

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.

October 27, 2023

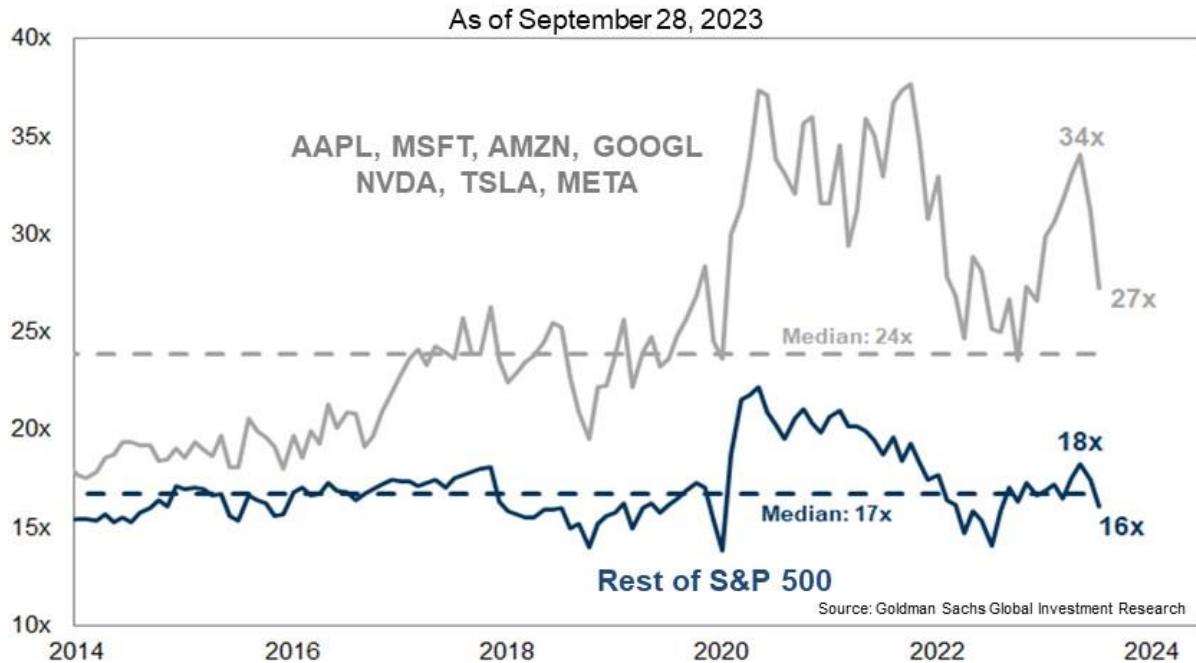
Peak Growth, Peak Pressure

Google had its worst trading day on Wednesday (-9.6%) of this week since the Covid sell-off in March 2020. The NASDAQ index is in correction territory, having fallen by about 13% from its July 19 highs. Although the earnings reports from large capitalization technology companies including Google have generally been better-than-expected, there is sufficient cloudiness in the forward outlooks to make investors anxious.

Fundamental economic growth, normally a positive, has been a significant contributing factor pushing the 10-year treasury rate to roughly 5%. Real GDP increased at an annual rate of 4.9% in the third quarter mostly because of robust consumer spending. Durable goods orders jumped 4.7% month-over-month in September. The labor market remains tight. The strong economic growth and high interest rates are compressing P/E multiples, especially in high-multiple technology stocks this week.

Below is a chart showing the P/E multiples of large cap technology (AAPL, MSFT, AMZN, GOOGL, NVDA, TSLA, META) versus the rest of the S&P 500 as of September 28. The P/E multiples are only lower now. The “rest of the S&P 500” is trading below its median P/E of 17x. If we use the \$250 2024 consensus earnings estimate for the S&P 500, the entire index including large cap tech is trading at about 16.5x currently.

Mega-cap Tech. vs. Rest of the S&P 500 P/E



The Federal Reserve and consensus investment bank projections show economic growth has peaked. Many investment banks see GDP growth in the fourth quarter of 2023 at about 1%. In 2024, the Fed is projecting a 1.5% GDP growth rate.

Normally slower growth would be a negative for equities. This time, it may be a positive as it should allow inflation and interest rates to subside. A decline in the 10-year treasury from 5% to 3-4% would be a positive for stock P/E multiples.

We are moving closer to the point when market action is so bearish, it becomes bullish. P/E multiples are moving from growth to value levels. The Delta Market Sentiment Indicator (MSI) is 16.7 this week. Under 20 is oversold and a potential buy signal. Under 10 is very undersold and historically a strong buy signal. The median return in the NASDAQ index in November is +3.86% going back to 1985. We expect the market action for the remaining 43 trading days of the year to continue to be volatile.

Delta Investment Management

Who we are:

- An SEC Registered Investment Advisor
- We manage accounts for individuals with the assets held at Charles Schwab in the client's name.

- We are a fiduciary -- Delta does not receive commissions from any source.
- We are wealth managers.
- We have decades of experience in mitigating portfolio downside risk.
- We are an independent, high-service organization.
- We offer top-notch tax loss harvesting investment programs.
- We can help recommend you to a CPA tax planning and preparation service.

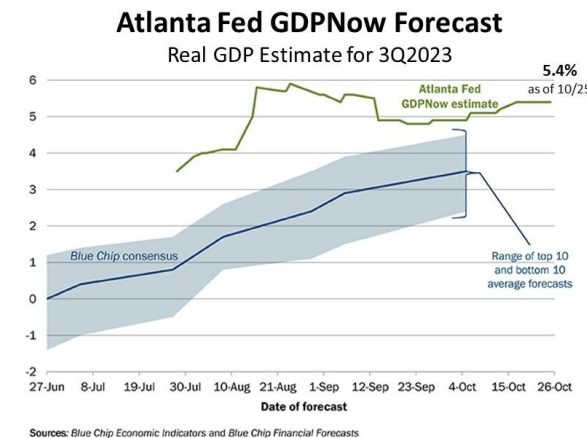
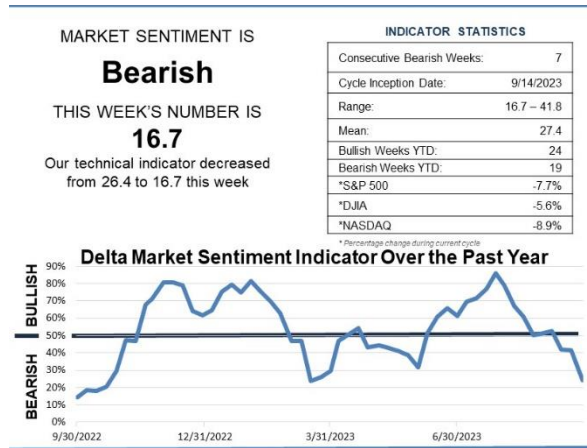
Let Us Help You Position Your Portfolio – Give Us a Call Today

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.



"What is it, Lassie—is Timmy in trouble?"

Delta Stock Market Dashboard



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