

DELTA  
INVESTMENT  
MANAGEMENT

---

**AAII**

# **2022 Bear Market That No One Saw Coming**

---

708 Montgomery Street  
San Francisco, CA 94111  
(415) 249-6337, [www.deltaim.com](http://www.deltaim.com)



# Disclosures

The presentation is being provided for informational purposes only and should not be used or construed as a recommendation of any security, sector or investment strategy.

The opinions in this presentation are as of the date of the presentation.

Stock and bond markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments as well as interest rate risk, inflation, credit and default rates. In addition, foreign securities are subject to interest rate, currency exchange rate, economic and political risks, all of which are magnified in emerging markets.

The S&P 500 Index is a market capitalization weighted index of 500 widely held stocks often used as a proxy for the stock market.

Consider the investment objectives, risks, charges, expenses, and instruments used to implement a strategy before investing.

Past performance is no guarantee of future results or returns.

Investing involves risk, including risk of loss.

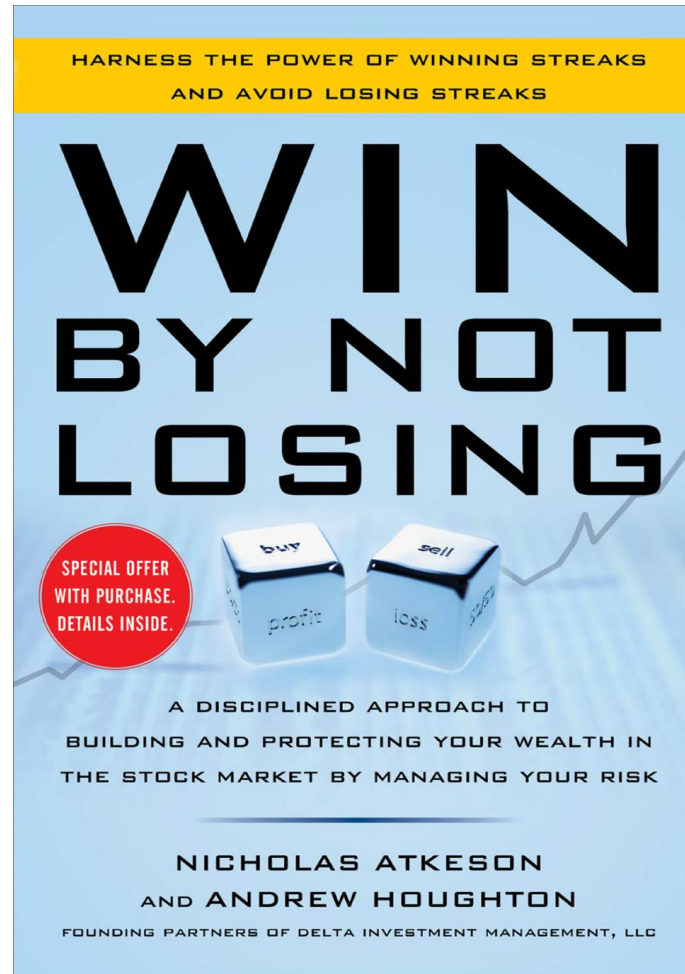
Delta Investment Management is a California registered investment advisor. The firm is based in San Francisco, CA. For more information, please visit [www.deltaim.com](http://www.deltaim.com) or call (415) 249-6337.

# Delta Investment Philosophy

- ❖ *We believe there are periods in market cycles to be fully invested and there are other periods not to be fully invested*
- ❖ *As such, we believe it is necessary to be proactive in managing money*
- ❖ *As active managers, we follow market-tested, proven investment disciplines*
- ❖ *During bullish cycles, we seek to invest in the strongest performing assets*
- ❖ *During bearish cycles, we seek to preserve capital by reducing exposure to risk assets*
- ❖ *We believe diversification in both asset type and asset allocation methodology strengthens portfolio performance through the full investment cycle*

# *Win by Not Losing*

Book Available  
On Amazon



# Delta MSI in Barron's

February 3, 2014

**BARRON'S**  
The New York Times and Financial Weekly

BARRON'S

M57

## Market Laboratory • Indicators

### MONEY RATES

	Latest	Prev.	7-Day Week
Discount Rate (NY)	%	%	%
Prime Rate (Bank)	3%	3%	3%
Real Estate Rate	%	%	%
Aug. effective offer	8.6	8.6	8.6
Aug. monthly auction	8.6	8.6	8.6
T-Bill Rate			
12 weeks, Coupon Field	0.09	0.09	0.09
12 weeks, Auction Field	0.09	0.09	0.09
20 weeks, Coupon Field	0.09	0.09	0.09

### FEDERAL RESERVE DATA BANK

Member Bank	Latest	Prev.	Year
Reserve Chgs. (Bil. \$)	Week	Change	Age
One week ended Jan. 29:			
U.S. Gov't securities:	3,833,923	+ 13,561	+1,882,348
Bought outright:			
Federal agency notes:	54,911	—	-20,208
Bought outright:			
Reserve bank credit:			
Money Credit:			
12	11	12	
16	1	16	
488	86	-2,744	
31,529	+1,050	+5,895	
4,898,698	+13,490	+1,888,328	
11,641	—	—	
9,300	—	—	
45,395	+14	+764	
4,144,381	+13,779	+1,889,848	
1,234,849	+1,422	+78,023	
361	+5	+77	
88,337	+11,528	+18,218	
6,050	—	+818	
42,110	+7,304	+28,284	
63,499	-124	-436	
1,625,155	+17,471	+28,481	
3,519,198	-3,882	-88,466	
3,894,288	-16,151	+79,837	

### DELTA MARKET SENTIMENT INDICATOR

The Delta MSI measures the position of ~3,600 stocks relative to an intermediate-term moving average crossover (MAC) point. When greater than 50% of the stocks followed are above this MAC point, the market is bullish and equities are attractive. When the indicator is below 50%, risk is elevated and stock exposures should be reduced. Manager uses discretion on asset allocation when MSI is 50% +/- 3%.

Current Sentiment	Last Week	2 Weeks Ago	3 Weeks Ago
BULLISH	52.1%	67.4%	65.2%
Current Market Exposure:	100% Equities, 0% Bonds, 0% Cash		
Source: Delta Investment Management			
www.deltain.com, (415) 249-6337			

Other Money Rates	Latest	Prev.	7-Day Week
1-Year Treasury	0.26	0.26	0.26
3-Month Treasury	0.12	0.12	0.12
6-Month Treasury	0.12	0.12	0.12
12-Month Treasury	0.12	0.12	0.12
15-Month Treasury	0.12	0.12	0.12
18-Month Treasury	0.12	0.12	0.12
21-Month Treasury	0.12	0.12	0.12
24-Month Treasury	0.12	0.12	0.12
27-Month Treasury	0.12	0.12	0.12
30-Month Treasury	0.12	0.12	0.12

### DELTA MARKET SENTIMENT INDICATOR

The Delta MSI measures the position of ~3,600 stocks relative to an intermediate-term moving average crossover (MAC) point. When greater than 50% of the stocks followed are above this MAC point, the market is bullish and equities are attractive. When the indicator is below 50%, risk is elevated and stock exposures should be reduced. Manager uses discretion on asset allocation when MSI is 50% +/- 3%.

Current Sentiment	Last Week	2 Weeks Ago	3 Weeks Ago
BULLISH	52.1%	67.4%	65.2%

Current Market Exposure: 100% Equities, 0% Bonds, 0% Cash

Source: Delta Investment Management

www.deltain.com, (415) 249-6337

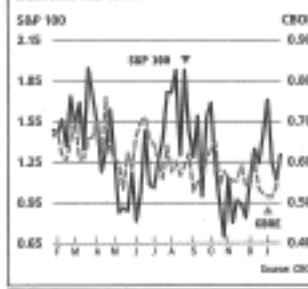
Member Bank	Latest	Prev.	Year
Reserve Chgs. (Bil. \$)	Week	Change	Age
One week ended Jan. 29:			
U.S. Gov't securities:	3,833,923	+ 13,561	+1,882,348
Bought outright:			
Federal agency notes:	54,911	—	-20,208
Bought outright:			
Reserve bank credit:			
Money Credit:			
12	11	12	
16	1	16	
488	86	-2,744	
31,529	+1,050	+5,895	
4,898,698	+13,490	+1,888,328	
11,641	—	—	
9,300	—	—	
45,395	+14	+764	
4,144,381	+13,779	+1,889,848	
1,234,849	+1,422	+78,023	
361	+5	+77	
88,337	+11,528	+18,218	
6,050	—	+818	
42,110	+7,304	+28,284	
63,499	-124	-436	
1,625,155	+17,471	+28,481	
3,519,198	-3,882	-88,466	
3,894,288	-16,151	+79,837	

### ADJUSTABLE MORTGAGE BASE RATES

	Jan. 22	Jan. 23	1-Yr. Ago	% Chg.
1-Year Treas/Bills	0.11	0.11	0.15	-26.57
1-Year Treas/Notes	0.10	0.10	0.15	-33.33
1-Year Treas/Notes	0.10	0.10	0.15	-33.33
1-Year Treas/Notes	0.10	0.10	0.15	-33.33
1-Year Treas/Notes	0.10	0.10	0.15	-33.33
1-Year Treas/Notes	0.10	0.10	0.15	-33.33
1-Year Treas/Notes	0.10	0.10	0.15	-33.33
1-Year Treas/Notes	0.10	0.10	0.15	-33.33
1-Year Treas/Notes	0.10	0.10	0.15	-33.33
1-Year Treas/Notes	0.10	0.10	0.15	-33.33

### CRDE PUT/CALL RATIO vs S&P 100

Readings in the CRDE equity put-call ratio of 0.8108 and in the S&P 100 of 125.000 are considered bullish, for instance. Bearish signals flash when the equity put-call level reaches the vicinity of 0.5000 and the index rate hits 10.000.



### INVESTOR SENTIMENT READINGS

High bullish readings in the Consensus stock index or in the Market Vantage stock index usually coincide with market tops, low ones, market bottoms.

	Last Week	2 Weeks Ago	3 Weeks Ago
Consensus Index	68%	71%	72%
Consensus Bullish Sentiment	68%	71%	72%
Source: Consensus Inc., P.O. Box 50525, Independence, Mo.			
Market Vantage	81%	87%	88%
Source: Market Vantage, P.O. Box 50525, Independence, Mo.			
Market Vantage	81%	87%	88%
Source: Market Vantage, P.O. Box 50525, Independence, Mo.			

### FOREIGN EXCHANGE

The foreign-exchange mid-range rates below apply to trading among banks in amounts of \$1 million and more, as quoted at 1 p.m. Eastern time by Reuters and other sources. Special transactions provide lower rates of foreign currency per dollar.

Country	Foreign Currency	U.S. \$	Foreign Currency	U.S. \$
Argentina (Fixed)	13.07	13.07	13.07	13.07
Australia (Fixed)	0.75	0.75	0.75	0.75
1-month forward	0.75	0.75	0.75	0.75
3-month forward	0.75	0.75	0.75	0.75
6-month forward	0.75	0.75	0.75	0.75
Bahamas (Fixed)	0.0028	0.0028	0.0028	0.0028
Brazil (Fixed)	0.145	0.145	0.145	0.145
Canada (Fixed)	0.75	0.75	0.75	0.75
China (Fixed)	0.0000	0.0000	0.0000	0.0000
China (Forward)	0.0000	0.0000	0.0000	0.0000
Colombia (Fixed)	0.0000	0.0000	0.0000	0.0000
Czech Rep. (Fixed)	0.0000	0.0000	0.0000	0.0000
Denmark (Fixed)	0.0000	0.0000	0.0000	0.0000
Egypt (Fixed)	0.0000	0.0000	0.0000	0.0000
Hong Kong (Fixed)	0.0000	0.0000	0.0000	0.0000
Hungary (Fixed)	0.0000	0.0000	0.0000	0.0000
India (Fixed)	0.0000	0.0000	0.0000	0.0000
Indonesia (Fixed)	0.0000	0.0000	0.0000	0.0000
Israel (Fixed)	0.0000	0.0000	0.0000	0.0000
Japan (Fixed)	0.0000	0.0000	0.0000	0.0000
1-month forward	0.0000	0.0000	0.0000	0.0000
3-month forward	0.0000	0.0000	0.0000	0.0000
6-month forward	0.0000	0.0000	0.0000	0.0000
Jordan (Fixed)	0.0000	0.0000	0.0000	0.0000
Korea (Fixed)	0.0000	0.0000	0.0000	0.0000
Laos (Fixed)	0.0000	0.0000	0.0000	0.0000
Malaysia (Fixed)	0.0000	0.0000	0.0000	0.0000
Mexico (Fixed)	0.0000	0.0000	0.0000	0.0000
New Zealand (Fixed)	0.0000	0.0000	0.0000	0.0000
Norway (Fixed)	0.0000	0.0000	0.0000	0.0000
Poland (Fixed)	0.0000	0.0000	0.0000	0.0000
Portugal (Fixed)	0.0000	0.0000	0.0000	0.0000
Romania (Fixed)	0.0000	0.0000	0.0000	0.0000
Saudi Arabia (Fixed)	0.0000	0.0000	0.0000	0.0000
Singapore (Fixed)	0.0000	0.0000	0.0000	0.0000
South Africa (Fixed)	0.0000	0.0000	0.0000	0.0000
South Korea (Fixed)	0.0000	0.0000	0.0000	0.0000
Sweden (Fixed)	0.0000	0.0000	0.0000	0.0000
Switzerland (Fixed)	0.0000	0.0000	0.0000	0.0000
1-month forward	0.0000	0.0000	0.0000	0.0000
3-month forward	0.0000	0.0000	0.0000	0.0000
6-month forward	0.0000	0.0000	0.0000	0.0000
Taiwan (Fixed)	0.0000	0.0000	0.0000	0.0000
Thailand (Fixed)	0.0000	0.0000	0.0000	0.0000
Turkey (Fixed)	0.0000	0.0000	0.0000	0.0000
U.S. (Fixed)	0.0000	0.0000	0.0000	0.0000
1-month forward	0.0000	0.0000	0.0000	0.0000
3-month forward	0.0000	0.0000	0.0000	0.0000
6-month forward	0.0000	0.0000	0.0000	0.0000
United Arab Emirates	0.0000	0.0000	0.0000	0.0000
Uruguay (Fixed)	0.0000	0.0000	0.0000	0.0000
Venezuela (Fixed)	0.0000	0.0000	0.0000	0.0000

DELTA  
INVESTMENT  
MANAGEMENT

# Weekly Newsletter



DELTA  
INVESTMENT  
MANAGEMENT

## *Delta Insights*

a weekly commentary on investing

---

*Delta Investment Management is a registered investment advisory firm headquartered in San Francisco.*

*Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new partner.*

*Delta manages stock and bond portfolios at Schwab and TD Ameritrade.*

*Please contact Delta at [info@deltaim.com](mailto:info@deltaim.com) or 415-249-6337 if you would like to learn more how we can be your partner.*

---

## The Hidden Risks of “Safe” Assets

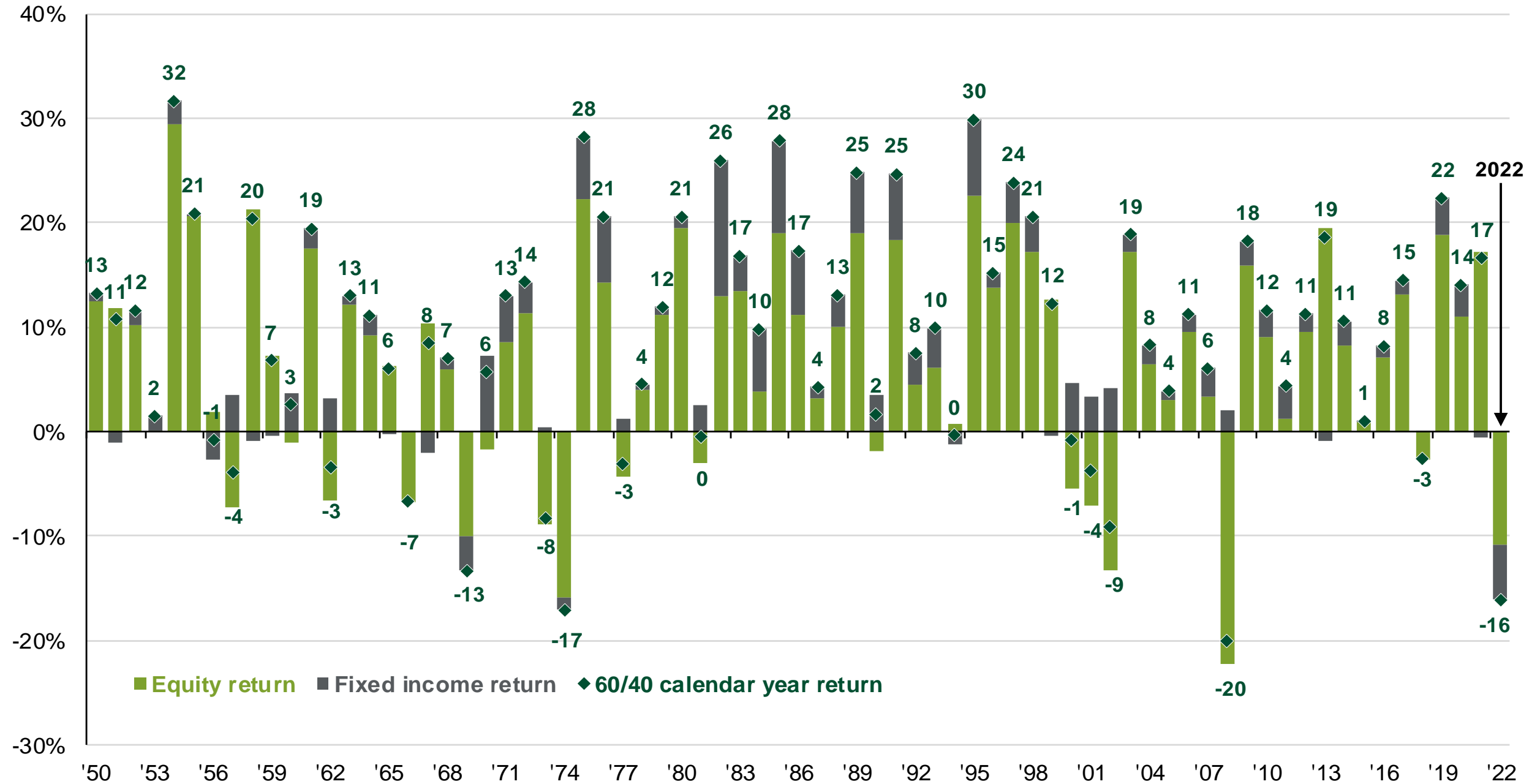
April 6, 2018

Dear Nick,

Money managers often advise clients who would like more safety in their portfolios to increase the weighting of bonds versus stocks. Historically, bonds have experienced lower volatility than stocks. Volatility (standard deviation) is one way risk is measured in finance.

