

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.

August 21, 2020

Getting Ahead of COVID-19

China and much of Western Europe seems to be well ahead of the United States in managing the prevalence of COVID-19 and in re-opening economically. In China, mall traffic is back to about 85% of pre-COVID levels and China domestic air travel is fully recovered. In Germany (EU's largest economy), daily deaths from COVID-19 are averaging about 5 and new infections about 500 (population 83 million). In the U.S. (population 328 million), daily deaths are about 1,000 and new cases are about 44,000. Even population adjusted, Germany is well ahead of the U.S.

Foreign markets, especially emerging markets, are growing in importance. The newly updated Fortune 500 list of the 500 largest companies by revenue has more companies from China and Hong Kong than the U.S.

U.S. and China Fortune 500 Companies



Source: BofA Global Investment Strategy, Fortune 500

Emerging market countries now have more than 10x the number of mobile phone subscriptions compared to the U.S. at 4.4 billion vs. 400 million. The global ubiquity of

cell phones has expedited economic development in emerging markets. Ten years ago, 40% of emerging market economies were driven by commodities. Today, commodities represent only 10% while 55% is in service-based company models in the technology, consumer discretionary and communications sectors. These sectors mimic the S&P 500.

The price/earnings (P/E) multiple of the world stock market ex-U.S. is roughly 17x. This is more than 20% less expensive than the P/E of the U.S. market. Aggregate international dividend yields are 50% higher than the dividend yield of the S&P 500. According to the IMF World Economic Outlook, emerging markets are expected to account for 70% of global economic growth through 2025.

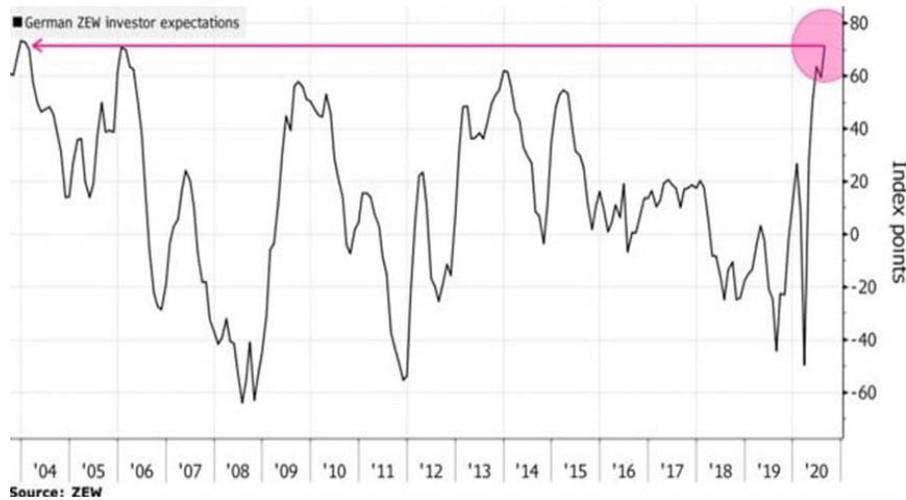
With many foreign countries leading on COVID-19 containment, we might expect to see recent strength in foreign stock markets. In the past three months, the Vanguard developed markets and emerging markets ETFs (VEA and VWO) have appreciated more than the S&P 500.

International Market Outperformance



In Germany, investor expectations are at highest level since 2004.

German ZEW Investor Expectations

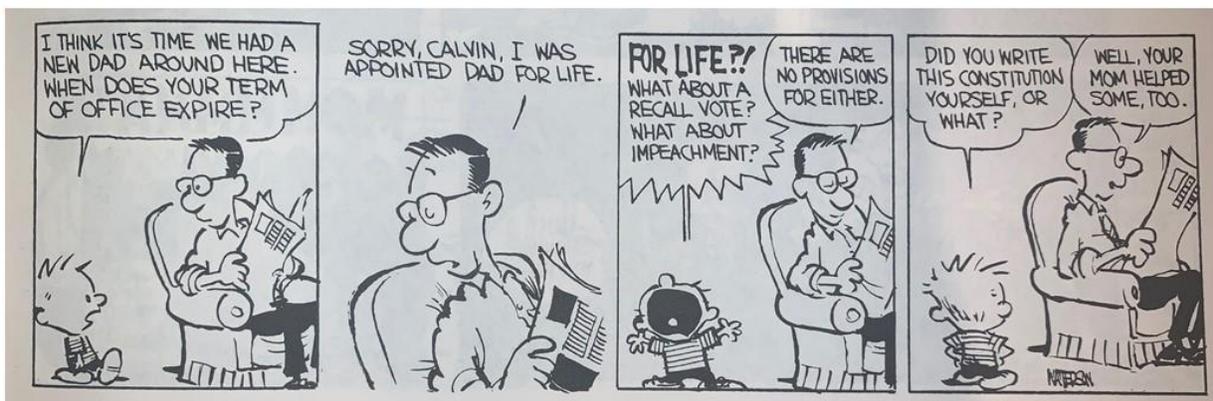


A weakening U.S. dollar is driving capital flows into foreign currencies which in turn, drive liquidity into foreign markets. The massive COVID-19 stimulus programs in the U.S. are taking U.S. sovereign debt/GDP ratios to levels similar to that of many emerging market countries. The number of emerging market countries with investment grade credit ratings has doubled over the past twenty years.

For most of the past decade, international markets substantially underperformed the S&P 500. As the world develops and becomes more universally technology driven, the rest-of-the-world may be the place to be with a part of the investment allocation.

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.



Calvin & Hobbes by Bill Watterson

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

77.6

Our technical indicator decreased from 80.1 to 77.6 this week

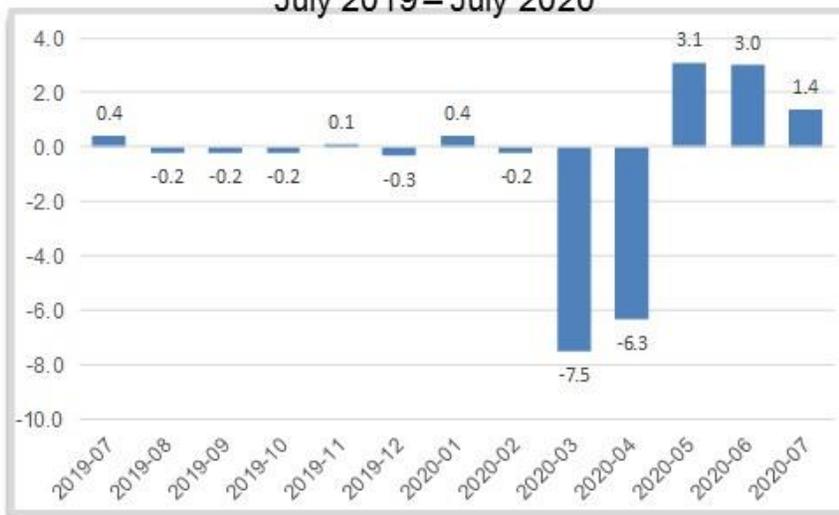
INDICATOR STATISTICS

Consecutive Bullish Weeks:	13
Cycle Inception Date:	5/28/2020
Range:	60.9 – 96.2
Mean:	81.0
Bullish Weeks YTD:	21
Bearish Weeks YTD:	13
*S&P 500	11.6%
*DJIA	9.1%
*NASDAQ	19.3%

* Percentage change during current cycle



Leading Economic Index % Change Monthly July 2019 – July 2020



Source: The Conference Board, updated monthly – last update 8/20/2020

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