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MANAGEMENT

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# Two Leading Indicators That Predict Recessions and the Stock Market Crash That Follows

## AAll Silicon Valley

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May 12, 2018

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555 Montgomery Street, Suite 1501  
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 Management

Delta is a Registered Investment Advisor (RIA) headquartered in San Francisco. Delta's wealth management services have an emphasis of avoiding major bear markets. Delta manages separately managed accounts at TD Ameritrade and Charles Schwab for qualified retirement accounts (IRAs) and non-qualified accounts for individuals, trusts and corporations.



**Nicholas Atkeson, Principal**

Mr. Atkeson has over 20 years of industry experience. Prior to founding Delta Investment Management, Mr. Atkeson was a partner and portfolio manager of Delta Force Capital and held senior positions at Banc of America Securities, ThinkEquity and Susquehanna International Group. Mr. Atkeson is co-author of *"Win By Not Losing: A Disciplined Approach to Building and Protecting Your Wealth in the Stock Market by Managing Your Risk"* published by McGraw Hill (2013). He is also an editor of investment newsletters. Mr. Atkeson graduated from Haverford College with a BA in Economics and from Stanford University Graduate School of Business with a MBA.



**Andrew Houghton, Principal**

Mr. Houghton has over 20 years of industry experience. Prior to founding Delta Investment Management, Mr. Houghton was a partner and portfolio manager of Delta Force Capital and held senior positions at ThinkEquity, Banc of America Securities and Susquehanna International Group. Mr. Houghton is co-author of *"Win By Not Losing: A Disciplined Approach to Building and Protecting Your Wealth in the Stock Market by Managing Your Risk"* and is also an editor of investment newsletters. Mr. Houghton has a BA in Economics from Boston University and served as a Peace Corps Volunteer in Togo, West Africa.



# Delta Investment Philosophy

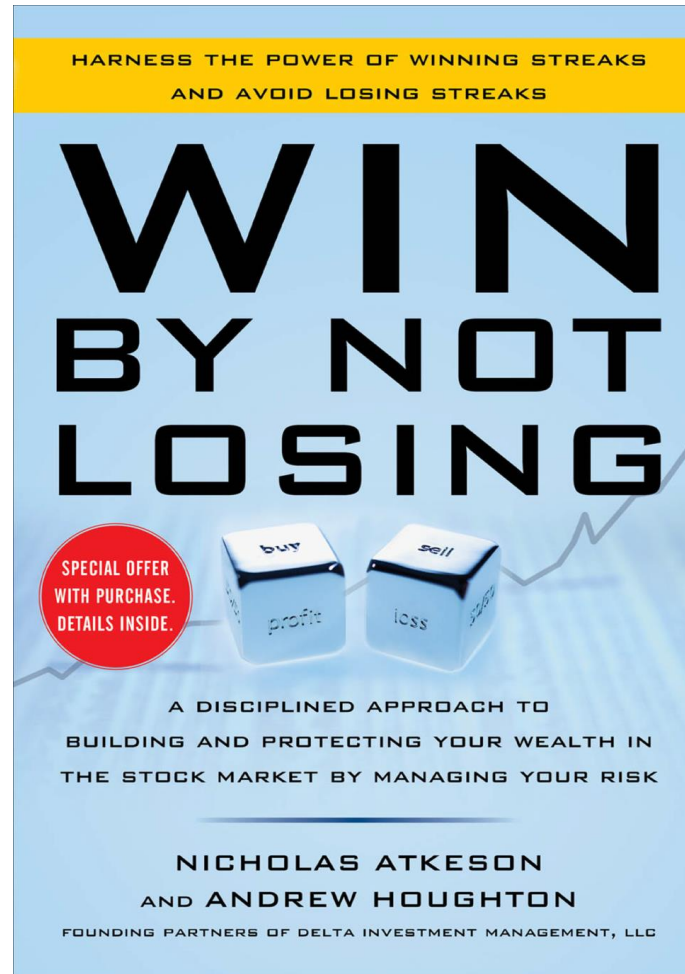
- ❖ *We believe there are periods in market cycles to be fully invested and there are other periods not to be fully invested*
- ❖ *As such, we believe it is necessary to be proactive in managing money*
- ❖ *As active managers, we follow market-tested, proven investment disciplines*
- ❖ *During bullish 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*

# Invest With Delta

- ❖ *An Active and Engaged Partnership to Achieve Your Financial Goals*
- ❖ *Alignment of Your Interests with Our Interests: Fiduciary to build and protect your wealth*
- ❖ *Comprehensive Wealth Management Solutions*
- ❖ *Focus on Your Absolute Returns*
- ❖ *Pro-active Downside Risk Mitigation – We Actively Protect Your Money*
- ❖ *Transparency of Process and Holdings*
- ❖ *Personalized Service*

# *Win by Not Losing*

Book Available  
On Amazon



# Weekly Newsletter



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MANAGEMENT

## *Delta Insights*

a weekly commentary on investing

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*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.*

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## 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.



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# Stock Market Dashboard

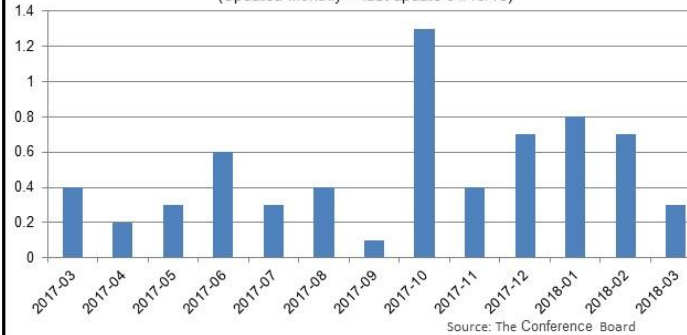
**Bear Market LEI**  
2006 - 2009



**Leading Economic Index % Change Monthly**

March 2017 – March 2018

(Updated Monthly – last update 04/19/18)



Source: The Conference Board

## INDICATOR STATISTICS

Consecutive Bullish Weeks:	1
Cycle Inception Date:	5/10/2018
Range:	51.2
Mean:	NA
Bullish Weeks YTD:	13
Bearish Weeks YTD:	6
*S&P 500	NA
*DJIA	NA
*NASDAQ	NA

\* Percentage change during current cycle

MARKET SENTIMENT IS

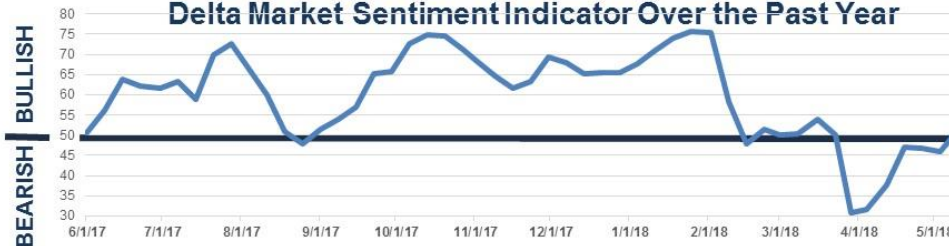
**BULLISH**

THIS WEEK'S NUMBER IS

**51.2**

Our technical indicator increased  
this week from 45.9 to 51.2

## Delta Market Sentiment Indicator Over the Past Year





# Delta MSI in Barron's

February 3, 2014

**BARRON'S**  
The Dow Jones and Financial News

BARRON'S

M57

## Market Laboratory • Indicators

### MONEY RATES

	Latest	Prev.	7-Dge Week
Discount Rate (NY)	%	%	%
Prime Rate (Bank)	3%	3%	3%
Real Fed Funds Rate	%	%	%
Aug effective offer	0.05	0.05	0.04
Aug monthly auction-C	0.05	0.05	0.04
T-Bills Rate			
12 weeks, Current Field	0.05	0.05	0.04
12 weeks, Auction Bid	0.05	0.05	0.04
28 weeks, Current Field	0.05	0.05	0.04

### FEDERAL RESERVE DATA BANK

Member Bank	Latest	Prev.	Year Ago
Reserve Chgs. (BIL.)	Week	Change	Change
One week ended Jan 29:			
U.S. Gov't securities:	3,838,923	+ 13,561	+ 1,262,248
Bought outright:			
Federal agency notes:	54,911	—	-20,208
Bought outright:			
Reserve bank credit:			
Primary credit:	17	+ 11	+ 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
<b>BULLISH</b>	52.1%	67.4%	65.2%
Current Market Exposure: 100% Equities, 0% Bonds, 0% Cash			
Source: Delta Investment Management			
www.deltainv.com, (415) 249-6337			

Other Money Rates	Latest	Prev.	7-Dge Week
12-Month T-Bill	0.05	0.05	0.04
3-Month T-Bill	0.05	0.05	0.04
6-Month T-Bill	0.05	0.05	0.04
12-Month Cert	0.05	0.05	0.04
3-Month Cert	0.05	0.05	0.04
6-Month Cert	0.05	0.05	0.04
12-Month Note	0.05	0.05	0.04
3-Month Note	0.05	0.05	0.04
6-Month Note	0.05	0.05	0.04
12-Month Bond	0.05	0.05	0.04
3-Month Bond	0.05	0.05	0.04
6-Month Bond	0.05	0.05	0.04

Required Res. FR	Latest	Prev.	7-Dge Week
Required Res. FR	102,244	108,980	2,885
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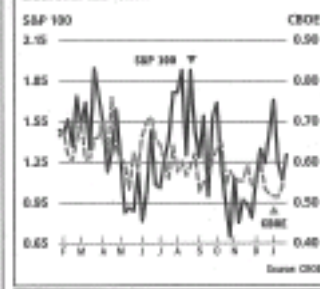
ADJUSTABLE MORTGAGE BASE RATES	Jan 22	Jan 29	Yr. Ago	% Chg
1 Year Treas Note	0.11	0.11	0.15	-26.57
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DELTA MARKET SENTIMENT INDICATOR	Latest	Prev.	7-Dge Week
Delta MSI	52.1%	67.4%	65.2%
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MONEY SUPPLY	Latest	Prev.	Yr. Ago	% Chg
M1	2,677.5	2,660.2	2,476.6	8.37
M2	11,072.2	11,067.9	10,424.4	5.88
M3	11,072.2	11,067.9	10,424.4	5.88
M4	11,072.2	11,067.9	10,424.4	5.88
M5	11,072.2	11,067.9	10,424.4	5.88
M6	11,072.2	11,067.9	10,424.4	5.88
M7	11,072.2	11,067.9	10,424.4	5.88
M8	11,072.2	11,067.9	10,424.4	5.88
M9	11,072.2	11,067.9	10,424.4	5.88
M10	11,072.2	11,067.9	10,424.4	5.88

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

Readings in the CRUDE equity put-call ratio of 0.8108 and in the S&P 100 of 125.00 are considered bullish, for instance. Bearish signals flash when the equity put-call level reaches the vicinity of 0.5000 and the index rate falls to 100.



### INVESTOR SENTIMENT READINGS

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

Consensus Index	Latest	Prev.	7-Dge Week
Consensus Index	60%	71%	72%
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Consensus Index	60%	71%	72%
Consensus Index	60%	71%	72%
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### Market Vantage

Market Vantage	Latest	Prev.	7-Dge Week
Market Vantage	81%	89%	89%
Market Vantage	81%	89%	89%
Market Vantage	81%	89%	89%
Market Vantage	81%	89%	89%
Market Vantage	81%	89%	89%
Market Vantage	81%	89%	89%
Market Vantage	81%	89%	89%
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### 7-Market Market Sentiment

7-Market Market Sentiment	Latest	Prev.	7-Dge Week
7-Market Market Sentiment	54.5%	53.7%	54.3%
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M9	11,072.2	11,067.9	10,424.4	5.88
M10	11,072.2	11,067.9	10,424.4	5.88

### 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. Retail transactions provide lower rates of foreign currency per dollar.

