

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.

December 14, 2018

2018, What a Year!

This year the unemployment rate fell from 4.1% to 3.7%. There are currently 7.1 million job openings which is greater than the total number of unemployed people at the end of November (5,975,000 people unemployed).

The 12-month moving average median wage growth is 3.3% which is well ahead of inflation of about 2%.

The S&P/Case-Shiller U.S. National Home Price Index climbed about 4.7% this year with the average priced home costing \$205,660.

U.S. household net worth has never been higher at about \$109 trillion at the end of the third quarter.



S&P Dow Jones Indices estimates that S&P 500 earnings are up about 26.5% year-over-year in 2018.

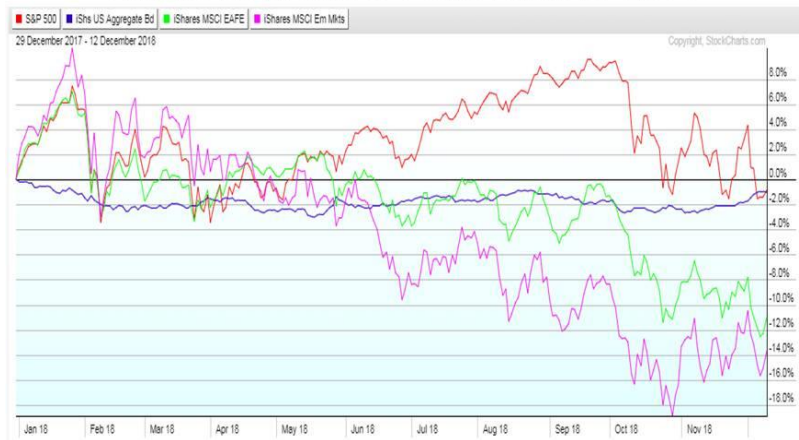
The percent change in the Leading Economic Index has been positive every single month during 2018. GDP growth jumped to as high as 4.2% in the second quarter, well above the 1.8% growth the economy had been experiencing in 2017 and earlier.

The U.S. corporate tax rate was reduced from about 35% to 21% giving stock holders an additional 14% of corporate profits going forward.

The 10-year U.S. treasury rate is below 3%. The S&P 500 earnings yield at 6% is roughly double the treasury rate and stocks typically offer principal appreciation.

With the above factors as the backdrop, the S&P 500 shows almost no gain for the year. The U.S. aggregate bond index is down by about -1%. The MSCI developed country ex-U.S. stock market index is down -12%. The MSCI emerging market index is down -15%.

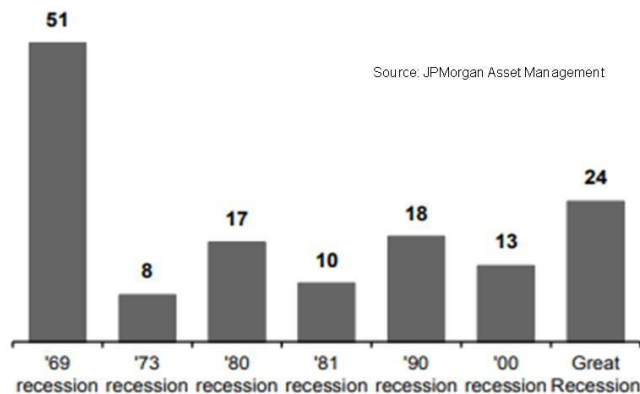
Financial Markets Performance 2018



Financial markets are forward looking. This helps explain the dislocation between the fundamental growth we experienced in 2018 and the lack of performance in stocks around the world. This week, the 2-year treasury rate was about 2 basis points above the 5-year rate and some investors began to fear an inversion of the yield curve and possible recession. To be clear, an inversion of the yield curve by our definition does not occur until the 2-year rate is greater than the 10-year rate.

In any event, the chart below shows the months between the first inversion of the yield curve and the start of a recession. In most cases, recessions occur a year or more after inversion.

Months to Recession after Inversion



From the perspective of economic growth and employment, we have much to be thankful for in 2018. As investors, we approach year-end with smaller returns than expected. We look forward to beginning 2019 with continued fundamental prosperity and hopefully a stock market that better reflects the real economic advances being made.

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

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

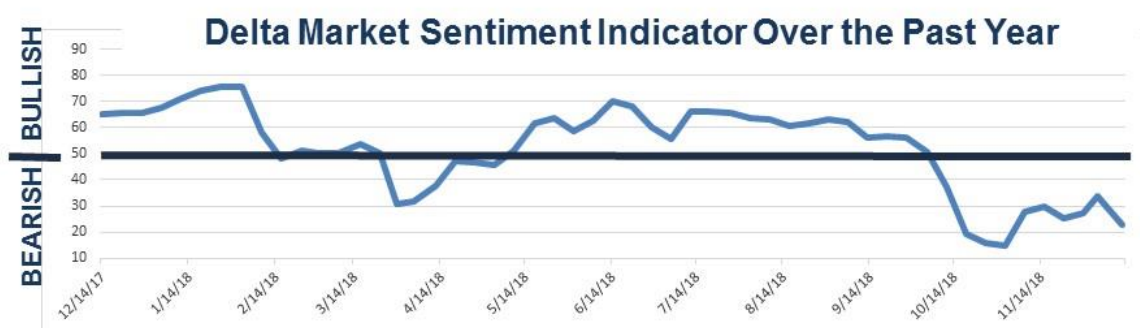
23.0

Our technical indicator decreased
this week from 33.6 to 23.0

INDICATOR STATISTICS

Consecutive Bearish Weeks:	10
Cycle Inception Date:	10/11/2018
Range:	14.8 - 37.4
Mean:	25.4
Bullish Weeks YTD:	34
Bearish Weeks YTD:	16
*S&P 500	-5.1%
*DJIA	-4.2%
*NASDAQ	-5.1%

* Percentage change during current cycle



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

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