

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.

March 20, 2020

|| PAUSE

We have collectively pressed “Pause” on the economy. Having the economy come to a stand-still is unlike anything we have experienced in our lifetimes. Typically, recessions are part of a cycle that evolve from one phase to the next over time. In this case, the worlds’ economies and stock markets were in “play” mode through mid-February showing accelerating growth and reaching all-time highs. A month later, the U.S. and would economies have been paused (taken virtually to near-zero activity).

During Pause, the economy is effectively in a depression. Second quarter GDP estimates range from -5% to -14%. How long the Pause lasts will greatly determine the damage done. To the extent possible, it appears governments will do all they can to economically support and repair damage done during the Pause.

It appears there are two main bodies of thought about how long the Pause will last. The bearish camp believes economic activity will remain suppressed until a COVID-19 vaccine is available. This is expected to take a year to eighteen months. The bullish camp believes the economy will rebound much sooner. Many analysts are still modeling positive GDP growth in the third quarter.

During unprecedented events, most predictions are likely to prove wrong. What we do know today is the Delta Market Sentiment Indicator (MSI) is 2.5 surpassing the previous low of 3.1 during the Credit Crisis in the Fall of 2008. The indicator has a history dating back to the early 1970s. When the indicator falls below 10, the market usually delivers strong positive results over the next twelve to eighteen months. Additionally, the CBOE Volatility Index (VIX) reached 84. The highest all-time reading was 89, also in 2008. Peak VIX readings normally occur near stock market lows.

Offsetting the Delta MSI and VIX extreme oversold readings is the Leading Economic Index (LEI). The LEI was reported this week. January was revised lower and February

was a slight positive. The conclusion from this data stream is the LEI six-month trend is negative and likely to go much more negative in the next few months. A negative trending LEI indicates an elevated risk of recession. With business at a virtual standstill during the Pause, financial stresses on businesses, investors and consumers is rising and stocks may go lower.

Delta is actively engaged in patient portfolio risk mitigation. Given the high volatility of the market, Delta is acting in a measured way over time. On an operational note, Delta remains fully operational during this time.

Good health!

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.



*"My desire to be well-informed is currently
at odds with my desire to remain sane."*

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

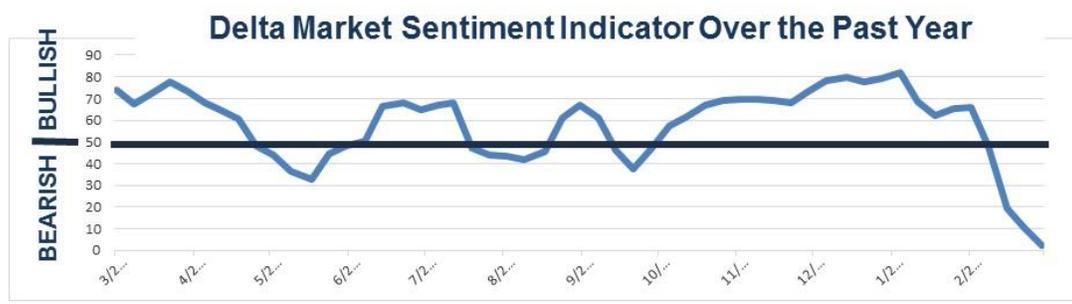
2.5

Our technical indicator decreased
from 10.3 to 2.5 this week

INDICATOR STATISTICS

Consecutive Bearish Weeks:	4
Cycle Inception Date:	2/27/2020
Range:	2.5 – 47.5
Mean:	33.6
Bullish Weeks YTD:	4
Bearish Weeks YTD:	0
*S&P 500	-18.8%
*DJIA	-22.1%
*NASDAQ	-15-9%

* Percentage change during current cycle



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

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