Country	Foreign Currency	U.S. \$	Foreign Currency	U.S. \$
Argentina (Peso)	13.57	0.02	10.00	1.0000
Australia (Dollar)	0.92	0.00	1.00	1.0000
1 month forward	0.92	0.00	1.00	1.0000
3 months forward	0.92	0.00	1.00	1.0000
6 months forward	0.92	0.00	1.00	1.0000
Bahamas (Dollar)	0.02	0.00	0.01	0.0000
Brazil (Real)	0.15	0.00	0.15	0.0000
Canada (Dollar)	0.75	0.00	1.00	1.0000
China (Yuan)	0.15	0.00	0.15	0.0000
China (Renminbi)	0.15	0.00	0.15	0.0000
Colombia (Peso)	0.0001	0.0000	0.0001	0.0000
Czech Rep. (Koruna)	0.02	0.00	0.02	0.0000
Denmark (Krone)	0.00	0.00	0.00	0.0000
Egypt (Pound)	0.00	0.00	0.00	0.0000
Hong Kong (Dollar)	0.00	0.00	0.00	0.0000
Hungary (Forint)	0.0001	0.0000	0.0001	0.0000
India (Rupee)	0.0001	0.0000	0.0001	0.0000
Indonesia (Rupiah)	0.0001	0.0000	0.0001	0.0000
Israel (Sheqel)	0.0001	0.0000	0.0001	0.0000
Japan (Yen)	0.0001	0.0000	0.0001	0.0000
1 month forward	0.0001	0.0000	0.0001	0.0000
3 months forward	0.0001	0.0000	0.0001	0.0000
6 months forward	0.0001	0.0000	0.0001	0.0000
Korea (Won)	0.0001	0.0000	0.0001	0.0000
Malaysia (Ringgit)	0.0001	0.0000	0.0001	0.0000
Mexico (Peso)	0.0001	0.0000	0.0001	0.0000
New Zealand (Dollar)	0.00	0.00	0.00	0.0000
Norway (Krone)	0.00	0.00	0.00	0.0000
Poland (Zloty)	0.0001	0.0000	0.0001	0.0000
Portugal (Escudo)	0.0001	0.0000	0.0001	0.0000
Romania (Leu)	0.0001	0.0000	0.0001	0.0000
Saudi Arabia (Riyal)	0.0001	0.0000	0.0001	0.0000
Singapore (Dollar)	0.00	0.00	0.00	0.0000
South Africa (Rand)	0.0001	0.0000	0.0001	0.0000
South Korea (Won)	0.0001	0.0000	0.0001	0.0000
Sweden (Krona)	0.0001	0.0000	0.0001	0.0000
Switzerland (Franc)	0.0001	0.0000	0.0001	0.0000
1 month forward	0.0001	0.0000	0.0001	0.0000
3 months forward	0.0001	0.0000	0.0001	0.0000
6 months forward	0.0001	0.0000	0.0001	0.0000
Taiwan (Dollar)	0.0001	0.0000	0.0001	0.0000
Thailand (Baht)	0.0001	0.0000	0.0001	0.0000
Turkey (Lira)	0.0001	0.0000	0.0001	0.0000
U.S. (Dollar)	1.00	0.00	1.00	0.0000
1 month forward	1.00	0.00	1.00	0.0000
3 months forward	1.00	0.00	1.00	0.0000
6 months forward	1.00	0.00	1.00	0.0000
United Arab Emirates (Dirham)	0.0001	0.0000	0.0001	0.0000
United Kingdom (Pound)	0.00	0.00	0.00	0.0000
Venezuela (Bolívar)	0.0001	0.0000	0.0001	0.0000

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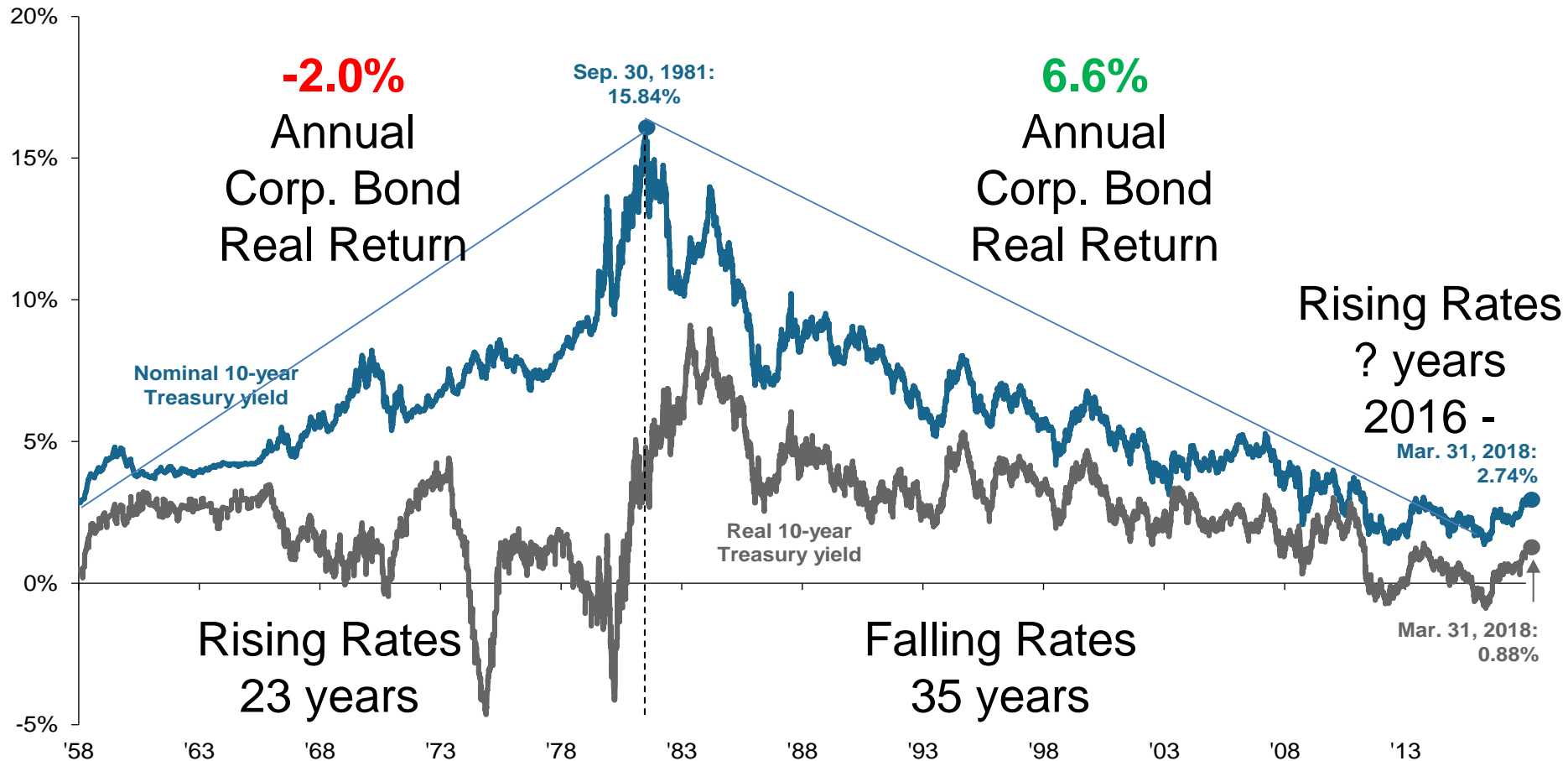
# Focus on Risk Management

How do you grow and protect your assets?

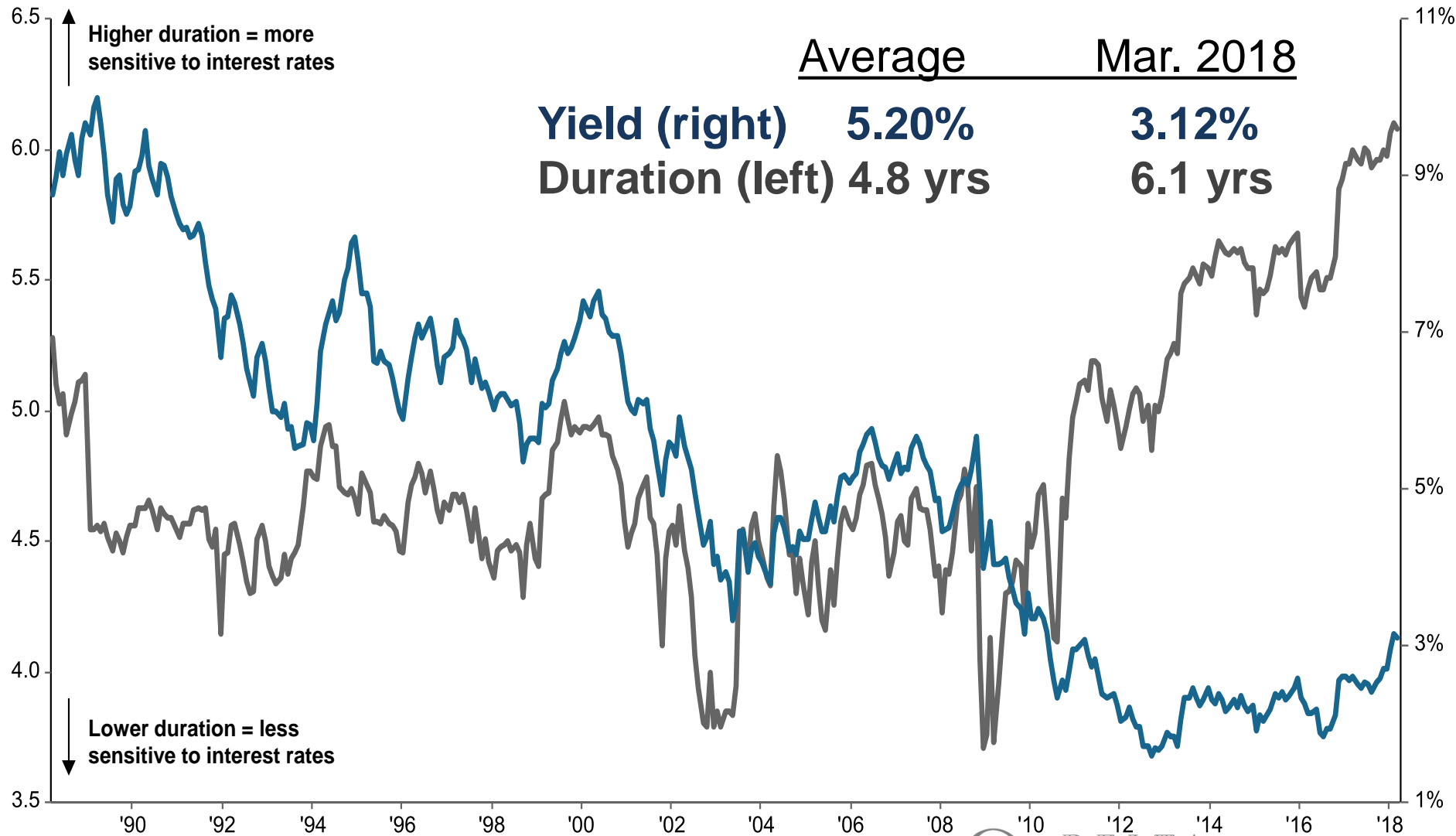
- a. If you own bonds, what happens if rates rise?
- b. If you own stocks, how bad is the bear market going to get?

# Bonds in a Low Rate Environment

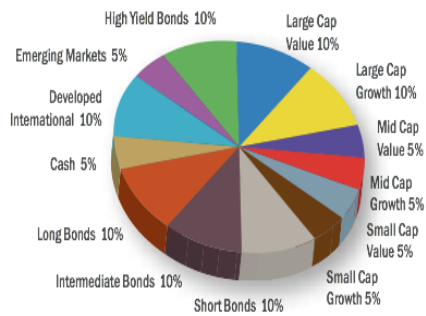
Nominal and real 10-year Treasury yields



# Duration and Yield of the AGG



# Traditional Risk Management



## 60/40 Stock/Bond Portfolio

10-Year Average Annual Return: 4.01%

Maximum Drawdown: **-41%**

60/40 Stock/Bond Composite Index (MSCI/Citi)

No deduction of fees, expenses, or taxes

Through 12/31/2017

Vs.

