

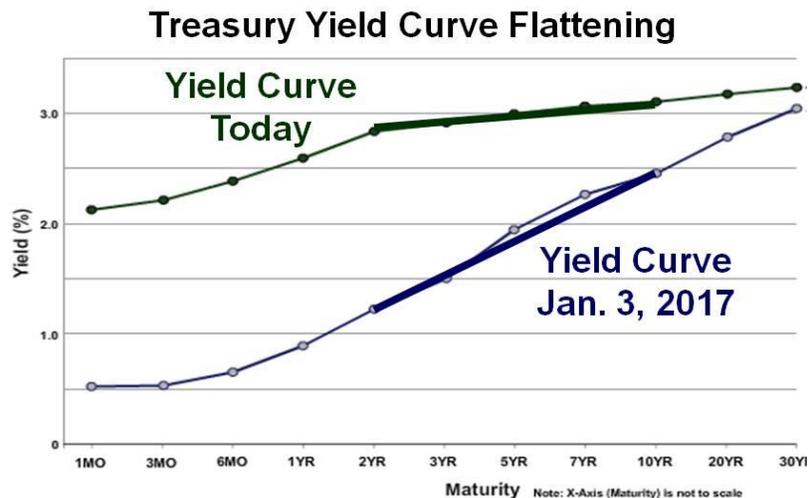
Delta Investment Management is a registered investment advisory firm headquartered in San Francisco. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new partner. Delta manages portfolios at TD Ameritrade and Schwab. Please contact Delta at info@deltaim.com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

September 28, 2018

Stepping Up (Fed, Rates, Stocks, Economy...)

Investor awareness of a flattening yield curve has been heightened by media coverage over the past year. A flattening yield curve precedes an inverted yield curve which historically has been a robust recession indicator. Our definition of an inverted yield curve is when the two-year U.S. treasury rate is higher than the ten-year rate.

Since the beginning of 2017, the yield curve has flattened.



The Federal Reserve raised the Fed Funds rate again this week by 0.25% to a range of 2.00-2.25%. If the Federal Reserve keeps raising short-term rates and the 10-year rate remains constant, over time the yield curve will invert.

For most of 2018, the ten-year treasury rate remained below 3%.

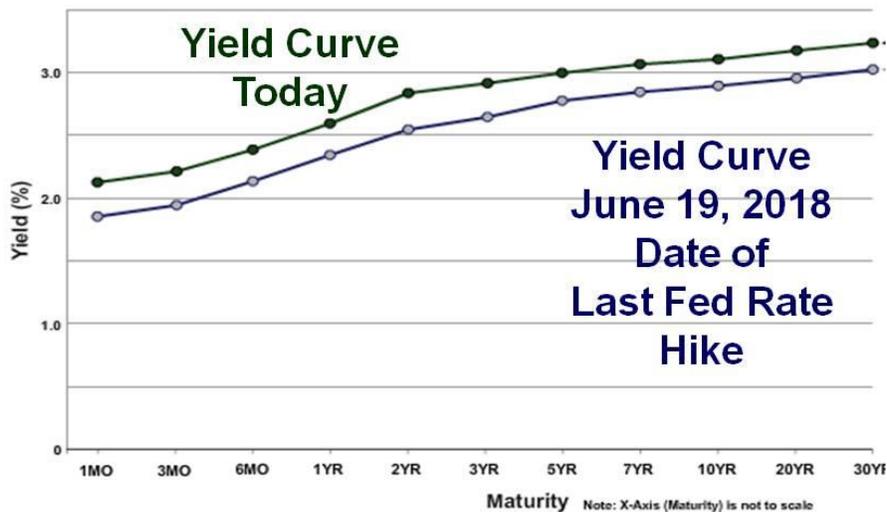
10-Year US Treasury Rate Year-To-Date



But in the past several weeks, the 10-year rate moved above the 3% level reaching 3.1% this week.

The importance of the long-dated rate rise from a recession indicator standpoint is the yield curve is not flattening currently but rather stepping higher across all maturities. The Federal Reserve previously raised the Fed Funds rate on June 19, 2018. Since then the flattening process has stopped and the curve is now shifting uniformly higher.

Treasury Yield Curve Stepping Higher



This is a bit of a complex way to say the bond market is looking forward to strong economic growth. So is the Federal Reserve. In their commentary this week, they said “economic activity has been rising at a strong rate.” They raised their GDP forecasts for 2018, 2019 and 2020. If the long-range outlook were diminishing, the 10-year treasury rate would not be moving to 52-week highs. It is interesting to note that the Federal Reserve made no changes to its inflation outlook for 2018, 2019, 2020 and the “longer run.” The Fed sees inflation as being stable at about 2%.

