

Delta Investment Management is a registered investment advisory firm. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new turnkey asset management solution.

Delta manages portfolios at TD Ameritrade and Schwab.

Please contact Delta at info@deltaim.com or 415-249-6337 to learn more.

May 3, 2019

Picking the Winners

If you had to choose a portfolio of five stocks to own, would you pick stock Group A or B?

Stock Groups A and B

Group A

JPMorgan (JPM) 12.5x
Berkshire (BRK) 22x
Exxon (XOM) 18x
Johnson & Johnson (JNJ) 17x
Bank of America (BAC) 11x

Group B

Apple (AAPL) 18x
Microsoft (MSFT) 28x
Amazon (AMZN) 81x
Facebook (FB) 29x
Google (GOOG) 24x

Stock lists show stock name, ticker and P/E

In evaluating the relative merits of Group A versus Group B, you might consider metrics like management, brand, profitability, size of addressable market, market growth, market position, intellectual property and valuation.

If you like relative strength you probably would pick Group B and if you like valuation, you most likely would select Group A. The five stocks in Group A are the five largest holdings of the Russell 1000 Value index (IWD: 12.5% of the index) and the stocks in Group B are the five largest holdings of the Russell 1000 Growth index (IWF: 25.4% of the index). The relative performance of the growth and value indexes will be in large part determined by the performance of these stocks.

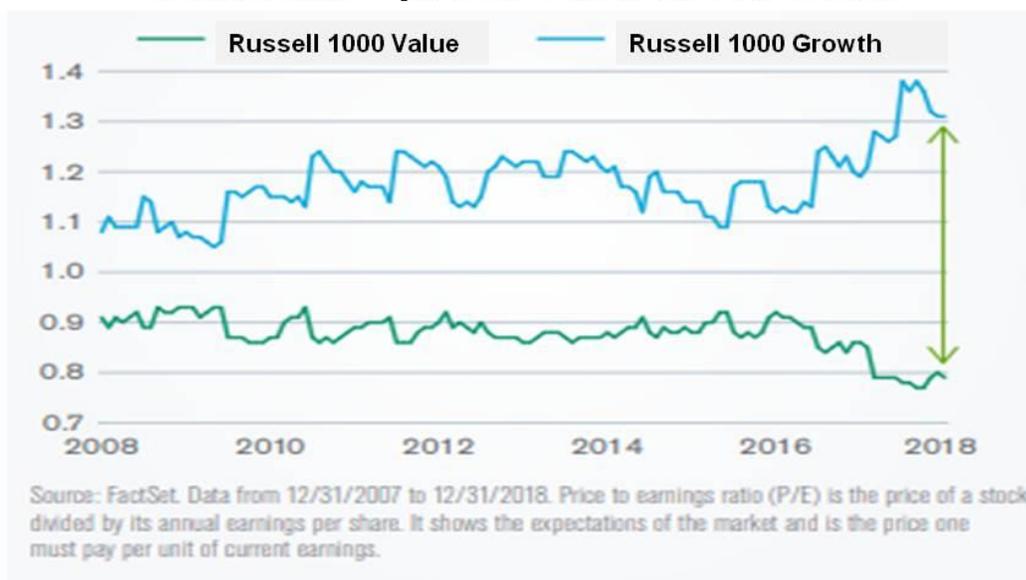
Since the end of 2016, growth has far outperformed value. The chart below shows the Russell 1000 Growth index up about 54% versus the Value index up about 18%.

Growth vs. Value



The outperformance of growth over value in the past couple of years has caused the valuation spread between growth and value to be the widest it has been in a decade.

Valuation Spread Growth vs. Value



A natural conclusion from the valuation spread might be to favor value over growth. On the other hand, when we evaluate the investment merits of the individual stocks that comprise the value and growth groups, both offer compelling investment cases. Neither group looks to be suffering from investor irrational exuberance.

Rather than picking Group A or B, the correct answer may be both Group A and B. Stay balanced. Diversify across the entire market. As investors, we don't want to miss a possible valuation rebound in the value sector and we don't want to miss out on the growth of dominate technology companies creating the new information economy.

The Delta Market Sentiment Indicator (MSI) is Bullish this week. S&P 500 operating earnings, originally predicted to be down year-over-year in the first quarter, now look to be positive year-over-year. The bull run continues for now.

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.



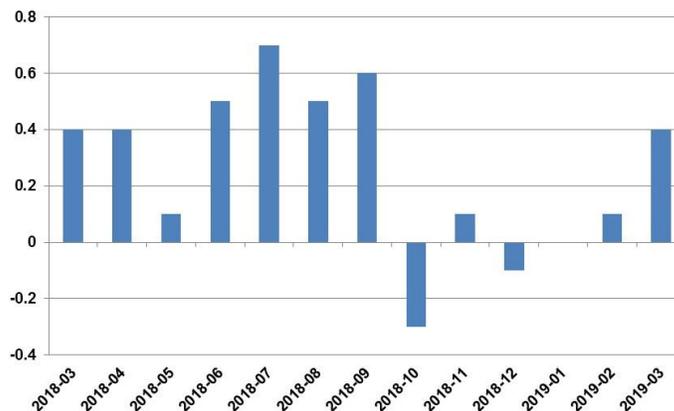
*"I had a 'birdie' on seven, a 'birdie' on eleven, and three more 'birdies' on eighteen.
After that, I was too full for lunch."*

Delta Stock Market Dashboard

Leading Economic Index % Change Monthly

March 2018 – March 2019

(Updated Monthly – last update 04/18/19)



Source: The Conference Board

INDICATOR STATISTICS

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

65.0

Our technical indicator decreased this week from 68.1 to 65.0

Consecutive Bullish Weeks:	14
Cycle Inception Date:	1/31/2019
Range:	59.5 – 77.7
Mean:	71.5
Bullish Weeks YTD:	14
Bearish Weeks YTD:	4
*S&P 500	8.6%
*DJIA	6.2%
*NASDAQ	11.2%

* Percentage change during current cycle



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

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