DELTA  
INVESTMENT  
MANAGEMENT

# 60/40 Annual Returns, 1950 - 2022



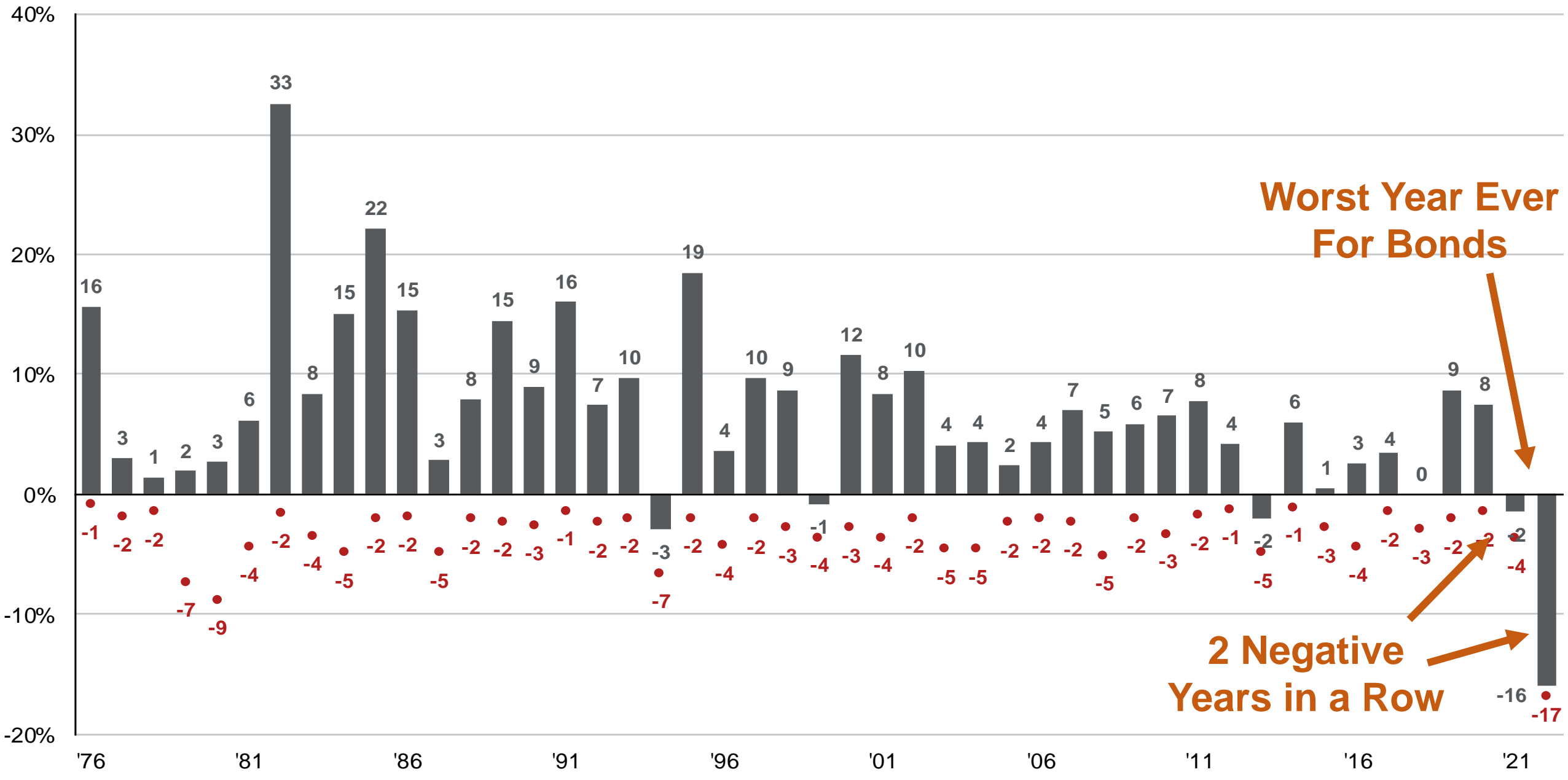
# S&P 500 Intra-Year and Calendar Year Returns





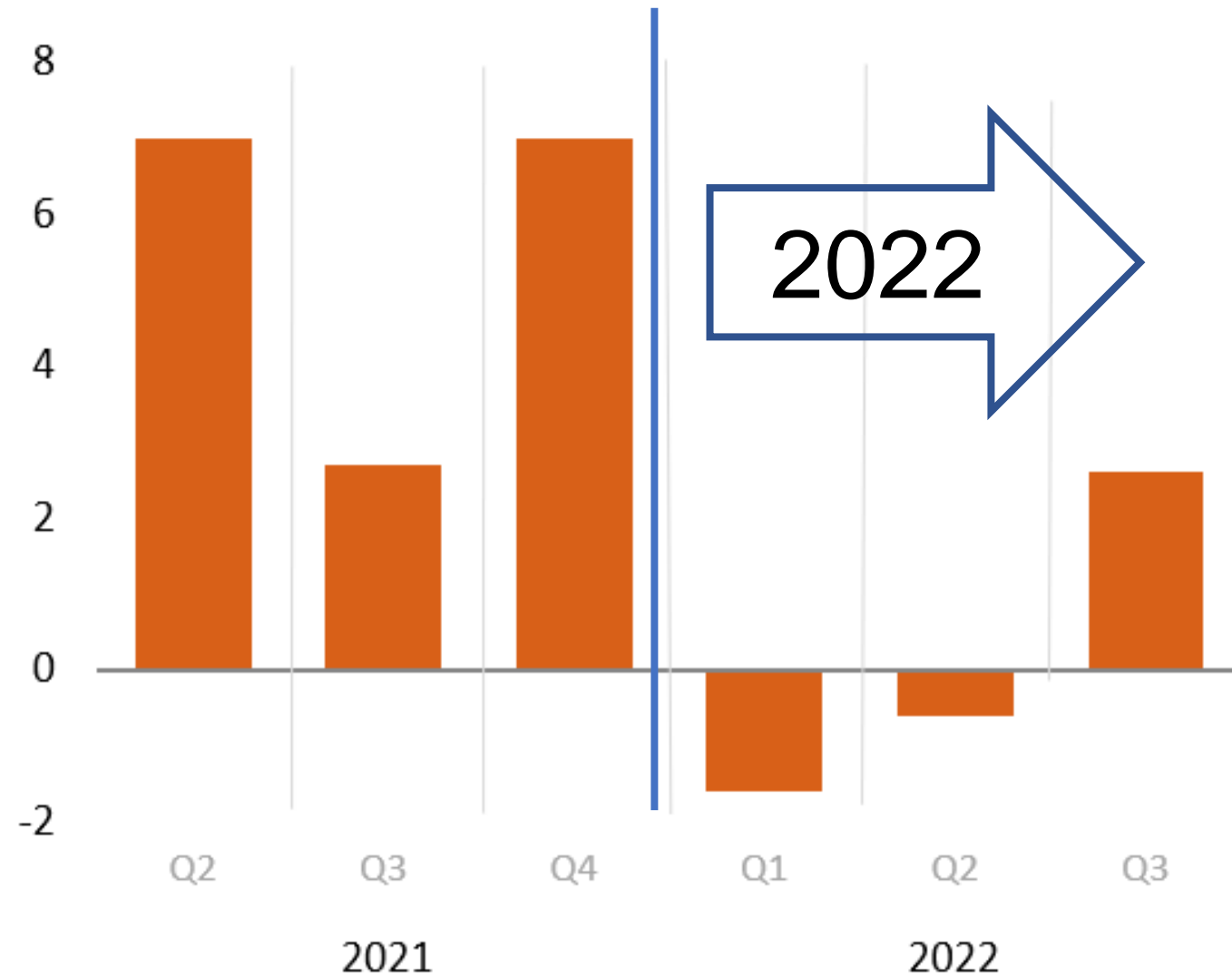
# Bloomberg US Agg. Annual Returns and Intra-Year Declines

Bloomberg U.S. Aggregate Intra-Year Declines vs. Calendar Year Returns

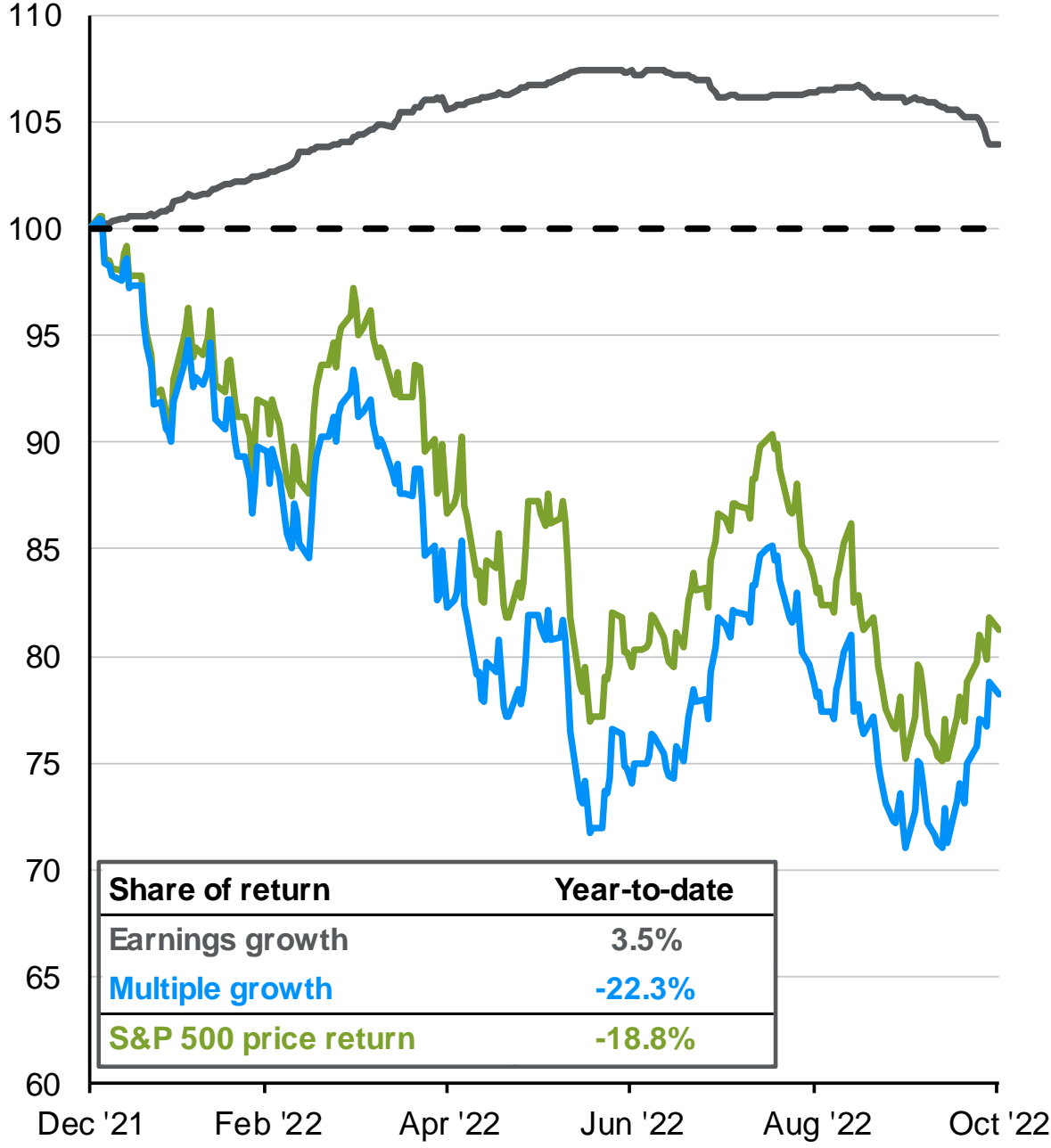
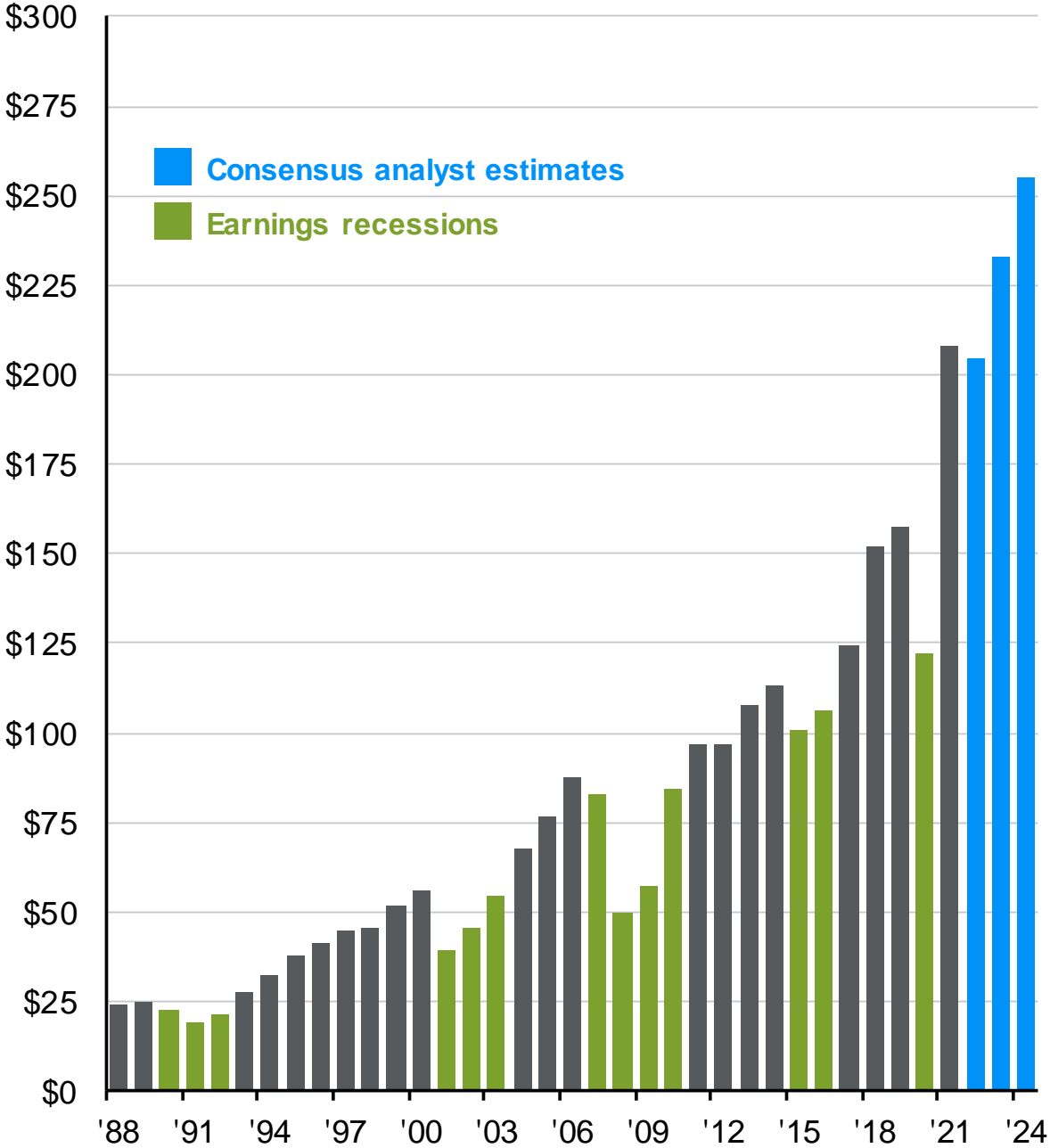