Strong growth expectations with low and stable inflation rates makes a recession in the near and intermediate term unlikely and raises the expectation that the stock market will continue to set new highs through the remainder of the year.

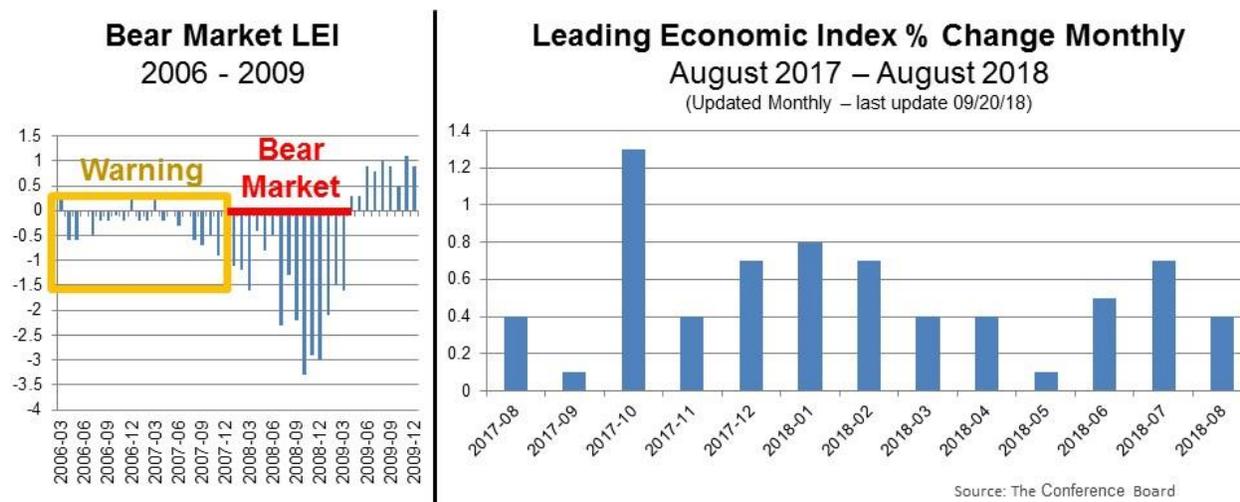
Looking for help managing your investment portfolio?

Give us a call at **(415) 249-6337** or email us at info@deltaim.com to set up a time to talk if you have questions about how we can assist you in managing your investment accounts. Our disciplined approach to invest in the strongest areas of the market and a focus on capital preservation is how we help clients.



"Bill did the voice-over for this commercial."

Delta Stock Market Dashboard



INDICATOR STATISTICS

MARKET SENTIMENT IS

BULLISH

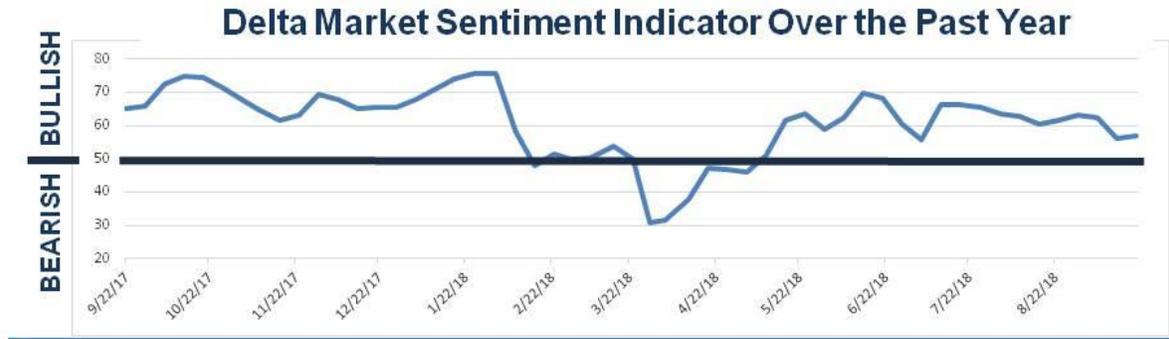
THIS WEEK'S NUMBER IS

56.0

Our technical indicator decreased
this week from 56.9% to 56.0%

Consecutive Bullish Weeks:	21
Cycle Inception Date:	5/10/2018
Range:	51.2 – 69.9
Mean:	61.6
Bullish Weeks YTD:	33
Bearish Weeks YTD:	6
*S&P 500	7.4%
*DJIA	7.2%
*NASDAQ	8.9%

**Percentage change during current cycle*



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

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