

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.

August 18, 2023

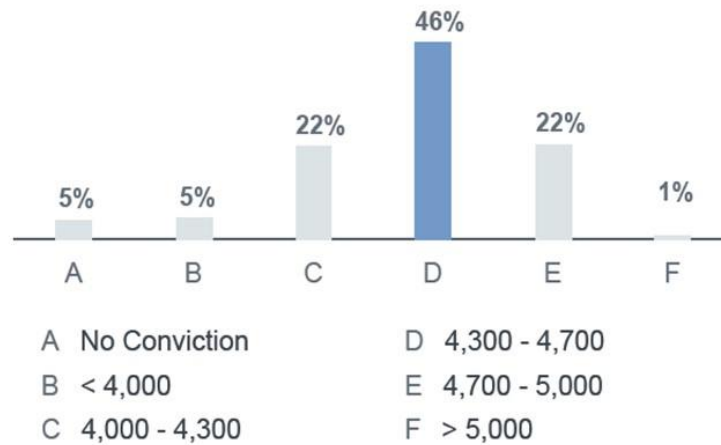
Summer Trading

The S&P 500 is trading near a forward 12-month multiple of 19x which is higher than the 25-year average of 16.8x. Earnings and GDP growth have been better than expected. The labor market is at full employment. Inflation is subsiding. The bond market expects no additional Federal Reserve rate hikes this year. The Leading Economic Index (LEI) and inverted yield curve continue to signal a recession is on the horizon. The 10-year U.S. treasury rate has climbed from about 3.5% to 4.3% in the past three months which places downward pressure on stock valuations.

The above mix of bullish and bearish information has created an investment environment of low conviction and reduced trading volumes. Since the beginning of August, the S&P 500 has drifted roughly 4.5% lower on no significant trend-changing news. The trading view is the market is consolidating after a multi-month period of significant gains.

Goldman Sachs recently conducted a survey of institutional investors. When asked where the S&P 500 would be by year end, 46% said between 4,300 and 4,700. The S&P 500 is currently at about 4,400 and reached a high in July of about 4,600. 90% of the respondents said the S&P 500 end the year in the range of 4,000 – 5,000.

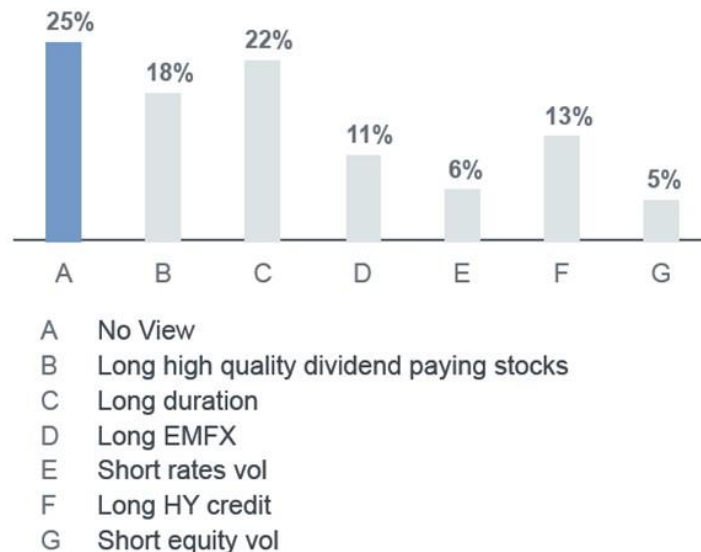
2023 Year-end S&P 500 Expectations



With a majority expectation that the S&P 500 will end the year at about the level it is currently, there is little conviction to be a buyer or a seller.

Investors were asked what their favorite trade is for the rest of the summer. The most popular response was “no view.”

Favorite Carry Trade for the Summer



In a low volume, low conviction market environment, the market can be reactive. Lately, the market seems to be reacting to news of economic slowdown in China and an elevated 10-year treasury rate. Technically, the S&P 500 has traded below its 50-day moving average. There were headlines this week that Michael Burry, the “Big Short”

investor, is using options trades to gain more than \$1.6 billion positive exposure to a potential stock market crash. In a low-conviction environment with a historically high market valuation, this type of news is sufficient to cause the market to drift lower.

