

*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 29, 2023

## **2023 - The Year of AI and the Magnificent Seven...and the Rebound**

*Please note that there is still a trading day in 2023, so returns listed below are not final year end numbers. We use the S&P 500 ETF (SPY which includes dividends) as a benchmark for the stock market. For the bond market, we use the iShares Core US Aggregate Bond ETF, ticker AGG..*

The stock market had a strong recovery in 2023 (+24.6%) after declining (-18.2%) in 2022. Including dividends, the S&P 500 is now +3.5% over the past two years.

These returns are due mainly to the performance of a very small group of tech stocks known as the Magnificent Seven: Apple (AAPL), Alphabet/Google(GOOG), Amazon (AMZN), Meta Platforms (META, formerly Facebook/FB), Microsoft (MSFT), Nvidia (NVDA) and Tesla (TSLA). This group contributed roughly 60% to the S&P 500's gains in 2023.

The bond market also bounced this year +6% after its worst year ever (-13%) and its first back-to-back negative years (2021-22). 2023 was headed for the third record negative year through October but rallied into positive territory with the 10-year treasury falling from 4.99% to 3.89%.

### **Returns Over Past 2 Years**

	<u>2023</u>	<u>2022</u>	<u>2 Year Return</u>
<b>S&amp;P 500</b>	24.6%	-19.4%	0.4%
<b>SPY</b>	26.5%	-18.2%	3.5%
<b>Dow Jones</b>	13.8%	-8.8%	3.8%
<b>DIA</b>	16.1%	-7.0%	7.9%
<b>NASDAQ</b>	44.2%	-33.1%	-3.5%

Looking at the individual stocks in the S&P 500, 10 companies had gains in excess of 100%. Most of these stocks were clobbered in 2022, and a handful have not only recouped their 2022 losses but surged ahead: PHM, RCL, NVDA, PANW, and AVGO.

### Top Performing Stocks in S&P 500

<u>Symbol</u>	<u>2023</u>	<u>2022</u>	<u>2 Year Return</u>
NVDA	239.0%	-50.3%	68.6%
META	197.8%	-64.2%	6.5%
RCL	162.9%	-35.7%	69.0%
CCL	131.6%	-59.9%	-7.2%
AMD	129.7%	-55.0%	3.4%
PHM	129.4%	-19.2%	85.3%
PANW	111.8%	-24.8%	59.3%
TSLA	105.5%	-65.0%	-28.1%
AVGO	105.3%	-13.3%	78.1%
CRM	100.3%	-47.8%	4.5%

Putle Homes (PHM) was the biggest winner among this group (above) over the past two years but +85.3% does make the 2 Year Top Ten (it came in at #14) where FICO takes the cake at +169% and Marathon Petroleum (MPC) +141% at #2:

### Top Performing Stocks in S&P 500

2022-2023

<u>Symbol</u>	<u>2023</u>	<u>2022</u>	<u>2 Year Return</u>
FICO	95.4%	38.0%	<b>169.6%</b>
MPC	29.2%	86.6%	<b>141.0%</b>
LLY	60.3%	34.3%	<b>115.3%</b>
OXY	-3.7%	119.1%	<b>111.1%</b>
CAH	32.8%	54.1%	<b>104.6%</b>
HES	3.3%	94.0%	<b>100.5%</b>
FSLR	15.6%	71.9%	<b>98.7%</b>
PSX	32.8%	49.6%	<b>98.6%</b>
STLD	23.8%	60.1%	<b>98.2%</b>
PWR	52.1%	24.6%	<b>89.6%</b>

The biggest losers in 2023 were: SEDG, ENPH, FMC, MRNA, DG, PFE, EL, PAYC, ETSY, and AES (range: -30% to -65%).

