

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 23, 2023

Catch Up

In the past three months, the S&P 500 has appreciated by over 9%. The NASDAQ 100 is up 17%. Much of the buying pressure that has caused such strong appreciation recently has been investors playing catch-up. The expectation at the start of the year was for recession and a continuation of the bear market. What has happened so far is no recession and a bull market.

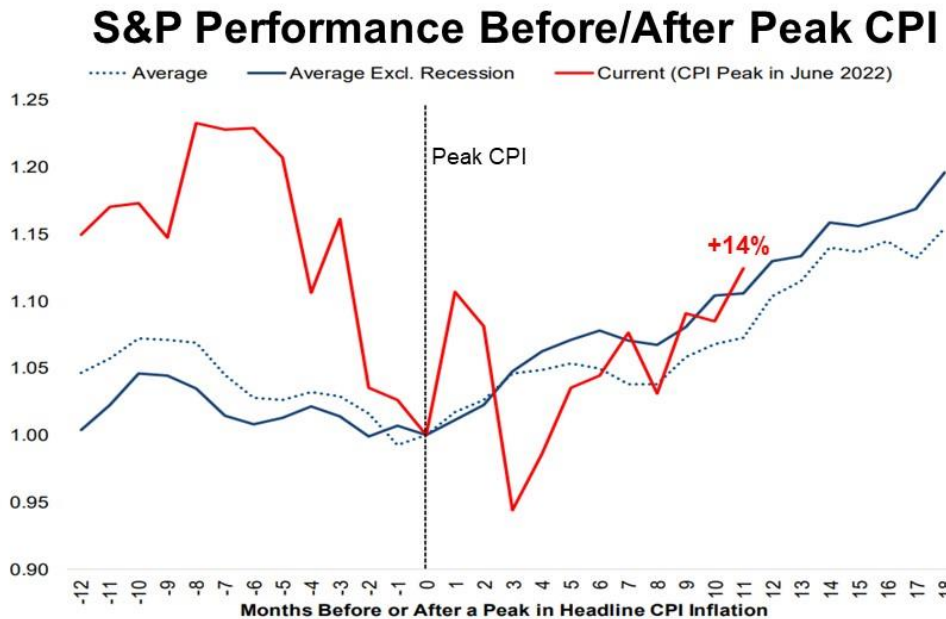
Hedge funds had net-long exposure a few months ago of sub-10th percentile. It has moved up to 25% percentile today. We have seen record volumes in S&P 500 call options bought. The CNN fear/greed index has moved from Fear to Extreme Greed. Corporate buybacks have been active and incremental supply of stock through follow-on stock offerings has been easily absorbed.

With the strong improvement in investor sentiment and a more normalized exposure to equities, the question becomes how much further can the market go? Fundamentally, it appears that the likelihood of recession in the second half of this year has diminished. Earnings estimates are rising and the economy has created 1.6 million jobs year-to-date. The cash held in money markets is now at \$6.5 trillion, up from about \$5.7 trillion a month ago.

Investors often suffer from an Anchoring Bias. The negative outlook and lower stock valuations at the beginning of the year may be given a higher weighting than the market rally of the past several months. Investors may be more comfortable with the thought that the market should trade back down than they are with idea that the rally may continue.

One guide to where the market goes can be provided by a review of history. The chart below shows the S&P 500 trading history before and after the Peak CPI reading. In the current cycle, the Peak CPI reading was June 2022 at 9.1%. Post Peak CPI, the market typically trades higher. The red line shows the current market cycle. So far, the

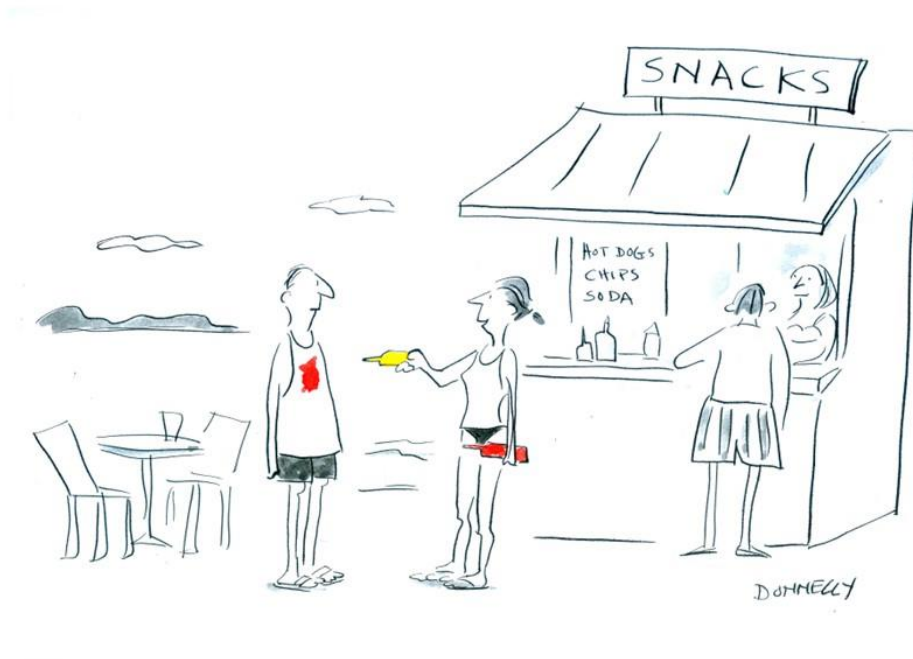
S&P 500 is closely following the historical pattern for the first 12 months following Peak CPI. If we keep repeating history over the next six months, we should expect the S&P 500 to appreciate further – typically a total of 20% appreciation following Peak CPI when there is no recession.



