and lower recession risk, funds are flowing back into equities.



Source: EPFR Global. Note: data are for US-domiciled funds only.

BofA GLOBAL RESEARCH

This is especially the case in small capitalization stocks. Almost all of the appreciation year-to-date in the Russell 2000 small cap index, roughly 7.5% through Wednesday close, occurred in the first five trading days of June.

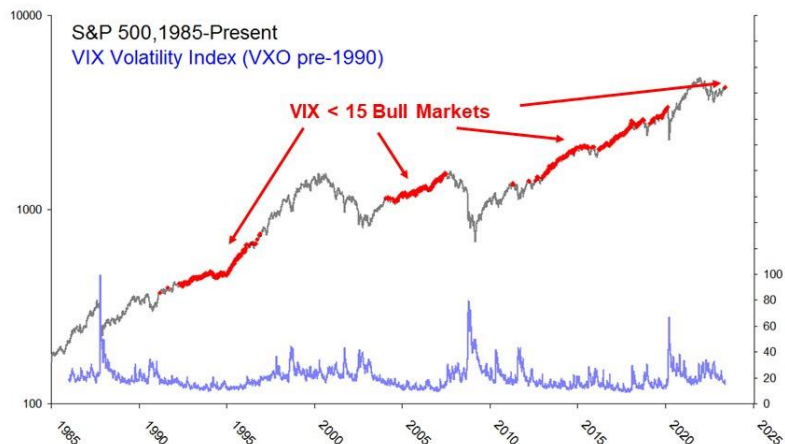
The CBOE Volatility Index (VIX) collapsed to a three-year low this week of 13.5. The VIX measures put option buying on the S&P 500. Low-teens readings indicate low investor anxiety.

## CBOE Volatility Index (VIX)



When the VIX has traded below 15 and remained below this level, the stock market has enjoyed multi-year bull markets.

## VIX < 15 Bull Markets



Increased confidence in an economic growth-view stems from:

- resolution of the debt ceiling negotiation
- robust non-farm payrolls report for May
- stabilization of regional banking concerns
- rising earnings estimates in the past couple of weeks – importantly, Wall Street analysts believe Cloud infrastructure companies will see the bottom in Cloud growth rates in the third quarter and then reacceleration. This is a result of lapping easier comparisons and Cloud investment/optimizations slowing creating higher return on investment. Cloud computing is a significant growth factor for market leading stocks Amazon, Google and Microsoft.
- rising growth estimates from Artificial Intelligence (AI). Analysts believe AI will be a significant productivity driver (1.5% per year boost) that will lift growth rates over the next ten to twenty years. Because of this new technology and higher

long-term economic growth rates, the stock market may be materially undervalued today.

In the past week, Goldman Sachs reduced its probability for a recession in 2023 from 35% to 25%. The direction of the estimate revision downward is a significant change as prior revisions had been up rather than down.

The trade-off to the higher growth, lower risk outlook is interest rates may move higher. The bond market continues to expect the Fed to not raise rates at its June meeting next week but believes there will be a rate increase in July. So far in June, a bump up of the 10-year treasury rate from 3.6% to 3.8% has done little to temper investor enthusiasm.

The Delta Market Sentiment Indicator (MSI) is turning bullish as a result of appreciation in the average stock. Through Wednesday close, the equally weighted S&P 500 (RSP) was up roughly 3% for the week which represents its gains for the entire 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](http://www.deltaim.com) or email us at [info@deltaim.com](mailto:info@deltaim.com).



*"Here's to a medically uneventful summer!"*

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# Delta Stock Market Dashboard

MARKET SENTIMENT IS

**Bullish**

THIS WEEK'S NUMBER IS

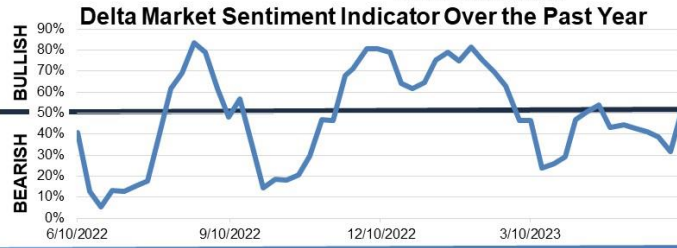
**51.2**

Our technical indicator increased from 31.8 to 51.2 this week

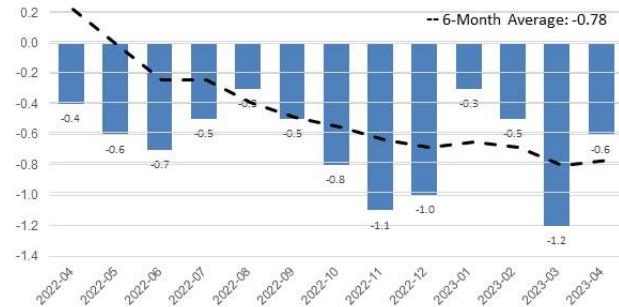
## INDICATOR STATISTICS

Consecutive Bullish Weeks:	1
Cycle Inception Date:	NA
Range:	51.2
Mean:	51.2
Bullish Weeks YTD:	13
Bearish Weeks YTD:	10
*S&P 500	NA%
*DJIA	NA%
*NASDAQ	NA%

\* Percentage change during current cycle

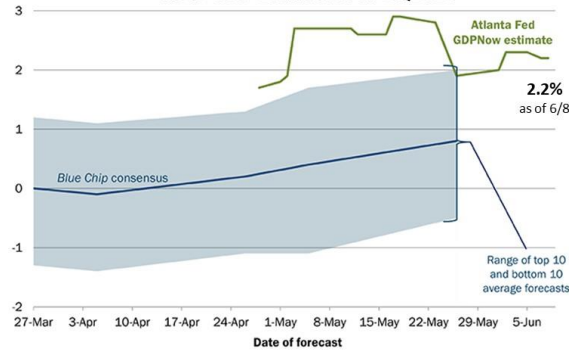


## Leading Economic Index % Change Monthly April 2022 – April 2023



## Atlanta Fed GDPNow Forecast

Real GDP Estimate for 2Q2023



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