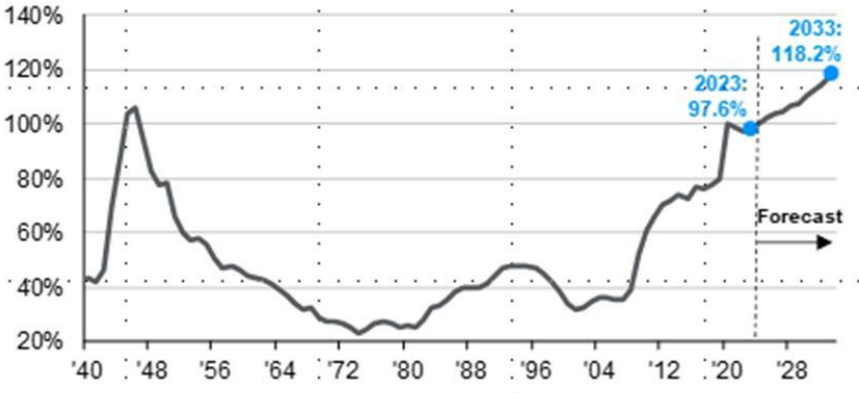
### The End of The Easy Money Era

The easy money era that prevailed from 2009-2021 is over. Some argue we will not see a prolonged zero interest rate policy (ZIRP) nor the sustained use of quantitative easing (QE) as monetary policy tools during the next recession. The Fed has hiked the

Fed Funds rate to 5.25% - 5.50% from 0% - 0.25% over the past two years. This is the fastest pace ever. The Fed is reducing its balance sheet and the money supply is pulling back and likely to be on trend by end of 2024. The elephant in the room is the national debt pushing \$34 trillion and over 100% of GDP.

### Federal net Debt % of GDP

1940-2033  
CBO Baseline Forecast



Source: JP Morgan Asset Management

### Low Consumer Confidence and Sentiment

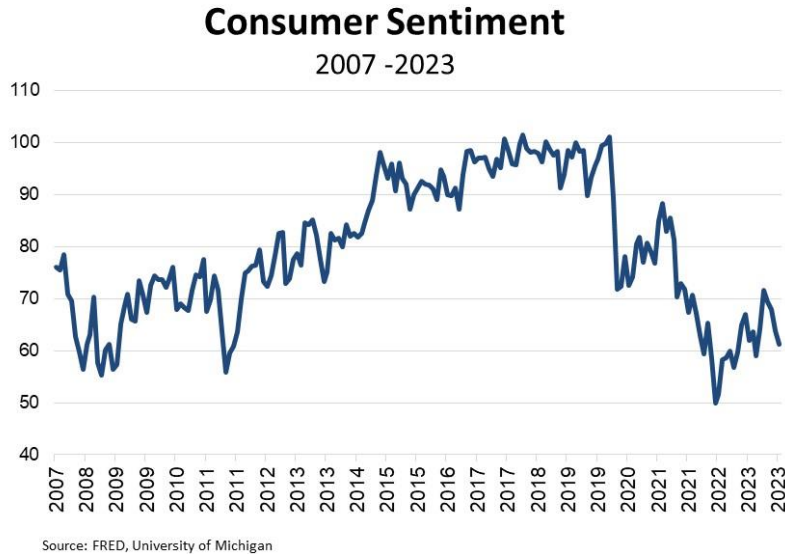
Despite the bounce in stocks, higher net worth, and low unemployment, consumer confidence and sentiment are low. Confidence is off the lows but remains significantly below pre-pandemic highs. Factors include persistently high inflation, negative real rates, wavering trust in institutions, record-level debt, and geopolitical conflicts.

### Consumer Confidence Index



Source: The Conference Board

A chart of University of Michigan Consumer Sentiment over the past 15 years is also weak, actually weaker.



## Buying into the American Dream

With interest rates higher and home prices higher, the cost of owning a home has effectively doubled. Housing affordability is at the lowest level in four decades:

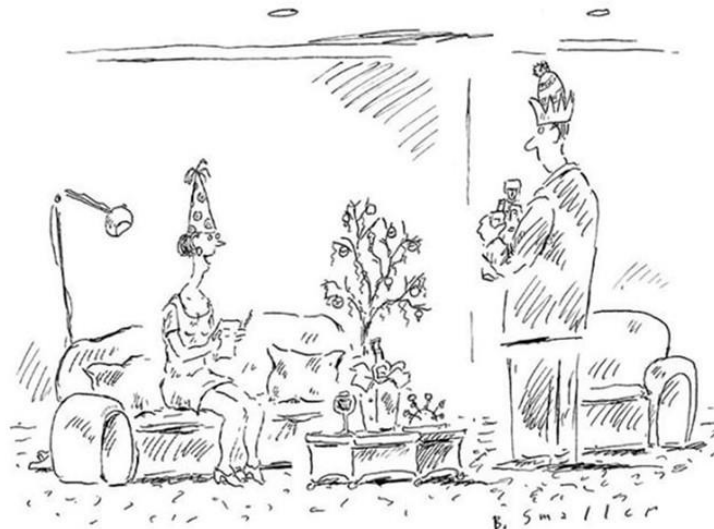


So, while we welcome the rebound in stocks, the bounce in bonds with yields falling and inflation continually falling back closer to the Fed target, there is more work to be done. Short term, stocks are overbought. We look to add exposure on weakness.

If you have specific questions or if there's anything specific you'd like to discuss further, feel free to let us know!

As we wrap up the year, we send you our best wishes for a happy, healthy, prosperous, and fun 2024.

From ours to yours. Cheers!



*"I've finished my New Year's resolutions, and now  
I'm going to get a running start on yours."*

## **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).

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# Delta Stock Market Dashboard

MARKET SENTIMENT IS

**Bullish**

THIS WEEK'S NUMBER IS

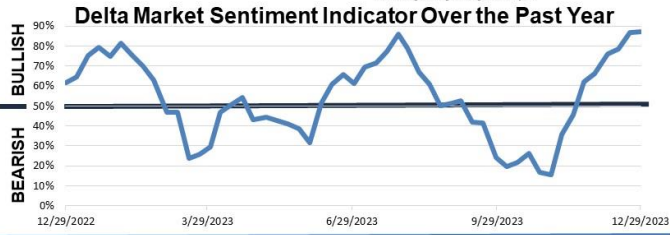
**87.1**

Our technical indicator increased from 86.7 to 87.1 this week

INDICATOR STATISTICS

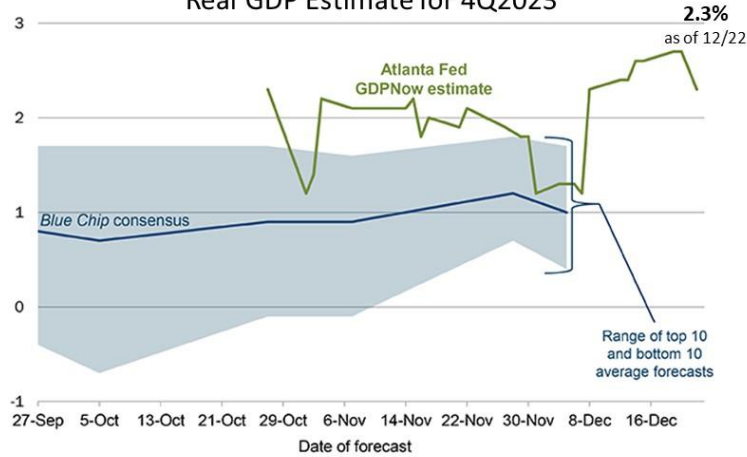
Consecutive Bullish Weeks:	6
Cycle Inception Date:	11/23/2023
Range:	62.2 – 87.1
Mean:	76.1
Bullish Weeks YTD:	30
Bearish Weeks YTD:	22
*S&P 500	5.2%
*DJIA	7.5%
*NASDAQ	6.5%

\* Percentage change during current cycle



## Atlanta Fed GDPNow Forecast

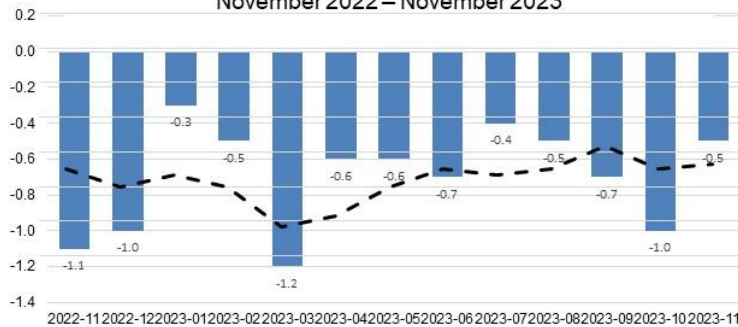
Real GDP Estimate for 4Q2023



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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