## S&P 500 Index

10-Year Average Annual Return: 8.13%

Maximum Drawdown: **-55%**

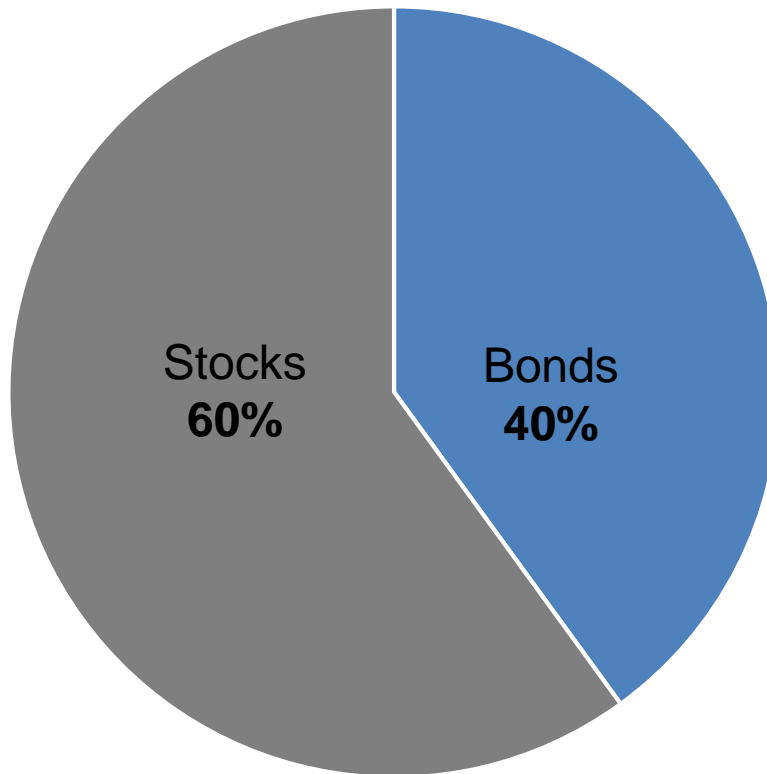
No deduction for fees, expenses or taxes

Through 12/31/2017

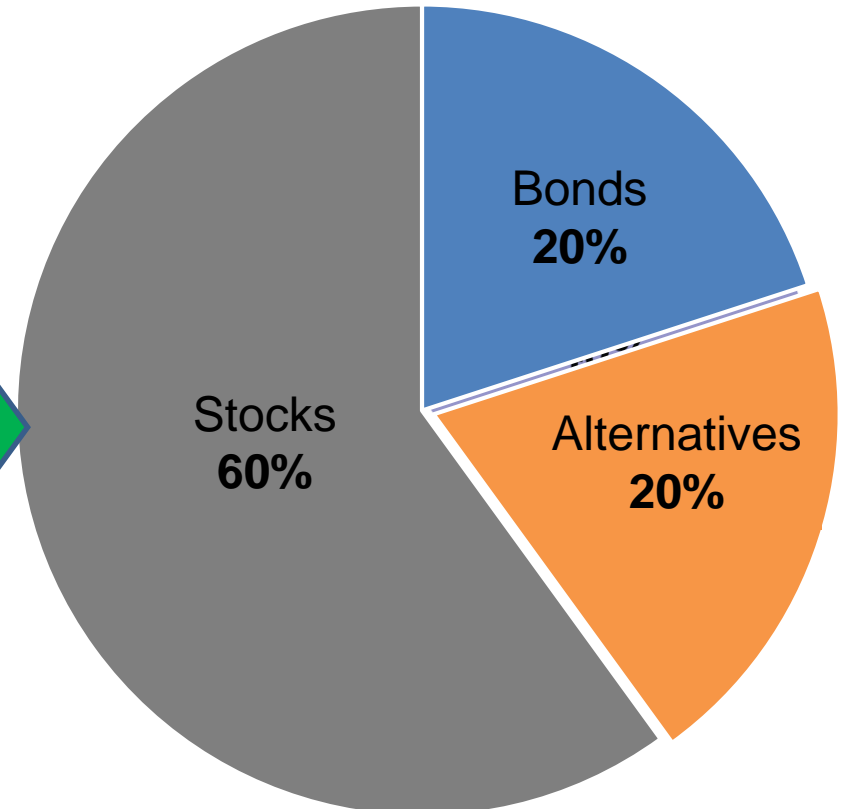


# The Role of Alternatives

Traditional Portfolio  
Construction

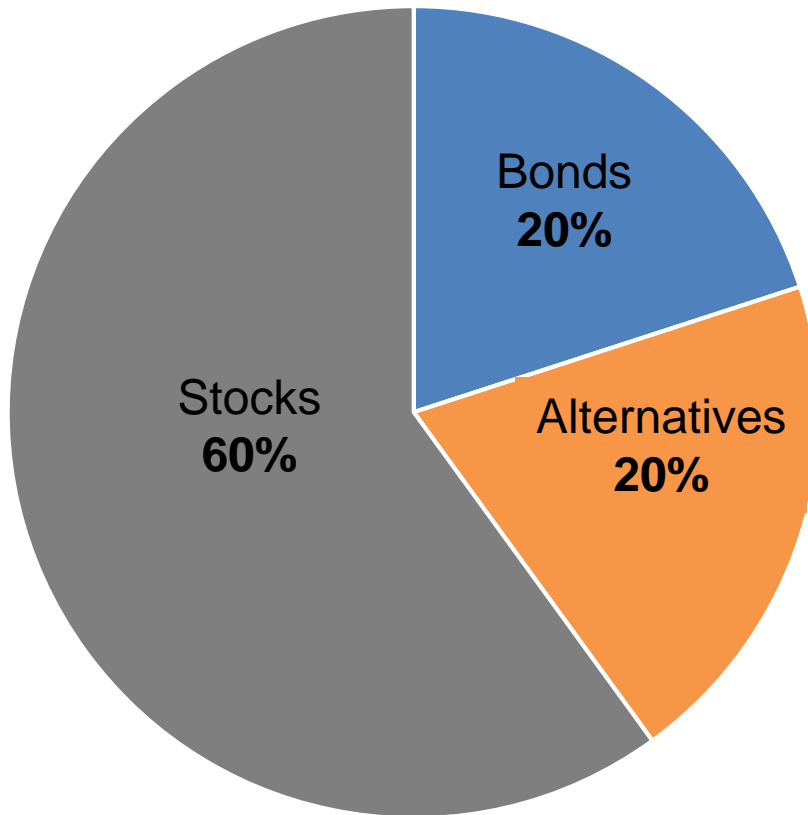


Alternative Portfolio  
Construction



# The Role of Alternatives

## Alternative Portfolio Construction

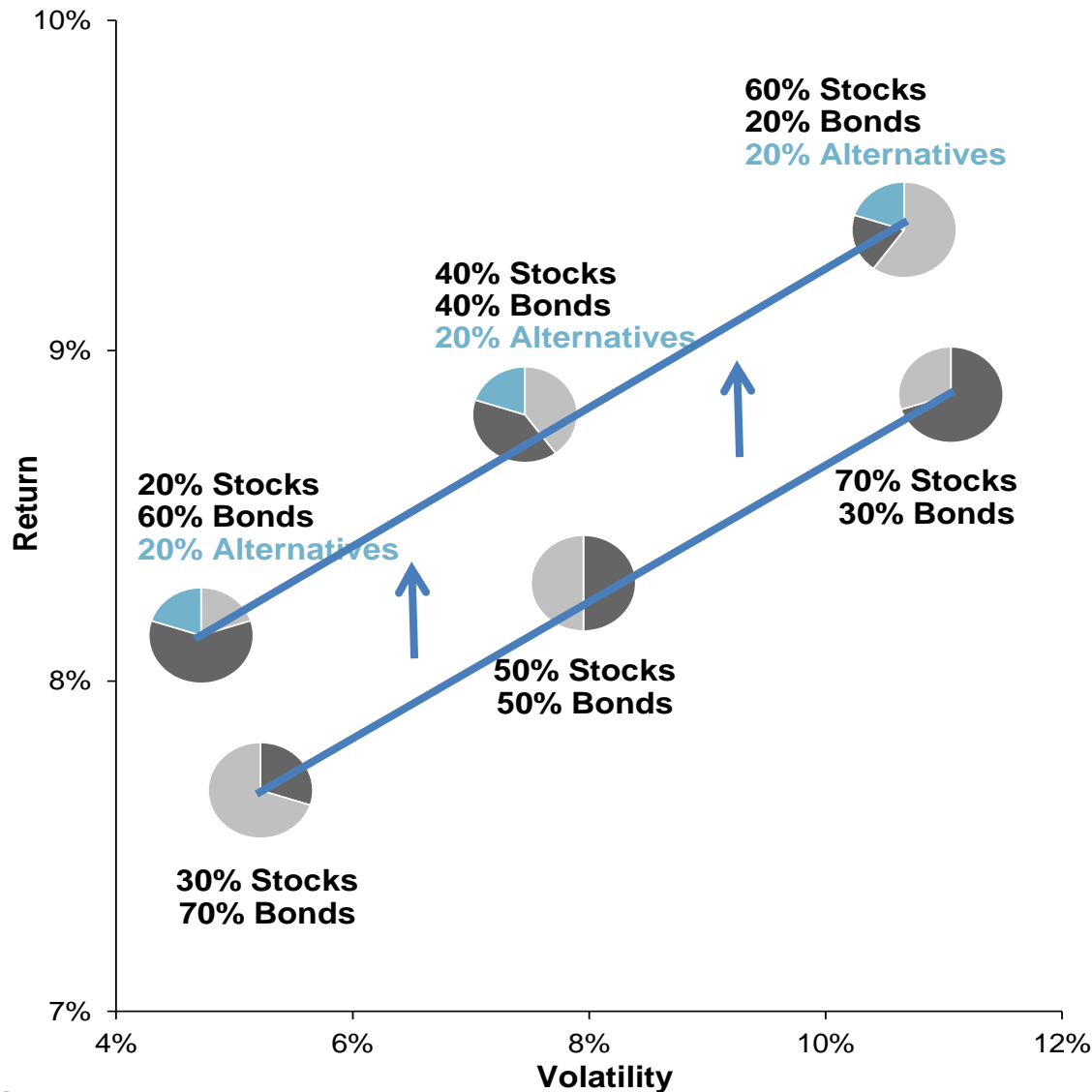


### Sample of Alternatives Considered:

- Convertible Bonds
- Long/Short Mutual Funds
- Tactical Equity Strategies
- Floating Rate Securities

# The Role of Alternatives

Annualized volatility and Returns, 1Q 1991 – 4Q 2015



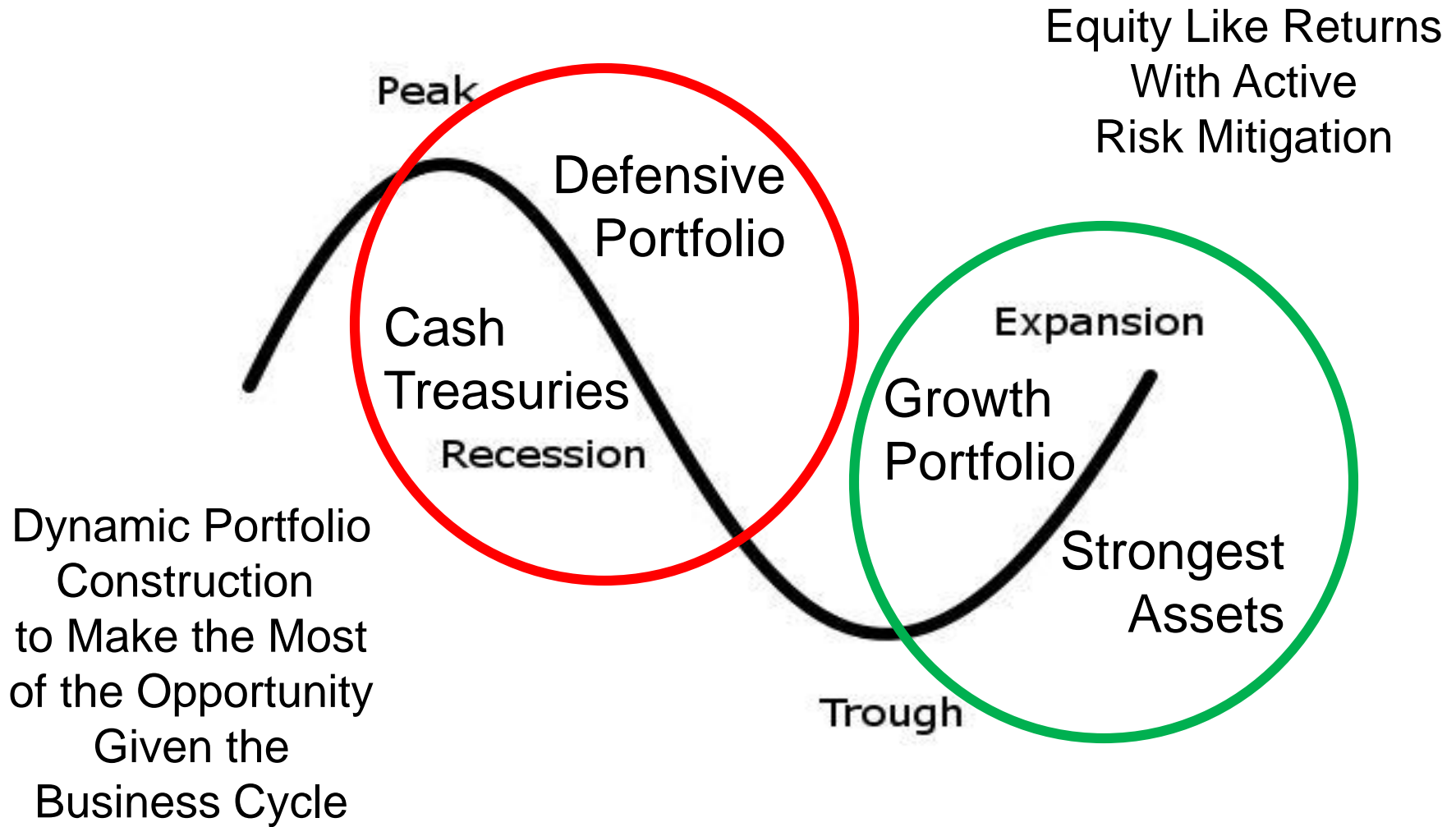
**Benefit of  
Alternatives  
Approach**

**Traditional  
Style Box  
Investing**





# Managing Risk Through the Cycle



How bad is this bear going to get?