# REAL GDP

Real GDP: Percent change from preceding quarter

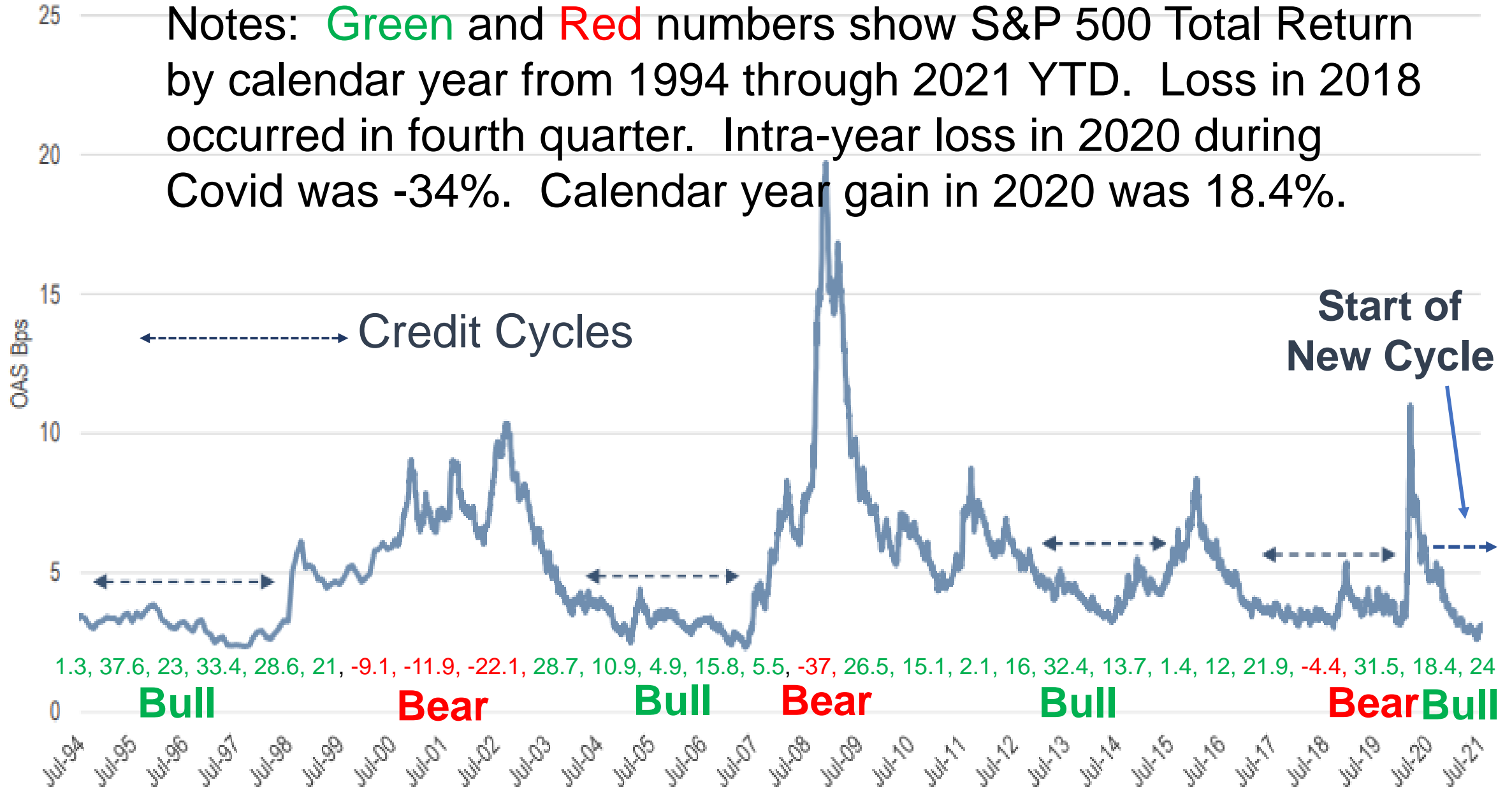


# Corporate Profits and Sources of Return as of 10/31/2022

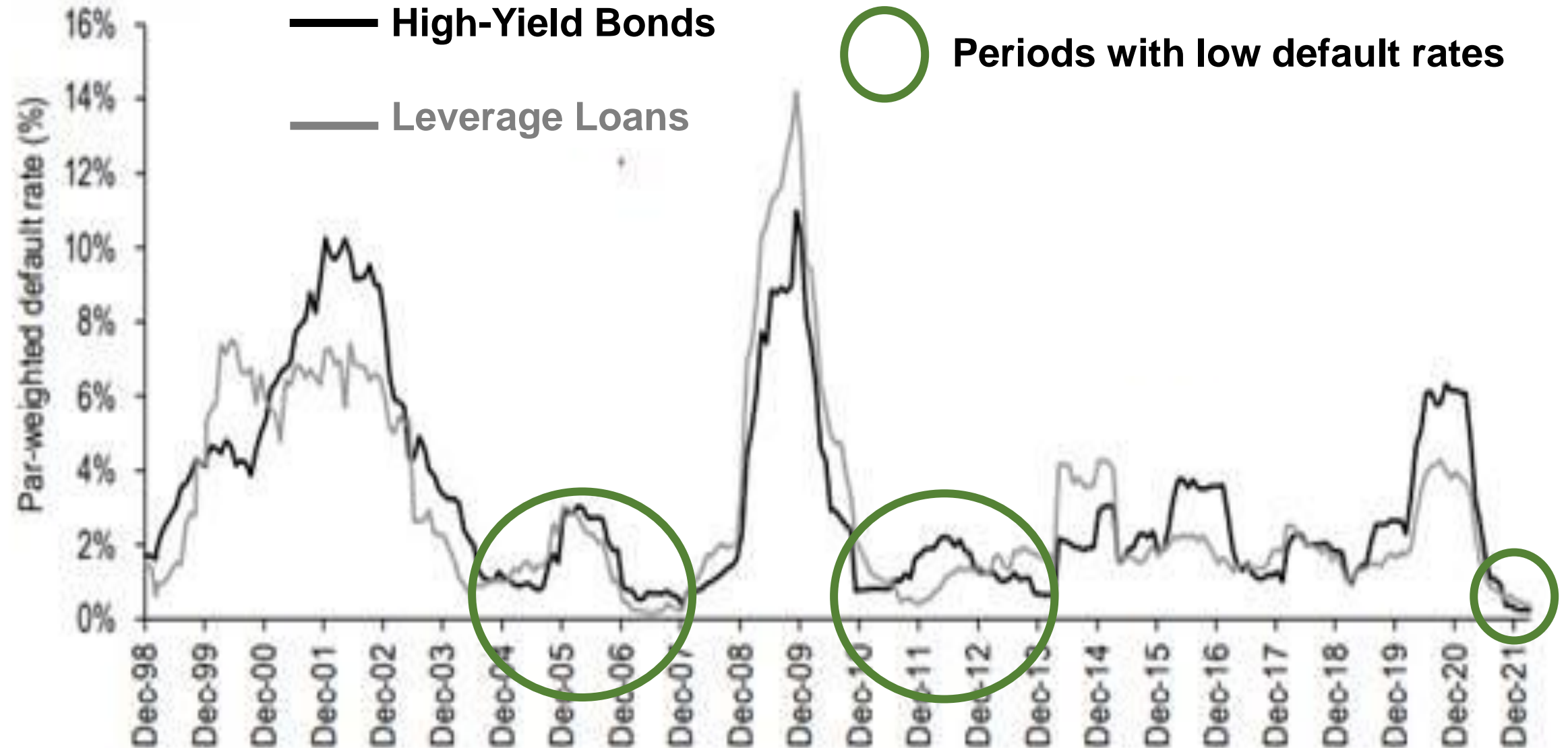


# High Yield Spreads and Stock Market Cycles

Notes: **Green** and **Red** numbers show S&P 500 Total Return by calendar year from 1994 through 2021 YTD. Loss in 2018 occurred in fourth quarter. Intra-year loss in 2020 during Covid was -34%. Calendar year gain in 2020 was 18.4%.



# High-Yield Bond and Loan Default Rates



Source: J.P. Morgan.

# Core PCE (Inflation), 10-Years

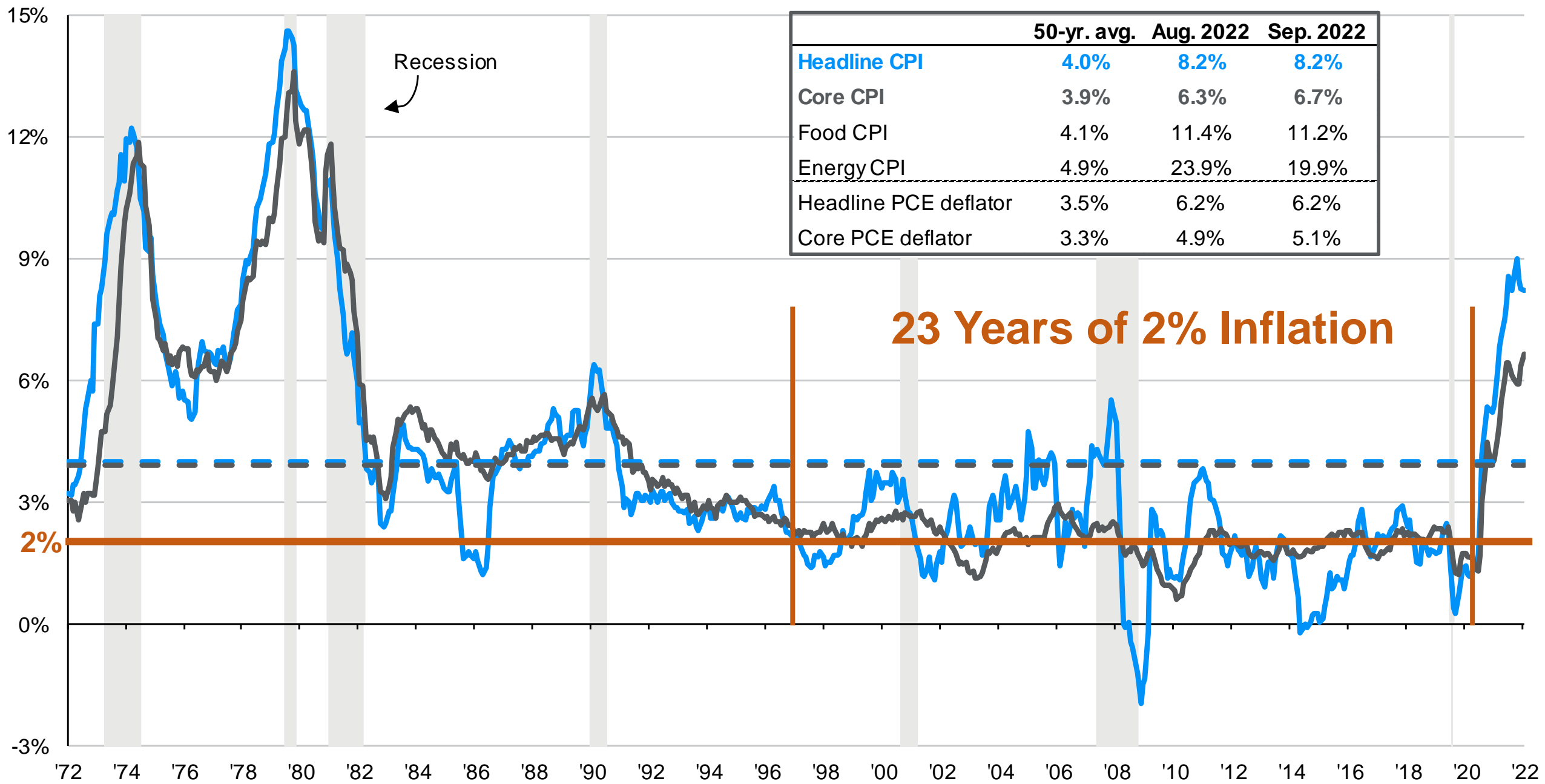


— Personal Consumption Expenditures Excluding Food and Energy (Chain-Type Price Index)



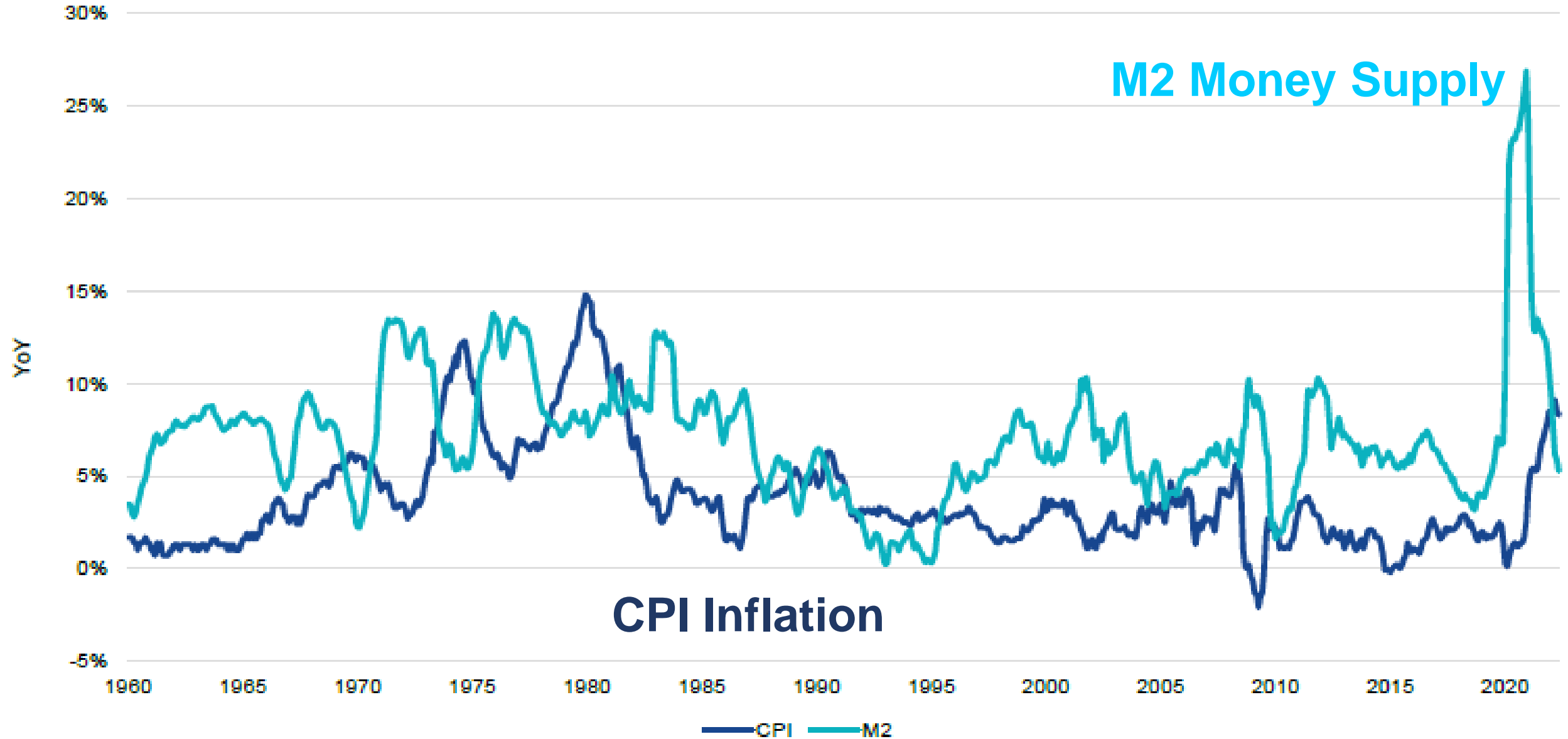
# CPI and core CPI

% change vs. prior year, seasonally adjusted



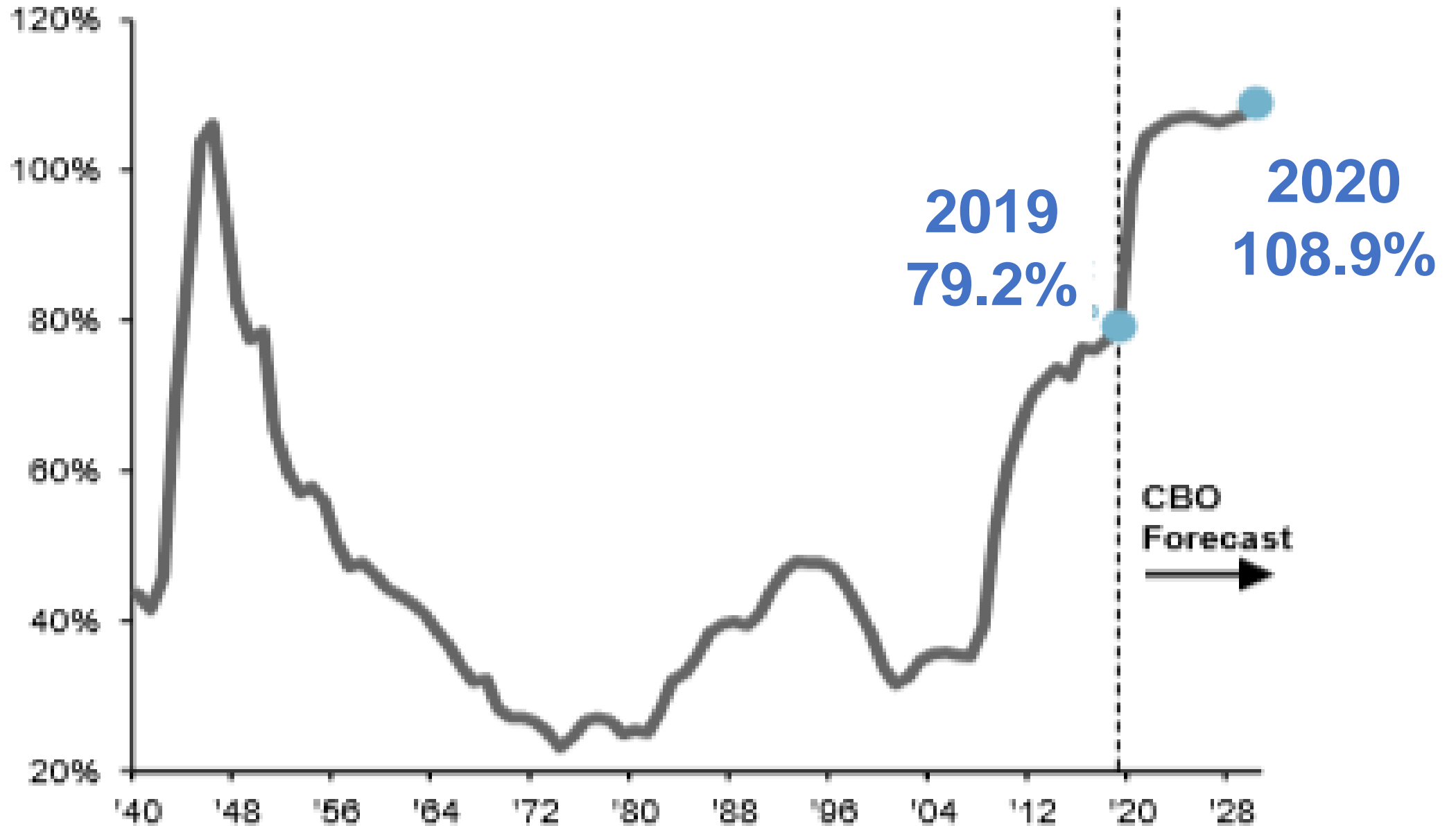
# Inflation and Money Supply

CPI vs. M2 Yearly Growth



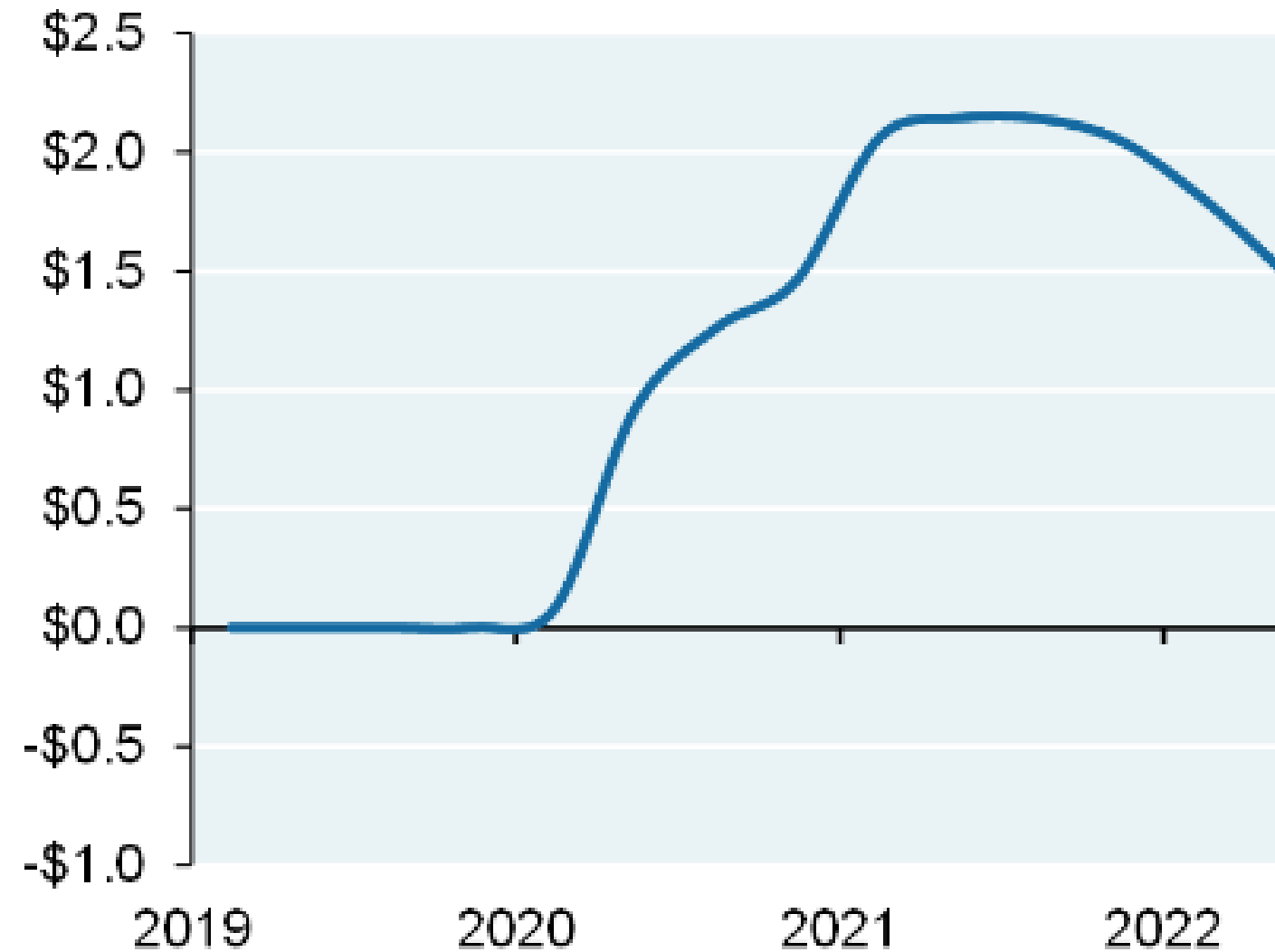


# Federal Debt, % of GDP, 1940-2030



# Accumulated "extra" saving

US\$, trillions



Source: BEA, J.P. Morgan Equity Strategy. Q3 2022.  
projections.

