

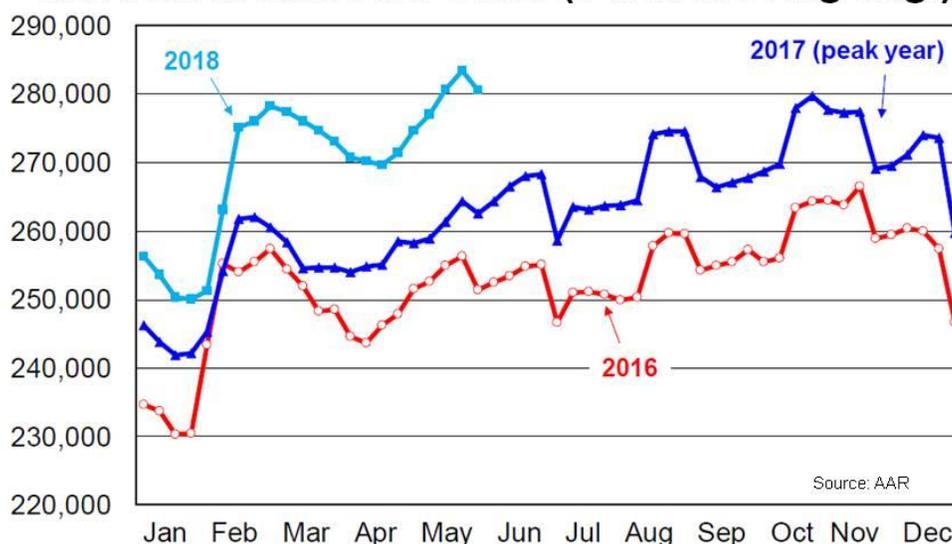
Delta Investment Management is a registered investment advisory firm headquartered in San Francisco. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new partner. Delta manages portfolios at TD Ameritrade and Schwab. Please contact Delta at info@deltaim.com or 415-249-6337 to learn more.

June 15, 2018

Movement of Goods Reveals Positive Movement in the Economy

Intermodal freight transport involves the movement of freight in a container that can be carried by a ship, train and/or truck. Intermodal containers carry a wide range of products from electronics to refrigerated products, building materials to farm equipment and almost all other materials and products produced today. It provides a fundamental and extensive measure of economic activity.

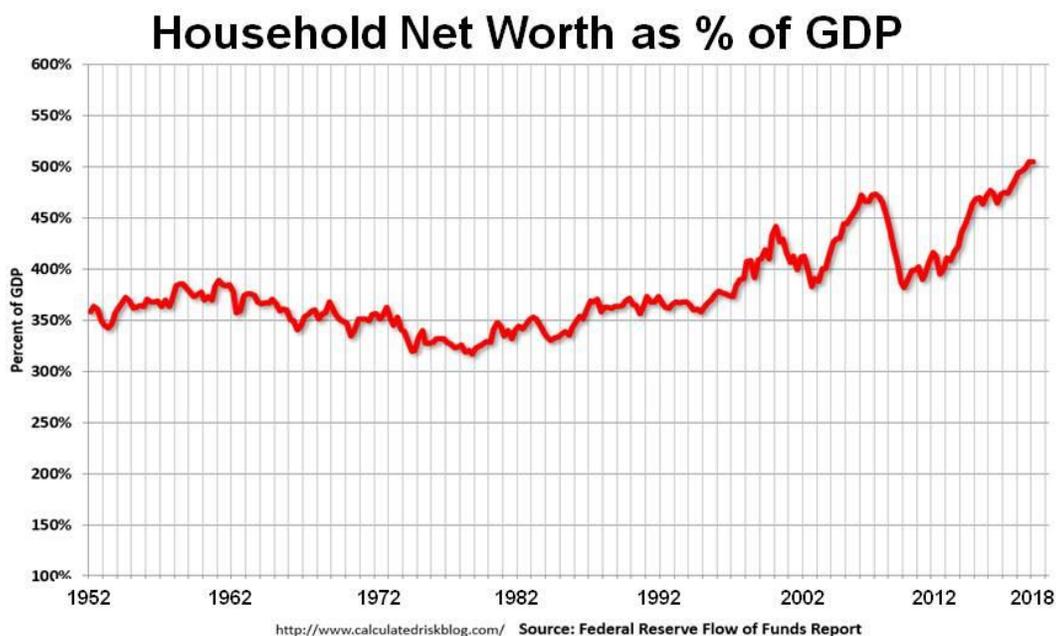
U.S. Rail Intermodal Units (6-wk. moving avg.)



