

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.

May 22, 2020

Technically Strong, Fundamentally Rich

The market is running like a bull. Not only is the market healing, it is technically strengthening. The technical strength is attracting some of the \$4.8 trillion held in money market funds currently. Momentum funds that use technical signals are increasing their market exposure as the S&P 500 gains strength. Market highs attract buyers and market lows create sellers – greed and fear.

Some of the basic signals that market technicians use are moving averages and resistance points. Two of the most watched moving averages (MA) are the 50-day and 200-day averages. The chart below shows the S&P 500 rising above its 50-day MA in late April (circled in orange) and this week traded within 1% of its 200-day MA. Additionally, the S&P 500 broke out above a 2,950 resistance point this week shown with the black horizontal dotted line on the graph below.

S&P 500 Index



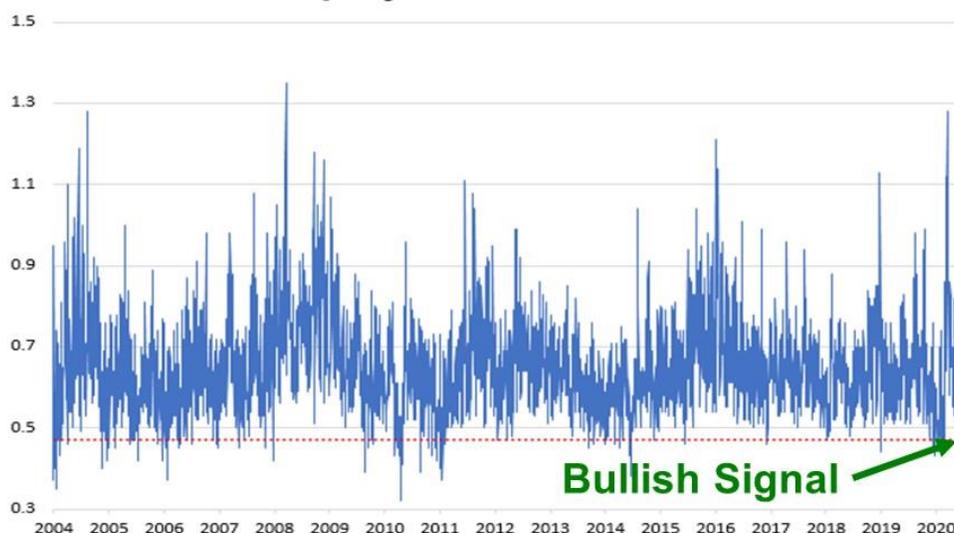
The Nasdaq Composite has created a clear “V” shape recovery and is well above its major moving averages. The tech heavy Nasdaq is up +4.5% YTD and only off 5.5% from the February all-time high (the S&P 500 is 13% from high). The strength of the technology and healthcare is helping pull other averages higher.

Nasdaq Composite



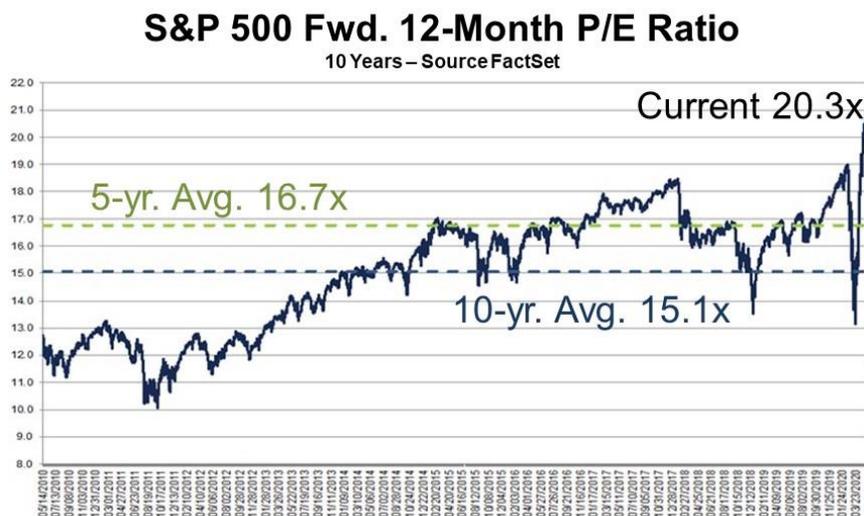
Equity option trades are investments involving predictions of future price in a specified period of time. Put options rise in value when the underlying security falls in value. They are bearish bets. Call options rise in value as the underlying security appreciates and are bullish bets. The Put/Call ratio can be a useful technical indicator of sentiment at extremes. Currently, the indicator is bullish.

Equity Put/Call Ratio



Momentum is a powerful factor in equity investing. Momentum tends to persist. Invariably, however, trends end.

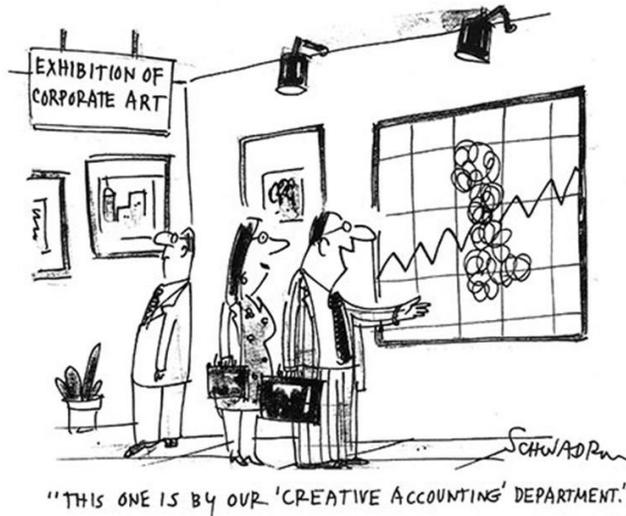
What prevails over very long periods of time are fundamentals. At some point, valuation matters. The current forward 12-month P/E ratio for the S&P 500 is 20.3x according to FactSet. This is elevated relative to historical averages.



Under almost any reasonable earnings scenario analysis, the S&P 500 valuation seems elevated. The market may keep running as additional bullish technical milestones are achieved, but over time stock prices live within the boundaries of valuation. If you have missed the rally so far, patience may be the best strategy from here.

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.



MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

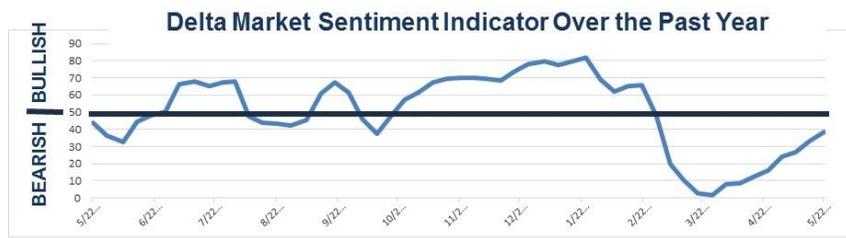
38.7

Our technical indicator increased from 32.9 to 38.7 this week

INDICATOR STATISTICS

Consecutive Bearish Weeks:	13
Cycle Inception Date:	2/27/2020
Range:	1.6 – 47.5
Mean:	19.2
Bullish Weeks YTD:	8
Bearish Weeks YTD:	13
*S&P 500	-0.6%
*DJIA	-4.6%
*NASDAQ	8.8%

* 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.