Last week, the NASDAQ 100 traded 20% above its 200-day moving average. This has happened 15 times since 1983. In 14 of the 15 occurrences, the index return over the next 12 months was positive with an average gain of 35% -- source Goldman Sachs Investment Research. The Delta Market Sentiment Indicator (MSI) remains bullish this week.

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.



“Want some mustard with your catsup?”

Delta Stock Market Dashboard

MARKET SENTIMENT IS

Bullish

THIS WEEK'S NUMBER IS

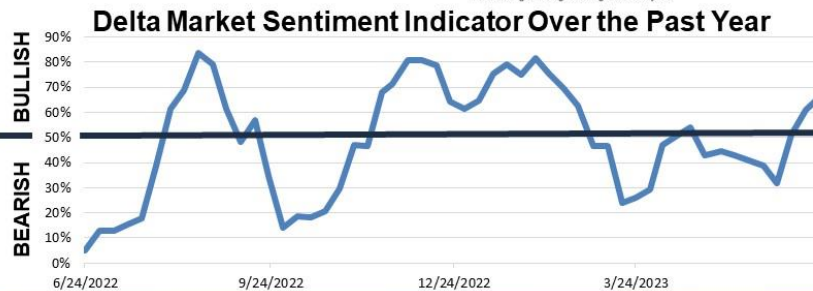
65.8

Our technical indicator increased from 60.8 to 65.8 this week

INDICATOR STATISTICS

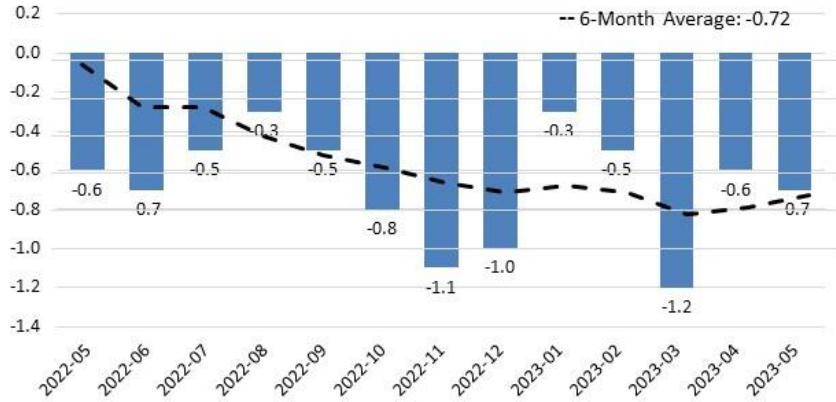
Consecutive Bullish Weeks:	3
Cycle Inception Date:	6/9/2023
Range:	51.2 – 65.8
Mean:	59.3
Bullish Weeks YTD:	14
Bearish Weeks YTD:	10
*S&P 500	1.3%
*DJIA	0.1%
*NASDAQ	2.3%

* Percentage change during current cycle



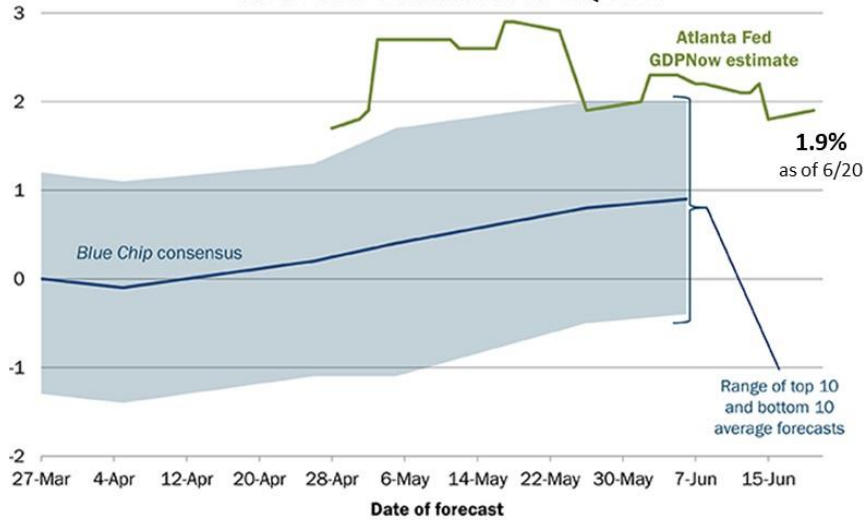
Leading Economic Index % Change Monthly

May 2022 – May 2023



Atlanta Fed GDPNow Forecast

Real GDP Estimate for 2Q2023



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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