# Corporate Cash in the Bank



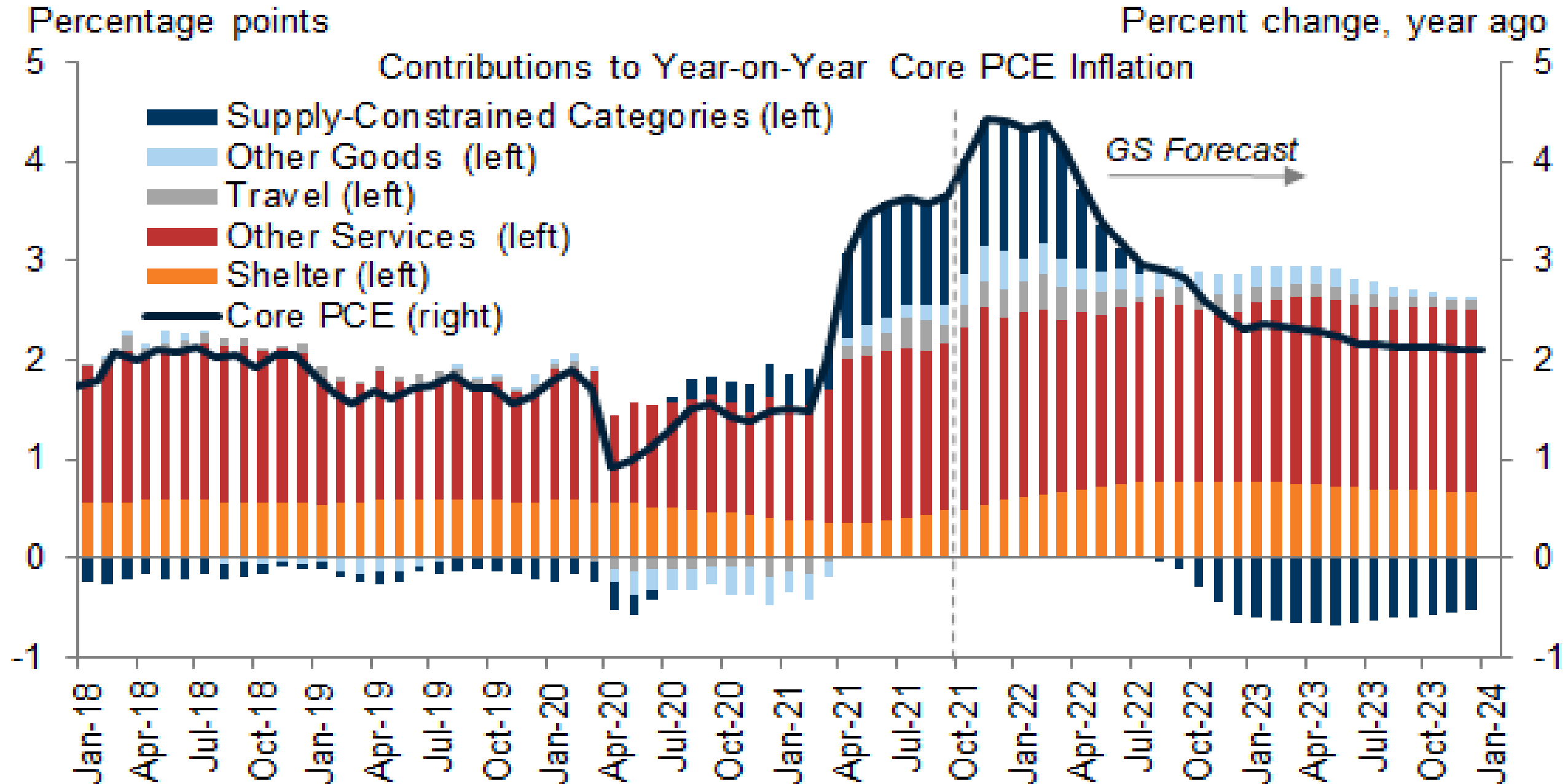
— Nonfinancial Corporate Business; Total Time and Savings Deposits; Asset, Level



## Federal Reserve Chair Jerome Powell - Fall 2021

Inflation will be transitory as it is concentrated in parts of the economy with supply chain bottlenecks. When the supply chain reopens, inflation will pass.

# Inflation Migrates Back Towards 2%



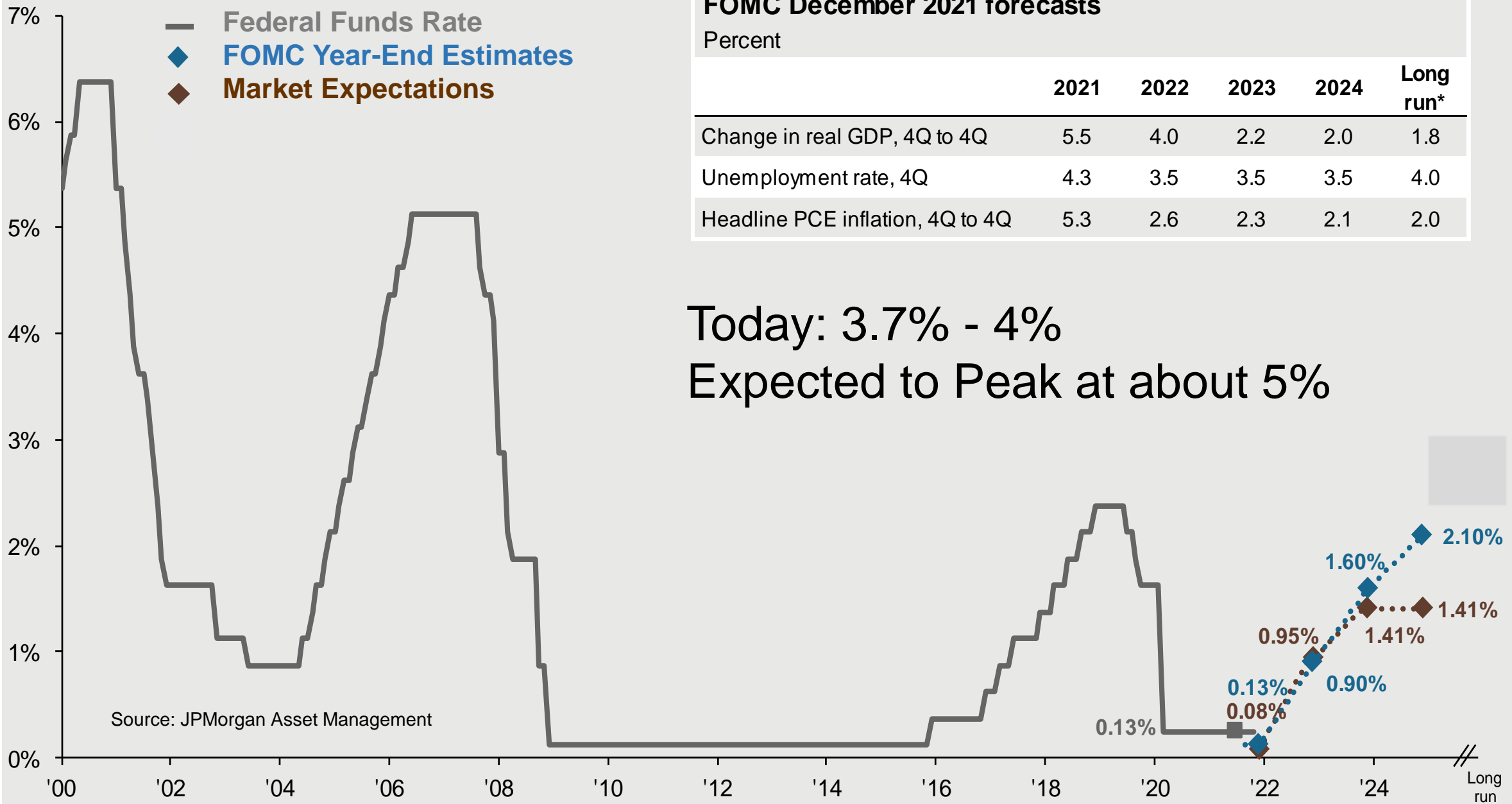
# Federal Funds Rate Expectations December 2021

## FOMC December 2021 forecasts

Percent

	2021	2022	2023	2024	Long run*
Change in real GDP, 4Q to 4Q	5.5	4.0	2.2	2.0	1.8
Unemployment rate, 4Q	4.3	3.5	3.5	3.5	4.0
Headline PCE inflation, 4Q to 4Q	5.3	2.6	2.3	2.1	2.0

Today: 3.7% - 4%  
Expected to Peak at about 5%



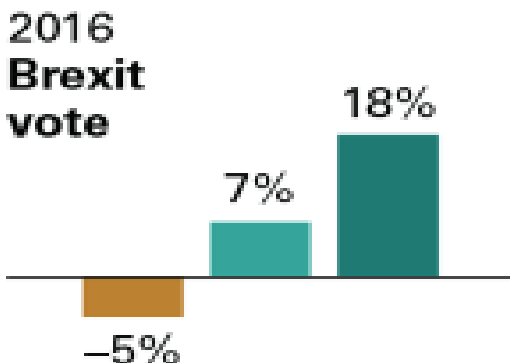
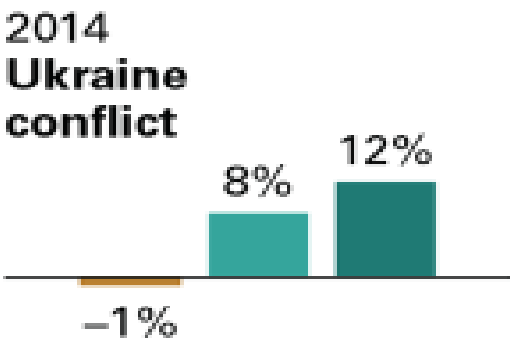
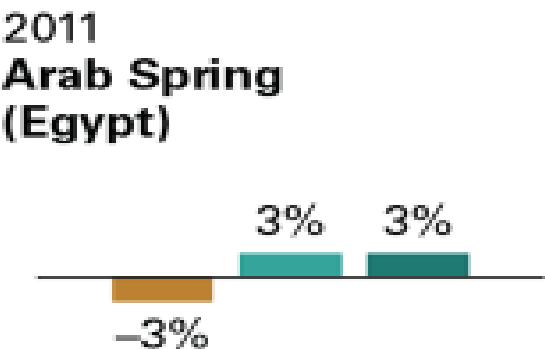
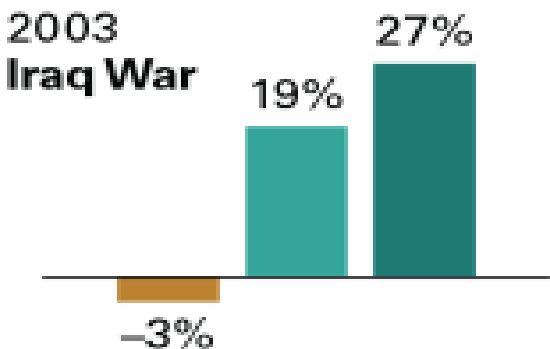
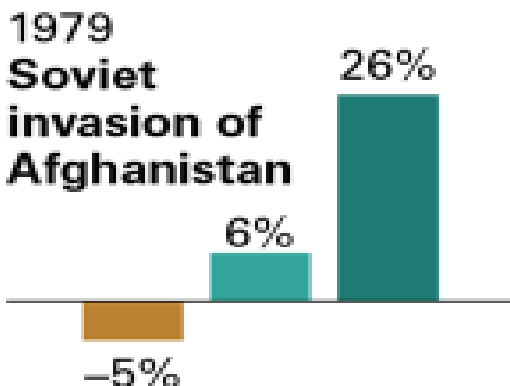
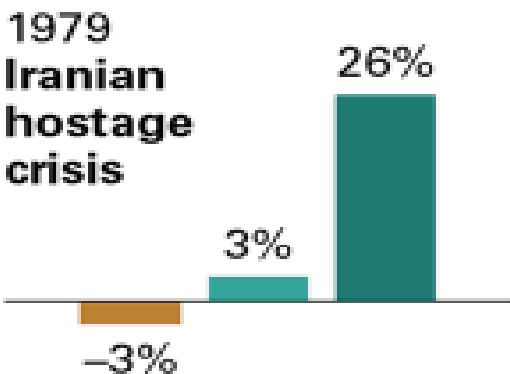
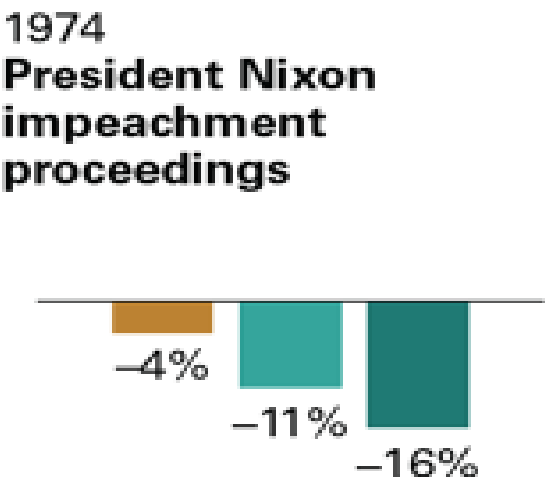
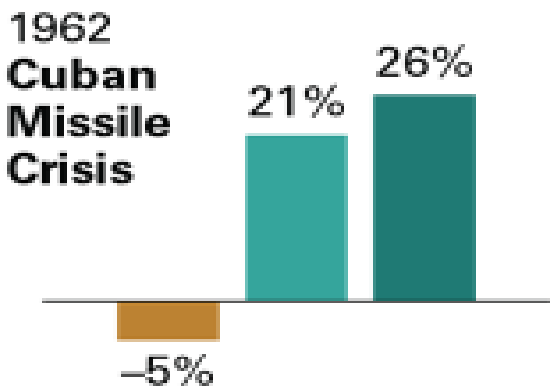
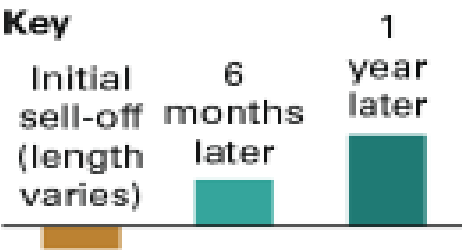
## Inflation Was Supposed to be Transitory

- Supply Chain was supposed to reopen faster than it did
- China was supposed to give up on Zero-Covid long ago
- Russia was not expected to invade Ukraine. Regional conflict typically does not last long.
- Filling the system with money just at a time when supply became constrained, the job market was exceptionally strong, excess cash in personal and business accounts was in the trillions of dollars and as the service economy went back to work in the wake of Covid proved to be incredibly inflationary.

