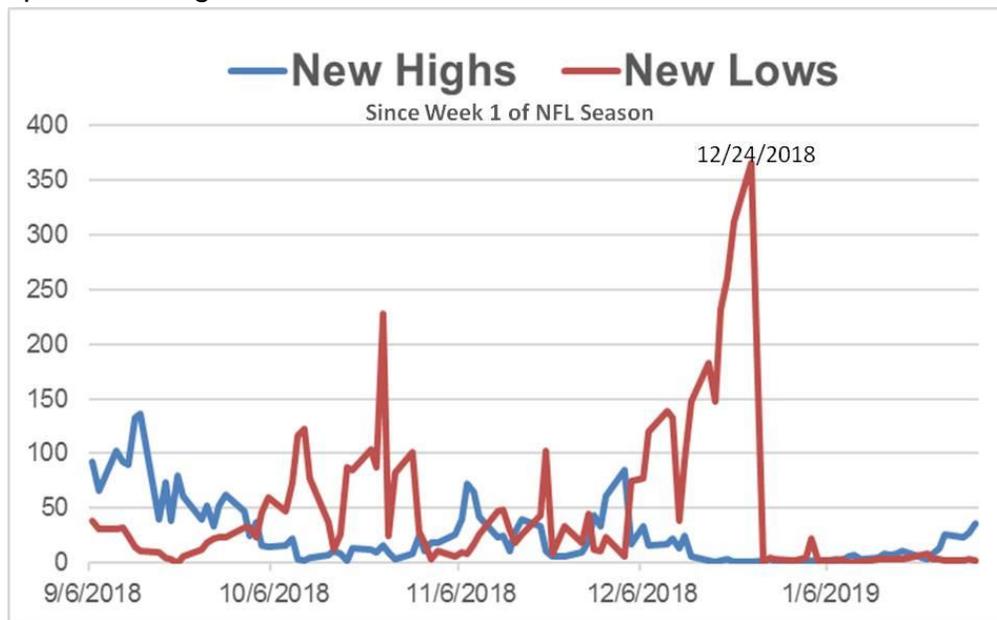


Delta Investment Management is a registered investment advisory firm headquartered in San Francisco. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new partner. Delta manages portfolios at TD Ameritrade and Schwab. Please contact Delta at info@deltaim.com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

February 1, 2019

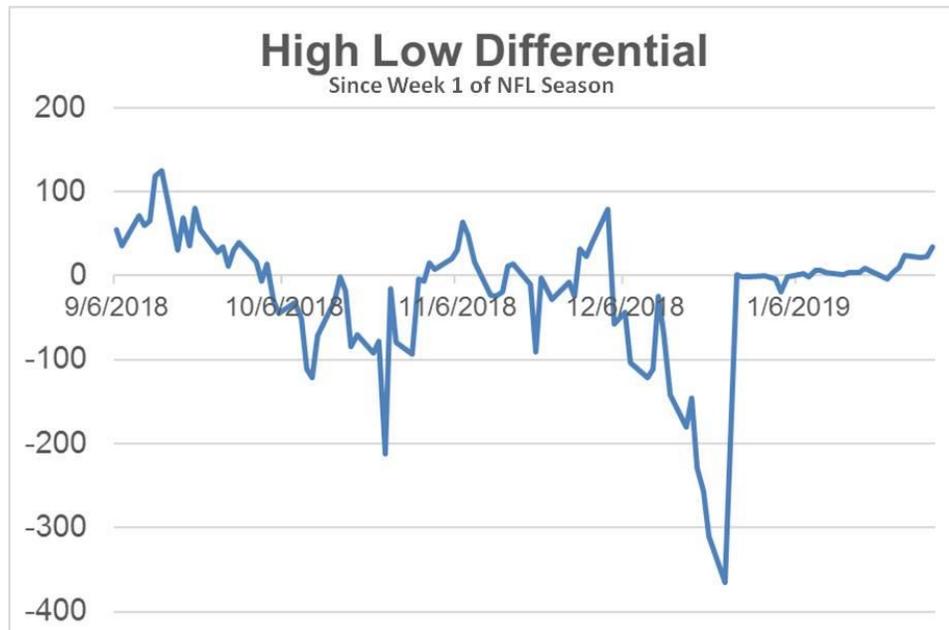
December 2018 Sell-Off by the Numbers: Highs Back in Charge

Delta monitors the daily price action of a proprietary group of roughly 1,800 individual stocks. Graphed below are new 52-week highs (blue line) and new 52-week lows (red line) since September 6th (Week 1 of the NFL season). On December 24th, 366 of the stocks we follow traded at 52-week lows versus zero stocks at a 52-week high. The technical picture was grim, stocks had declined 19.6%.



These very lopsided numbers (red line vs. blue line in chart above) expose the intensity of the December sell-off over the previous three months (relative to prices over the past 12 months) and a bearish market.

Another way to look at highs vs. lows is by subtracting lows from highs and plotting their difference on a single line (below). In the 4th quarter, the difference mounted through December 24th. And then as if New England Patriot quarterback Tom Brady entered the game for the Highs, the tide turned and stocks bounced. New highs are back in control.



Since the December low, the S&P 500 is up almost 15%. From a technical standpoint, 59.5% of the 1,800 stocks we follow are now trading above their 75-day moving averages. When more than 50% of the stocks trade above the 75-day moving average, the Delta Market Sentiment Indicator (MSI) is Bullish. On an intermediate term basis, the stock market is once again bullish for the first time since the first week of October 2018.

The S&P 500 ends January 9% below its 52-week high. On a technical basis during the intermediate term, the numbers suggest the stock market should continue to make headway towards its prior high.

The market advance has been helped by the Federal Reserve indicating they may not be raising rates further in 2019 (a significant reversal from last quarter – the hawks have become doves). Fourth quarter 2018 earnings season is progressing well with 71% of companies beating earnings expectations. The areas of concern include two consecutive months of decreasing manufacturing activity in China, further slowing in Europe with Italy entering recession and forward U.S. earnings expectations declining.

Markets often seem to anticipate events prior to there being absolute evidence. As we enter February, the next major potential catalyst for the stock market could be a positive resolution of the China trade talks by month's end. Technically, stock market price trends suggest that whatever the future may hold in the next several weeks and months, there is a bias is the upside.

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.



"I told him if he watched too much football, that would happen."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

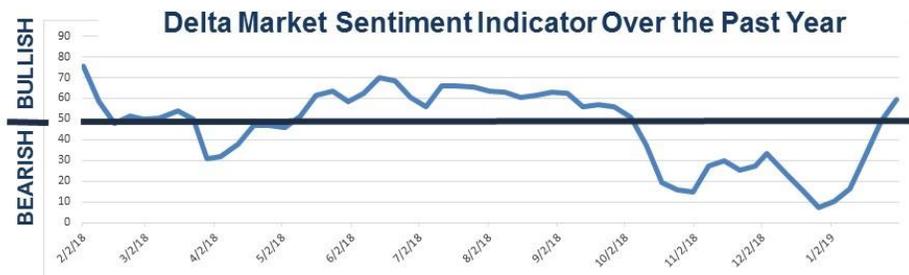
59.5

Our technical indicator increased
this week from 48.8 to 59.5

INDICATOR STATISTICS

Consecutive Bullish Weeks:	1
Cycle Inception Date:	1/31/2019
Range:	59.5
Mean:	1
Bullish Weeks YTD:	1
Bearish Weeks YTD:	4
*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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