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March 29, 2018

Stormy Times for Leadership During Quiet Period

Seventeen days ago on March 12 the NASDAQ reached an all-time closing high of 7,588.32. Over the prior twelve months, the NASDAQ led the broader stock market higher advancing by about 28% versus the S&P 500 advance of about 18%.

NASDAQ and S&P 500

3/10/2017 - 3/12/2018



Twenty days from now, Alcoa (AA) will kick-off first quarter earnings season on April 18. First quarter earnings are expected to be up 17% year-over-year.

From the end of a quarter to the beginning of earnings reporting season is called the “quiet period.” Companies have a well-informed opinion of their results and are “quiet” so as not to violate any disclosure regulations.

This “quiet period” has been anything but quiet. It might more accurately be described as a “stormy period.”

- Facebook (FB) is in the midst of customer privacy issues which invites increased government scrutiny, potential fines, new regulations and some customer flight.
- Google/Alphabet (GOOG) is down in sympathy with FB on customer privacy issues.
- Nvidia (NVDA) placed a hold on its self-driving car activities as a result of a self-driving UBER killing a woman crossing the street in Tempe, Arizona. The entire semiconductor index is negatively impacted by a loss of momentum in the autonomous car development process.

- Tesla (TSLA) is down partly as a result of new self-driving car concerns and partly because the company's debt rating was downgraded by rating agency Moody's to a deeper level of junk with "outlook negative."
- Amazon (AMZN) is under pressure as President Trump seeks a different tax treatment and is considering pursuing an antitrust case against the company.
- Netflix (NFLX) is down roughly 14% in the past several weeks. This could be just a case of profit taking after the stock advanced 68% in the first nine weeks of the year. In fact, general weakness in NASDAQ leadership could be partly driven by profit taking.
- In addition to the company specific news, large-capitalization multi-national companies (like many of the companies listed above), are facing uncertainties pertaining to possible tariff negotiations and trade wars.

While the stock leaders have stumbled, the fundamental economic backdrop continues to be promising. GDP for the fourth quarter 2017 was revised higher from 2.5% to 2.9%. Pending home sales were up 3.1% versus expectations for up 2.5% and a prior reading of -5.0%. Inflation data remains tame and the 10-year treasury rate has drifted down below 2.8%.

The S&P 500 began a 10% correction on January 27. If this correction is typical of the average 10% correction over the past 70 years, we should expect the recovery phase to take about three months. The stock market has lost sufficient price momentum over the past week to cause our intermediate-term Delta Market Sentiment Indicator (MSI) to turn bearish this week.

For this most recent cycle, the MSI turned bullish on November 17, 2016 and remained bullish until today. Between these two dates, the S&P 500 gained roughly 22%. For intermediate term investment strategies, the MSI suggests reducing equity exposure until the next bullish signal.



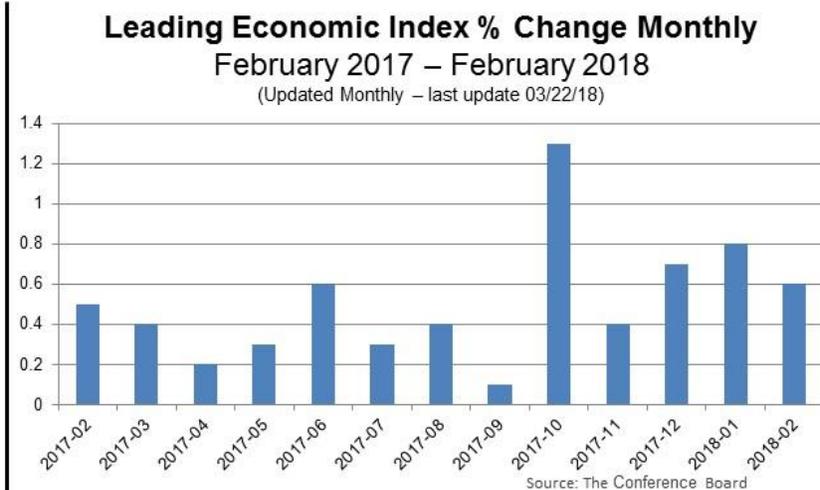
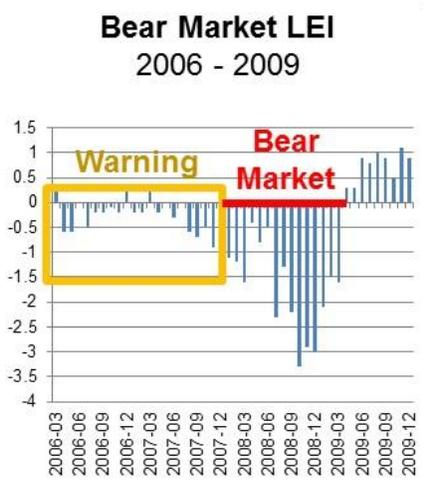
For longer duration traders and investment strategies, riding through the storm continues to make sense as economic growth does not yet appear to be at a stall point.

Give Us a Call Today

We invite you to give us a call at **(415) 249-6337**, visit www.deltaim.com or email us at info@deltaim.com if you have questions about how we can assist you in managing your investment accounts.



Delta Stock Market Dashboard



INDICATOR STATISTICS

MARKET SENTIMENT IS

BEARISH

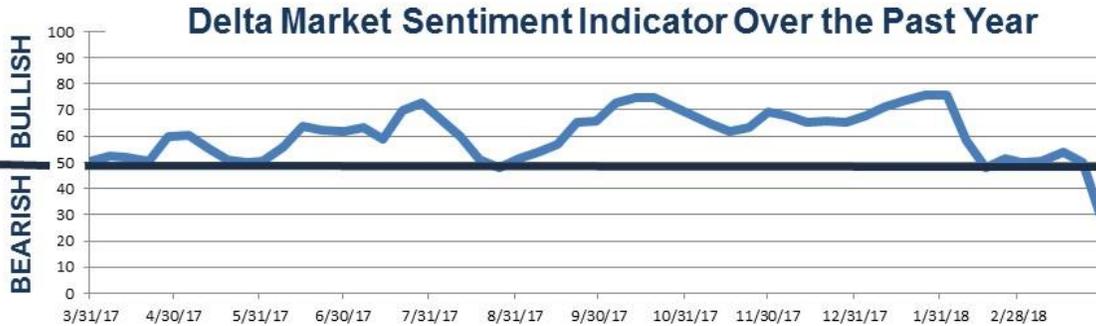
THIS WEEK'S NUMBER IS

30.7

Our technical indicator decreased
this week from 50.1 to 30.7

Consecutive Bearish Weeks:	1
Cycle Inception Date:	3/29/2018
Range:	30.7
Mean:	30.7
Bullish Weeks YTD:	12
Bearish Weeks YTD:	1
*S&P 500	NA
*DJIA	NA
*NASDAQ	NA

**Percentage change during current cycle*



(Delta MSI is published every week in *Barron's*)

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