# Geopolitical sell-offs are typically short-lived

**5%** Average total return  
6 months from event

**9%** Average total return 1  
year from event



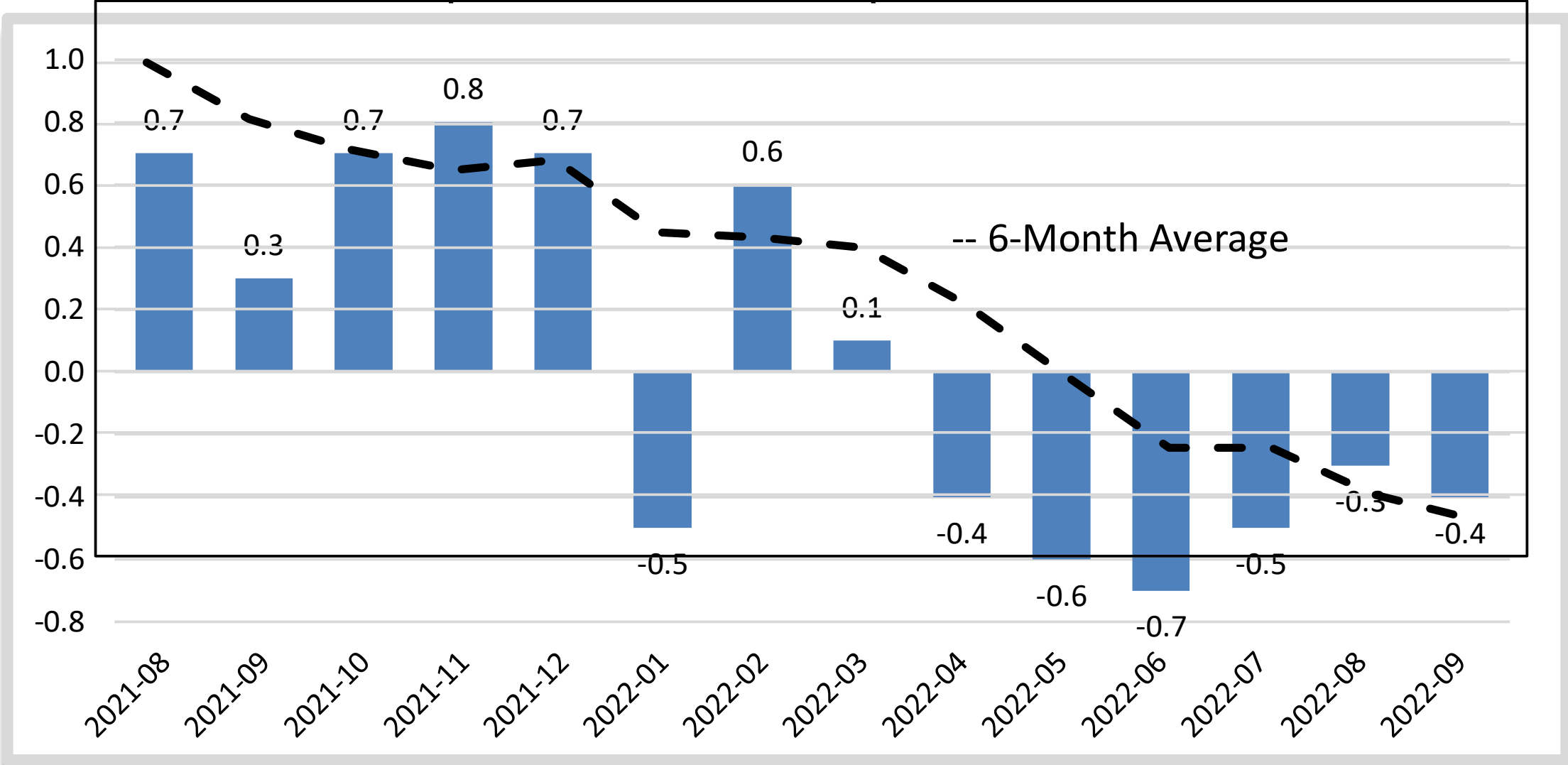


# S&P 500 2022



# Leading Economic Index % Change Monthly

September 2021 – September 2022



Source: The Conference Board – last update 10/20/2022

# Yield Curves Inverted

## 3-Month vs. 10-Year Treasury

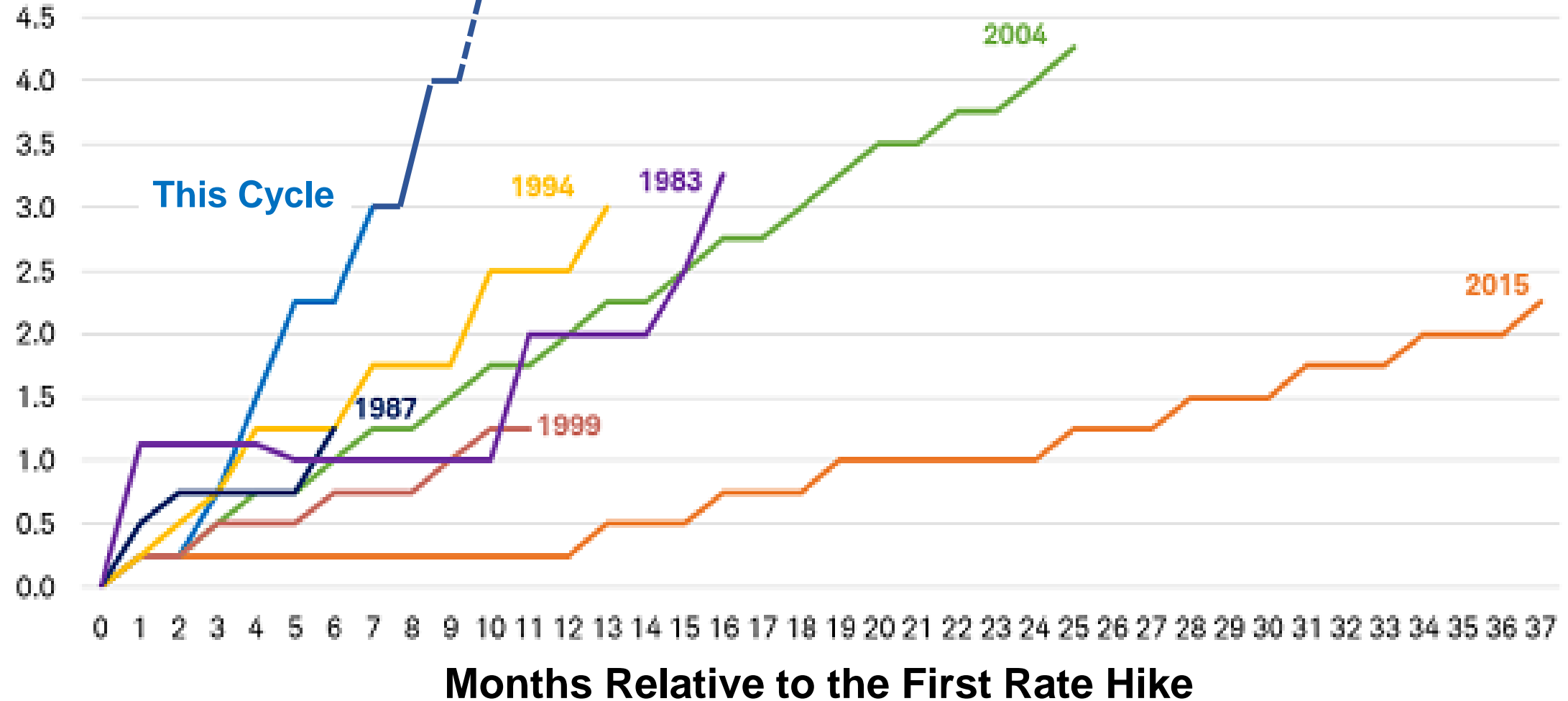


## 2-Year vs. 10-Year Treasury



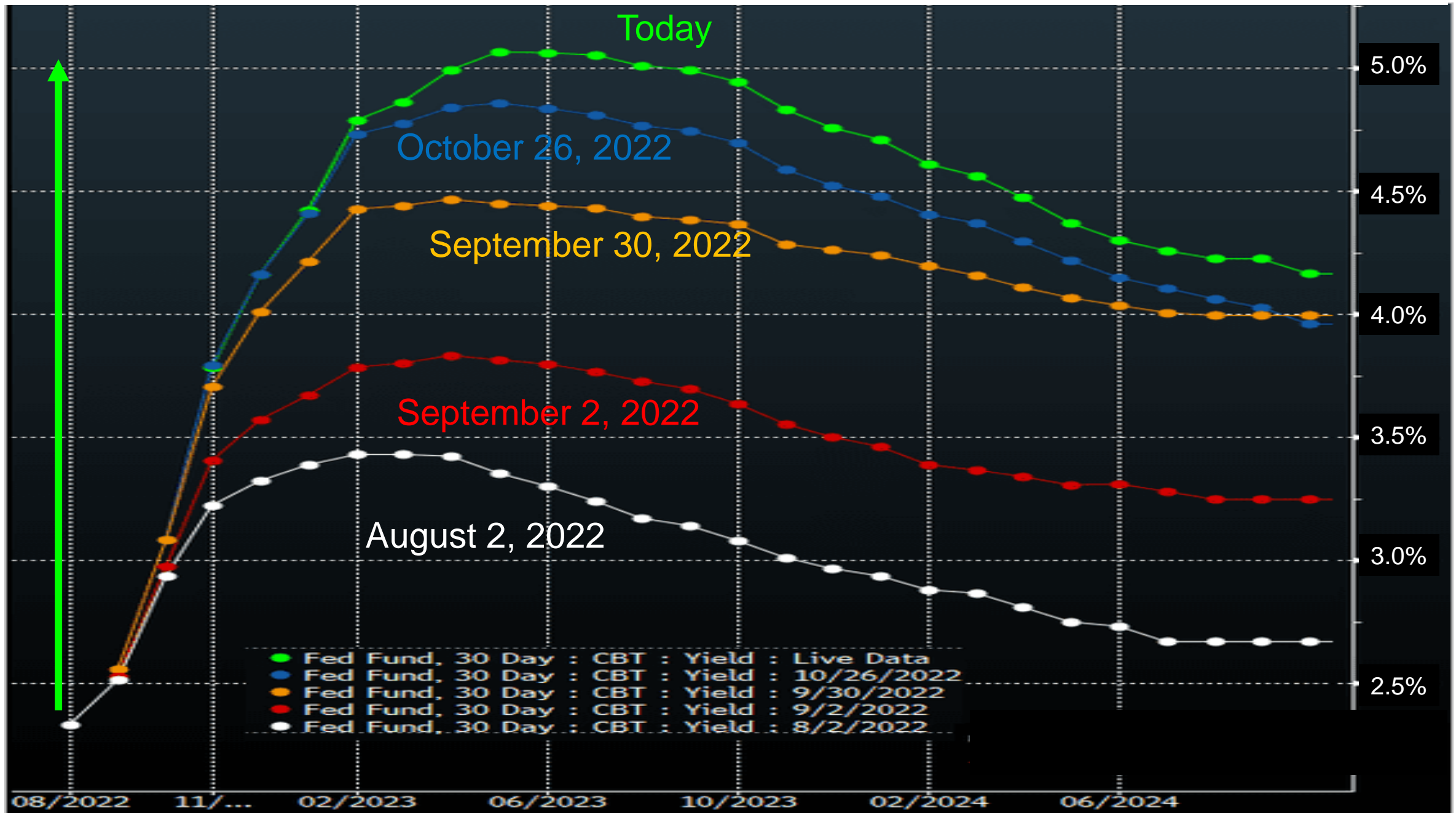
# Fed Funds Rising at Fastest Pace Ever

## Change in Fed Funds Rate %



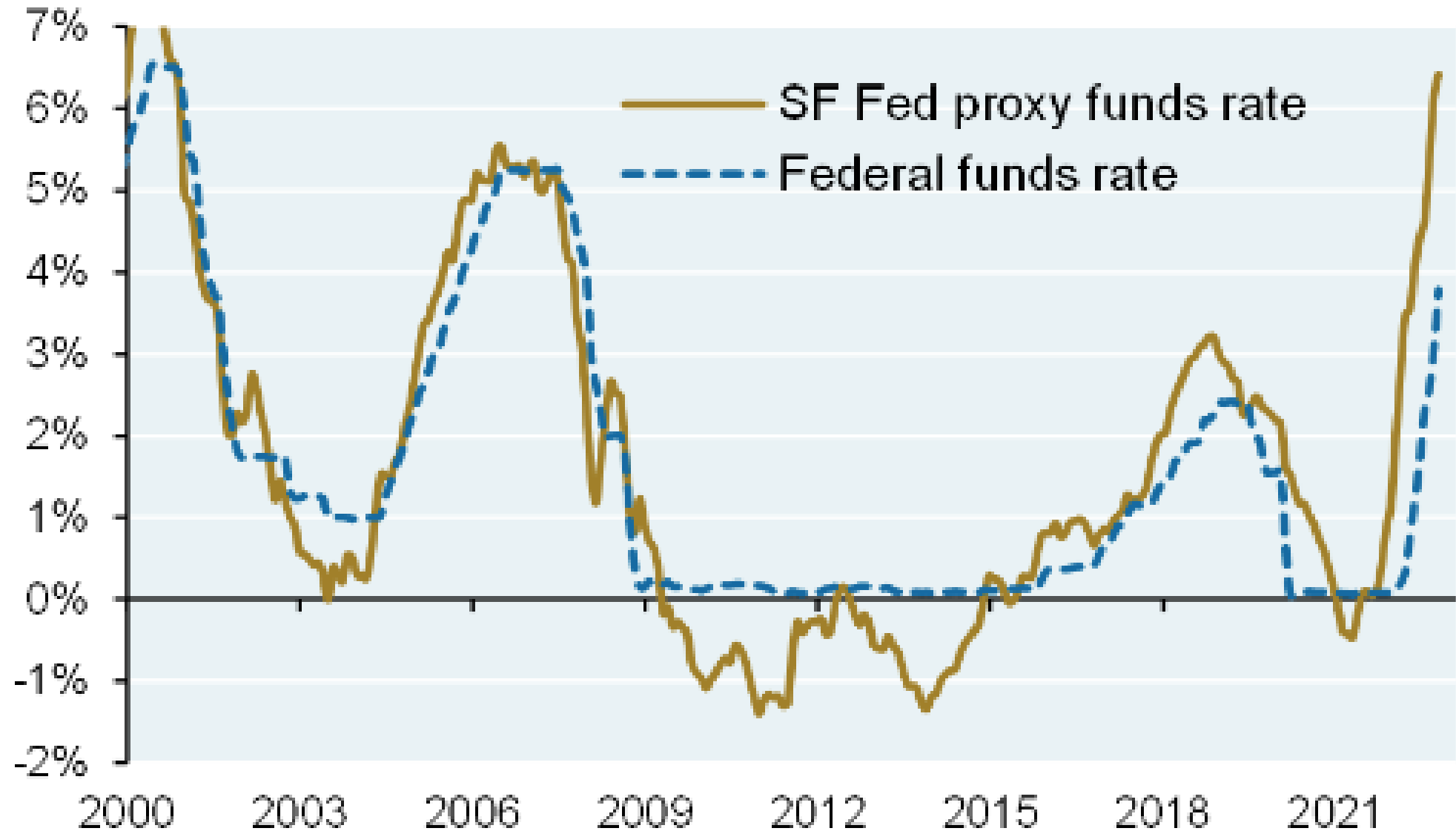
Note: Data is short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee as part of its monetary policy.  
Source: Bloomberg, Federal Funds Target Rate – Upper Bound (FDTR Index), using monthly data.

# Rising Expectations For Terminal Fed Funds Rate



# Federal funds rate vs proxy funds rate

Percent, annualized

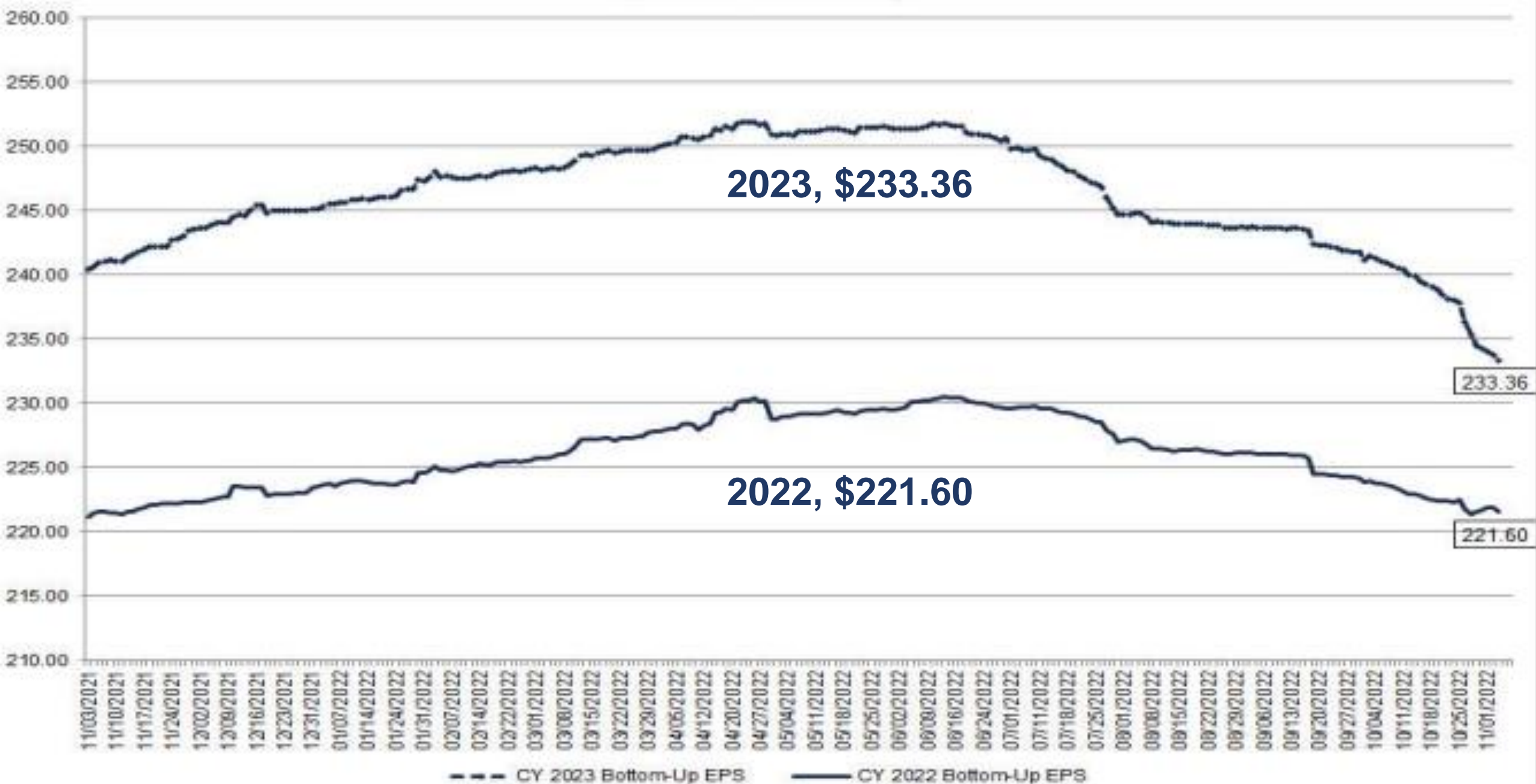


Source: SF Fed, FRED. November 2022.

# Expectations for Q4 2022 Earnings Growth Rate Y/Y



# S&P 500 CY 2022 and 2023 Earnings Expectations, FactSet





# Institutional Investors Survey

As of 11/01/2022

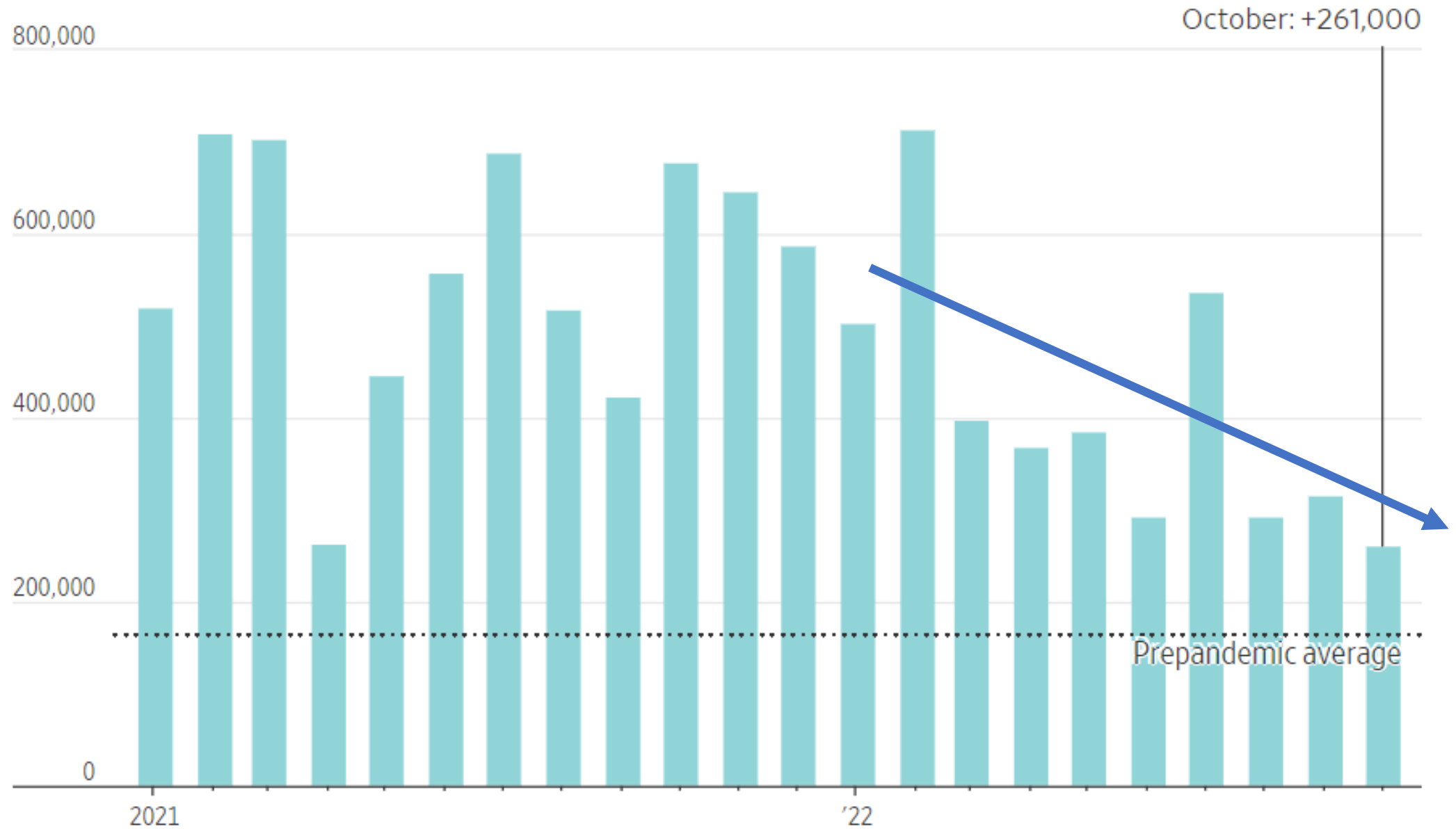
End of 2023

	<u>LOW</u>	<u>HIGH</u>
S&P 500 Earnings	\$170	\$220
S&P 500 Index	2500	4200

Peak Fed Funds Rate ~5%

Recession in Spring 2023

## Nonfarm payrolls, monthly change

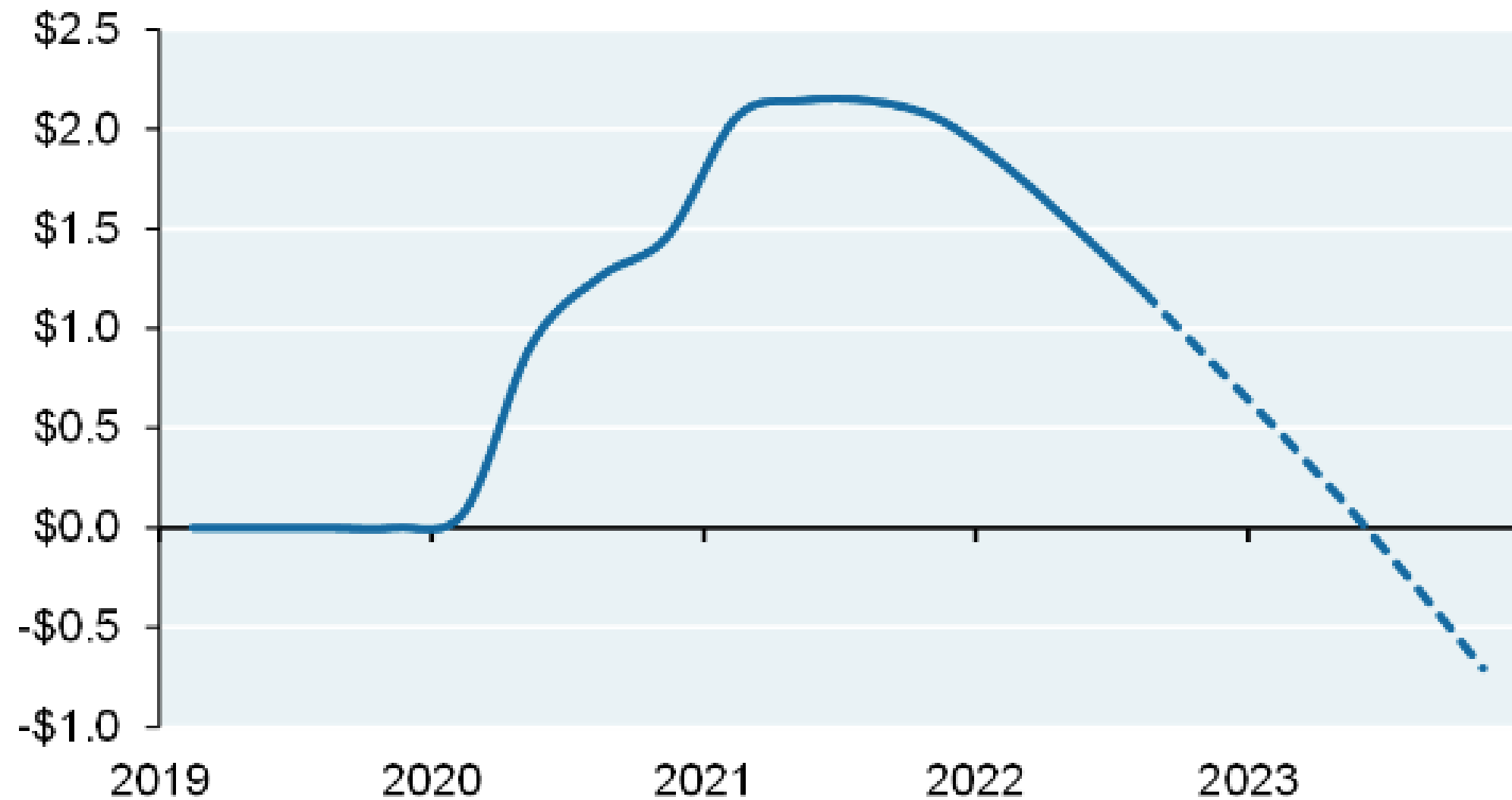


Note: The pre-pandemic average is the average monthly change in 2019. Data are seasonally adjusted.

