

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.

September 29, 2023

Government Shutdown Market Guide

The federal government's fiscal year ends Saturday, October 1 -- the point at which a Congressional agreement on new spending is required to keep the government functioning normally. The term "shutdown" is a misnomer as the shutdown does not mean U.S. debt service will be missed (failure to pay interest or principal) and not all departments of the federal government will shut down.

Activities of the government deemed to be essential to national security or the safety of life and property will continue to operate. It is expected that the Departments of Defense, Health and Human Services, Homeland Security, State, and the Social Security Administration will continue to make payments. Using data for the fiscal year through August, these departments account for 81% of all gross outlays.

Perhaps most importantly, the Treasury should be able to conduct treasury auctions and should not be impacted by a government shutdown. On the margin, with 19% of government expenditures placed on hold, the Treasury's borrowing needs are reduced. The risk of a U.S. sovereign default as a result of a shutdown is low. In prior government shutdowns lasting more than one day (November 14-19, 1995, December 16, 1995-January 6, 1996, October 1-16, 2013, and December 21, 2018- January 25, 2019), treasury yields have declined during the shutdown period.

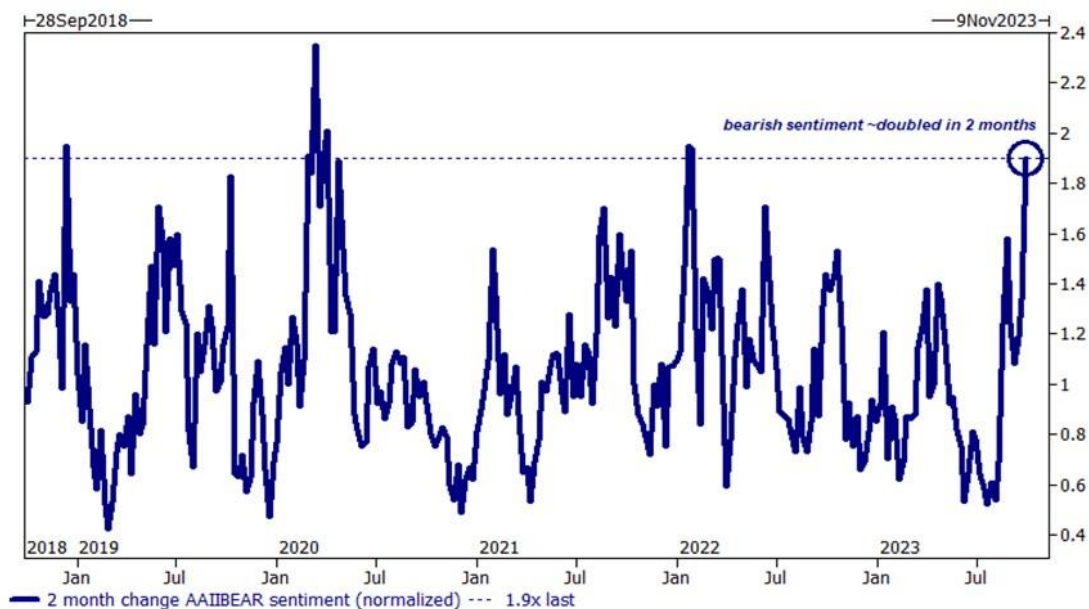
Bloomberg chief U.S. economist Anna Wong forecasts each week of shutdown will reduce quarterly GDP by 0.2%. Assuming the shutdown does not go beyond the end of the calendar year, it is likely lost growth in the fourth quarter 2023 would be made up in the first quarter 2024.

Historically, the stock market trades down going into a government shutdown and then eventually up during the shutdown, although in each prior instance equity prices were lower at some point in the days following the start of the shutdown. FactSet is currently forecasting fourth-quarter earnings growth of 8.2% and 12.2% for 2024. Corporate

stock buybacks resume in late October. The treasury yield usually declines during a shutdown which is a positive for stock valuations. If the shutdown is prolonged, it will add to the argument in favor of the Fed staying on hold in the November meeting. There is also a bullish seasonal factor with the fourth quarter historically being the strongest quarter of the year.

Bearish sentiment is elevated. According to the American Association of Independent Investors (AAII), bears now outnumber bulls by about 1.5x to 1. High bearish sentiment is often a bullish indicator at extremes.

AAII Bearish Sentiment



Goldman Sachs reports that the reduction in net exposure by the fundamental long/short institutional trading community over the last two months ranges in the 98th - percentile. The Delta Market Sentiment Indicator (MSI) is 24.1 this week. Readings below 20 (and especially below 10) indicate a high probability of positive stock market returns over the next twelve months. It is darkest before dawn.

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.



“Summer is behind us; winter is ahead. I guess we’re on course.”

