

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.

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November 8, 2019

One Small Step for the U.S., One Giant Step for European Stock Markets

The U.S. stock market is at a new all-time high this week after reaching all-time highs on a regular basis for the past six years. This is typical of a bull market. The rest of the world is still, in aggregate, trading below its 2007 high. This is typical of a bear market.

S&P 500 vs. All Country ex-U.S. MSCI Index



The U.S. economy keeps stepping forward, especially in the past couple of weeks. The latest step forward was a better than expected ISM Non-Manufacturing (Services) report for October. The index was 54.7% versus expectations of 53.3% and a September reading of 52.6%. It was a great combination of new orders and employment increasing while the price component slowed. 80% of the U.S. economy is tied to services rather

than manufacturing and the better-than-expected report helps explain recent U.S. stock market strength.

What has been missing during the past ten years (with the exception of 2017) was similar appreciation in foreign markets. Recently, international markets have started to show signs of life. The chart below shows the U.S. as a leading market 2019 YTD but a lagging market in the past several months.

Country Comparison Equity Performance

2014	2015	2016	2017	2018	2019 YTD	Trailing 3-month	Trailing 1-month
India 27.86%	Japan 9.16%	Brazil 64.47%	China 34.68%	Brazil -2.56%	Italy 23.4%	Japan 7.97%	Germany 6.09%
United States 13.46%	Italy 3.12%	Canada 23.82%	India 36.15%	India -4.29%	United States 25.83%	Italy 6.81%	Brazil 5.86%
China 6.81%	United States 1.25%	United States 12%	France 29.13%	United States -4.56%	Canada 21.21%	Germany 6.45%	Italy 4.72%
Canada 1.08%	France 0.24%	France 4.90%	Italy 28.73%	France -12.88%	France 20.68%	France 4.83%	China 4.26%
Japan -6.22%	Germany -2.79%	Germany 3.60%	Germany 27.45%	Japan -14.09%	Brazil 18.24%	Spain 4.23%	France 3.62%
Spain -6.28%	England -7.03%	Japan 2.78%	Spain 26.99%	England -14.28%	Japan 16.81%	India 3.75%	England 3.5%
England -7.61%	India -8.57%	India 1.03%	Japan 24.27%	Spain -15.32%	Germany 15.71%	England 3.14%	Japan 3.42%
France -10.76%	China -8.99%	China -0.32%	Brazil 23.66%	Canada -17.16%	England 13.68%	United States 2.46%	Spain 2.73%
Italy -10.93%	Spain -15.51%	England -1.23%	United States 21.70%	Italy -17.19%	China 11.82%	Canada 1.37%	India 2.43%
Germany -11.96%	Canada -23.91%	Spain -1.81%	England 21.59%	China -19.77%	Spain 8.13%	Brazil 0.22%	United States 2.21%
Brazil -15.52%	Brazil -41.74%	Italy -8.55%	Canada 15.74%	Germany -21.37%	India 7.06%	China 0%	Canada -0.42%
Emerging Markets -3.44%	Developed Markets -1.00%	Emerging Markets 10.29%	Emerging Markets 37.40%	Developed Markets -13.81%	Developed Markets 17.17%	Developed Markets 4.61%	Emerging Markets 4.39%
Developed Markets -6.20%	Emerging Markets -14.31%	Developed Markets 1.37%	Developed Markets 25.10%	Emerging Markets -14.93%	Emerging Markets 9.61%	Emerging Markets 1.97%	Developed Markets 3.39%

Note: As of October 31st, 2019. Data source: FactSet. Numbers reflective of ETF performance.

Europe is showing strength. Germany, Italy and France have been in the top five best performing stock markets for the past three months. If we isolate just European stock markets using the STOXX 600 index, Europe may finally be setting up for a sustained upside breakout.

European Stock Market - STOXX 600



After 12 years of failing to trade significantly higher than the 2007 peak, an upside breakout in European stock markets may represent a major step forward. It appears that the European Central Bank's zero/negative interest rates and €20 billion worth of monthly bond buying (QE) is having effect. It suggests the possibility of recession globally is becoming more remote. It suggests that the U.S. stock market may see renewed vigor in its step as the global economy is more integrated than ever.

Give Us a Call Today

We have unique and sophisticated investment methods that seek to capture the stock market's gains while minimizing drawdowns in bear markets. If you would like to learn more about how we manage money, we invite you to give us a call at **(415) 249-6337**, visit www.deltaim.com or email us at info@deltaim.com.



*“That’s where we differ. You’d eat cat food,
but I wouldn’t touch dog food.”*

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK’S NUMBER IS

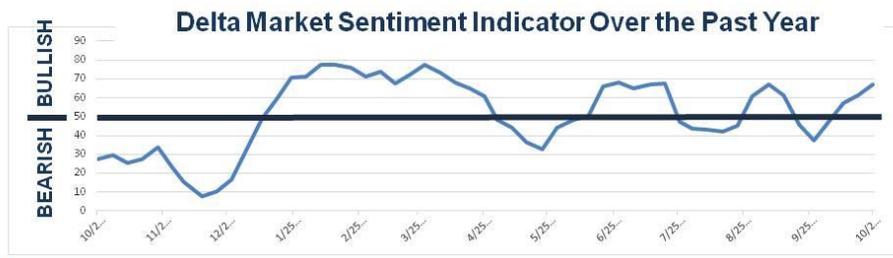
67.1

Our technical indicator increased
this week from 61.4 to 67.1

INDICATOR STATISTICS

Consecutive Bullish Weeks:	3
Cycle Inception Date:	10/25/2019
Range:	57.4 – 67.1
Mean:	62.0
Bullish Weeks YTD:	29
Bearish Weeks YTD:	18
*S&P 500	2.5%
*DJIA	3.2%
*NASDAQ	3.0%

*Percentage change during current cycle



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

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