Fundamentally, the positives of better earnings, a robust consumer, low unemployment and accelerating GDP growth remain in place. The Atlanta Federal Reserve GDPNow model is estimating 5.8% GDP growth in the third quarter, up from 5% in their last estimate on August 15. The consensus outlook is for 1.8% growth. The Atlanta Fed has been far more accurate than consensus over the past several years.

Pullbacks are a part of bull markets. At this time, there is little fundamental evidence to suggest the bull market should become bearish near-term. In a low-conviction, summertime stock market, selling can beget more selling. So far in August, it appears that the selling pressure is simply selling pressure rather than something more substantial.

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.



Delta Stock Market Dashboard

MARKET SENTIMENT IS

Bullish

THIS WEEK'S NUMBER IS

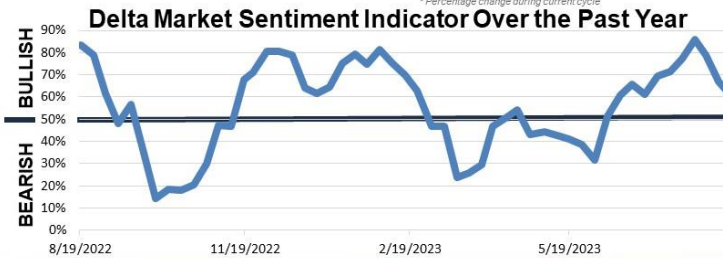
60.8

Our technical indicator decreased from 66.9 to 60.8 this week

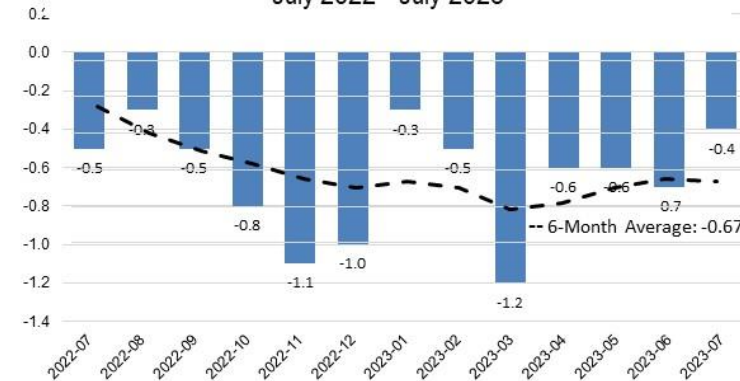
INDICATOR STATISTICS

Consecutive Bullish Weeks:	11
Cycle Inception Date:	6/9/2023
Range:	51.2 – 86.1
Mean:	68.2
Bullish Weeks YTD:	21
Bearish Weeks YTD:	12
*S&P 500	2.4%
*DJIA	3.0%
*NASDAQ	1.3%

* Percentage change during current cycle



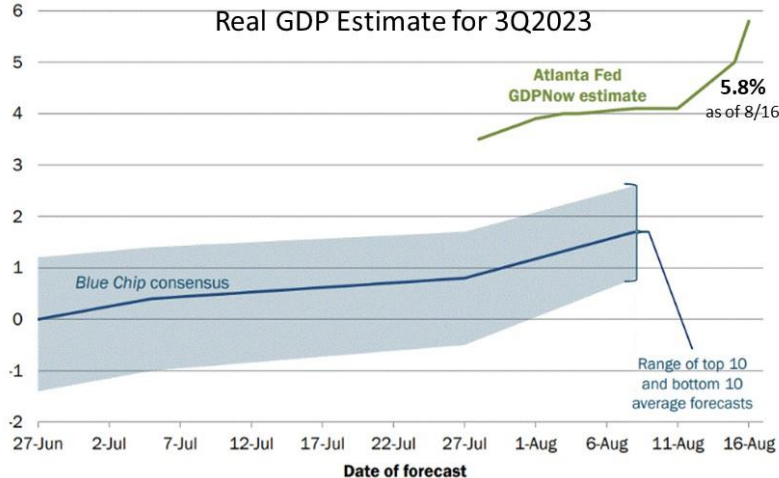
Leading Economic Index % Change Monthly July 2022 – July 2023



Source: The Conference Board – last update 8/17/2023

Atlanta Fed GDPNow Forecast

Real GDP Estimate for 3Q2023



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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