

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.

April 26, 2019

A New High

The S&P 500 set an all-time closing high on Tuesday. This was the first new closing high for the S&P 500 since September 20, 2018. Below is a chart of S&P 500 drawdowns since 2000. The most recent drawdown is circled in orange.

S&P 500 Drawdown History



For a 20% drawdown, the most recent experience was fairly typical. Since 1950, drawdowns of 10-20% have an average of 96 days of decline and 72 days of recovery. The chart below shows a history of drawdowns from 1950 forward categorized by size, e.g., 5-10%, 10-20%, etc.

S&P 500 Drawdown History

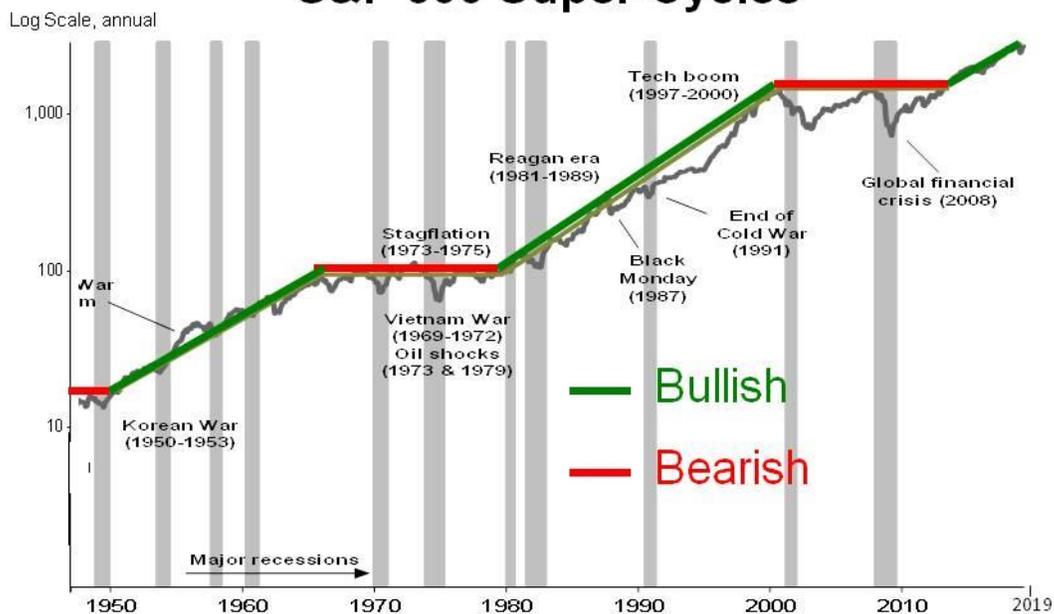
Drawdown %	Occurrences	AVG Days to Recovery	AVG Days of Decline
5-10	40	34	24
10-20	14	72	96
20-30	4	182	260
30-40	2	432	220
40+	3	1215	476

January 3, 1950 through April 24, 2019

The first chart graphically depicts how difficult the investment environment has been for most of the 21st Century. During the first 13 years, we experienced two declines of roughly 50% which took years to recover from. The S&P 500 index was 1,500 in 2000 and 1,500 in 2013. Since 2013, the stock market has been much more investor friendly. From 1,500 in 2013 we are now approaching 3,000 and the worst drawdown was what we just experienced at the end of 2018 at -20%.

Market “super-cycles” are multi-year bullish and bearish periods. From 2000 through 2013, we experienced a bearish super-cycle. The appreciation from 2009 to 2013 is considered recovery. Since 2013, we have been in a multi-year bullish period.

S&P 500 Super-Cycles



The pattern of bull/bear super-cycles has been in place for the past 120 years. Nothing about the past 19 years suggests that the market is different this time.

Investors may arrive at two conclusions about the market today: 1) we are currently in a multi-year bullish period (the S&P 500 average annual return for the past five years has been 11.6% with standard deviation – volatility - of 11.2%) and 2) at some point we should expect the bullish cycle to transition to a bearish cycle entailing higher volatility and much lower expected returns.

Delta manages money for individuals and institutions with the objective of participating in the bullish cycles and avoiding major downside during bearish cycles. Our portfolio managers use a variety of techniques and investment vehicles (stocks, institutional share-class mutual-funds and low cost ETFs) to accomplish this mission.

Historical note: In 2000, the largest company in the stock market was Microsoft (MSFT). Once again in 2019, the largest company in the stock market is Microsoft – the only company of the top 10 largest companies in 2000.

Largest Companies in the World by Market Cap

<u>2000</u>	<u>2010</u>	<u>2019</u>
Microsoft	PetroChina	Microsoft
General Electric	Exxon Mobile	Apple
NTT DoCoMo	Microsoft	Amazon
Cisco	ICBC	Google
Walmart	Walmart	Facebook
Intel	China Construction Bank	Berkshire Hathaway
Nippon Telegraph & Telephone	BHP Billiton	Alibaba
Exxon Mobile	HSBC	Tencent
Lucent	Petrobras	Johnson & Johnson
Deutsche Telecom	Apple	JPMorgan Chase

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.

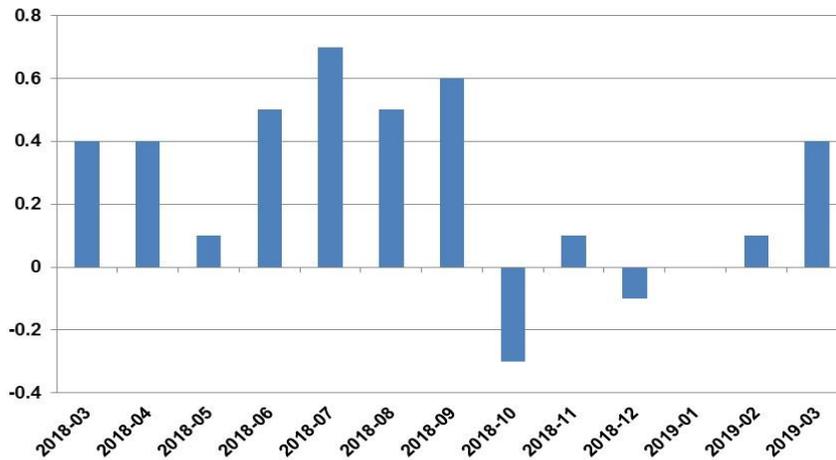


“Are you kidding me? I’m not watching golf. I’m watching Tiger.”

Delta Stock Market Dashboard

Leading Economic Index % Change Monthly

March 2018 – March 2019
(Updated Monthly – last update 04/18/19)



Source: The Conference Board

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

68.1

Our technical indicator decreased
this week from 73.2 to 68.1

INDICATOR STATISTICS

Consecutive Bullish Weeks:	13
Cycle Inception Date:	1/31/2019
Range:	59.5 – 77.7
Mean:	72.0
Bullish Weeks YTD:	13
Bearish Weeks YTD:	4
*S&P 500	8.6%
*DJIA	6.2%
*NASDAQ	11.7%

* Percentage change during current cycle



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

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