

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.

December 8, 2023

It's All About the Growth From Here

The November market rally has given investors a lot to digest. Since late October, the S&P 500 P/E (Price/Earnings multiple) has risen to 19x and the equal-weight S&P 500 P/E has expanded to 15x. Investment bank, Goldman Sachs, estimates that the outperformance of cyclical stocks versus defensive stocks has been consistent with a roughly 1% improvement in the equity market's pricing of economic growth for 2024.

Given the market forward 12-month P/E at 19x and inflation running at roughly the 3% level currently, the "Rule of 20" (P/E plus Inflation should equal 20) suggests the S&P 500 is fully valued. For the market to continue to meaningfully appreciate from here, there will likely have to be meaningful earnings growth.

There are reasons to believe growth could be better than expected in the next twelve months. Most importantly, the 10-year treasury rate has fallen from about 5% to 4.1%.

10-Year Treasury Falls to 4.1% from 5%



As rates move lower, economic activity accelerates. The bond futures market implies about five Fed rate cuts in 2024.

Last year in June, the U.S. average gasoline price across all states reached \$5.034/gal. Today, the national average gasoline price is \$3.173/gal. Crude oil prices have fallen from a high of \$95/barrel to about \$70/barrel.

Crude Oil Falls to \$70/Barrel from \$95



Copper is referred to as the new oil. As we transition to electric vehicles and electric everything else, copper is the primary component used in batteries. Despite the secular growth trend towards more battery consumption, copper prices are down by about 12% year-to-date.

We are seeing deflationary trends across a variety of industries and geographies. Basic food commodities such as corn, soybeans, oats, rice, wheat and canola are all near 52-week lows. Appliances, furniture and used car prices are experiencing deflationary trends. Airline tickets have come off of post covid lockdown bubble highs. Inflation in the eurozone has fallen by more than expected to 2.4% in November.

Lower prices and interest rates at a time of near-full employment could be a formula for better-than-expected growth in 2024. At current price levels, this appears to be the view-point the market has settled on. As we move into 2024, we will learn if falling

prices reflect falling demand or if it is the deflation side of a pandemic inflation bubble that offers the economy a path to a soft landing with steady growth.

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.



Delta Stock Market Dashboard

MARKET SENTIMENT IS

Bullish

THIS WEEK'S NUMBER IS

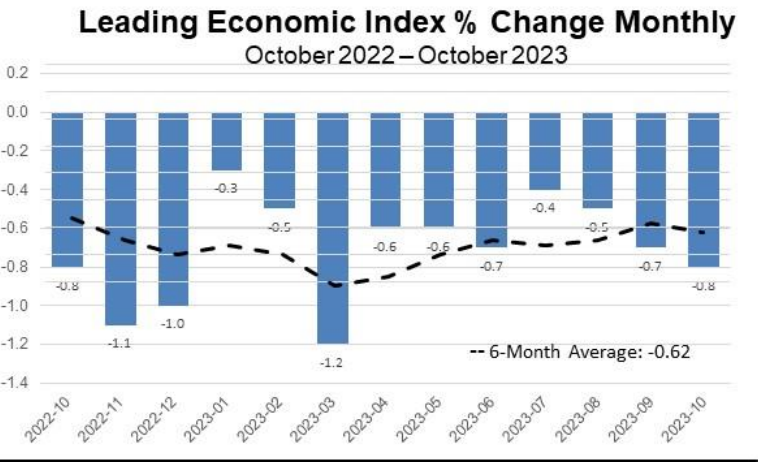
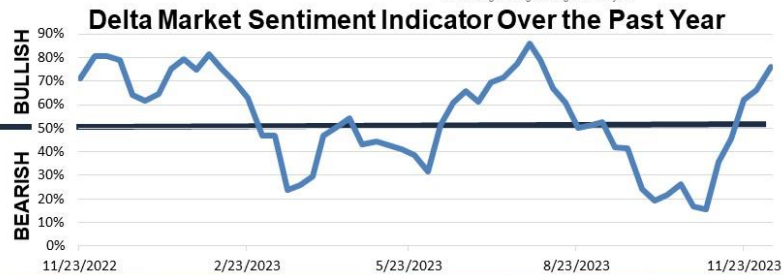
75.9

Our technical indicator increased from 66.2 to 75.9 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	3
Cycle Inception Date:	11/23/2023
Range:	62.2 – 75.9
Mean:	68.1
Bullish Weeks YTD:	29
Bearish Weeks YTD:	22
*S&P 500	1.0%
*DJIA	3.0%
*NASDAQ	0.7%

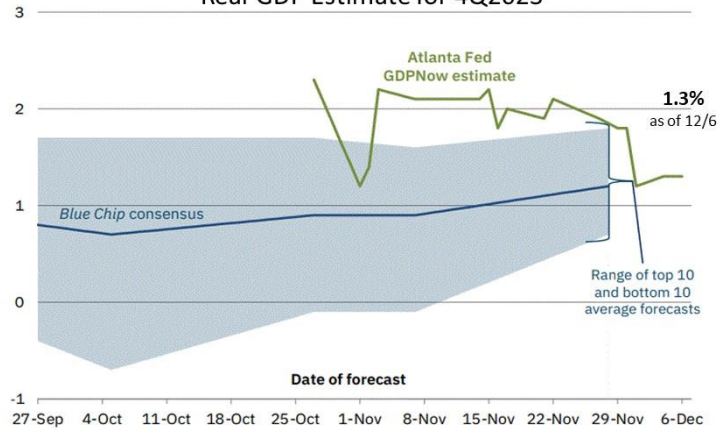
* Percentage change during current cycle



Source: The Conference Board – last update 11/20/2023

Atlanta Fed GDPNow Forecast

Real GDP Estimate for 4Q2023



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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