Two ways to think about the market:

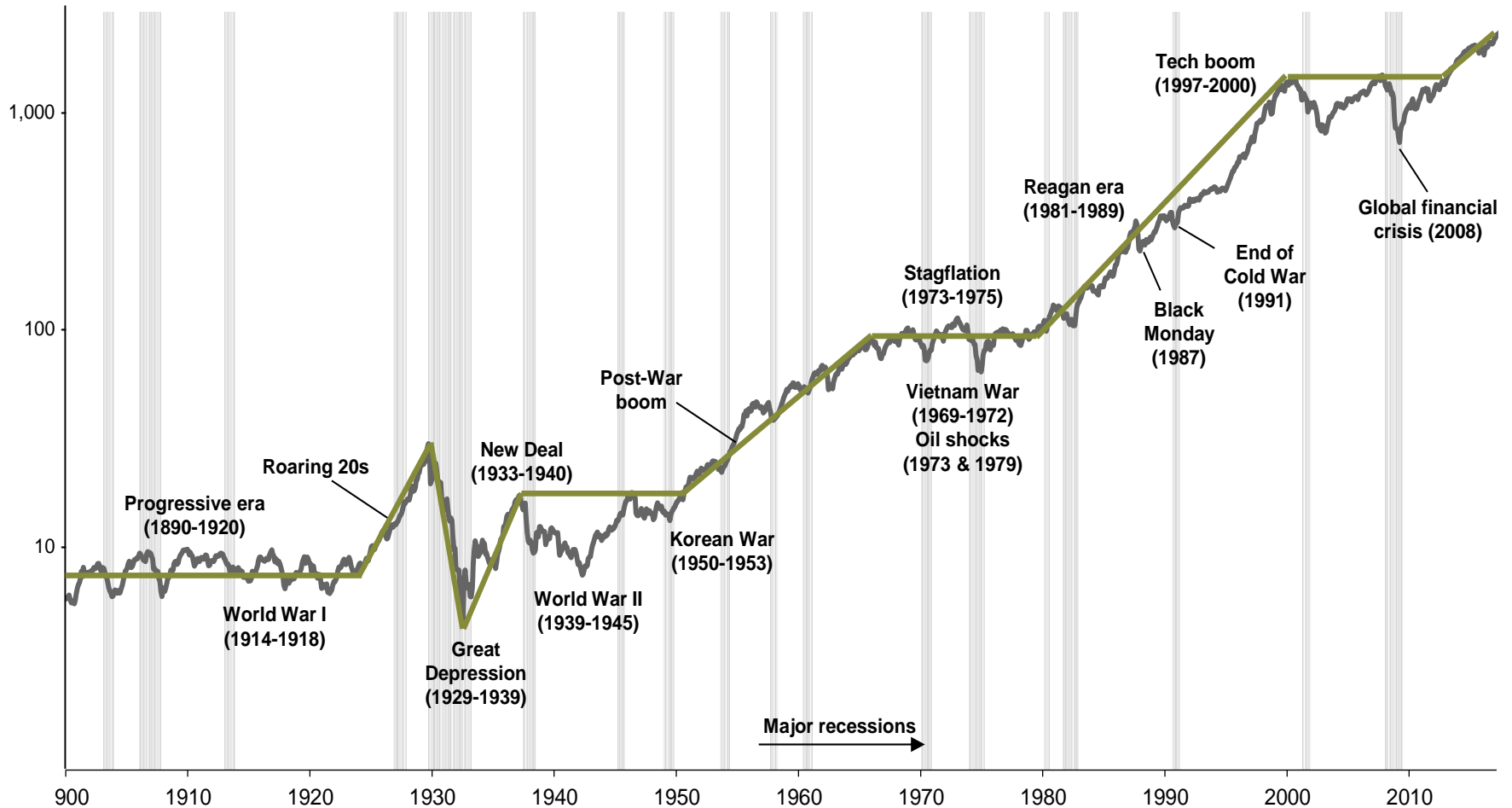
1. How the market rises

2. How the market falls

# Stock Market Stair-Steps Higher

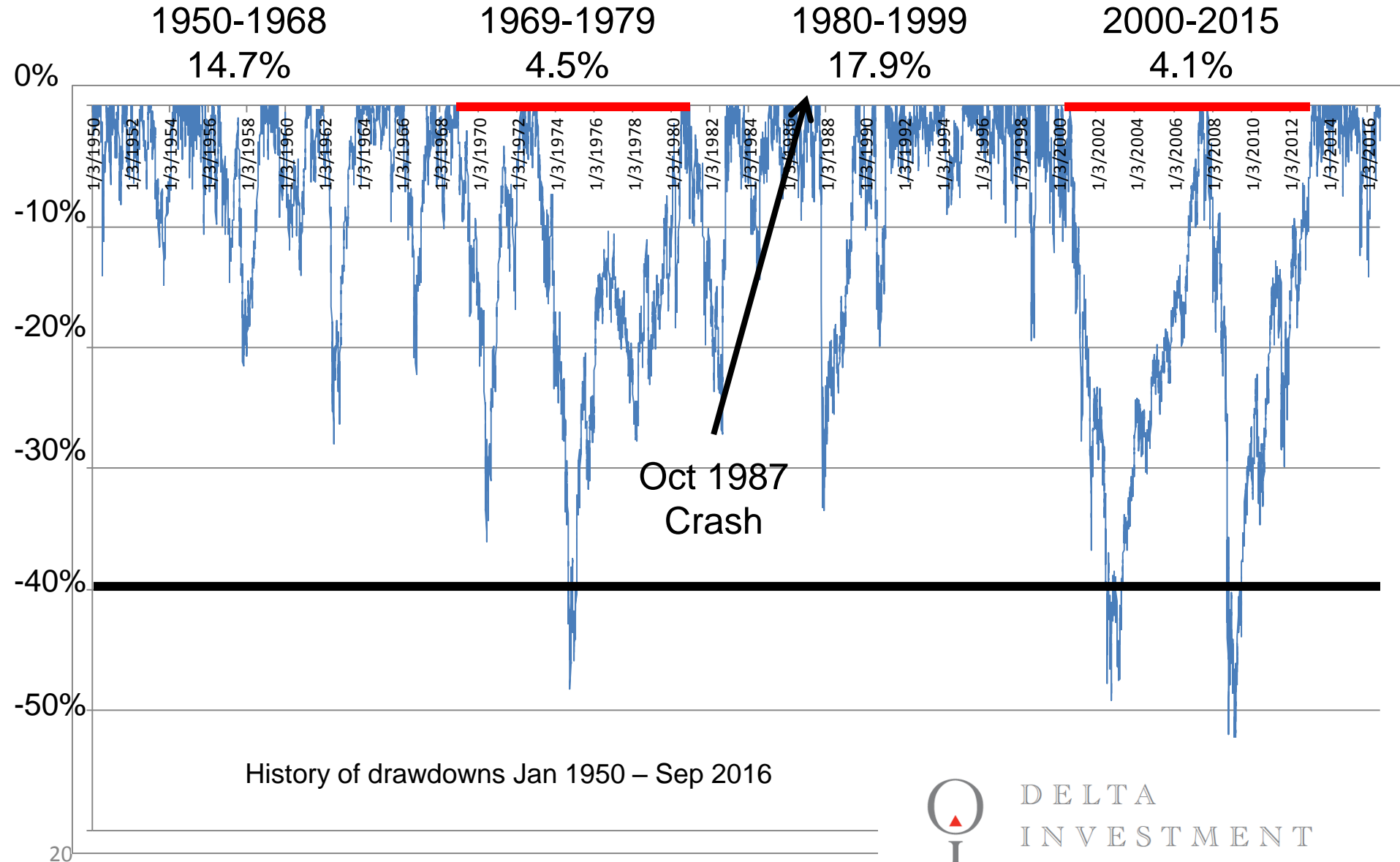
## S&P Composite Index

Log scale, annual



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# Stock Market Drawdowns



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# Stock Market Declines

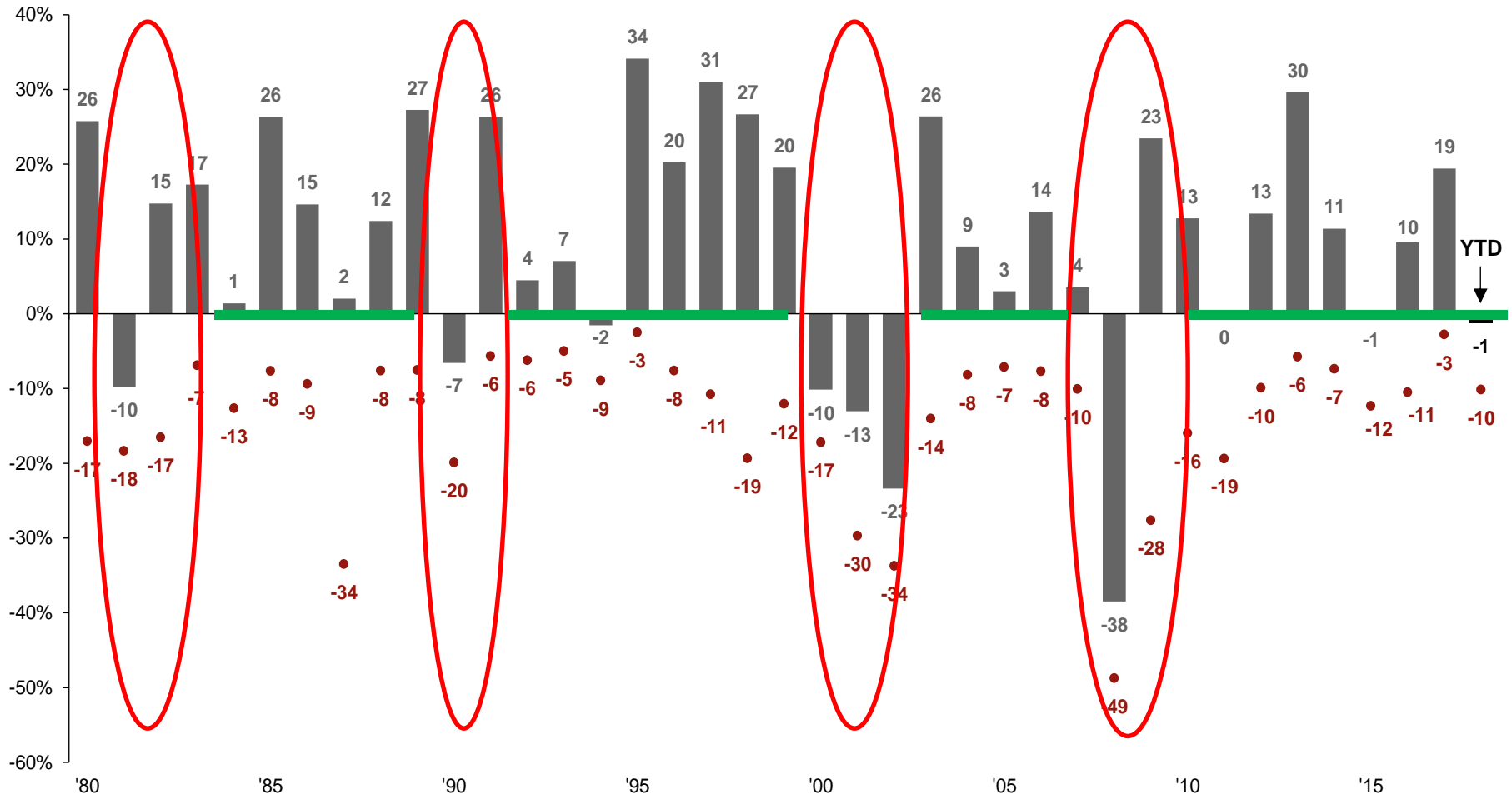
## Declines in the S&P 500 Since January 3, 1950 Through December, 2017 68 Years of Market History

