

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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COVID-19 Phase Shift Change

COVID-19 is accelerating change in a way that influenza, Ebola, rabies, polio, SARS, smallpox, HIV and dengue did not. COVID-19 shut down most of the major economies of the world. Some of the immediate consequences of the shut-down are extraordinary unemployment and all-time high Federal debt levels. Hopefully, these changes will not be permanent.

One of the more clear-cut examples of COVID-19 driven change is commerce is phase-shifting online rather than steadily migrating there. Pure on-line retailers are benefiting from a near total shut-down of their bricks-and-mortar, main-street competition.

Perhaps the most striking example of this is Wayfair (ticker symbol W), the online home store, which is up over 90% year-to-date as store-based furniture stores are closed.

This trend may persist as many traditional retailers may fail to survive the shutdown or emerge in a significantly reduced form.

There are industries that have resisted the on-line migration for years. For example, top-tier college education is almost entirely an in-person, on-site transaction. This traditional approach may finally significantly shift towards online giving rise to a new group of winning technology providers. Zoom (ZM) is just one example of how a new-generation of technology providers may benefit.

Covid-19 is generally benefiting the strongest companies and weakening companies that were not leaders in their industry and/or did not have cash heavy balance sheets. If a business is well capitalized and positioned, it likely will emerge from the Covid-19 crisis stronger than ever. Weak competition is facing heightened risk of business failure. Emerging competition may not be able to access growth capital. The dominate company in an industry is seeing unprecedented opportunities to expand through acquisition and further strengthen their position. Amazon may be the poster child of the strong getting stronger.

The strong getting stronger is an investment theme that is at play outside of just the on-line world. It is taking place in almost every industry. When considering the purchase of a stock in any industry, it is important to assess market position and balance sheet strength. There are leading companies in out-of-favor industries that may emerge from the COVID-19 crisis stronger than ever that are not being fully recognized today.

“Safe” business models were often considered to be companies whose goods or services are essential and that had broad customer bases whereby the same negative situation could not possibly impact all customers at once. Utilities and real-estate were considered safe businesses. In both cases, almost all customers were impacted at once causing falling demand and less capability to make payments. This is the second crisis in the past twelve years whereby the failure was systemic. Maybe the new “safe” will be based more on what a company’s on-line position is rather than on its hard assets.

Pandemics end with either a vaccine or an acceptance by society that life goes on even in the presence of the virus in society. This has been the case with influenza, Ebola, rabies, polio, SARS, smallpox, HIV and dengue. COVID-19 will meet the same end. What may last is an economy that is much more on-line based and dominated by fewer, stronger companies.

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.



“Daddy, can I stop being worried now?”

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

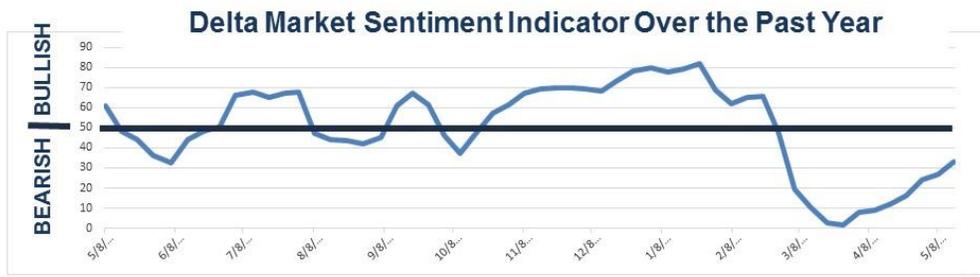
32.9

Our technical indicator increased
from 26.6 to 32.9 this week

INDICATOR STATISTICS

Consecutive Bearish Weeks:	12
Cycle Inception Date:	2/27/2020
Range:	1.6 – 47.5
Mean:	17.6
Bullish Weeks YTD:	8
Bearish Weeks YTD:	12
*S&P 500	-6.7%
*DJIA	-10.9%
*NASDAQ	1.8%

* Percentage change during current cycle



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

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