

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.

June 26, 2020

An Expected Rise

Two months ago, the U.S. reached a single-day record of 34,203 new Covid-19 infections. This week on Wednesday, we set a new daily high of 38,115. A rise in Covid cases should not come as a surprise given social distancing requirements are being relaxed, testing has increased and there were mass protests over the past several weeks. Several states are contemplating plans to slow down the reopening process.

The stock market recovery is predicated on a reopening of the economy and an expectation that economic activity will migrate back to pre-Covid levels over time. Headline news pertaining to economic re-opening/re-closing is driving stock market volatility currently.

A month ago, the S&P 500 traded up over its 200-day moving average. It is still there. The NASDAQ 100 (dominated by very large technology companies) is way above its 200-day moving average. The Dow Jones Industrial Average and small-capitalization Russell 2000 index are below.

Individually, these indexes are telling us that 1) large-cap technology companies can continue to grow in either a shut or open economy, 2) there are many other companies which constitute the S&P 500, for example in healthcare, consumer goods and a variety of other industries, that are doing relatively well and 3) some industries comprised of smaller-capitalization companies in the entertainment, leisure and travel segments have a much longer road to recovery even in an open economy. Collectively, the indexes are telling us the economic reopening process is likely to continue, albeit in fits and starts, almost no matter how much infection rates rise.

What we know today is:

1. The Federal Reserve is serving as a backstop on corporate debt. Liquidity risk is greatly reduced.

2. The capital markets (both equity and debt) are open. Large companies in need of cash can access cash – default risk is reduced.
3. The U.S. economy is reopening and there has been a material rise in economic activity off the lows.
4. Interest rates are extraordinarily low and projected to remain low for the foreseeable future. The 10-year “real” yield (nominal yield 0.7% less inflation – CPI 1.2%) on the U.S. treasury is roughly -0.5%. Low/negative rates lift stock valuations.

What we believe to be the case going forward is:

1. The economic re-opening process will, for the most part, continue, and
2. There is likely to be additional federal government stimulus.

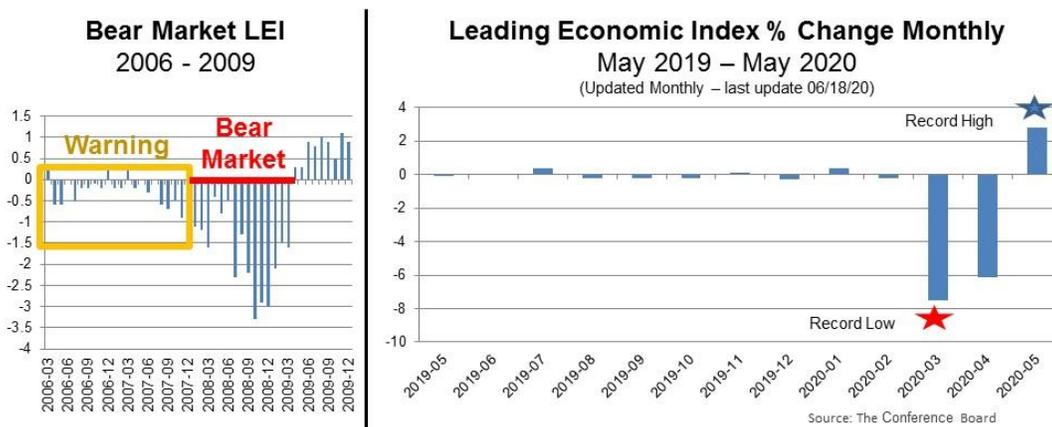
If the above conditions remain true, it is unlikely the stock market will retest the March lows and periods of material market weakness present buying opportunities.

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.



Delta Stock Market Dashboard



MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

87.7

Our technical indicator decreased from 88.8 to 87.7 this week

INDICATOR STATISTICS

| | |
|----------------------------|-------------|
| Consecutive Bullish Weeks: | 5 |
| Cycle Inception Date: | 5/28/2020 |
| Range: | 60.9 - 96.2 |
| Mean: | 93.3 |
| Bullish Weeks YTD: | 13 |
| Bearish Weeks YTD: | 13 |
| *S&P 500 | 0.6% |
| *DJIA | 0.1% |
| *NASDAQ | 5.2% |

* Percentage change during current cycle



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.