Decline %	Number	Avg. Length of Decline in Months	Avg. Time To Recovery in Months
5-10	41	1	1
10-20	11	4	3
20-30	4	11	8
30-40	2	9	15
40+	3	23	60

# S&P 500 Returns and Drawdowns

## S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 13.8%, annual returns positive in 29 of 38 years



Source: JP Morgan Asset Management

# Avoiding Recessions

1. Leading Economic Index
2. Treasury Yield Curve

# Leading Economic Index (LEI)

The Ten Components of The Conference Board Leading Economic Index® for the U.S. Include:

1. Average weekly hours, manufacturing
2. Average weekly initial claims for unemployment insurance
3. Manufacturers' new orders, consumer goods and materials
4. ISM® Index of New Orders
5. Manufacturers' new orders, nondefense capital goods excluding aircraft orders
6. Building permits, new private housing units
7. Stock prices, 500 common stocks
8. Leading Credit Index™
9. Interest rate spread, 10-year Treasury bonds less federal funds
10. Average consumer expectations for business conditions



# Leading Economic Index (LEI)

## 1. Average weekly hours, manufacturing



Source: St. Louis Fed, US Bureau of Labor Statistics



# Leading Economic Index (LEI)

## 2. Average weekly initial claims for unemployment insurance

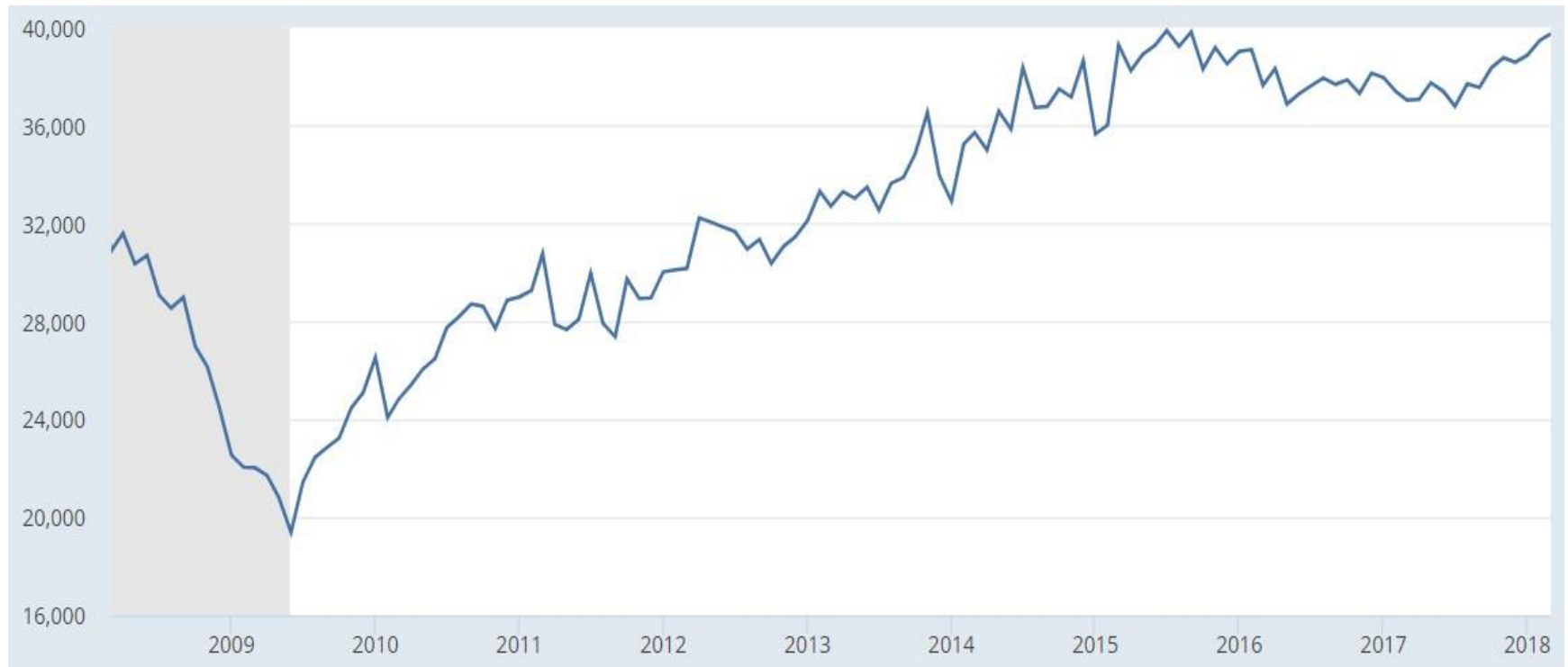


Source: St. Louis Fed, US Employment and Training Administration



# Leading Economic Index (LEI)

## 3. Manufacturers' new orders, consumer goods and materials

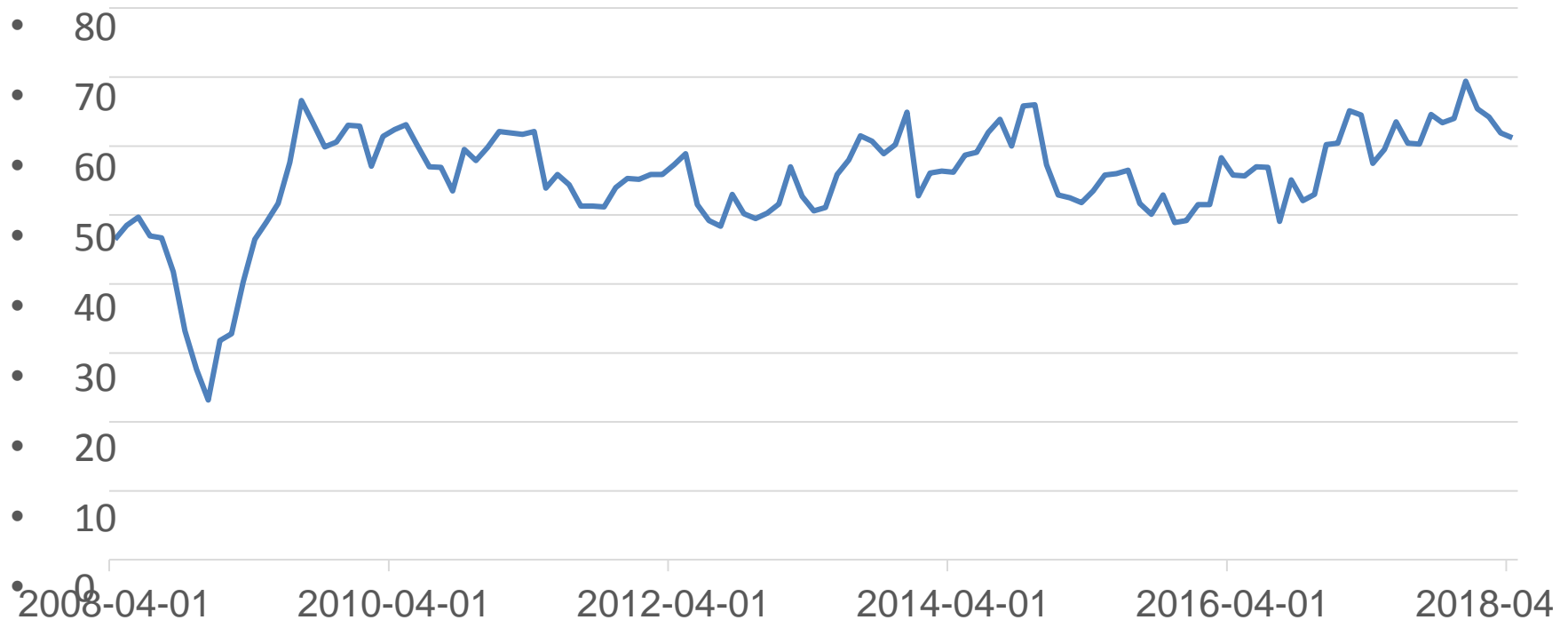


Source: St. Louis Fed, US Bureau of the Census



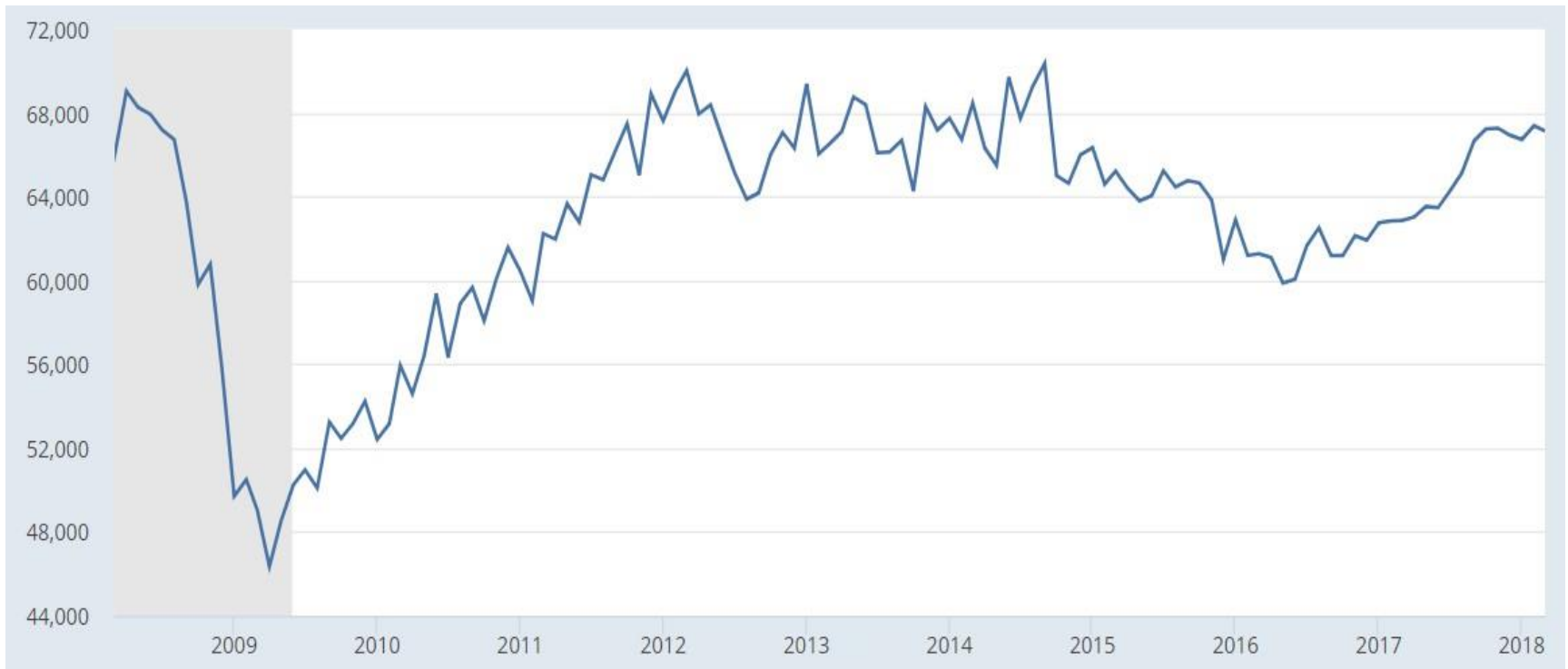
# Leading Economic Index (LEI)

