

*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.*

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December 22, 2023

## **A Good Year No One Saw Coming**

2023 was a mirror opposite of 2022 from a stock market perspective. On January 4, 2022, the S&P 500 closed at a high of 4793.54. Although 2022 was declared a recession-free year by the National Bureau of Economic Research, the first two quarters of GDP were negative (rule of thumb that two sequential quarters of negative GDP growth is a recession). During 2022, the S&P 500 had an intra-year drawdown of about 25% and ended the calendar year with an 18% loss. The 2022 losses are right in line with average stock market performance during recessions.

Coming into 2023, we were facing the most predicted recession in history. Below is a chart from the Federal Reserve Bank of Philadelphia survey of professional forecasters from January 2023.

### **Professional Forecasters Recession Probability**



Rather than experience recession, we enjoyed persistently better than expected GDP growth, full-employment and declining inflation. The losses of 2022 have been erased in 2023. We are essentially right back to where we were 24 months ago from a stock valuation standpoint.

## S&P 500 Index 2-Year Chart



What is different today from two years ago is we are now another two years removed from the Covid economy shutdown and monetary and fiscal responses. In other words, we are two years closer to restoring normalcy in our financial markets and removing distortions from our economy.

Having the 10-year treasury yield decline from a peak of about 5% to its current 3.9% is a big step in the stabilization of economic activity and stock values. The bond market is projecting 5 to 6 Fed Funds rate cuts in 2024. If this were to occur and the 10-year rate stays about where it is (entirely possible as the bond market, like the stock market, is forward looking), the yield curve should regain a positive slope.

For the 19th month in a row, the Leading Economic Index (LEI) was negative for November. The persistent negative LEI signals recession. The Conference Board forecasts a short and shallow recession in the first half of 2024. On the other hand, there may not be a recession.

The negative LEI and inverted yield curve have incorrectly signaled recession for about the past year and a half. If the economy expands in 2024 without a recession and the LEI and yield curve become bullish, we may declare the Covid financial distortions are finally out of the economic system.

We wish you a Merry Holiday with family and friends!

**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](http://www.deltaim.com) or email us at [info@deltaim.com](mailto:info@deltaim.com).



*"This one's from you know who, so make a fuss and thank him."*

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# Delta Stock Market Dashboard

MARKET SENTIMENT IS

**Bullish**

THIS WEEK'S NUMBER IS

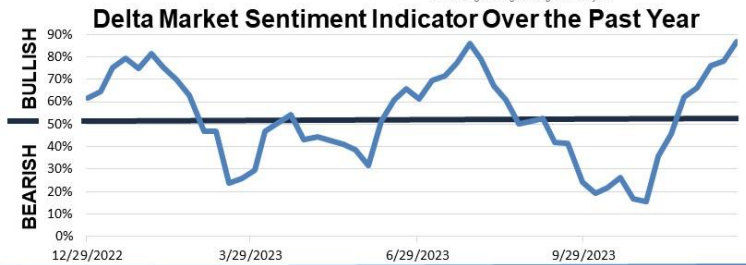
**86.7**

Our technical indicator increased from 78.3 to 86.7 this week

## INDICATOR STATISTICS

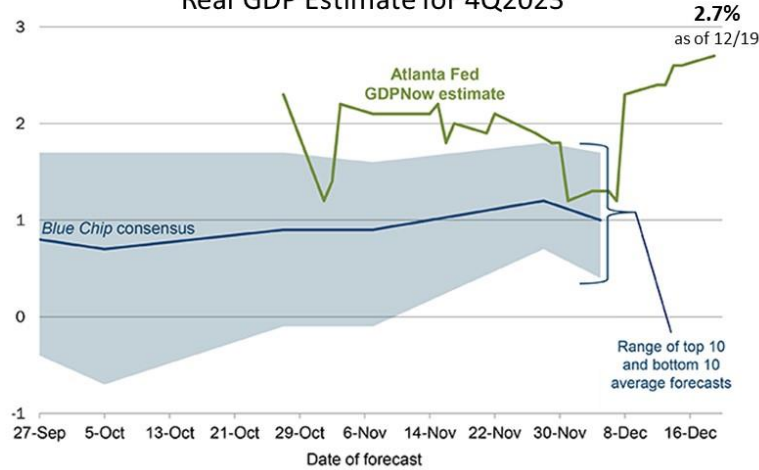
Consecutive Bullish Weeks:	5
Cycle Inception Date:	11/23/2023
Range:	62.2 – 86.7
Mean:	73.9
Bullish Weeks YTD:	29
Bearish Weeks YTD:	22
*S&P 500	4.0%
*DJIA	6.3%
*NASDAQ	4.9%

\* 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

November 2022 – November 2023



Source: The Conference Board – last update 12/21/2023

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