

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 15, 2023

The Big Technology Picture

Over the past twenty years, big capitalization technology stocks represent the biggest wealth creation source in the stock market.

Technology, NASDAQ 100, S&P 500, 20 Years



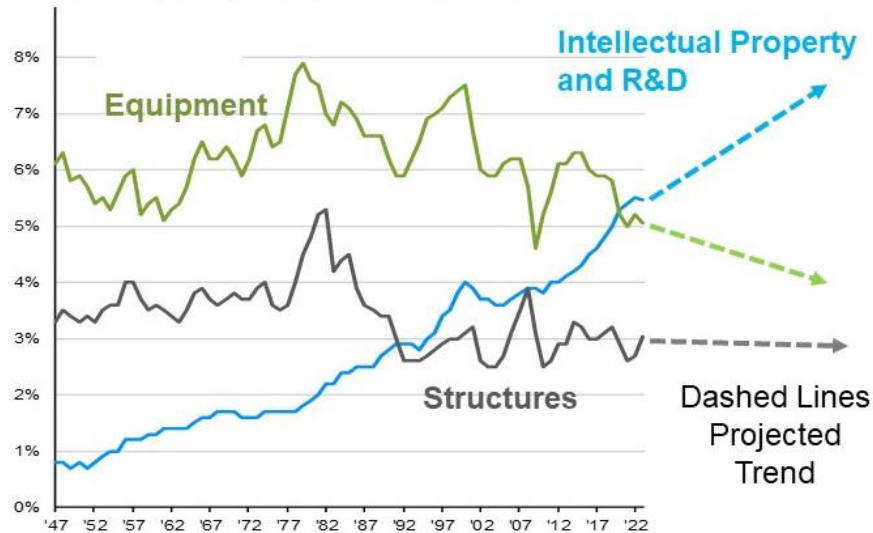
There are many reasons for this. Technology, especially software, involves intellectual capital more than physical capital. As a result, successful technology companies have relatively high margins, return on investment (ROI) and cash flow. The overall profit margin of the S&P 500 is currently 12.3%. Large cap technology profit margins are 20%+.

Many technologies are natural monopolies. How many internet search engines do you need or want? Amazon has done a masterful job of consolidating a huge amount of on-line shopping on a single website. Once the monopoly is established, barriers to entry are extraordinarily high and high profitability is secured indefinitely.

Perhaps the single biggest reason why large capitalization stocks are the market leaders for the past couple of decades is because capital spending in this area is almost always rising and the significance of technology capital spending today is now larger as a percent of GDP than spending on equipment and structures. The trend is up and it is big enough to matter.

Capital Spending Components

Share of Capital Spending As a Percent of GDP, annual



Capital investment in technology is high because the returns are so good. Technology is often a significant cost reduction tool. If you believe technology will continue to evolve and require ever increasing capital investment, stay long large capitalization technology stocks.

With non-cyclical technology spending becoming the largest component of capital spending, the entire U.S. economy becomes less cyclical. Boom/Bust cycles are softening and there is more consistent, steady growth. The duration between recessions in the U.S. continues to extend.

The technology sector in the stock market can be volatile. In 2022, the NASDAQ traded down by about 36%. In the last quarter of 2018, the index lost about one third of its value. With a very stable secular growth story supporting this sector, it makes sense to use weakness as a buying opportunity.

The Fed's Surprise Gift

Fed Chairman Powell said on November 1 that the Fed is not even thinking about cutting rates. Powell surprised investors this week when he said it would be appropriate

to dial back the amount of policy restraint in place. The Fed's median projection for the Fed Funds rate in 2024 now shows three cuts. The Fed funds futures market is pricing in six cuts. The 10-year treasury rate was 5.02% in late October and is now 3.95%. Lower rates imply higher stock multiples and lower barriers to economic 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.



“An almond! I thought we'd agreed – nothing extravagant.”

Delta Stock Market Dashboard

MARKET SENTIMENT IS

Bullish

THIS WEEK'S NUMBER IS

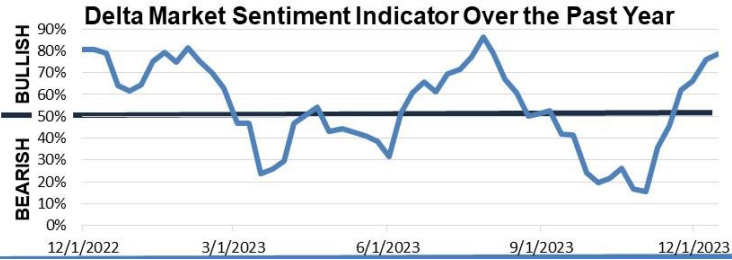
78.3

Our technical indicator increased from 75.9 to 78.3 this week

INDICATOR STATISTICS

Consecutive Bullish Weeks:	4
Cycle Inception Date:	11/23/2023
Range:	62.2 – 78.3
Mean:	70.7
Bullish Weeks YTD:	28
Bearish Weeks YTD:	22
*S&P 500	4.4%
*DJIA	6.4%
*NASDAQ	4.2%

* Percentage change during current cycle



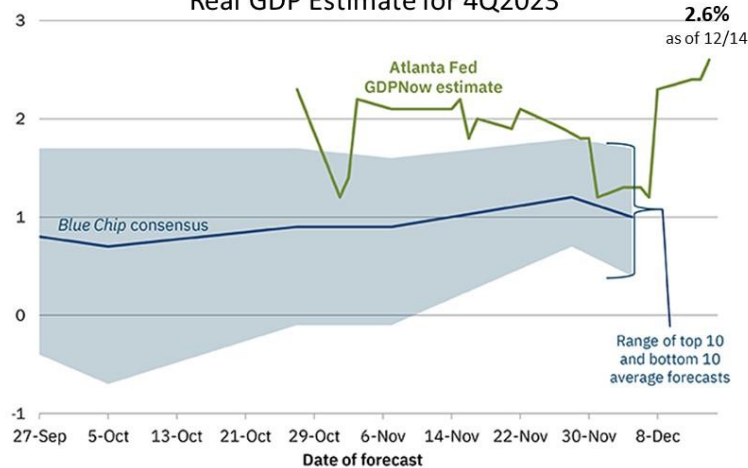
Leading Economic Index % Change Monthly October 2022 – October 2023



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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