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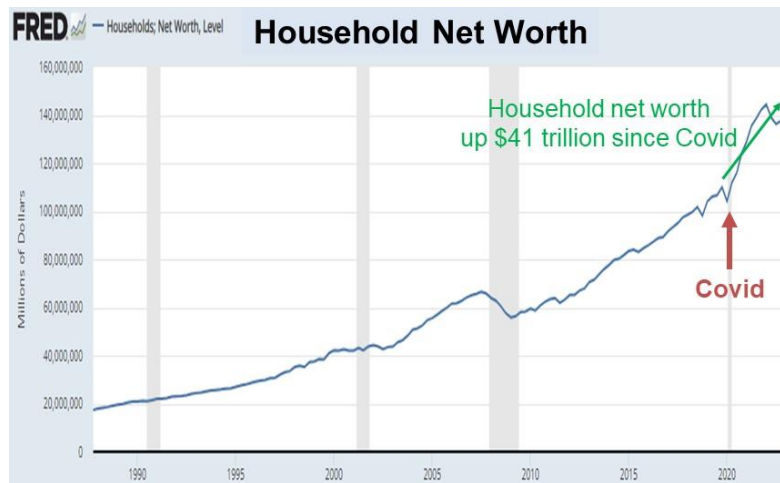
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November 10, 2023

2024 Outlook -- Records Are Meant to Be Broken

Generally, economic bad news is temporary while good news is more permanent. Recessions are measured in months while rising living standards are measured in decades and centuries. Bad news ebbs and flows. As a result, the market rises and falls in the intermediate and short-term. But over the long-term, the trend is higher as innovation, wealth creation and inflation lift valuations.

Below is a graph of U.S. household net worth over the past 35 years. Since Covid in the Spring of 2020, household net worth has climbed \$41 trillion higher. This helps explain the market appreciation since Covid.

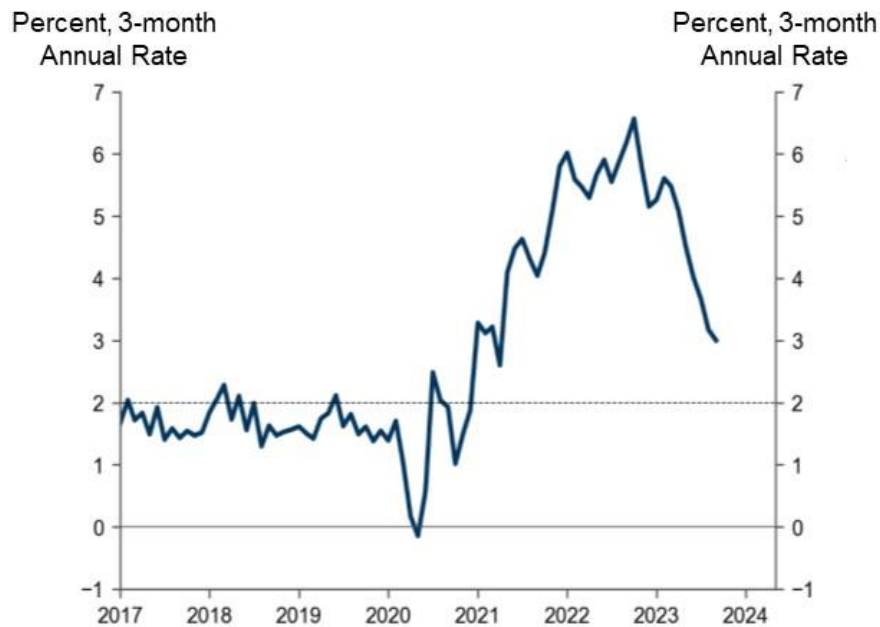


On January 3, 2022, the S&P 500 Index closed at an all-time high of 4796.56. At some point in the future, the S&P 500 will break this record and reach a new, all-time high. To reach the previous record, the S&P 500 has to appreciate by about 10% from its current level.

A case can be made that the all-time S&P 500 high record may be broken in 2024. Supporting factors for this outlook are:

1. No recession. U.S. growth in 2023 of 2.3% has been much higher than expected because of a strong consumer. The Federal Reserve and some leading investment banks are forecasting a low recession probability in 2024 and a continuation of positive GDP growth.
2. No recession. Real disposable income growth is expected to grow nearly 3% in 2024 from continued wage growth. If consumer spending remains strong (70% of GDP), recession risk is greatly reduced.
3. Inflation is abating. The 3-month rolling sequential rate of core goods inflation is currently about 3%, down from a peak of about 6.5%. Inflation trending lower. There is a reasonable probability that core inflation growth reaches the Fed target rate of 2% by the end of next year.

Sequential Core Inflation



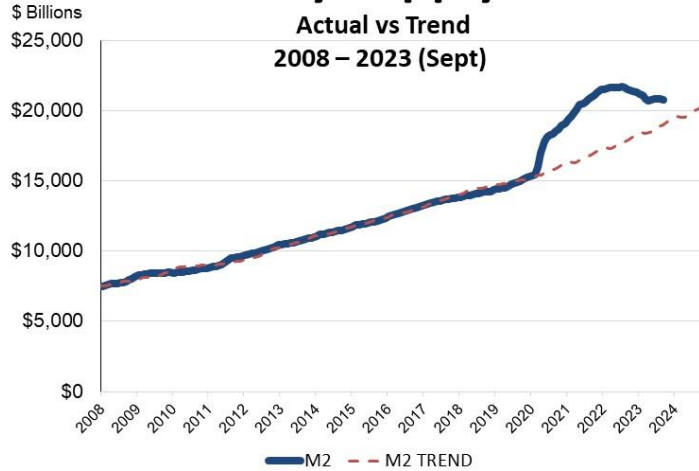
*GDP-weighted average of G10 economies ex. Japan plus EM early hikers.

