

*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.*

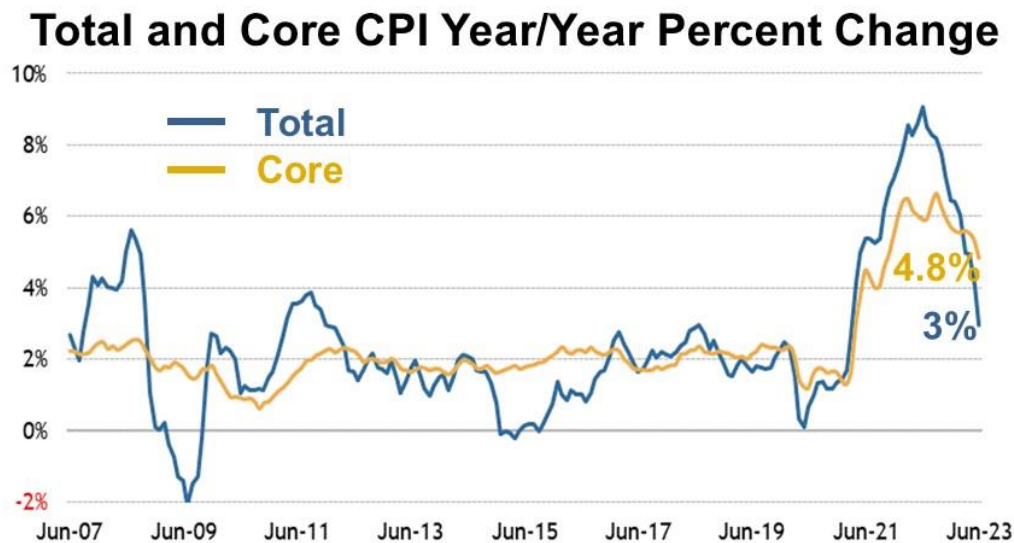
*Delta manages portfolios at TD Ameritrade and Schwab.*

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

July 14, 2023

## Inflation Winding Down, Market Wound Up

Inflation peaked in June of last year. It is steadily coming down. The Bureau of Labor Statistics reported total Consumer Price Index (CPI) decelerated to 3.0% from 4.0% in May, marking its smallest increase since March 2021, while core CPI decelerated to 4.8% from 5.3%.



Source: Bureau of Labor Statistics; updated 07/12/23

The Federal Reserve is expected to raise the Fed Funds rate later this month. The July increase should either be the last or second to last increase of this rate hiking cycle.

Reaching peak interest rates is a positive for both stocks and bonds. Rising rates compress stock Price/Earnings (P/E) multiples and depreciate bond values. What follows peak rates will eventually be declining interest rates. This week, the S&P 500 has rallied nearly 100 points on better than expected inflation data and higher hopes that we have reached peak rates in this cycle.

Most stock market strategists, the Federal Reserve and The Conference Board (economic organization that publishes the Leading Economic Index), predict there will be a mild recession starting later this year and running into early 2024. Market strategists also do not see much upside in the S&P 500 forward 12-month P/E multiple of 19x.

## S&P 500 Index Forward P/E Ratio



Because of an outlook for a slowing economy (mild recession) and currently high valuation, the consensus thinking is the S&P 500 does not have much upside potential through the remainder of this year. This reasoning is not new. We started the year with predictions of a weak economy and worries of excessively high valuation. Year-to-date, the consensus cautious outlook has been wrong.

In the next couple of weeks as earnings season unfolds, we will gain a more informed understanding of the possibility that consensus thinking may be overly pessimistic. As of today, there are no signs of recession and earnings may surprise to the upside. It appears universally accepted that second quarter earnings will be down year-over-year for the S&P 500.

Third quarter earnings growth forecasts are more diverse with some analysts calling for a resumption of y/y earnings growth and others saying the third quarter will be another down y/y report. If the 2Q earnings season makes clear that the S&P 500 earnings trough is now behind us, we would expect further stock market advances. As of this writing, Delta Air Lines, Conagra and PepsiCo are sources of upside and optimism.