- 4. ISM® Index of New Orders



# Leading Economic Index (LEI)

## 5. Manufacturers' new orders, nondefense capital goods excluding aircraft orders

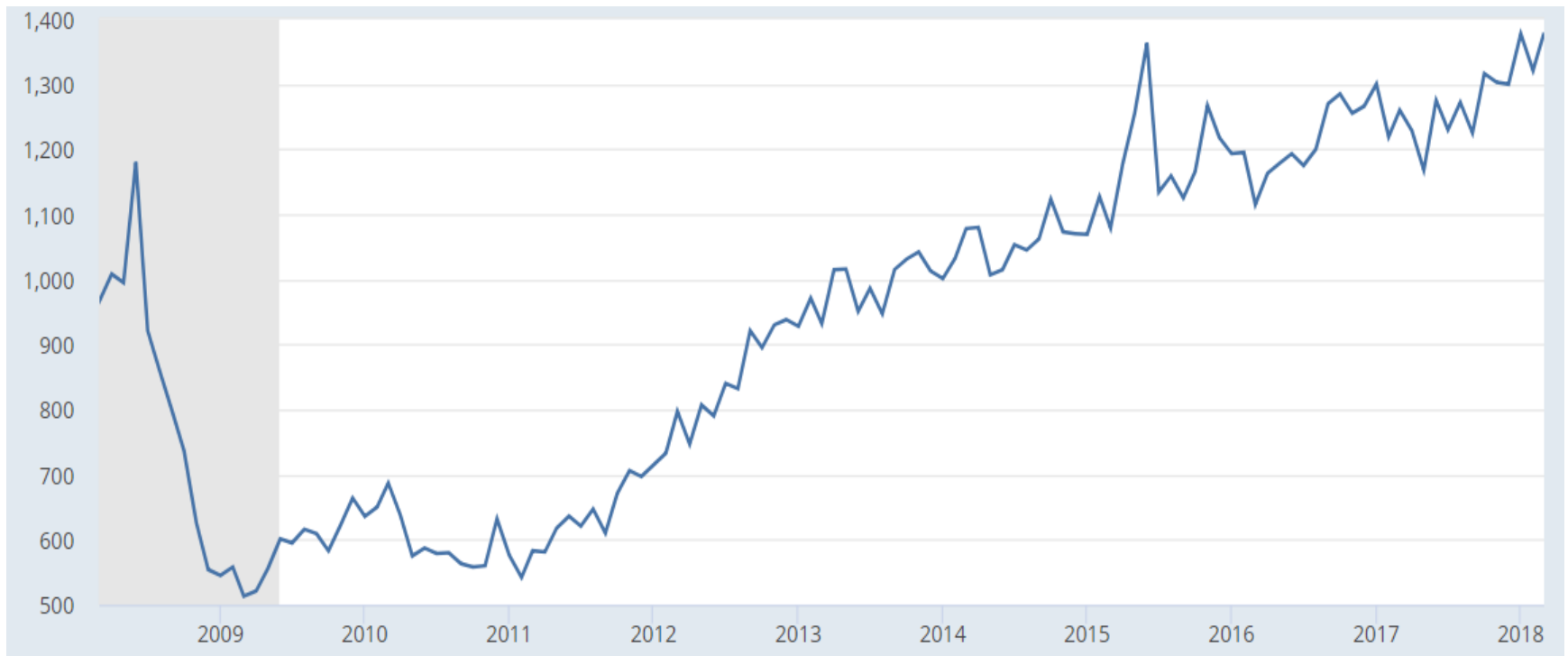


Source: St. Louis Fed, US Bureau of the Census



# Leading Economic Index (LEI)

## 6. Building permits, new private housing units – past 10 years



Source: St. Louis Fed, US Bureau of the Census



# Leading Economic Index (LEI)

## 6. Building permits, new private housing units since 1960



Source: St. Louis Fed, US Bureau of the Census



# Leading Economic Index (LEI)

## 7. Stock prices (S&P 500)



Source: Stockcharts.com





# Leading Economic Index (LEI)

## 9. Interest rate spread, 10-year Treasury bonds less Fed funds



Source: St. Louis Fed



# Leading Economic Index (LEI)

## 10. Average consumer expectations for business conditions



Source: University of Michigan



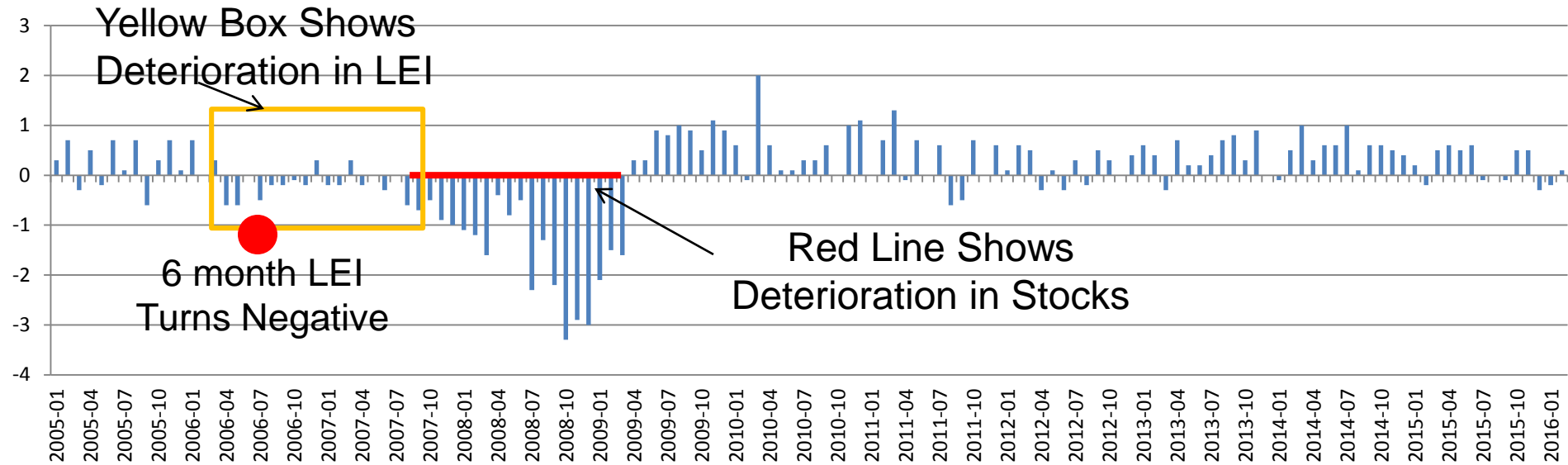
# Leading Economic Index (LEI)

## 8. Leading Credit Index

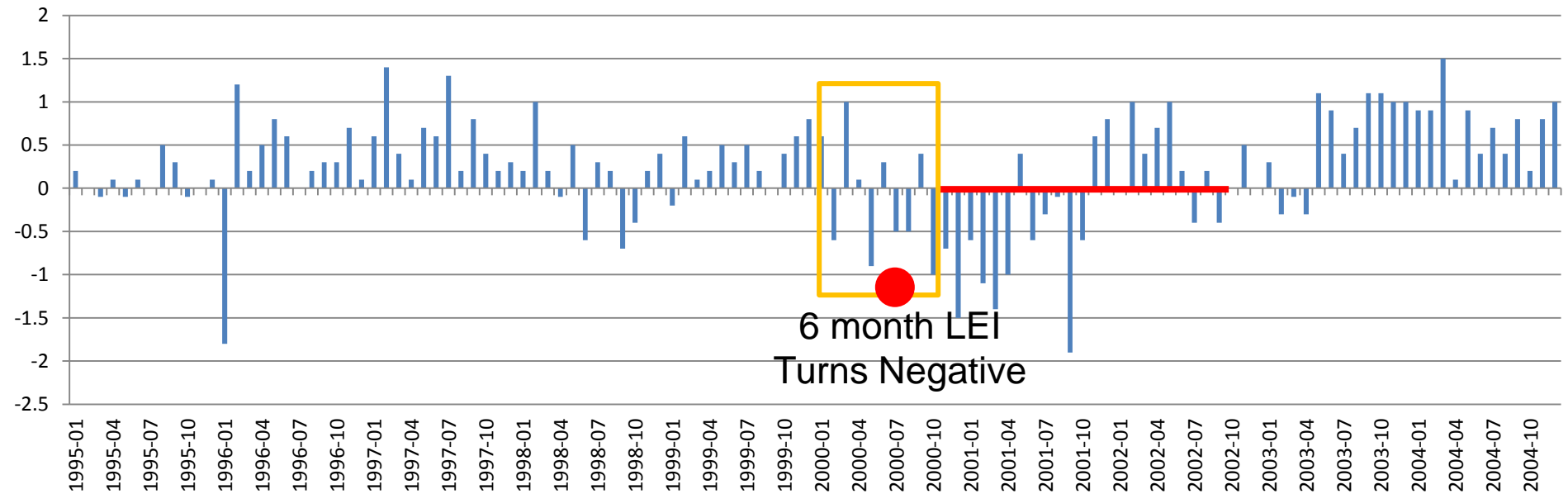
- 2-years Swap Spread (real time)
- LIBOR 3 month less 3 month Treasury-Bill yield spread (real time)
- Debit balances at margin account at broker dealer (monthly)
- **AAll Investors Sentiment Bullish (%) less Bearish (%) (weekly)**
- Senior Loan Officers C&I loan survey – Bank tightening Credit to Large and Medium Firms (quarterly)
- Security Repurchases (quarterly) from the Total Finance-Liabilities section of Federal Reserve's flow of fund report.