Source: Labor Department

# Accumulated "extra" saving

US\$, trillions

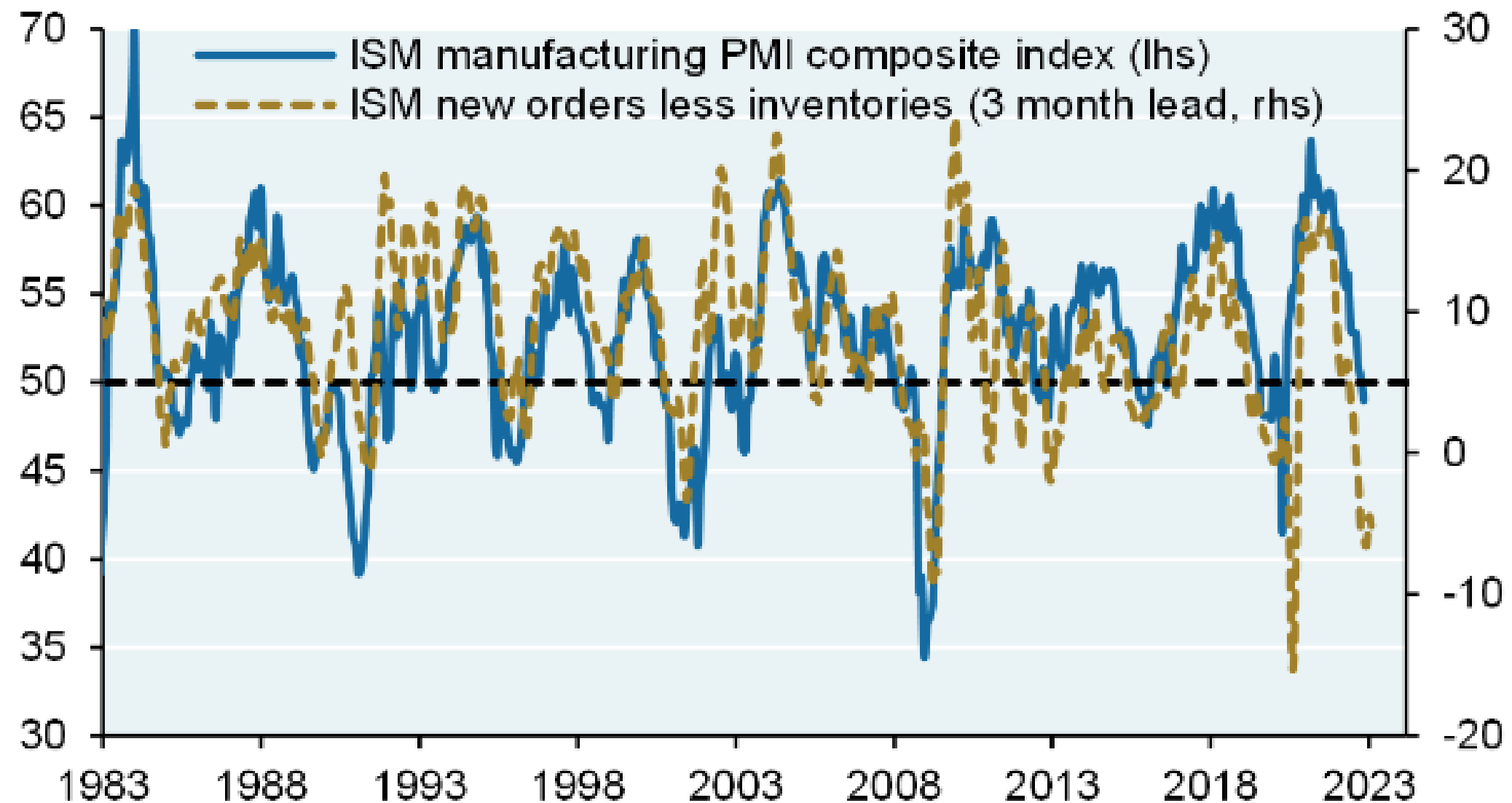


Source: BEA, J.P. Morgan Equity Strategy. Q3 2022. Dotted lines indicate projections.

# US new orders less inventories predicting ISM downturn

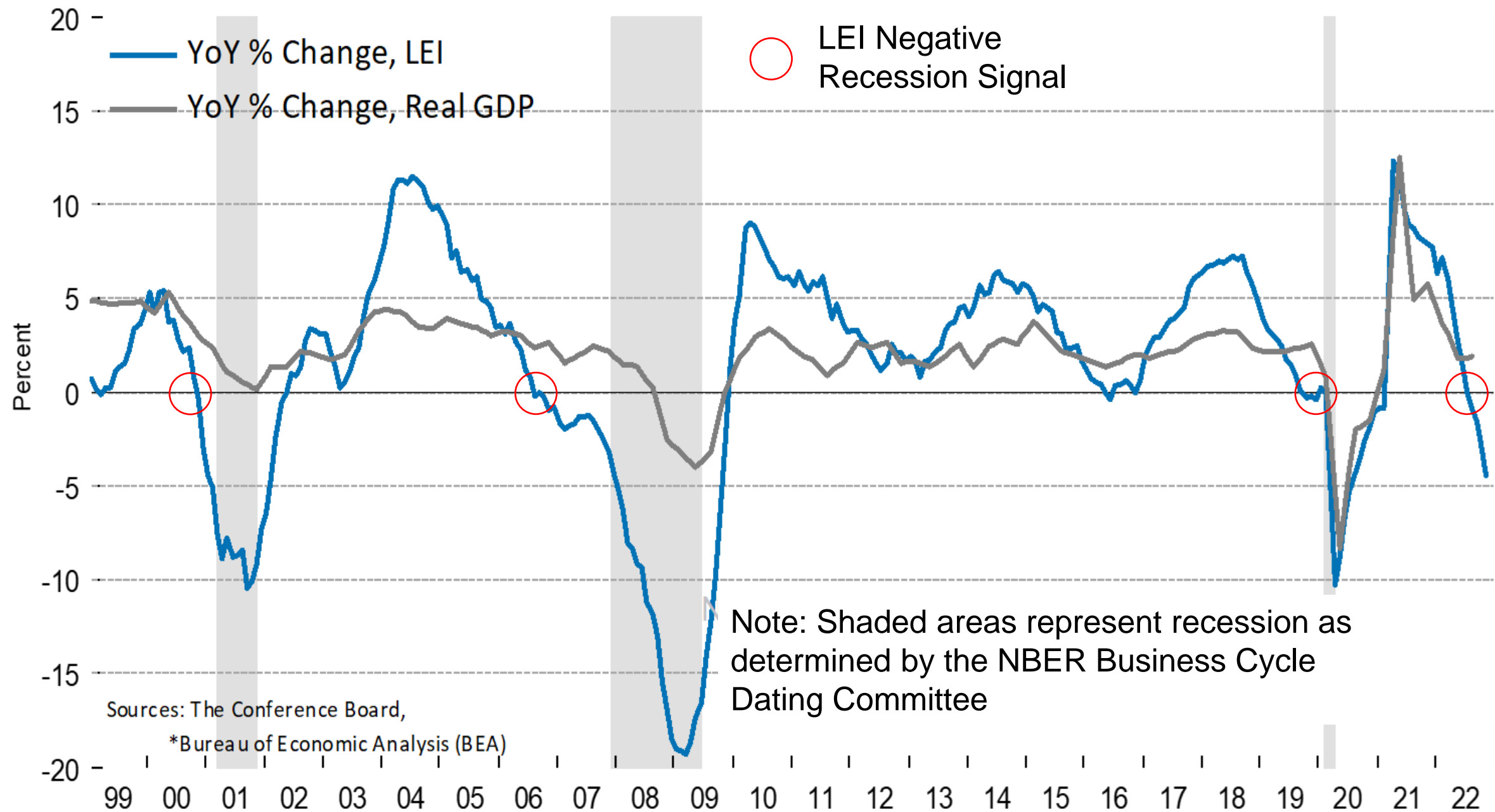
Index (50+ = expansion)

Index, 3 month average



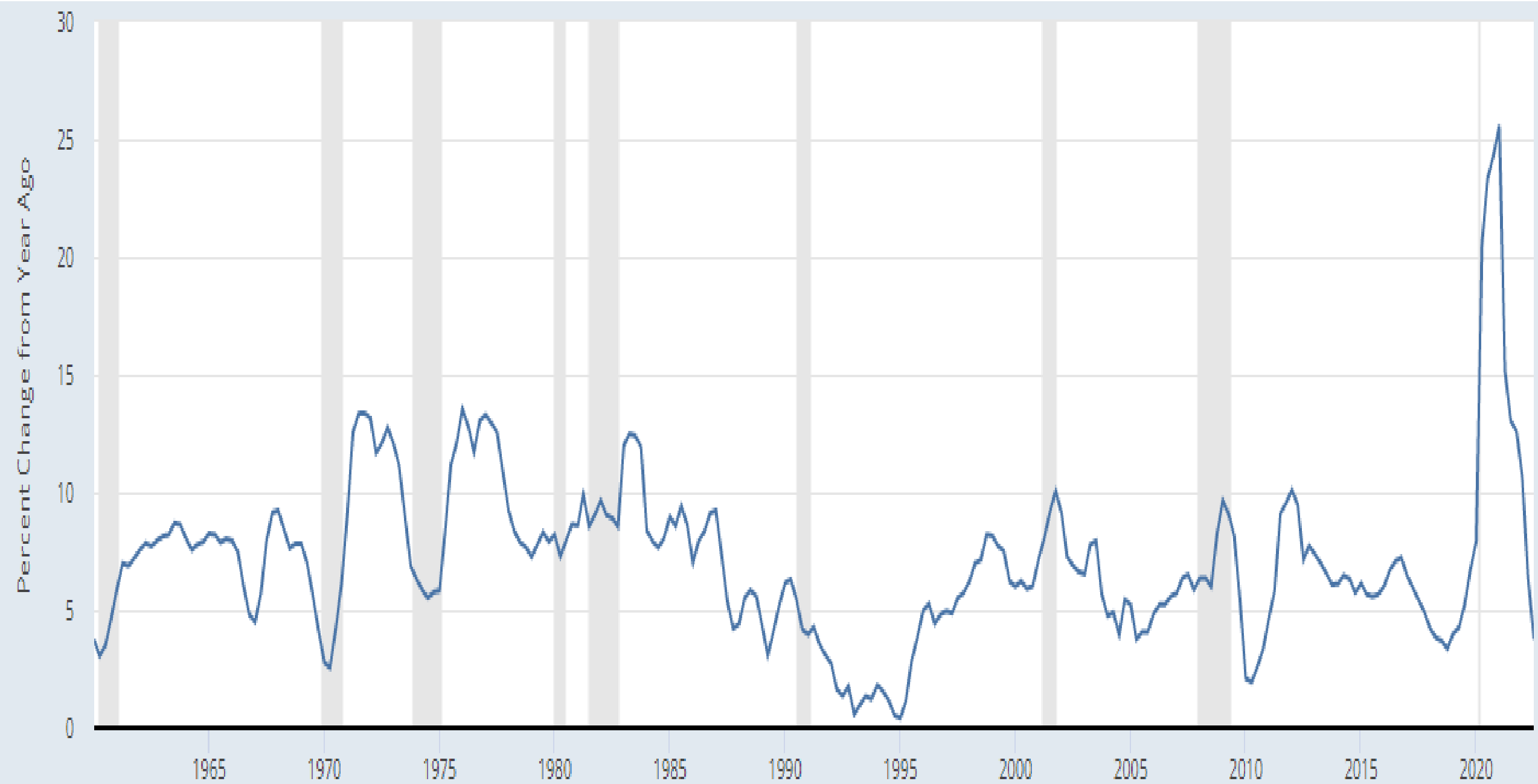
Source: Bloomberg, JPMAM. November 2022.