Source: Goldman Sachs

4. Rates flat to down. With inflation subsiding and growth slowing (but still positive) the Federal Reserve has room to cut rates if necessary. The Fed Funds futures are pricing in two Fed rate cuts next year.
5. Earnings up. Consensus analyst estimates show S&P 500 earnings growth from 2023 to 2024 of roughly 12%. With no change to the P/E of the S&P 500, the market can reach a new record high on earnings growth.
6. Money Supply returns to trend. The 10-year and 20-year average growth rate of the money supply was 6.1% before March 2020. In response to the pandemic, M2 grew on average at 14.4% to its peak in July 2022 to \$21.7T. Since the peak,

M2 has declined 4.4% to \$20.7T – the latest reading (Sept 2023). We are not too far from trend and a return to money supply growing again.

Money Supply M2



- 677 days of drawdown. Through today, the S&P 500 has been below its all-time high for the past 677 days. At the low last October (3491.58 on October 13, 2022), the S&P 500 was down by about 25%. Since 1950, there have been 4 instances of the S&P 500 being down between 20-30% before returning to a high. The average duration of the drawdown was 442 days. The average days to recover was 182 days. Since the S&P 500 low on October 13, 2022, we are now at 394 days without having recovered. Even in cases when the S&P 500 was down between 30-40% (NASDAQ down by about 36% in the current cycle), the days to recovery averaged 322. Drawdowns do not last forever and history suggests we are closer to the end of this drawdown rather than the beginning.

S&P 500 Drawdowns 1950 – Today

Drawdown %	Occurrences	AVG Days to Recovery	AVG Days of Decline
5-10	44	34	24
10-20	14	72	96
20-30	4	182	260
30-40	3	322	154
40+	3	1215	476

From January 2010 until January 2023, the annualized S&P 500 return without dividends has been 10%. During these years, the U.S. economy has been recession free (excluding the several months in 2020 when the economy was closed and

recession was declared). During non-recessionary years, investors should expect to enjoy positive returns in the S&P 500.

Since 2020, market forecasts have been largely inaccurate. The financial distortions of the Covid response have dislocated many leading indicators including the inversion of the yield curve and the Leading Economic Index (LEI). These two long-standing indicators continue to signal recession in 2024. For our bullish case to prove out, we should see the yield curve regain a positive slope and the LEI turn positive over the coming months.

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 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.



"I heard he came into money and moved to a portobello."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

Bearish

THIS WEEK'S NUMBER IS

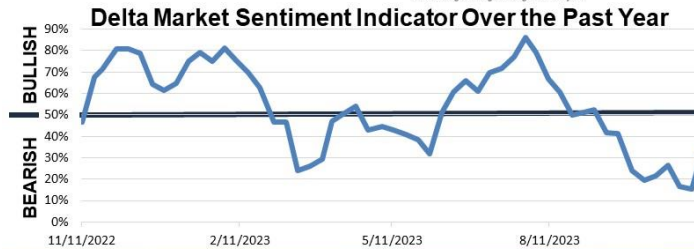
35.6

Our technical indicator increased from 15.5 to 35.6 this week

INDICATOR STATISTICS

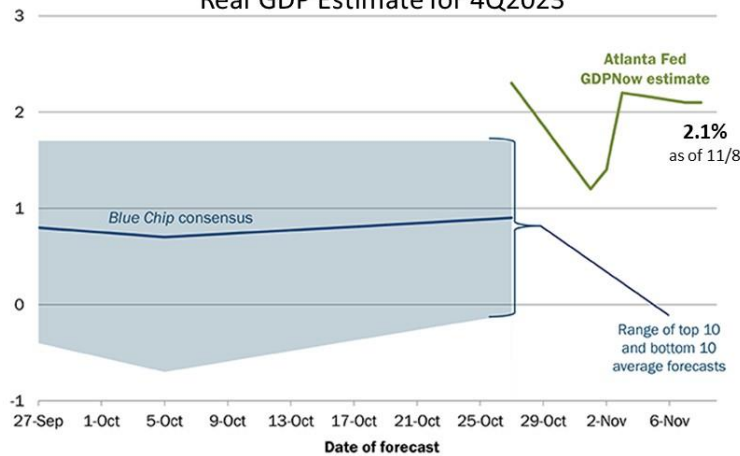
Consecutive Bearish Weeks:	9
Cycle Inception Date:	9/14/2023
Range:	15.5 – 41.8
Mean:	27.0
Bullish Weeks YTD:	24
Bearish Weeks YTD:	21
*S&P 500	-2.8%
*DJIA	-2.4%
*NASDAQ	-1.8%

* Percentage change during current cycle



Atlanta Fed GDPNow Forecast

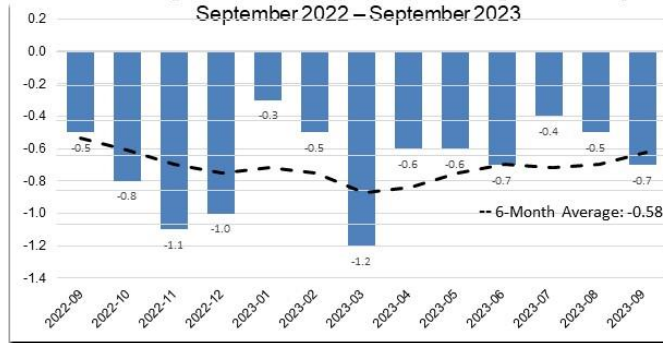
Real GDP Estimate for 4Q2023



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Leading Economic Index % Change Monthly

September 2022 – September 2023



Source: The Conference Board – last update 10/19/2023

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