Intermodal rail loadings were up 6.6% in May on a year-over-year basis. Year-to-date intermodal volume through May was a record 5,993,584 containers, up 6.0% over the same period in 2017. 2018 is on a record setting pace.

U.S. population growth is expanding at about a 0.7% year-over-year. Clearly the big driver of intermodal rail loadings is people spending more rather than more people spending the same amount. On Wednesday, the Federal Reserve pointed out in their FOMC statement that “recent data suggest that growth of household spending has picked up.” May retail sales were up 0.8%, double the consensus estimate. People spend more when they feel wealthy and have confidence in the future.

The Federal Reserve recently updated their measure of U.S. household net worth. We just reached a new all-time high of \$25.1 trillion.



Two large drivers of the rising household net worth are appreciating real-estate and stocks. As we have seen in previous cycles, the wealth effect can have a virtuous cycle that reinforces itself through a positive feedback loop. High asset values beget high net worth which begets more demand for assets...

The cycle derails when supply is pressed to the limit and inflation runs rampant. When we look at commodity prices and wage increases, it appears we are far from constrained supply, inflation and limits. The S&P GSCI commodity index ETF (GSG) is a benchmark index for commodity prices. 73% of the dollar value of the index is oil. The next largest segment is agricultural products (wheat, corn, soybeans, cotton, sugar, coffee, etc.) at about 10%. These two groups are followed by industrial metals, livestock and precious metals.

Even with oil prices trading up from about \$45 per barrel to about \$65, commodity prices are deflated when viewed over the past five years.

Commodity Prices Including Oil (GSG)



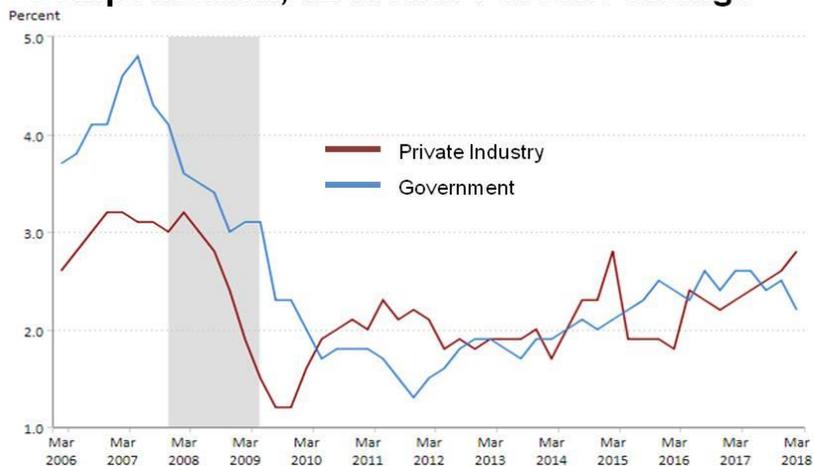
The deflation of commodity prices becomes even more starkly apparent when we view them without oil. Below is a five-year chart of the Invesco DB Agriculture Fund ETF (DBA).

Commodity Prices Without Oil (DBA)



The chart below shows the 12-month percent change in private and government compensation. While wages are rising, the pace is hardly alarming.