Delta Stock Market Dashboard

MARKET SENTIMENT IS

Bearish

THIS WEEK’S NUMBER IS

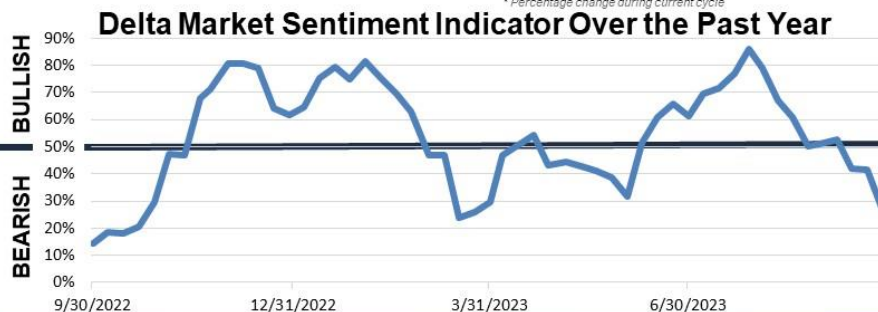
24.1

Our technical indicator decreased from 41.4 to this week

INDICATOR STATISTICS

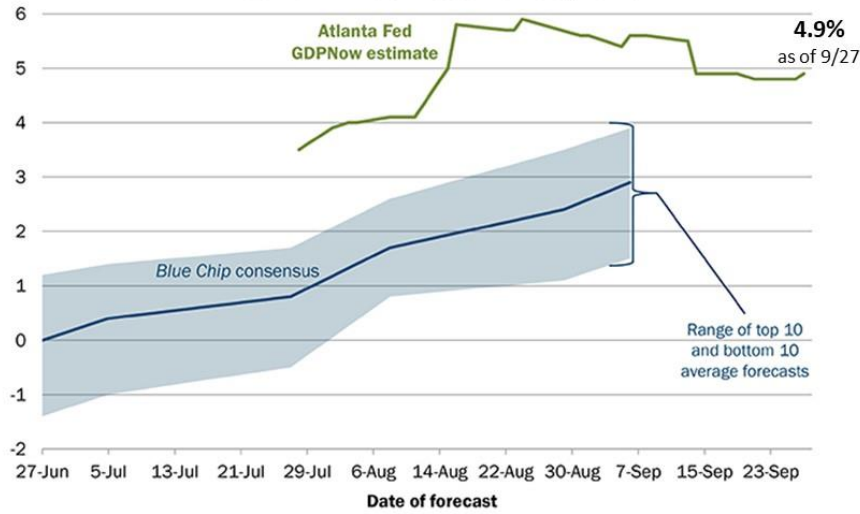
Consecutive Bearish Weeks:	3
Cycle Inception Date:	9/14/2023
Range:	24.1 – 41.8
Mean:	35.8
Bullish Weeks YTD:	24
Bearish Weeks YTD:	15
*S&P 500	-5.3%
*DJIA	-3.9%
*NASDAQ	-5.8%

* Percentage change during current cycle



Atlanta Fed GDPNow Forecast

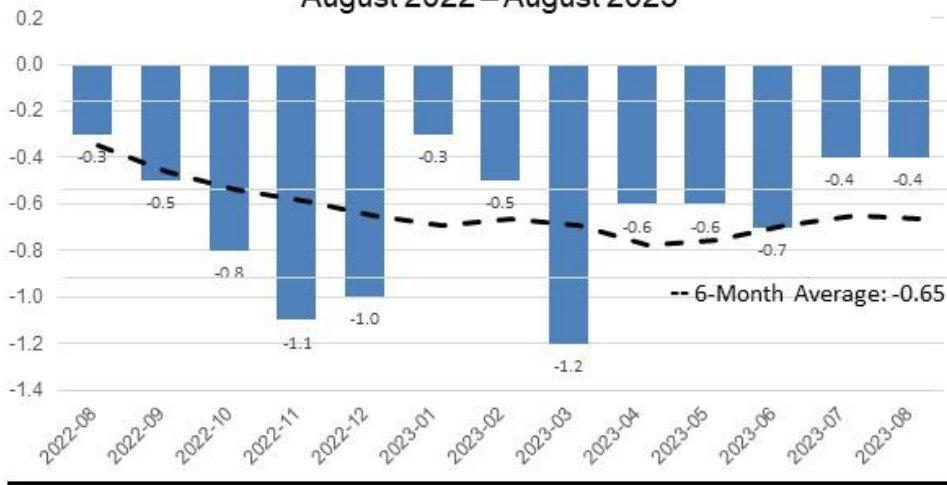
Real GDP Estimate for 3Q2023



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Leading Economic Index % Change Monthly

August 2022 – August 2023



Source: The Conference Board – last update 9/21/2023

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