# Leading Economic Index (LEI) % Change Monthly

January 2005 through February 2016

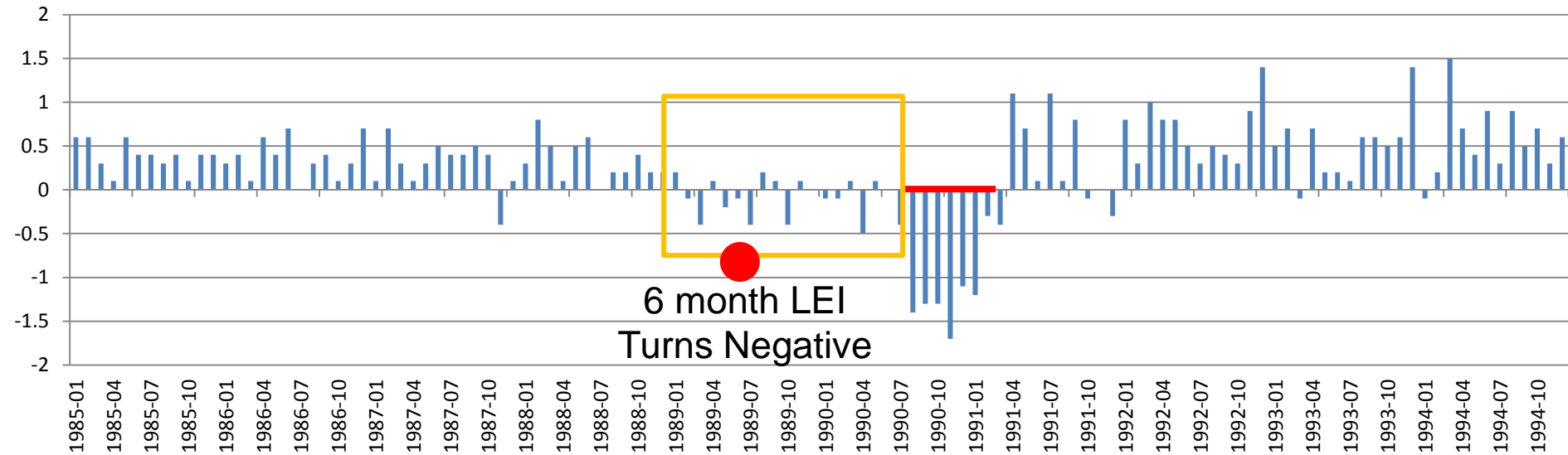


January 1995 through December 2004

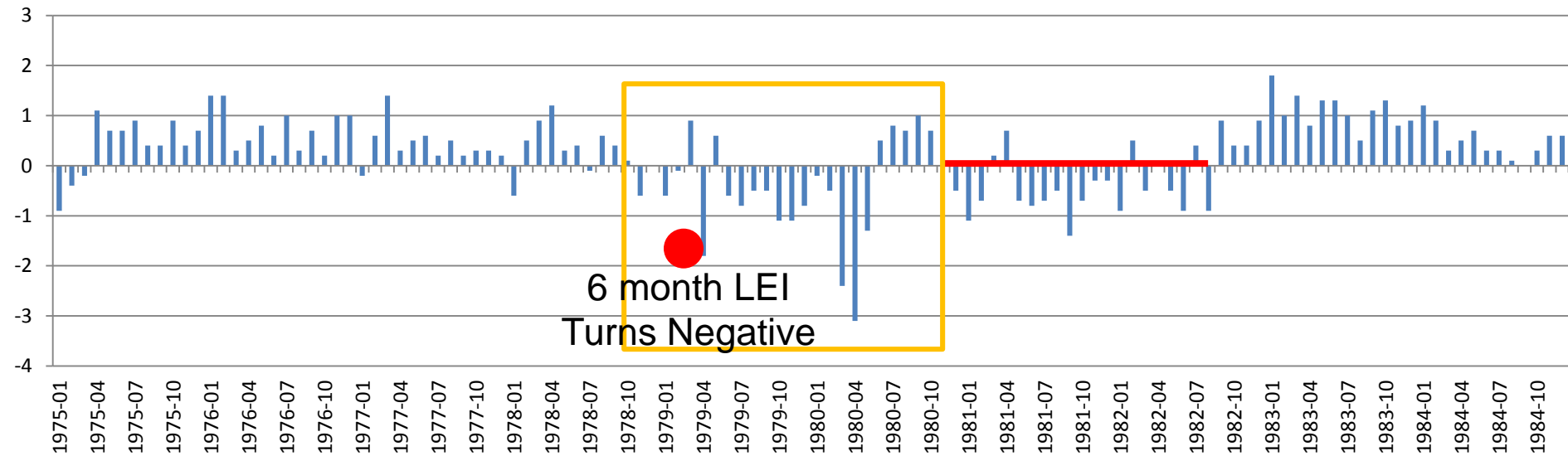


# Leading Economic Index % Change Monthly

January 1985 through December 1994



January 1975 through December 1984

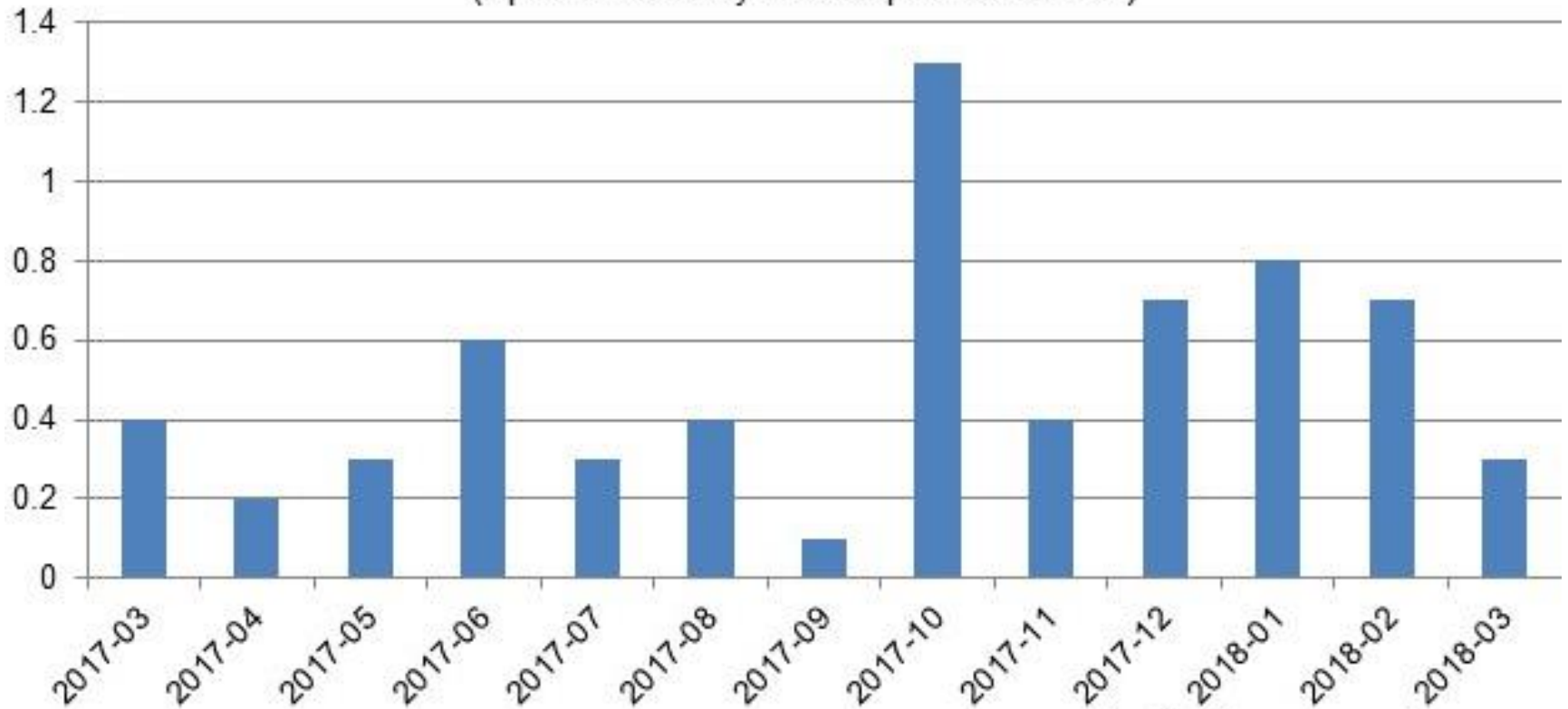


# Leading Economic Index

## Monthly % Change

March 2017 – March 2018

(Updated Monthly – last update 04/19/18)



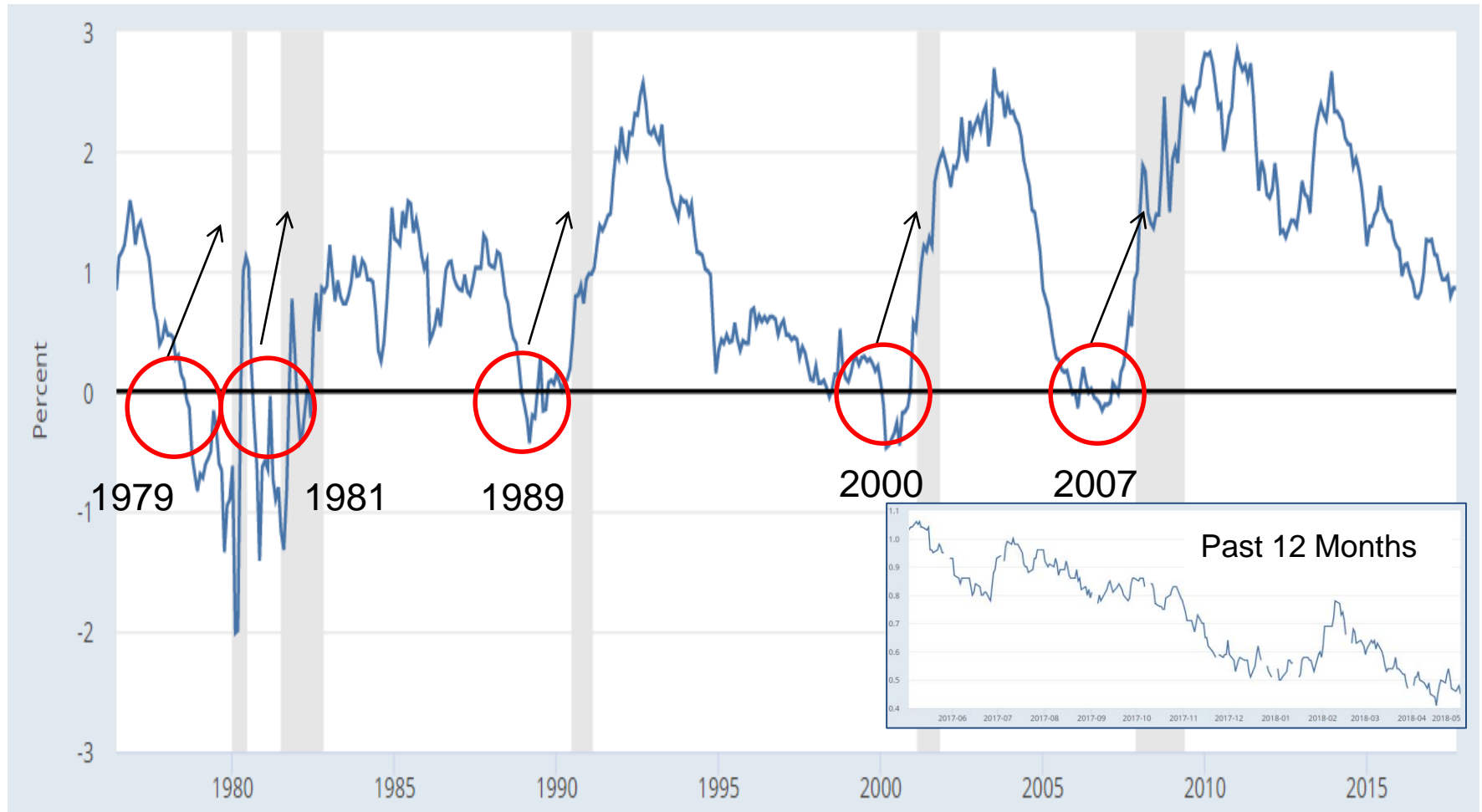
Source: The Conference Board



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# Yield Curve: 10 Year Minus 2

Grey Bars Mark Recessions



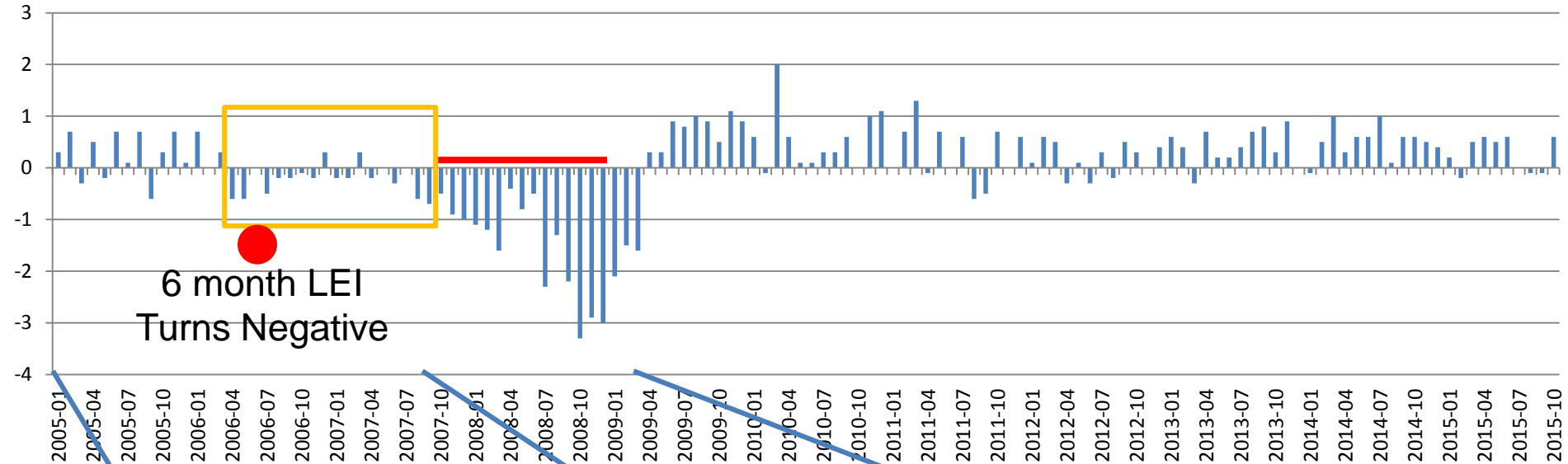
Source: Federal Reserve Bank of St. Louis



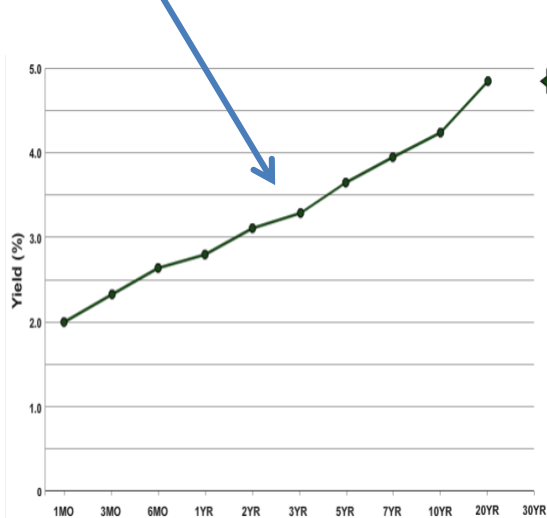
DELTA  
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# Leading Economic Index % Change Monthly