# Leading Economic Index (LEI) and Real GDP



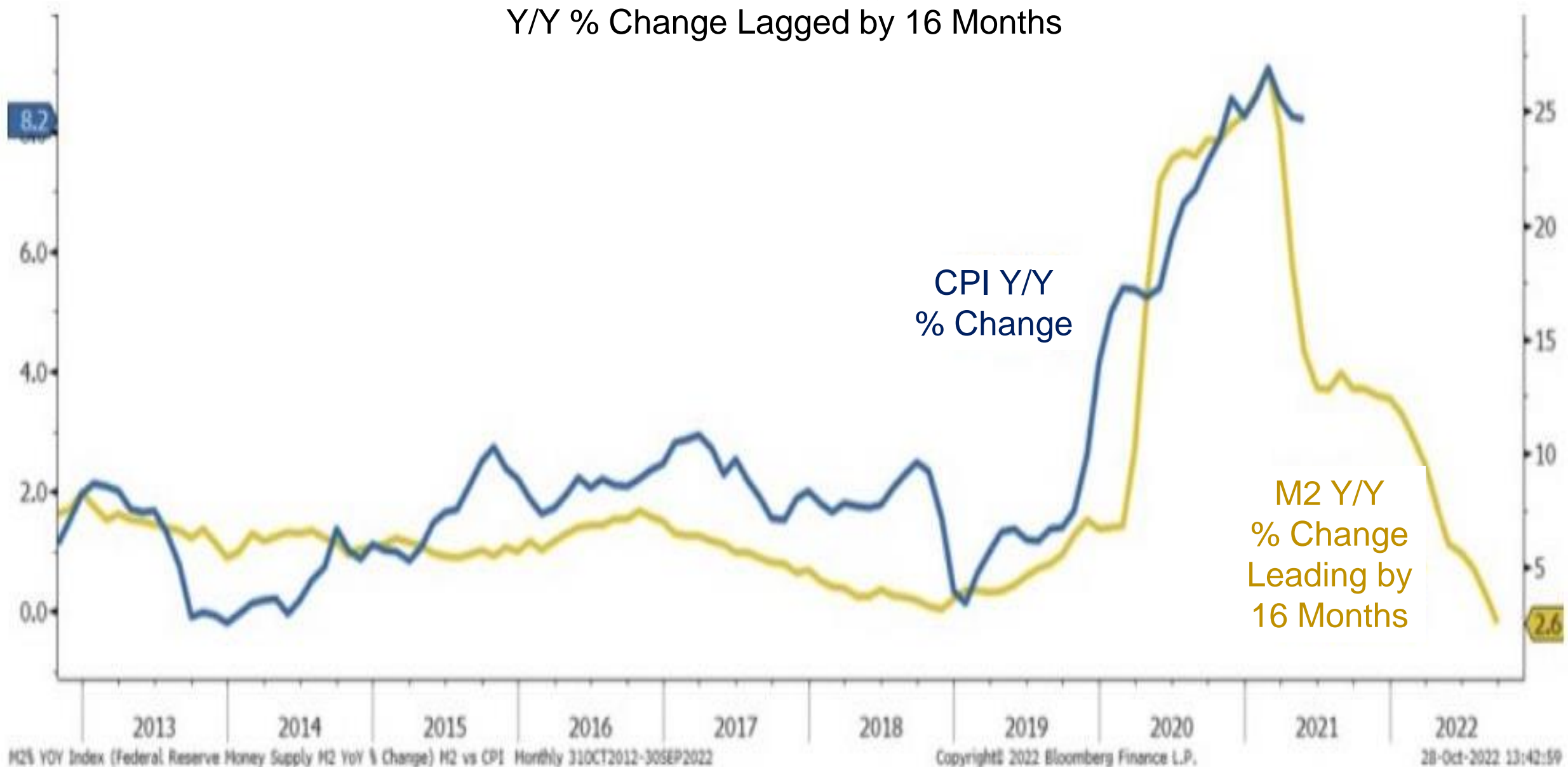
And Now For Some Good News

# M2 Money Supply Percent Change Year-Over-Year



# M2 Money Supply vs. CPI

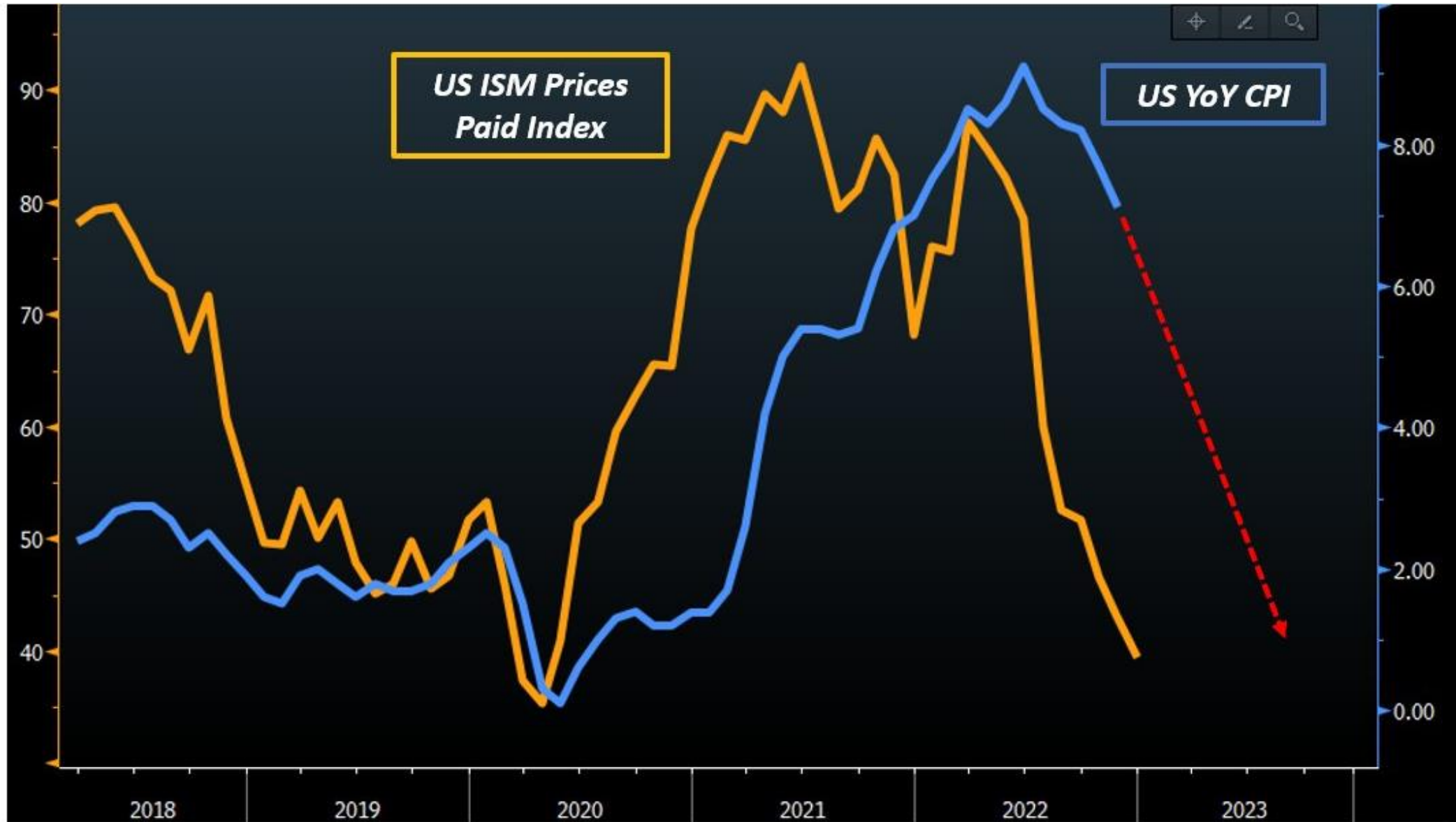
Y/Y % Change Lagged by 16 Months



Source: Bloomberg, Morgan Stanley Research

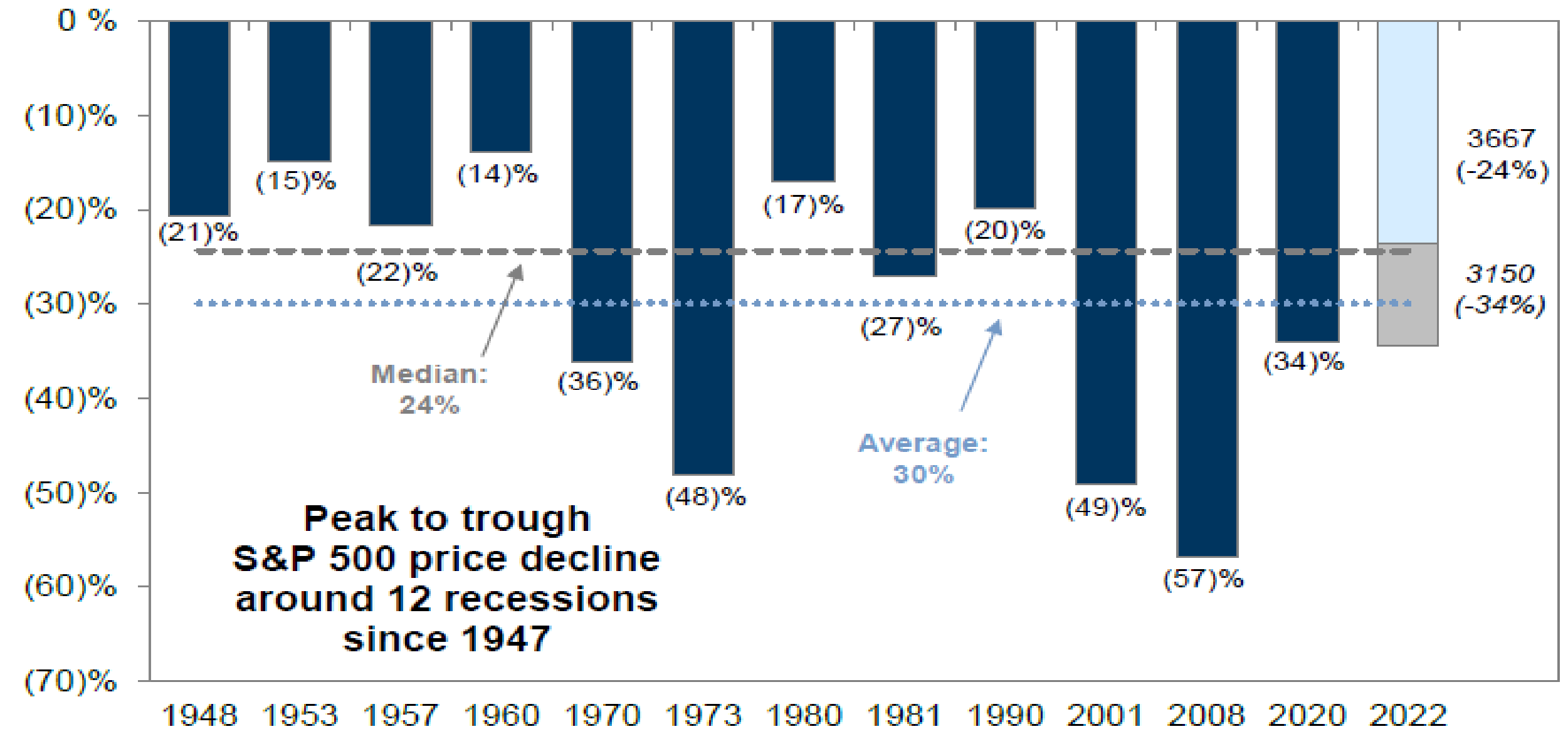


# ISM Prices Paid Index – Sub-2% Inflation by December 2023

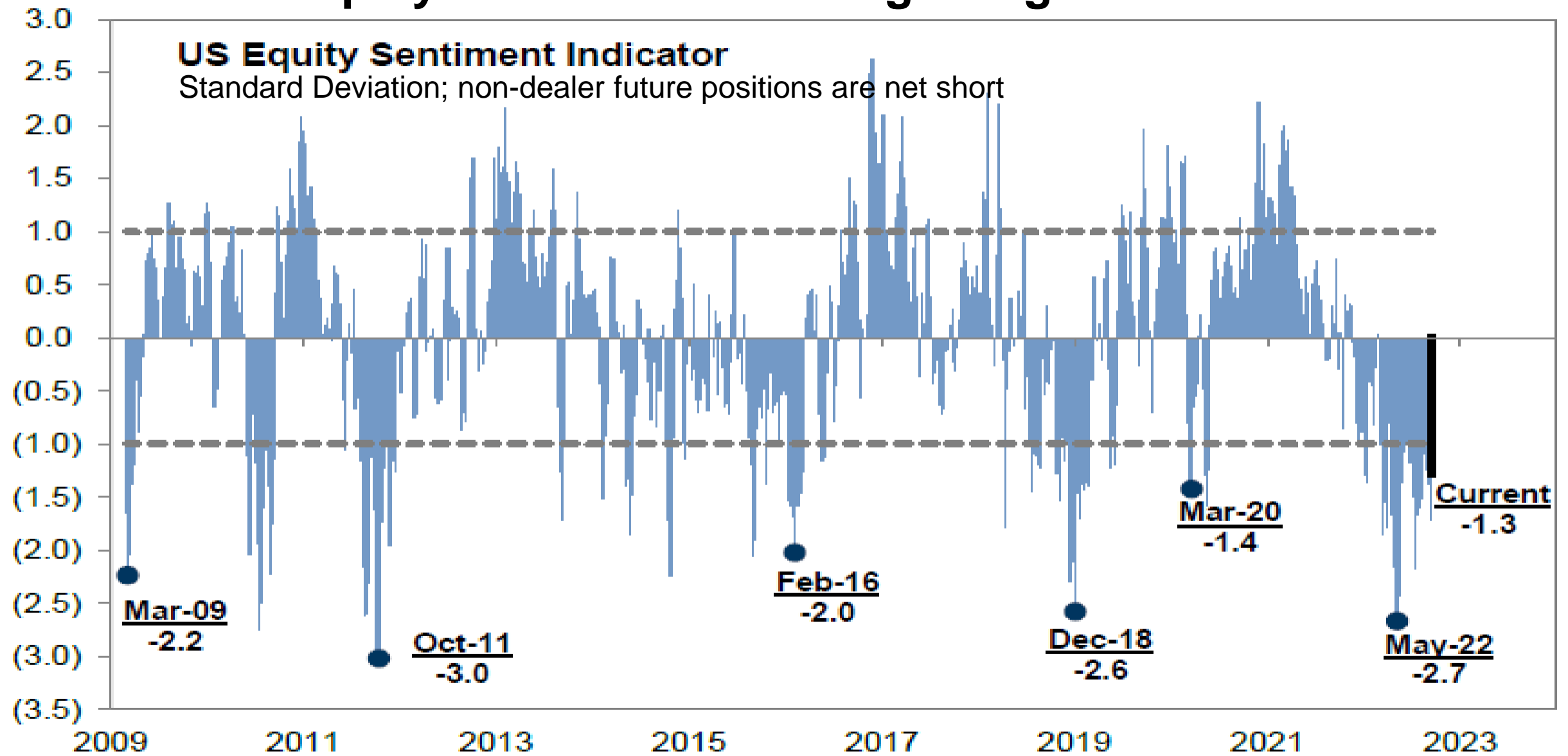


Source: TheMacroCompass.com

# Peak to Trough S&P 500 Declines in Recessions Since 1947



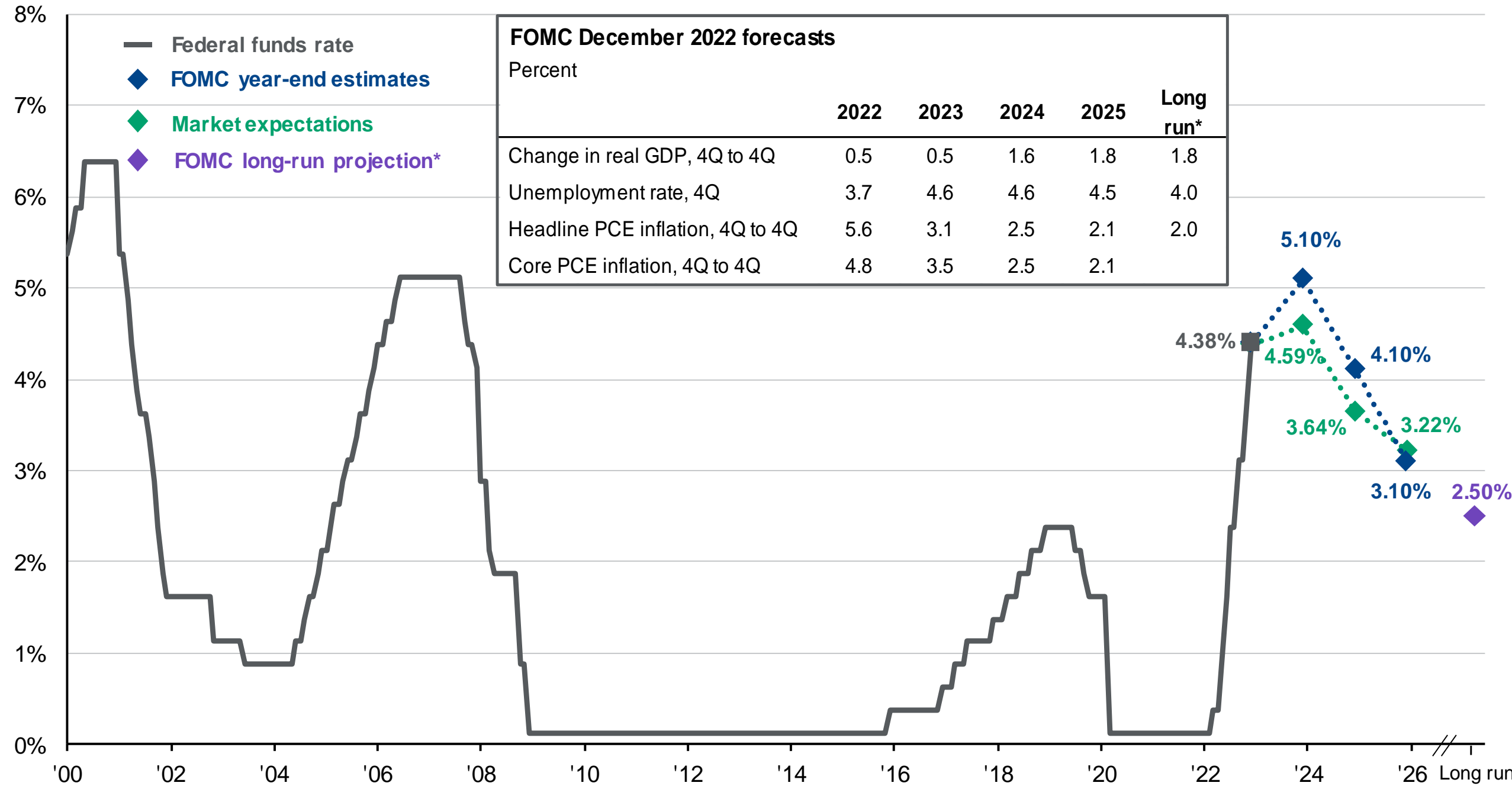
# Equity Investor Positioning is Light -- Bullish



# Supply Chain Correcting – Vendor Lead Times mid-Atlantic



# Fed Funds Rate Expectations



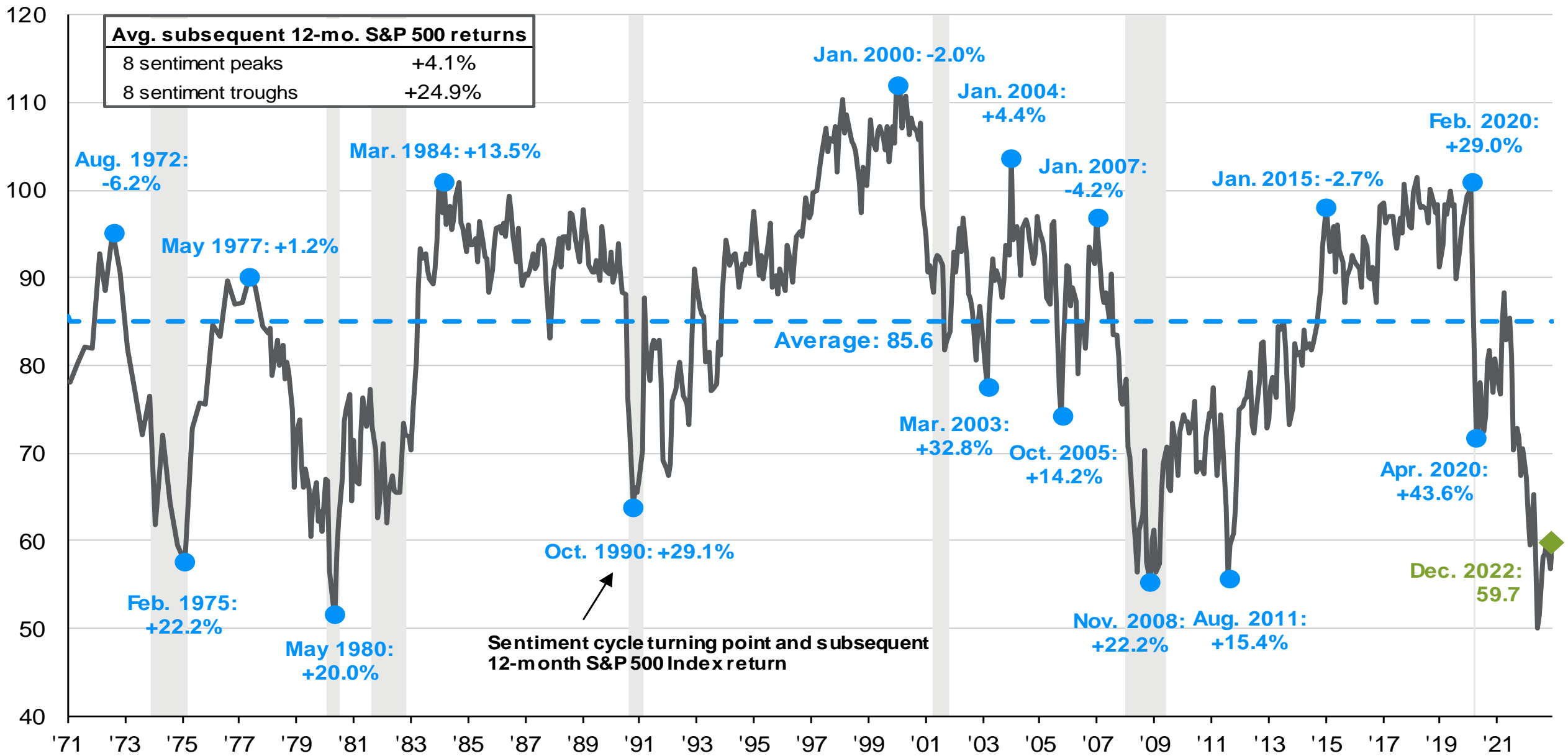
# Volcker Fed Pivot and S&P 500

**Volcker suggests Fed  
“may shift tactics”  
(10/5/82)**



# Consumer Confidence and the Stock Market

Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Year	Returns 6m following election	Returns 6-12m following election	Split govt	Fed	Recession
1950	16.8%	-0.5%		?	
1954	18.6%	12.3%	Yes	Hikes	
1958	12.0%	-0.8%	Yes	Hikes	
1962	19.0%	4.9%		Hikes	
1966	15.9%	-2.6%		Cuts	
1970	23.2%	-8.6%	Yes	Cuts	Yes
1974	18.0%	0.6%	Yes	Cuts	Yes
1978	5.7%	0.7%		Hikes	
1982	18.1%	1.5%	Yes	Cuts	Yes
1986	20.0%	-15.7%	Yes	On hold	
1990	21.1%	3.4%	Yes	Cuts	Yes
1994	12.4%	13.0%	Yes	Hikes	
1998	19.9%	1.7%	Yes	On hold	
2002	2.1%	12.6%		Cuts	
2006	9.0%	-2.1%	Yes	On hold	
2010	13.7%	-8.8%	Yes	On hold	
2014	3.8%	0.6%	Yes	On hold	
2018	4.7%	6.7%	Yes	Hikes	
2022				Hikes	

## 6-Month Performance

# Up-Dn = **18-0**

Avg % Chg = **15.18%**

Med % Chg = **16.23%**

From 11/8 close: up 3.8%

## 12-Month Performance

# Up-Dn = **11-7**

Avg % Chg = 1.05%



# S&P 500 Total Returns Following 25% Drawdown (%)

25% Drawdown Period	Peak-to-Trough Drawdown	1-Year	3-Year	5-Year	10-Year
Dec 1961-Jun 1962	-28	34	70	100	178
Nov 1968-Apr 1970	-36	35	47	28	100
Jan 1973-Apr 1974	-48	1	23	44	189
Nov 1980-Aug 1982	-27	61	108	272	485
Aug 1987-Oct 1987	-34	28	55	119	471
Mar 2000-Mar 2001	-49	2	1	24	37
Oct 2007-Sep 2008	-57	-5	11	65	209
Feb 2020-Mar 2020	-34	62	-	-	-
Jan 2022-Sep 2022	-25	-	-	-	-
<b>Average</b>	<b>-38</b>	<b>27</b>	<b>45</b>	<b>93</b>	<b>238</b>

