

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.

September 13, 2019

Surprise Bull

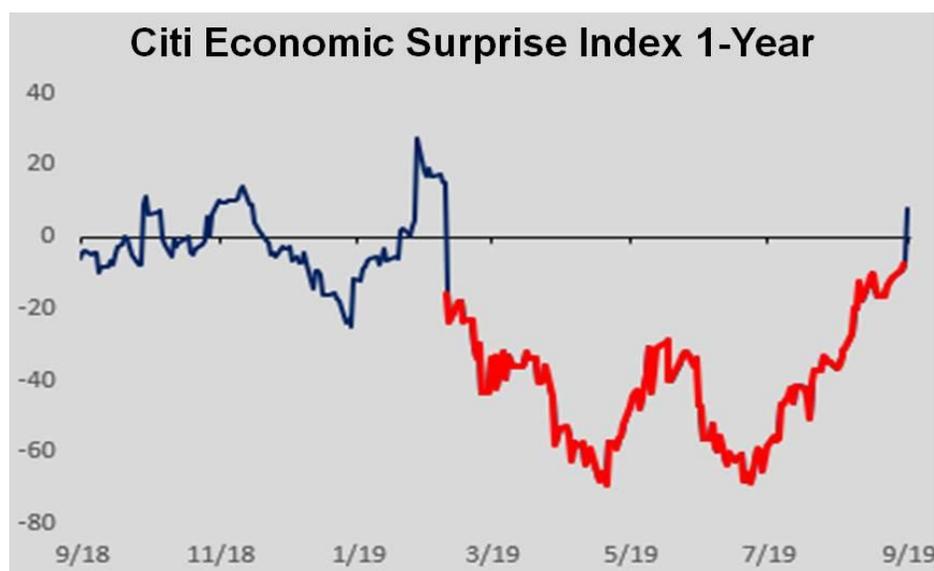
For most of 2019, the stock market news flow has been weighted towards slowing growth, declining earnings and a diminished likelihood of a China trade war resolution in the near future. Up through Thursday of last week, the S&P 500 was about where it was almost a year ago at the end of September 2018. During this period, the S&P 500 experienced three pullbacks: -19%, -7% and -6%. Smaller cap stocks dropped -26% in 4Q2018 and are still -8% below last year highs.

S&P 500 2-Year Chart



In the past week, the S&P 500 moved up through the high end of the recent trading range and is very close to its all-time high set in July of this year. The Delta Market Sentiment Index (MSI) turned bullish this week.

The Delta MSI is not the only index to turn bullish recently. The Citi Economic Surprise Index measures the pace at which economic indicators are coming in ahead of or below consensus forecasts. When the index is negative, it means the majority of reports are below expectations, while a positive reading indicates most data is ahead of expectations.



The area shown in red is the most recent period of negative readings. It lasted for 140 trading days and was just one of six times the index was negative for more than 100 trading days over the past 15 years. Hundred plus day negative surprise periods coincided with poor stock performance, especially in 2008 and 2011.

The news flow may not have improved much in an absolute sense. What has happened is that expectations have been lowered enough to allow for upside surprises. The past week of positive surprises relative to lowered expectations helped stocks move higher.

A change for the positive is being confirmed by the most recent Leading Economic Index (LEI) which was reported at up 0.5% in July, much ahead of expectations. Additionally, long-duration treasury yields in the United States have jumped higher this month despite a rate cut by the European Central Bank (ECB) and a re-launch of their quantitative easing efforts (bond buying program which effectively pushes money into the economy). The ECB overnight deposit rate remains negative and is now -0.50% (the same rate in the U.S. set by the Federal Reserve is 2.25% currently). The month-to-date 20% rise in the U.S. 10-year treasury rate from 1.47% to 1.78% signals bond investors believe economic growth may be more certain over the long-term.

U.S. 10-Year Treasury Rate



The price action of stocks suggests further positive surprises are ahead of us. If the positive surprises continue, we would expect stocks to find new highs.

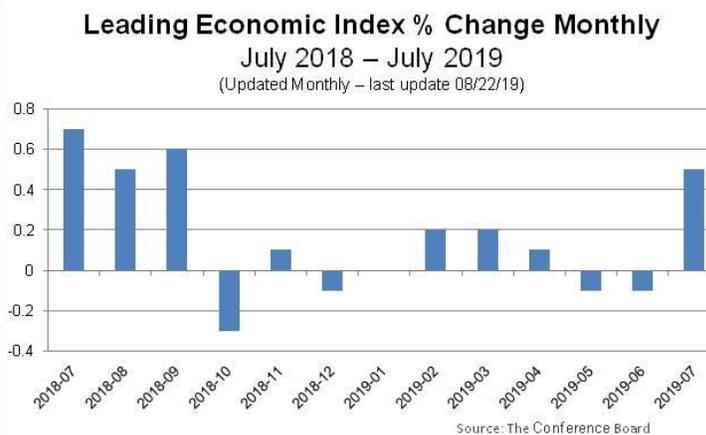
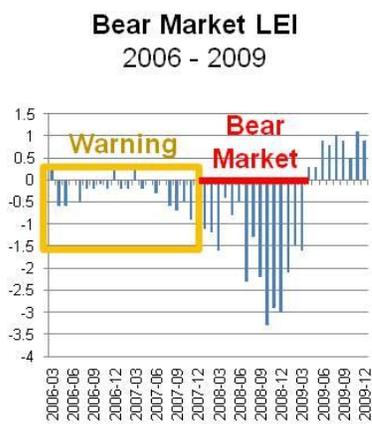
Give Us a Call Today

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.



“Ray Brown on bass, Elvin Jones on drums, and Alan Greenspan on interest rates.”

Delta Stock Market Dashboard



INDICATOR STATISTICS

MARKET SENTIMENT IS

BULLISH

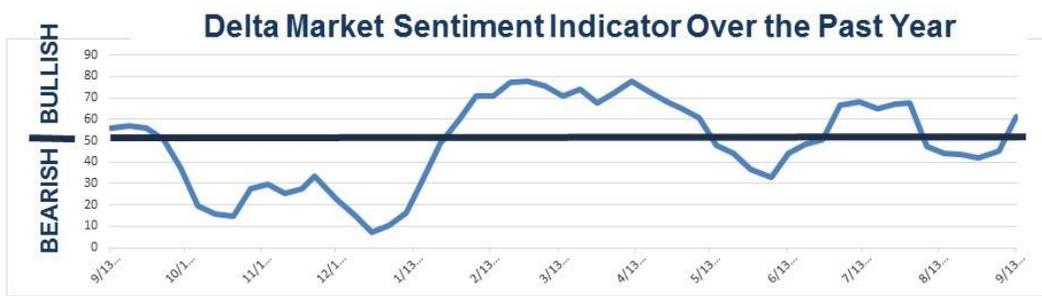
THIS WEEK'S NUMBER IS

61.1

Our technical indicator increased this week from 45.4 to 61.1

| | |
|----------------------------|-----------|
| Consecutive Bullish Weeks: | 1 |
| Cycle Inception Date: | 9/12/2019 |
| Range: | 61.1 |
| Mean: | 61.1 |
| Bullish Weeks YTD: | 24 |
| Bearish Weeks YTD: | 13 |
| *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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