

*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.*

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September 8, 2023

## **Data Point to Data Point**

Since Covid, macroeconomic forecasts have been mostly wrong. Few expected the market to be up roughly 18% in 2020 after an intra-year decline of 35%. Almost all market strategists forecasted a recession in 2023 and a down market.

The pandemic and the unprecedented fiscal and monetary responses to it are driving unexpected stock market and economic outcomes. Because the market has been so hard to accurately predict, the Fed and many investors are highly data point driven. It is somewhat like navigating through a dark room on the basis of what you bump into.

The overriding issue today is centered on inflation and if the Fed is done with rate increases. The next important data point will be delivered next Wednesday (Sep 13) with the release of the latest Consumer Price Index (CPI) change.

Last week, slowing employment statistics and declining consumer confidence boosted the stock market as investors believed the Fed might be done with rate hikes. The 10-year interest rate declined and the NASDAQ 100 index advanced by about 3.5%.

Since the high of last week, the NASDAQ 100 is down almost 3%. Interest rates have moved higher on news that initial jobless claims for the week ending September 2 decreased by 13,000. Initial jobless claims is a leading indicator and they are at their lowest level since February. Revisions to the Q2 productivity report show unit labor costs higher than previously reported. These data points somewhat offset the weak job market data points from the previous week.

Another significant problem for the stock market is the decline in Apple (AAPL) caused by China banning iPhone use for officials at central government agencies while working. China may broaden that ban to state and federal agencies. Apple derives about 18% of its revenue from China. In the two days following the announcement, Apple depreciated by over 6%. Apple represents 11.4% of the value of the NASDAQ 100 index.

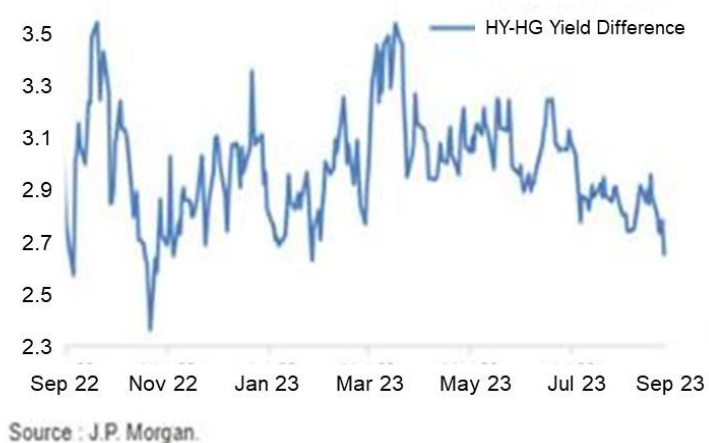
Bumping from one data point to the next can be counterproductive. In investing, it is helpful to have a compass that allows one to look through the regular churn of conflicting data to maintain a steady course. Issuance of corporate debt historically has been a reliable and steady indicator.

If lenders are willing to lend, they generally have a positive longer-term outlook. This is especially true if they are willing to lend at relatively low interest rates. Because loans are issued with durations often extending for multiple years, lenders have to think longer-term than daily or weekly data points.

Money lent to corporations benefits equity holders via stock-buybacks, dividends, mergers/acquisitions and business development. On Tuesday of this week, we saw \$36.2 billion of investment/high grade debt issuance. It was the 6<sup>th</sup> largest day in history for IG/HG debt issuance. September is usually the second heaviest issuance month of the year, averaging \$129bn. It appears we are on pace to exceed the average issuance.

According to JPMorgan, the yield differential between U.S. High-Yield and High-Grade credit is about 2.7%, down from about 3.5% in March. If bond issuance and yield is our compass, we should stay the bullish course.

### High-Yield and High-Grade Yield Differential



### 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).



*"What I Did on My Summer Vacation."*

## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**Bullish**

THIS WEEK'S NUMBER IS

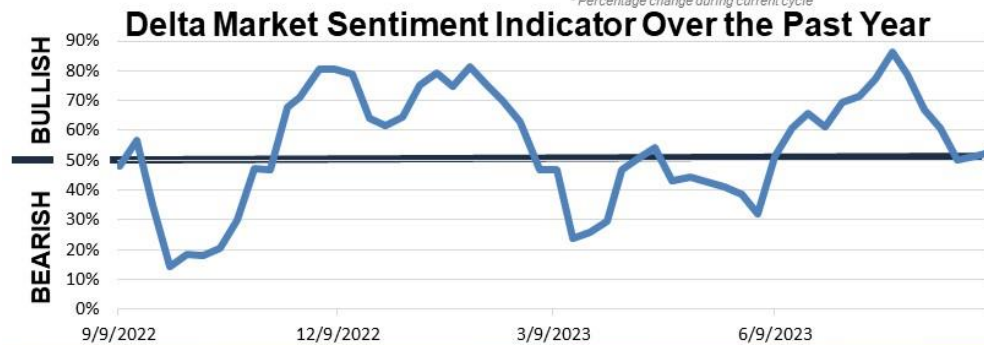
**52.6**

Our technical indicator increased from 51.2 to 52.6 this week

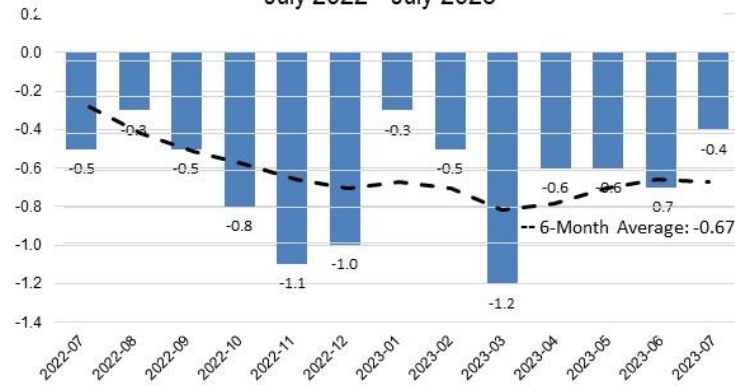
### INDICATOR STATISTICS

Consecutive Bullish Weeks:	14
Cycle Inception Date:	6/9/2023
Range:	50.1 – 86.1
Mean:	64.5
Bullish Weeks YTD:	24
Bearish Weeks YTD:	12
*S&P 500	3.1%
*DJIA	1.6%
*NASDAQ	3.3%

\* Percentage change during current cycle



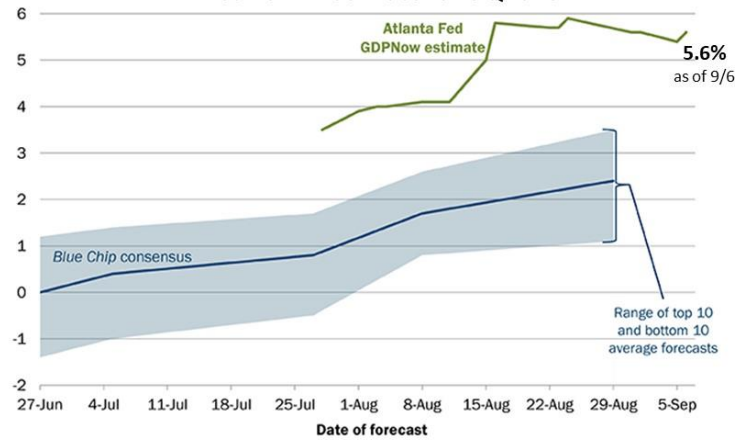
## Leading Economic Index % Change Monthly July 2022 – July 2023



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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