

*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](mailto:info@deltaim.com) or 415-249-6337 to learn more.*

February 22, 2019

## What Is Wrong With This Picture?

The stock market depreciation in the fourth quarter of 2018 led many investors to believe something was really wrong with the market. During the fourth quarter last year, the S&P lost nearly a fifth of its value.

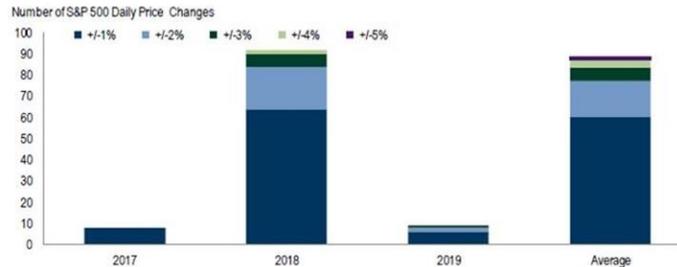
The chart below shows the S&P 500 price action in 2017 and 2018. Relative to 2017, many investors might say 2018 was the unusual year and believe 2017 was far more representative of a typical stock market year.



It turns out that from a volatility standpoint, 2018 was the “normal” year and 2017 was an outlier.

## Number of S&P 500 Daily Price Changes

S&P 500 Daily Price Δ (days)	± 1%	± 2%	± 3%	± 4%	± 5%
2017	8	0	0	0	0
2018	64	20	6	2	0
2019	6	2	1	0	0
Average	61	17	7	3	2



Source: Goldman Sachs Asset Management

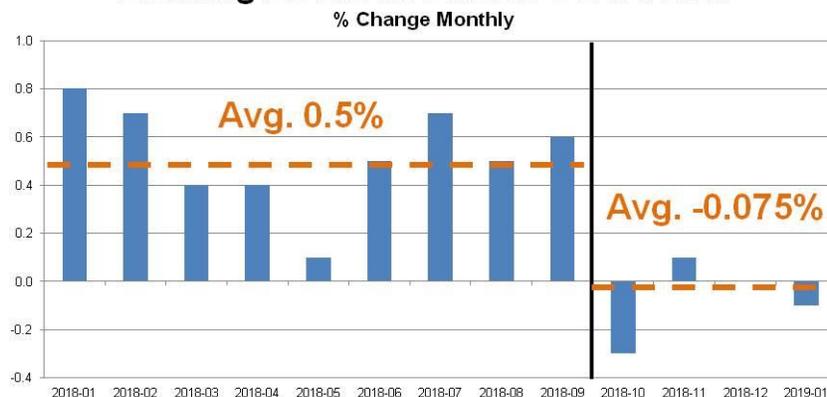
The chart above shows the number of days the S&P 500 increased or decreased by equal-to or more-than 1%, 2%, 3%, 4% and 5% during 2017, 2018, and January, 2019 and the average. This review of volatility dates back to the inception of the S&P 500 in 1928.

The chart shows that 2018 was almost a perfectly average year in terms of volatility. In sharp contrast, 2017 had zero days when the market moved by +/- 2% or more and only 8 days when it rose or fell by 1% versus an average of 61 days. January 2019 had more volatility than all of 2017.

Uncertainty causes volatility to rise. A key driver of uncertainty about the stock market is the rising concern that the 10-year economic expansion may be approaching its end as reflected in declining earnings outlooks and a Federal Reserve signaling that economic growth is slowing and rate increases are on hold.

A confirmation to the worries is the anemic month-over-month change in the Leading Economic Index (LEI) since October. Yesterday, the Conference Board Leading Economic Index for the U.S. decline 0.1 percent in January.

## Leading Economic Index Slowdown



## Volatility Up – Delta Can Help

Growth is slowing and uncertainty about how and when the current expansion cycle will end is rising. This is elevating volatility. Delta Investment Management is an investment firm specializing in risk-mitigation. Said another way, we are passionate about helping our clients avoid major bear markets. We use a variety of methods to do this.

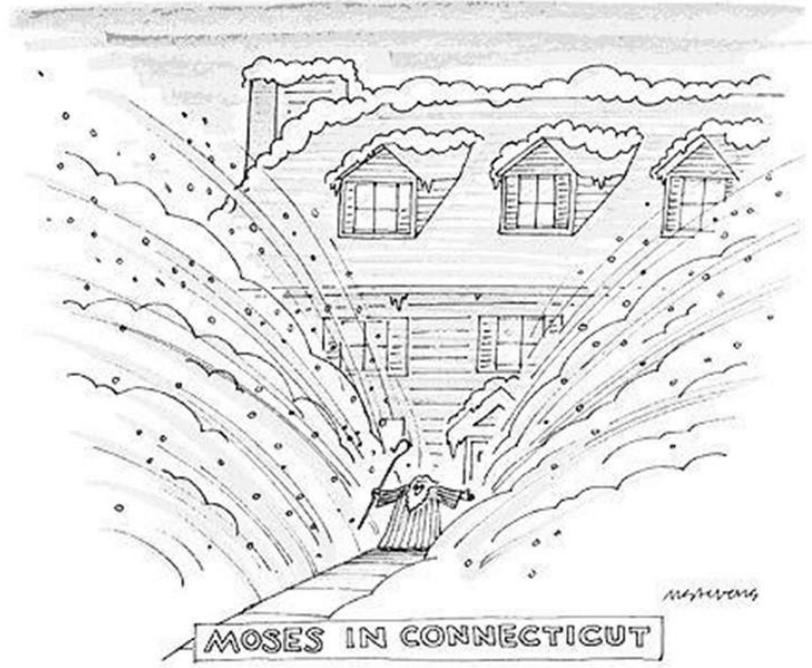
In our tactical strategies tied to the Delta Market Sentiment Indicator (MSI), we transitioned client accounts 100% to cash on October 12. With the Delta MSI at an extreme oversold level we transitioned client accounts into equities/ETFs on December 27. The outcome of these actions produced positive results in 2018 and a great start in 2019.

### Recent Delta MSI Signals



### Give Us a Call Today

We invite you to give us a call at **(415) 249-6337**, visit [www.deltaim.com](http://www.deltaim.com) or email us at [info@deltaim.com](mailto: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

**BULLISH**

THIS WEEK'S NUMBER IS

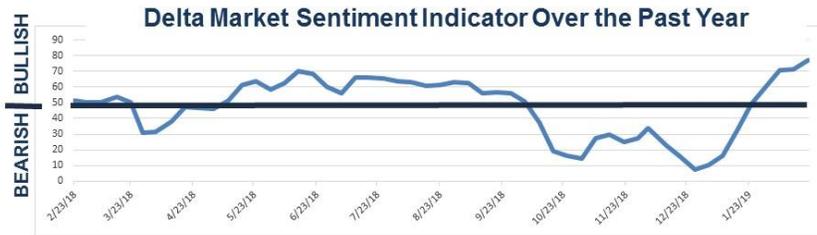
**77.4**

Our technical indicator increased  
this week from 71.1 to 77.4

### INDICATOR STATISTICS

Consecutive Bullish Weeks:	4
Cycle Inception Date:	1/31/2019
Range:	59.5 – 77.4
Mean:	69.7
Bullish Weeks YTD:	4
Bearish Weeks YTD:	4
*S&P 500	3.0%
*DJIA	3.8%
*NASDAQ	2.9%

\* Percentage change during current cycle



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

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