

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.

July 24, 2020

Small-Cap Catch-Up

The Covid-19 pandemic has created significant uncertainty. For the most part, the stock market has held up surprisingly well with the S&P 500 now having a small positive gain for the year. The key bullish drivers have been tremendous monetary/fiscal stimulus and an acceleration to on-line commerce which is benefiting the very large capitalization companies in the market.

The largest three companies in the S&P 500, representing 16.6% of the index, are Microsoft, Apple and Amazon. They have appreciated between 50%-90% year-to-date. This explains much of the strength in the S&P 500 and especially in the NASDAQ where their representation is 34.4%.

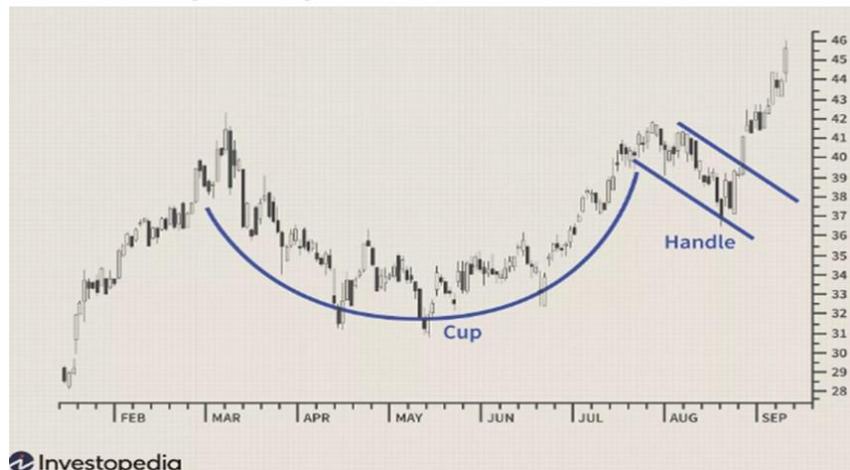
The chart below shows the positive correlation between global money supply (M1) and global total stock market returns. As of this week, global liquidity is providing a leading indication that stocks are headed higher over time.



The Russell 2000 small-capitalization index (ETF IWM) is down by about 10% year-to-date. Microsoft, Apple or Amazon are not in this index. The largest three companies in the index have a total combined weighting of about 1.1%.

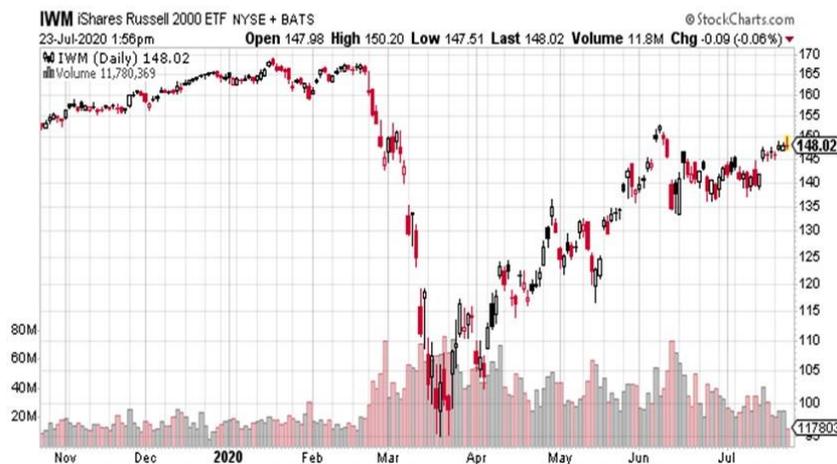
In the past week, the Russell 2000 is up by about 1.7% and the NASDAQ is down 1.5%. Many of the small company stocks are dependent on the economy reopening. They are hurt by social distancing and stay-at-home orders. Their outperformance in the past five trading days may be providing the early signs that the market is anticipating the implementation of a vaccine or more effective treatment within the next six months. An internet search for the bullish stock trading pattern called “Cup and Handle” will find the chart below on the Investopedia web site.

Example Cup and Handle Stock Pattern



The next chart shows the Russell 2000 ETF (IWM) trading pattern over the past nine months. From a chart perspective, the Russell looks bullish.

Russell 2000 (IWM)



The Leading Economic Index (LEI) was reported this week up 2% in June following a 3.2% increase in May. The six-month moving average remains negative and it will be several months before the LEI is likely to provide a definite reading of sustained expansion.

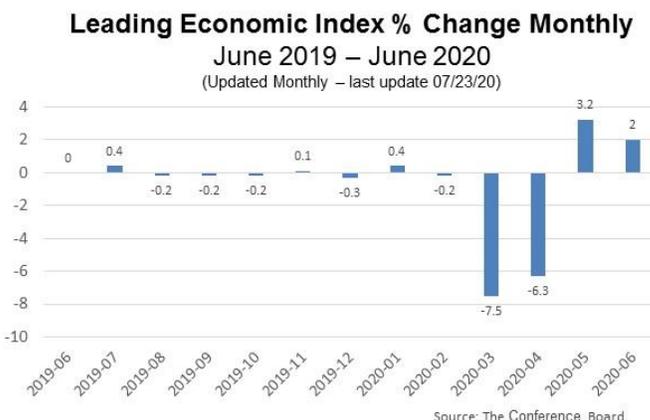
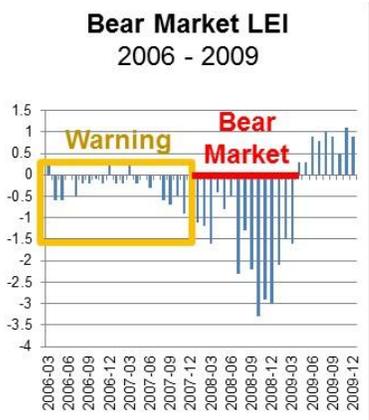
Give Us a Call Today

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.



"No, sweetie, we don't go to the beach. We're from New Jersey—we go to the shore."

Delta Stock Market Dashboard



INDICATOR STATISTICS

MARKET SENTIMENT IS

BULLISH

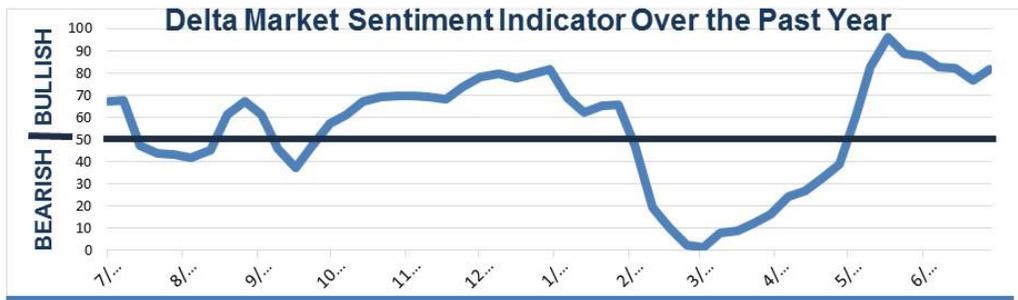
THIS WEEK'S NUMBER IS

81.9

Our technical indicator increased
from 76.7 to 81.9 this week

Consecutive Bullish Weeks:	9
Cycle Inception Date:	5/28/2020
Range:	60.9 – 96.2
Mean:	82.2
Bullish Weeks YTD:	17
Bearish Weeks YTD:	13
*S&P 500	8.0%
*DJIA	5.8%
*NASDAQ	13.6%

** 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.