Compensation, 12-Month Percent Change



Embedded in the FOMC statement this week was the sentence “Indicators of longer-term inflation expectations are little changed, on balance.” The long-run inflation expectation is roughly 2%.

As gospel and blues singer Sister Rosetta Tharpe said in 1939, “this train is bound for glory.” The signal light continues to be green.

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.

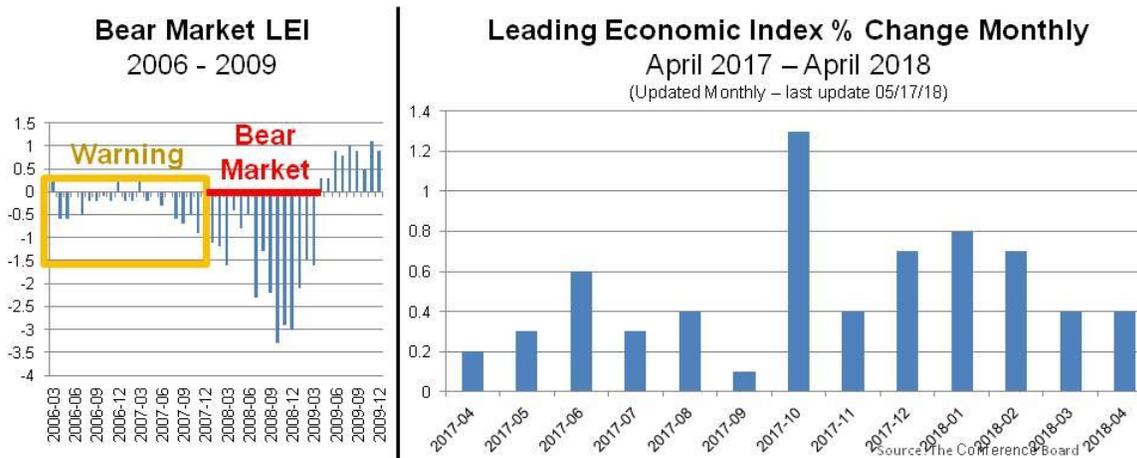


Thanks for almost everything, Dad.”



“For Father’s Day, I’m giving my dad an hour of free tech support.”

Delta Stock Market Dashboard



MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

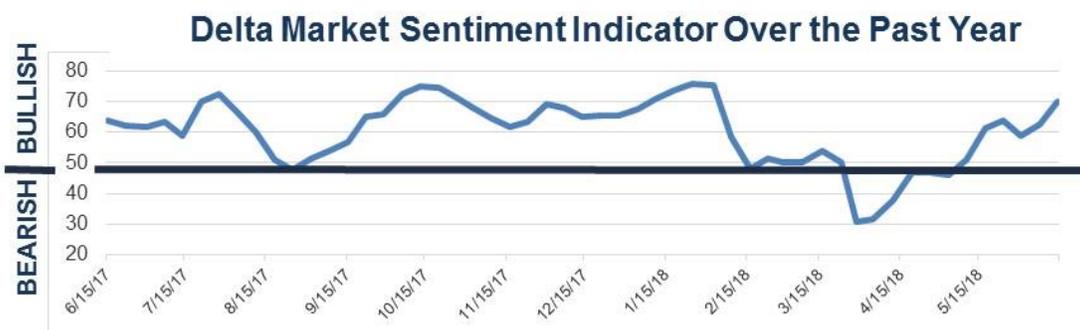
69.9

Our technical indicator increased
this week from 62.5 to 69.9

INDICATOR STATISTICS

Consecutive Bullish Weeks:	6
Cycle Inception Date:	5/10/2018
Range:	51.2 – 69.9
Mean:	61.3
Bullish Weeks YTD:	18
Bearish Weeks YTD:	6
*S&P 500	2.2%
*DJIA	1.8%
*NASDAQ	4.8%

* Percentage change during current cycle



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

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