

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.

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April 17, 2020

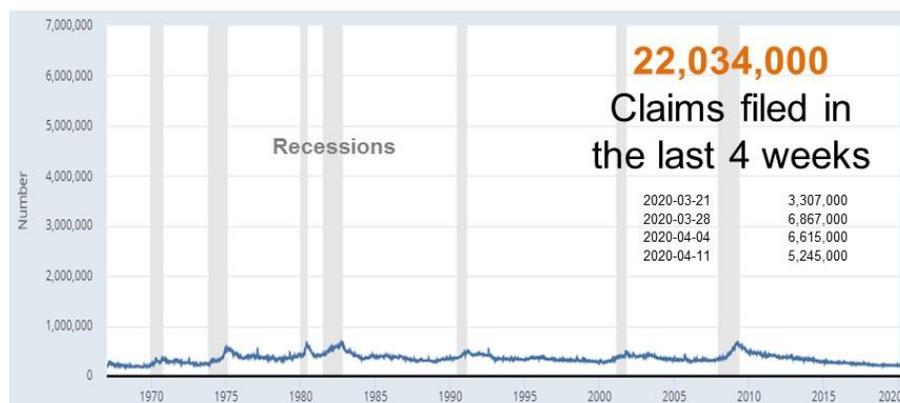
COVID-19 Winners and Losers

By March 23, the S&P 500 had declined roughly 35% from its all-time high on February 19. It was the fastest transition from bull to bear market in the past 120 years.

COVID-19 began as health shock. Some of the health shock is beginning to fade as it appears the U.S. and several other countries are flattening the curve. From a health standpoint, early indications are we are past peak crisis. COVID-19 is increasingly becoming an economic shock of record proportions. One of the most glaring examples of this is the unemployment data.

Weekly Initial Jobless Claims

1967 - 2020



Projecting from the economic data of April/May is likely to be as useful as projecting from the economic data of January/February. The economic landscape is changing at warp speed and using today's economic metrics to project tomorrow's outcome is likely to be a flawed approach.

There are economic COVID-19 winners and losers. Understanding who is winning and who is losing provides some perspective on potential further deterioration in stock prices as a result of the developing economic shock.

Winners are in technology, virtual commerce, consumer staples and health care. The winners also tend to have large cash balances and low leverage ratios.

Sectors suffering are energy, financials, industrials, materials, consumer discretionary. From an investment standpoint, we want to understand what percentage of the market capitalization of the stock market is made up of winners versus losers.

The NASDAQ 100 is disproportionately weighted with COVID-19 winners. The index is roughly flat on the year. With the economies of the world being brought to a stop, who would have forecast a flat year-to-date return from the NASDAQ 100?

The top twenty holdings comprise 71% of the NASDAQ 100 index market-cap. Below are the top twenty holdings with the winners (defined by down less than 5% year-to-date) highlighted in green. Most of these winners have positive returns year-to-date.

Top 20 NASDAQ 100 Holdings

Winners: less than 5% decline year-to-date

Ticker	Weight %	Company Name	YTD
1MSFT	11.8	Microsoft Corp	12.3%
2AAPL	11.4	Apple	-2.4%
3AMZN	10.3	Amazon.com	30.3%
4GOOG	7.8	Alphabet	-5.5%
5FB	3.8	Facebook	-14.1%
6INTC	3.0	Intel Corp	1.6%
7PEP	2.2	PepsiCo	-0.8%
8NFLX	2.2	Netflix	35.7%
9CSCO	2.0	Cisco Systems	-13.5%
10NVDA	2.0	NVIDIA Corp	25.2%
11CMCSA	1.9	Comcast Corp	-15.9%
12ADBE	1.9	Adobe	3.9%
13COST	1.6	Costco Wholesale Corp	9.4%
14AMGN	1.5	Amgen	-4.2%
15TSLA	1.5	Tesla	78.2%
16PYPL	1.5	PayPal Holdings	0.1%
17CHTR	1.2	Charter Communications	2.3%
18AVGO	1.2	Broadcom	-18.3%
19TXN	1.2	Texas Instruments	-13.2%
20GILD	1.1	Gilead Sciences	17.8%

The S&P 500 is down by about 13% year-to-date. Somewhat like the NASDAQ 100, but to a lesser degree, the S&P 500 is heavily market-cap weighted towards winners and away from losers.

Top 20 S&P 500 Holdings

Winners: less than 5% decline year-to-date

Ticker	Weight %	Company Name	YTD
MSFT	5.7	Microsoft Corporation	12.3%
AAPL	5.1	Apple	-2.4%
AMZN	4.2	Amazon.com	30.3%
GOOG	3.3	Alphabet	-5.5%
FB	1.8	Facebook	-14.1%
JNJ	1.7	Johnson & Johnson	2.6%
BRK.B	1.6	Berkshire Hathaway	-17.0%
PG	1.3	Procter & Gamble	-2.7%
JPM	1.2	JPMorgan Chase	-37.4%
V	1.2	Visa	-13.6%
UNH	1.2	UnitedHealth Group	1.5%
INTC	1.1	Intel Corporation	1.6%
VZ	1.0	Verizon Communications	-6.1%
MA	1.0	Mastercard	-17.4%
T	1.0	AT&T	-22.8%
HD	0.9	Home Depot	-8.5%
MRK	0.9	Merck	-8.7%
PFE	0.9	Pfizer	-8.4%
PEP	0.8	PepsiCo	-0.8%
NFLX	0.8	Netflix	35.7%

COVID-19 may be pushing consumer trends favorably towards the winners for years to come. The acceleration towards on-line commerce and discourse may persist rather than subside. If the winners keep winning, it seems unlikely that the NASDAQ 100 and/or the S&P 500 will fall below their March 23 lows. As the economic COVID-19 fallout shock mounts in the next several weeks, the predominance of market-cap winners in the major indexes may help explain the separation between main-street fundamental deterioration and relatively strong index prices.

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.



"Stop me if you heard this one."

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

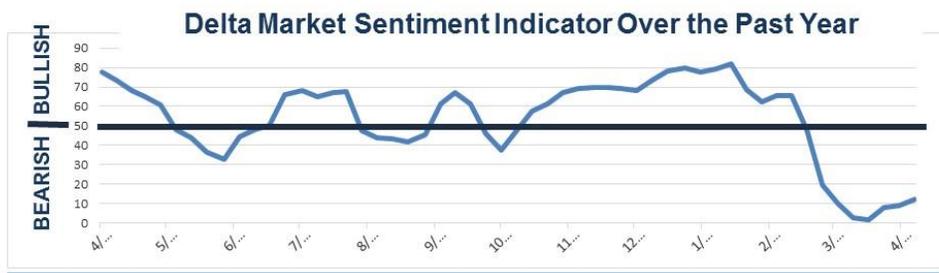
12.3

Our technical indicator increased from 8.8 to 12.3 this week

INDICATOR STATISTICS

Consecutive Bearish Weeks:	8
Cycle Inception Date:	2/27/2020
Range:	1.6 – 47.5
Mean:	13.8
Bullish Weeks YTD:	8
Bearish Weeks YTD:	8
*S&P 500	-6.2%
*DJIA	-8.9%
*NASDAQ	-0.6%

* Percentage change during current cycle



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

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