

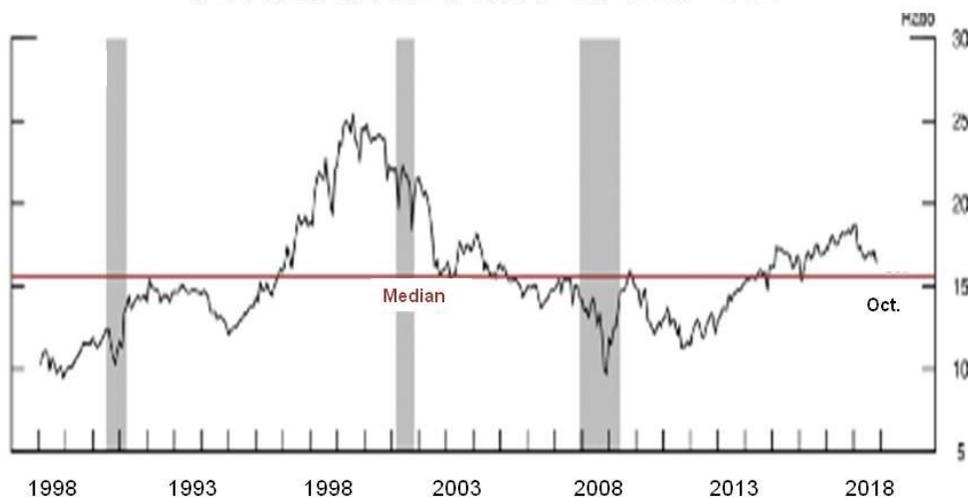
Delta Investment Management is a registered investment advisory firm headquartered in San Francisco. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new partner. Delta manages portfolios at TD Ameritrade and Schwab. Please contact Delta at info@deltaim.com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

November 30, 2018

When the Fed Speaks, the Market Listens

“The asset class that gets the most attention day-to-day is, of course, the stock market. Today, equity market prices are broadly consistent with historical benchmarks such as forward price-to-earnings ratios.” Federal Reserve Chairman Jerome Powell, speech to the Economic Club of New York, November 28, 2018.

Forward P/E Ratio of S&P 500



Source: 11/28/2018 The Federal Reserve's Framework for Monitoring Financial Stability

Most importantly, Powell said during his speech this week he sees current interest rates “just below” neutral (the level at which the Fed plans to stop raising rates). The S&P 500 rebounded by over 2.3% on November 28.

On October 3, 2018, Powell said during an interview with a PBS reporter: “...we’re a long way from neutral at this point.” That day the S&P 500 reached an intraday high of 2939.86. Its all-time high is 2940.91 or just 1.05 point higher. Immediately following Powell’s “long way” remark, the stock market began its October decline.

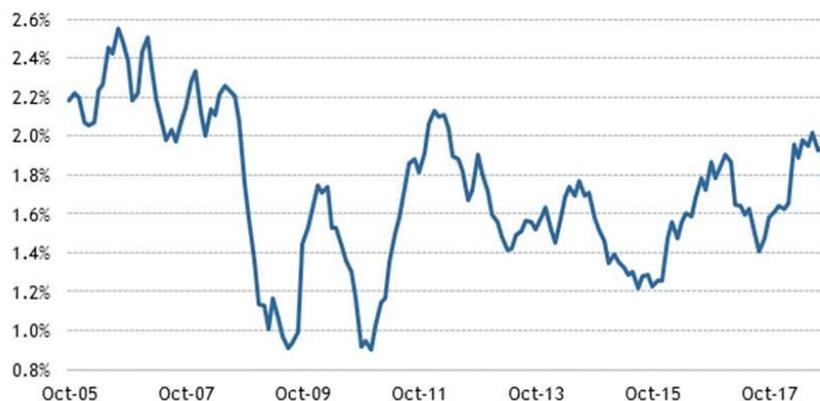


Although the market sell-off that began essentially on October 3 likely was the result of a variety of factors, one key concern of investors stems from rising interest rates and their potential negative effects on economic growth and asset prices. Over the past several weeks, we have seen a slowdown in interest rate sensitive areas of the economy like autos (e.g., General Motors announced the layoff of 14,000 workers this week) and homes (new home sales down 12% year-over-year in October).

The significant and immediate positive reaction of the stock market to Powell's comments this week makes a strong case that excessive tightening by the Federal Reserve is an important risk factor for many investors. On December 19, the Fed will conclude its final meeting of the year and make an announcement about whether or not it is raising the Fed Funds rate for the fourth time this year and provide new language on its rate outlook going forward.

What is evident today is that inflation is not accelerating and the labor market is at/near full employment. Other than promoting price stability, these are two key inputs to the Fed's interest rate decision making process.

PCE Core Inflation Y/Y Percentage Change



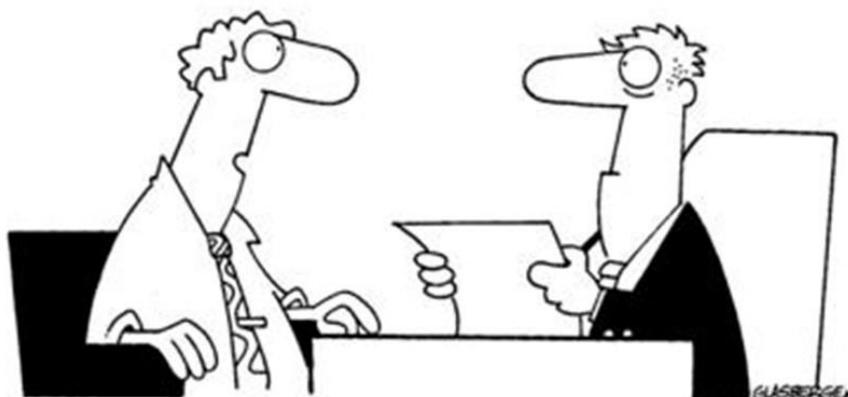
Source: Bureau of Economic Analysis; updated 11/29/18

Looking into 2019, a lower than expected interest rate environment combined with attractive valuations suggest opportunity for an appreciating stock market as earnings and the economy continue to expand.

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.

INVESTMENTS AND FINANCIAL PLANNING



**“Explain to me again why enjoying life when I retire
is more important than enjoying life now.”**

Delta Stock Market Dashboard

INDICATOR STATISTICS

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

27.4

Our technical indicator increased
this week from 25.3 to 27.4

Consecutive Bearish Weeks:	8
Cycle Inception Date:	10/11/2018
Range:	14.8 - 37.4
Mean:	24.7
Bullish Weeks YTD:	34
Bearish Weeks YTD:	14
*S&P 500	-2.2%
*DJIA	-1.5%
*NASDAQ	-2.6%

*Percentage change during current cycle



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

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