

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

January 17, 2020

### **Finally Time to Go Abroad?**

The U.S. stock market (S&P 500) has dramatically outperformed both international developed and emerging markets since the start of 2009.

### **S&P 500 vs. International Stocks 2009 to Today**

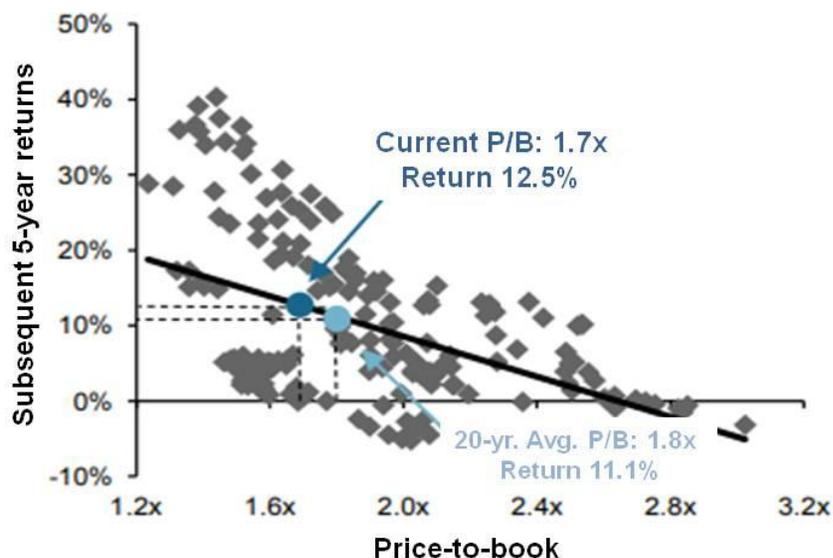


During the first ten years of the 21<sup>st</sup> Century, international markets enjoyed multi-year periods of outperformance relative to the S&P 500. Some of the underperformance of the past decade is a normalization of outperformance in the prior decade.

The United States stock market represents 54% of the world's total stock market value even though the U.S. population represents only 4.3% of the world's population. According to the Brookings Institute, over half of the 7.7 people in the world today are either "middle class" or "rich." In the next ten years, the global middle class is expected to grow from 4 billion people to 5.3 billion.

The price-to-book (P/B) ratio for the MSCI Emerging Markets Index is 1.7x. This is below its 20-year average of 1.8x. There is a strong correlation between book value and subsequent five year returns in the emerging markets. At a P/B ratio of 1.7x, the best fit line suggests average annual returns of 12.5% in U.S. dollars for the next five years. Actual outcomes may vary significantly and the historic range of outcomes is quite wide.

## Emerging Market P/B, Annualized USD

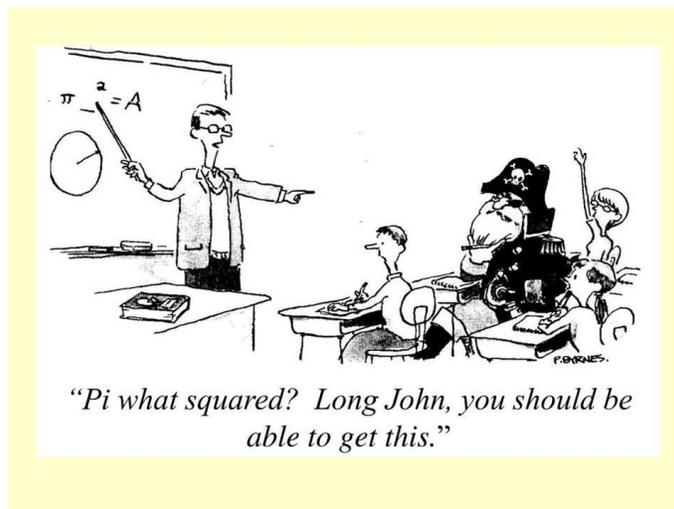


The price-to-book ratio of the S&P 500 is currently about 3.4x which is higher than the 25-year average of 3x.

If you have been concentrating your stock investments in the U.S. markets over the past ten years and you are having trouble finding attractively valued securities in the U.S. stock market today, 2020 may be a year when you take steps to increase your global stock diversification. Year-to-date, emerging market equities are leading the world equity markets higher.

### 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](http://www.deltaim.com) or email us at [info@deltaim.com](mailto:info@deltaim.com).



## Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BULLISH**

THIS WEEK'S NUMBER IS

**79.5**

Our technical indicator increased from 77.7 to 79.5 this week

### INDICATOR STATISTICS

Consecutive Bullish Weeks:	13
Cycle Inception Date:	10/25/2019
Range:	57.4 – 79.8
Mean:	70.1
Bullish Weeks YTD:	2
Bearish Weeks YTD:	0
*S&P 500	9.9%
*DJIA	9.0%
*NASDAQ	14.0%

\*Percentage change during current cycle



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

Pursuant to the provisions of Rule 206(4)-1 of the Investment Advisors Act of 1940, we advise all readers to recognize that they should not assume that recommendations made in the future will be profitable or will equal the performance of past recommendations. This publication is not a solicitation to buy or offer to sell any of the securities listed or reviewed herein. The contents of this letter have been compiled from original and published sources believed to be reliable, but are not guaranteed as to accuracy or completeness. Nicholas Atkeson and Andrew Houghton are also principals of Delta Investment Management, a registered investment advisor. Clients of Delta Investment Management and individuals associated with Delta Wealth Adviser may have positions in and may from time to time make purchases or sales of securities mentioned herein.

THIS NEWSLETTER IS PROTECTED BY COPYRIGHT LAW. UNAUTHORIZED DISTRIBUTION AND/OR REPRODUCTION BY PHOTOCOPY OR ANY OTHER MEANS IS STRICTLY PROHIBITED AND PUNISHABLE BY A FINE OF UP TO \$25,000.