**Charles Schwab's conversion of TD Ameritrade Institutional accounts is scheduled to occur over Labor Day weekend.**

- Make sure your accounts are up-to-date. Beneficiary, standing letters of authorization to move money, address, phone numbers, etc. should be checked.

We expect it will be easier to update your information today than it will be after the transition takes place when Schwab is flooded with client service requests. All client information at TD Ameritrade will port over to Schwab if updated prior to August 18. Call us if you have any questions.

**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).



*"By the way, I'm taking off the first two weeks in August."*

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# Delta Stock Market Dashboard

MARKET SENTIMENT IS

**Bullish**

THIS WEEK'S NUMBER IS

**71.6**

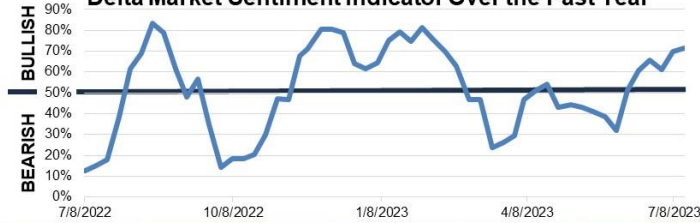
Our technical indicator increased from 69.6 to 71.6 this week

## INDICATOR STATISTICS

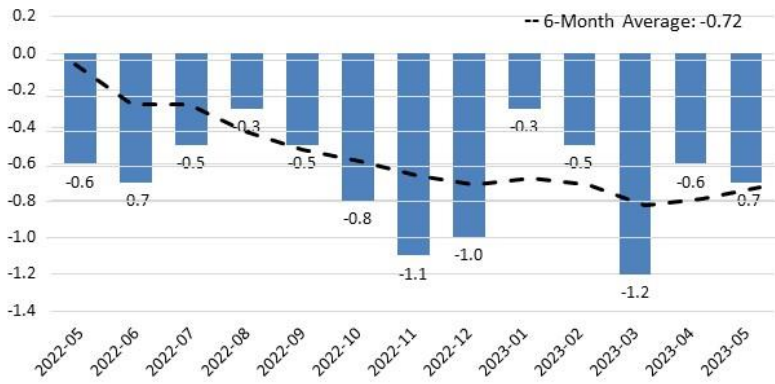
Consecutive Bullish Weeks:	6
Cycle Inception Date:	6/9/2023
Range:	51.2 – 71.6
Mean:	63.4
Bullish Weeks YTD:	16
Bearish Weeks YTD:	12
*S&P 500	4.2%
*DJIA	1.7%
*NASDAQ	5.9%

\* Percentage change during current cycle

## Delta Market Sentiment Indicator Over the Past Year



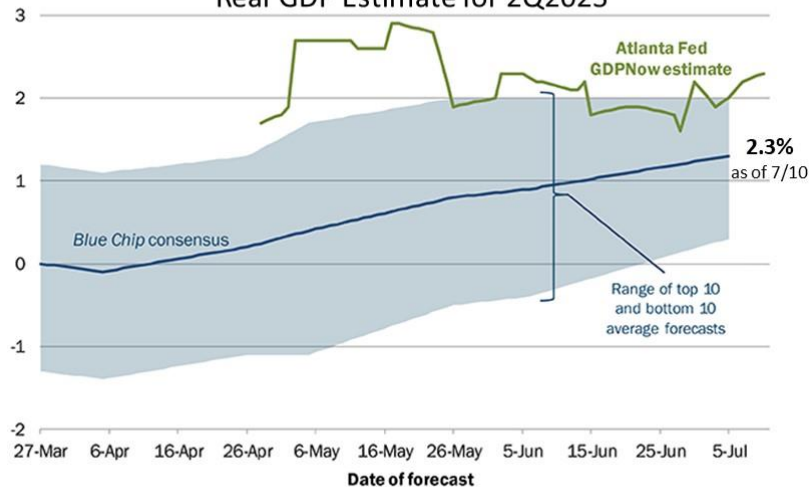
## Leading Economic Index % Change Monthly May 2022 – May 2023



Source: The Conference Board – last update 6/22/2023

## Atlanta Fed GDPNow Forecast

Real GDP Estimate for 2Q2023



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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