**HY CREDIT DEFAULTS** – There were zero new defaults or distressed transactions in Oct; first time since 2018.

HY bond default rate is 1.59% vs. 3.2% long-term average. Recovery rates remain at record highs, ~56.5% vs. the 25-year average of 39.9%. I flag as several investors have expressed concerns about risk markets cracking and so far, it's not in Credit. 11/2

# Highest Interest Coverage Ratio Since 1967

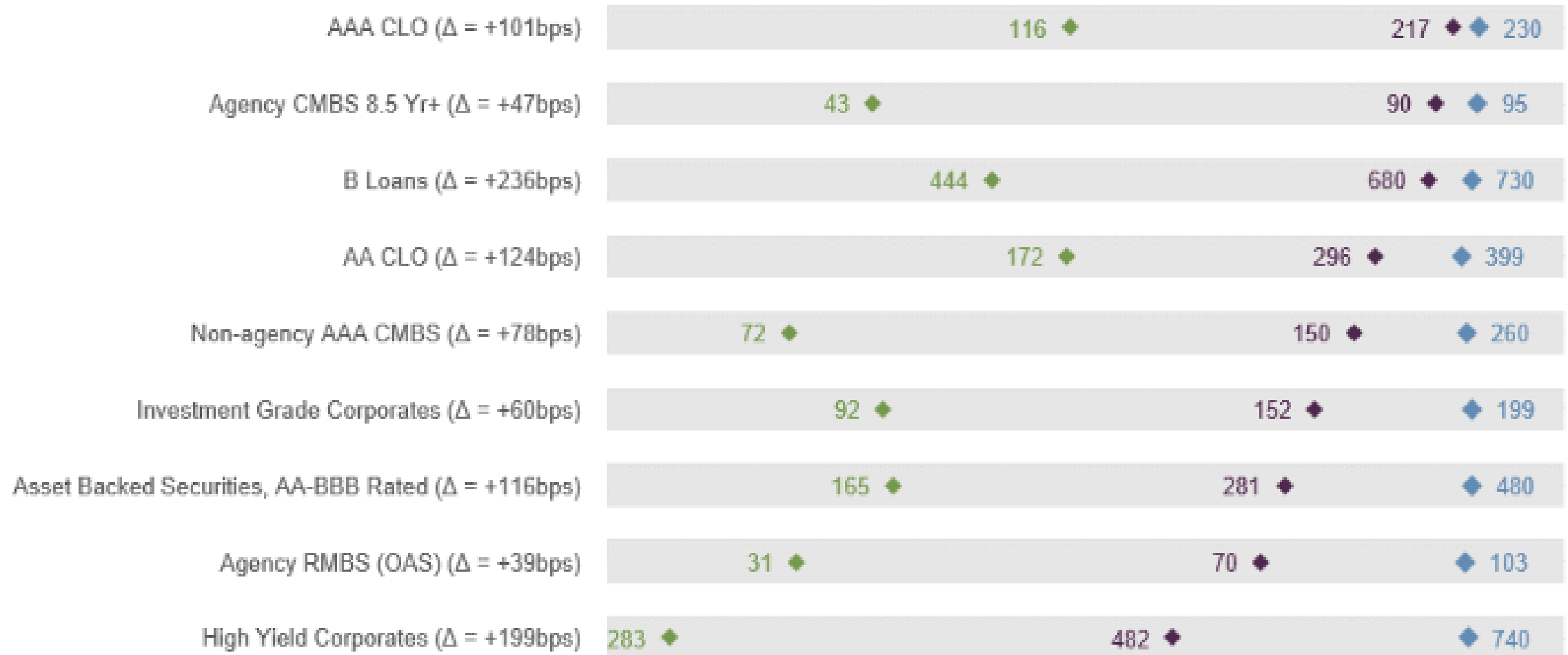


- Recession
- Interest Coverage
- Interest Payments

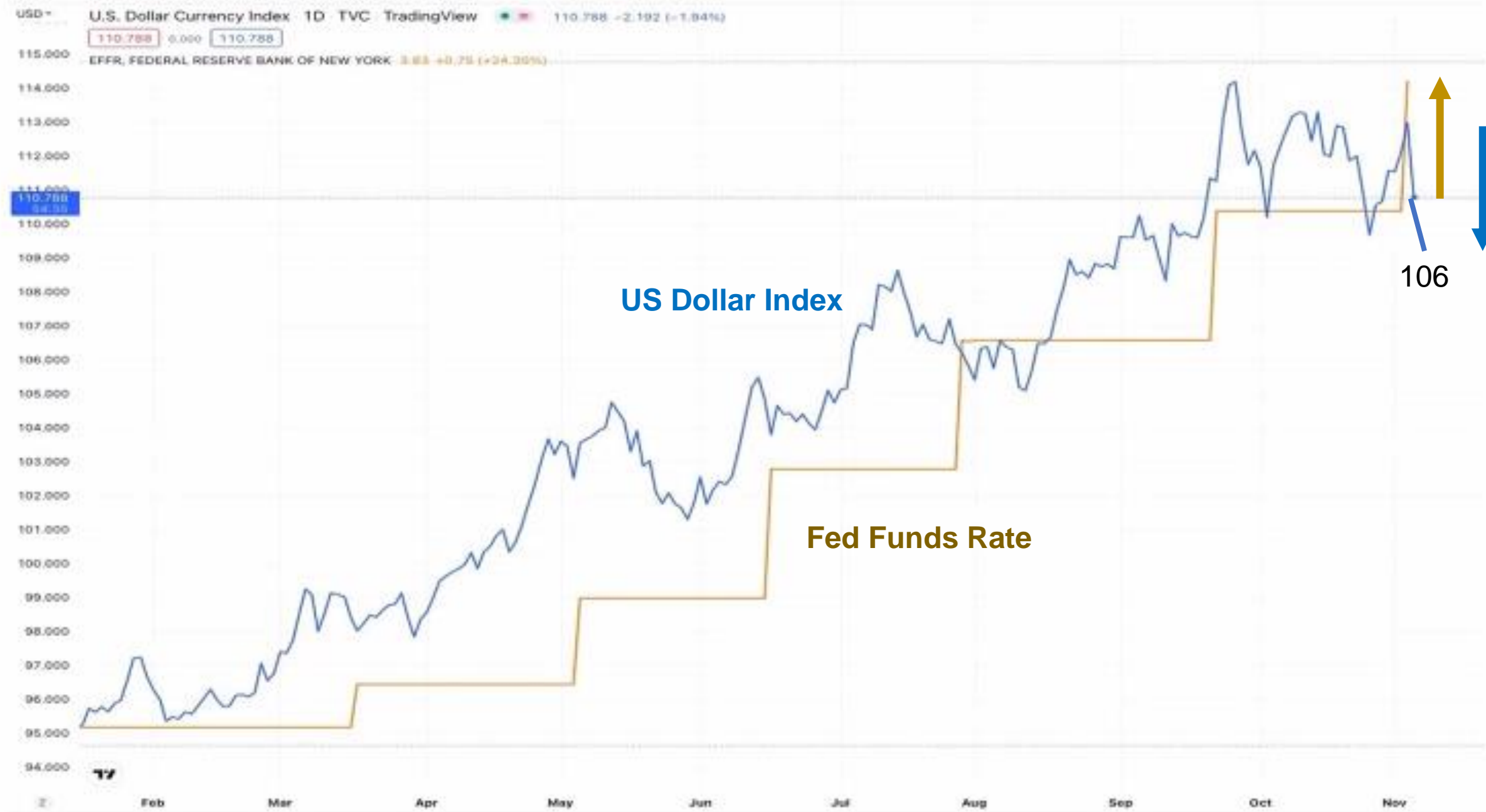
# Spread Levels by Sector Versus Historical Tights

◆ 95<sup>th</sup> Percentile ◆ 12/31/2021 ◆ Latest

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%



# Has the DXY (Dollar index) peaked out? 110 is an imp level – leading indicator



# Implications of Weaker Dollar

- 60% of IT revenue come from overseas. Positive for the NASDAQ.
- Positive for commodities
- Positive for emerging markets. China coming out of zero Covid and trading below book value.

# Investment Concepts For Discussion Only

Short Duration High Quality Debt:

Examples: **Treasury bills** and **CDs**, duration inside of 1-year 4.5% plus

Funds: **GBIL** – Goldman Sachs 0-1yr treasuries ~4% yield

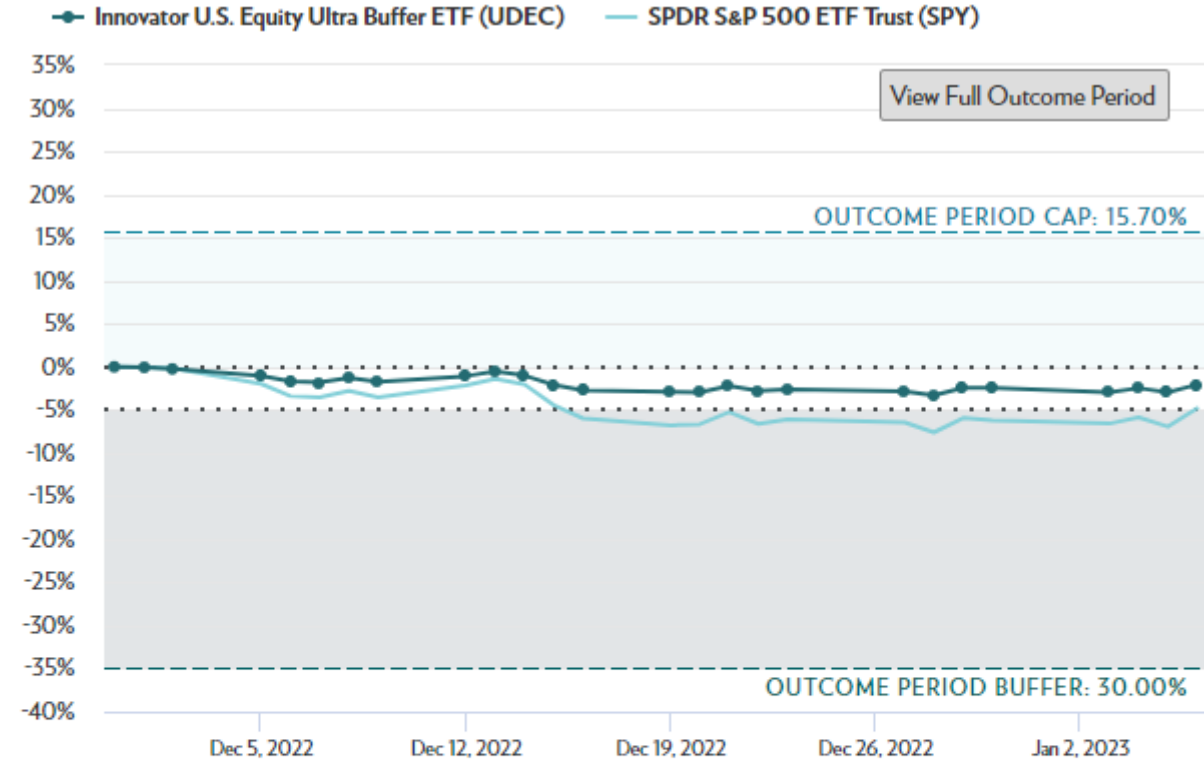
**MINT** – PIMCO short duration mixed-type bonds ~4.57% yield

**MINO** – PIMCO municipal bonds ~3.8% yield

# Investment Concepts For Discussion Only

Defined Outcome ETFs:

Example: UDEC



## CURRENT OUTCOME PERIOD VALUES (CURRENT/NET) ⓘ

AS OF 1/6/2023

Fund Price ⓘ	Fund Return ⓘ	SPY Return ⓘ	Remaining Cap ⓘ	Remaining Buffer ⓘ	Downside Before Buffer ⓘ	Remaining Outcome Period ⓘ
\$27.53	-2.07%	-4.81%	18.05% / 17.21%	28.64% / 27.93%	-3.07% / -3.79%	328 days

## OUTCOME PERIOD VALUES (CURRENT/NET) ⓘ

AS OF 11/30/2022

Fund Price ⓘ	Fund Return ⓘ	SPY Return ⓘ	Cap ⓘ	Buffer ⓘ	Downside Before Buffer ⓘ	Outcome Period ⓘ
\$28.11	0.00%	0.00%	15.70% / 14.91%	30.00% / 29.21%	-5.00% / -5.79%	365 days



# Investment Concepts For Discussion Only

Call Write Strategies:

Examples:

**JEPI** – JPMorgan Equity Premium Income ETF: 2021 +21.5%, 2022 -3.52%, yield 11.8%, portfolio of defensive stocks, 126 stocks.

**JEPQ** – JPMorgan Nasdaq Equity Premium ETF: Started May 4, 2022, return through 11/30/2022 -5.4%, yield 17.6%, NASDAQ 100 exposure through about 84 stocks.

# Investment Concepts For Discussion Only

High Yield Municipal Bonds:

Example: **HIMYX**

Pioneer High Income Muni

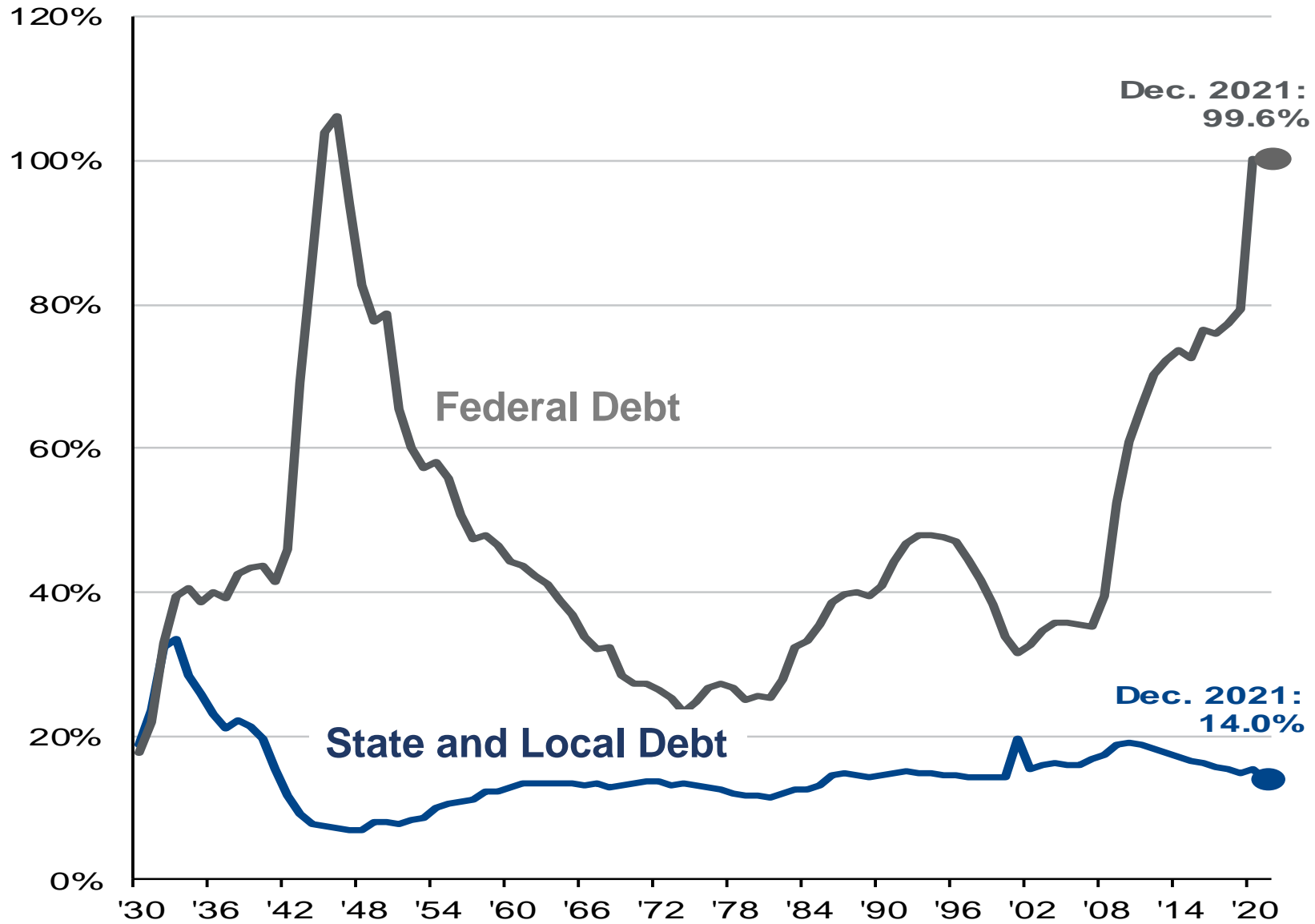
Yield ~5% federal tax free



Investing in stock and fixed income securities involves the risk of loss. Past performance is not an indication of future performance. This publication is not a solicitation to buy or offer to sell any of the securities listed or reviewed herein.

# State, Local and Federal Net Debt

1930 – 2021 % GDP



# Investment Concepts For Discussion Only

Commodities:

One EV battery contains

Examples: Fidelity **FFGIX**  
Neuberger ETF **NBCM**

25 pounds of lithium  
60 pounds of nickel  
44 pounds of manganese  
30 pounds of cobalt  
200 pounds of copper  
400 pounds of aluminum, steel and plastic

Metal mining companies need to process

25,000 pounds of brine for the lithium  
30,000 pounds of ore for the cobalt  
5,000 pounds of ore for the nickel  
25,000 pounds of ore for the copper

The process is extremely energy and metal intensive

## Commodities are extremely cheap – Ratio $\sim 0.90$

GSCI Commodity Index/S&P 500 ratio



ANTILOOP HEDGE

[Commodities - Live Quote Price Trading Data \(tradingeconomics.com\)](https://tradingeconomics.com)

# Investment Concepts For Discussion Only

Diversified Equities:

NASDAQ 100 **QQQ**: 2022 -32.6%, will act like a long-duration bond  
Consider using JEPQ for this exposure.

Value Funds: Neuberger Berman Large Value **NBPIX**: 2022 -1.06%,  
Percentile Rank 3 and 5 years #1, 10-years #2.

Equal Weight S&P500: **RSP**: 2022 -11.6%

# Bullish Equity Considerations

- Both Treasury yields and the credit markets are in a better position than at the end of October
- Corporate bond issuance is off to a big start in 2023 with numbers that rival 2021 and 2022
- Stocks and bonds were dismantled in 2022 leading to very defensive positioning as we start 2023
- China reopening is very bullish as is government's moves to ease their property rules
- Europe's warm winter has crushed energy prices and helped optimism and margins
- The Q4 2022 earnings bar has been set very low. Could a weaker US\$, lower energy/other prices and corner office over-preparedness make for many easy earnings beats?
- The Fed soft landing scenario is gaining a bit of traction
- Ukraine

# Delta Investment Management, LLC

708 Montgomery Street  
San Francisco, CA 94111

415.249.6337  
[www.deltaim.com](http://www.deltaim.com)

Nick Atkeson  
[nick@deltaim.com](mailto:nick@deltaim.com)

Andrew Houghton  
[andrew@deltaim.com](mailto:andrew@deltaim.com)

Important disclosure: Past performance does not guarantee future results. Investment strategies offer risk that could result in a loss of principal which the client will bear. Consider the investment objectives, risks, charges, expenses, and instruments used to implement a strategy before investing.



DELTA  
INVESTMENT  
MANAGEMENT