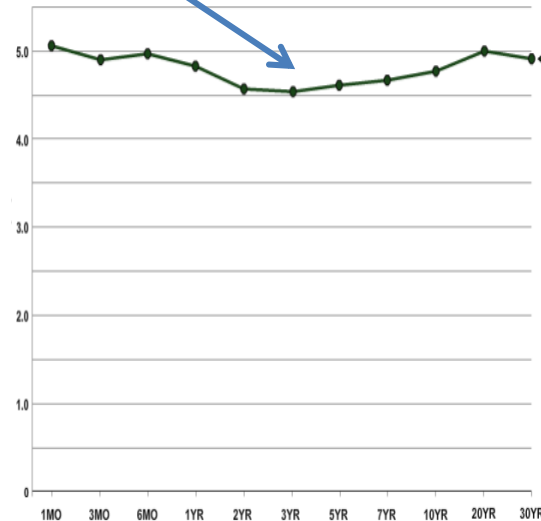
## Change in the U.S. Treasury Yield Curve



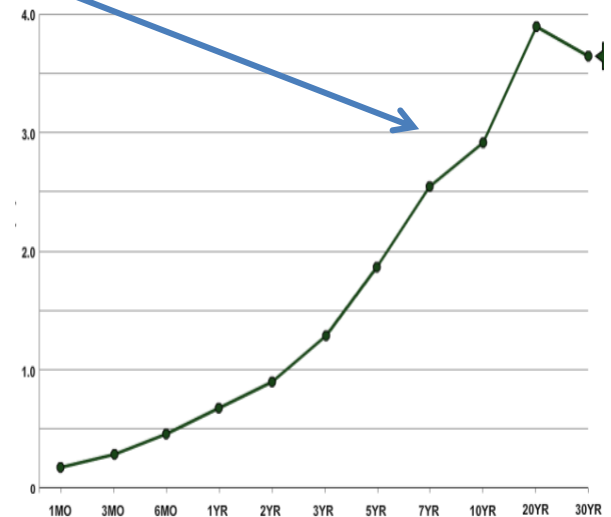
**Jan 2005**



**Aug 2007**



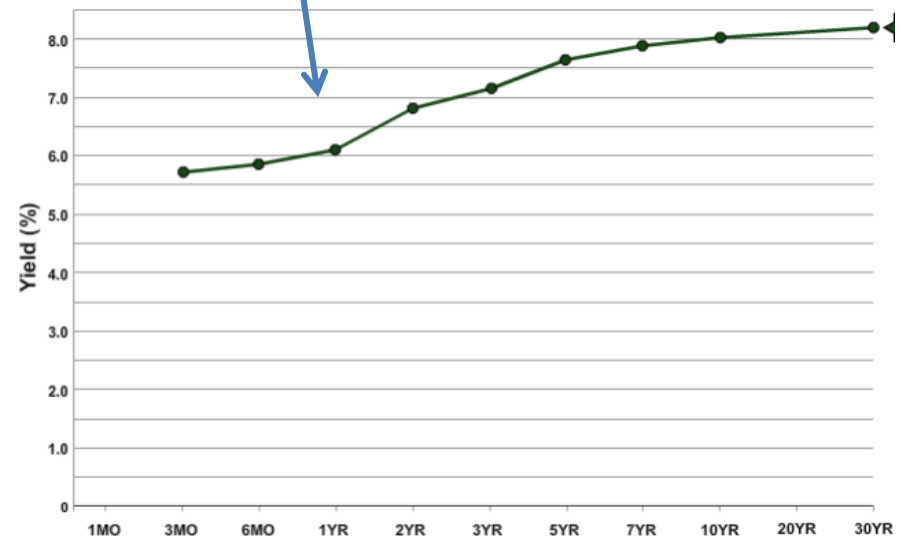
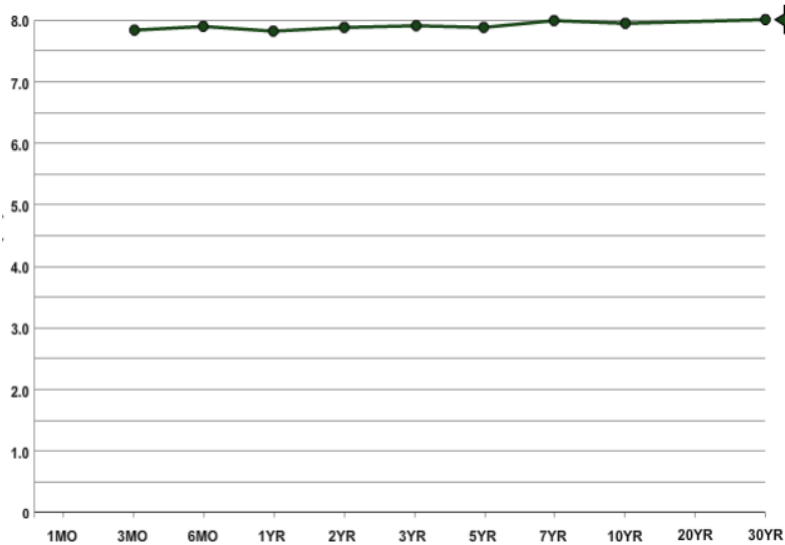
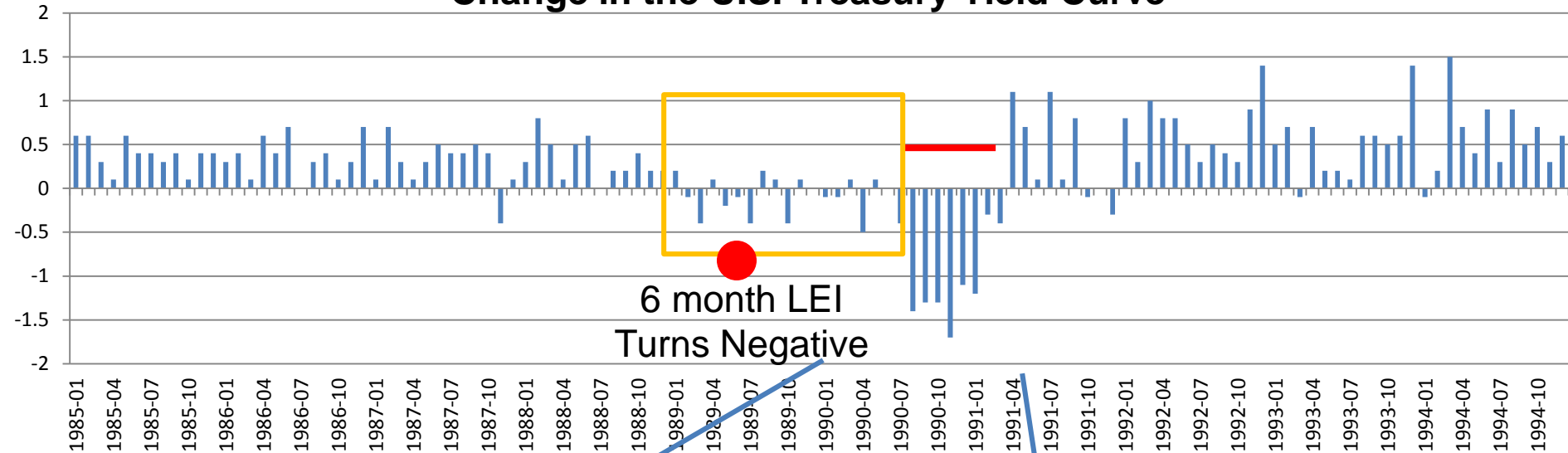
**Mar 2009**





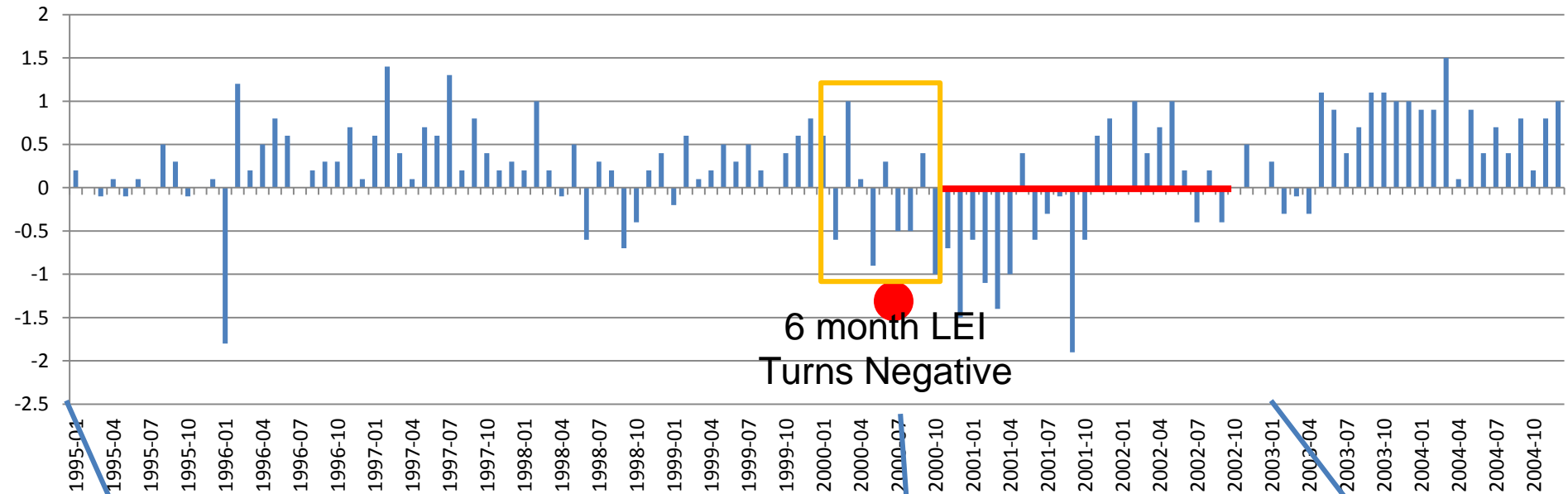
# Leading Economic Index % Change Monthly

## Change in the U.S. Treasury Yield Curve

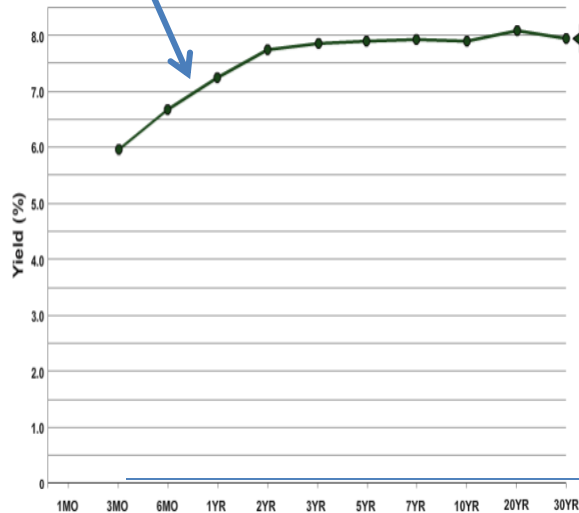


# Leading Economic Index % Change Monthly

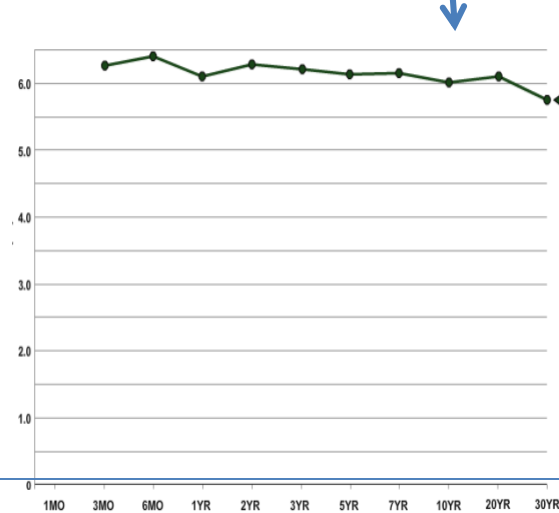
## Change in the U.S. Treasury Yield Curve



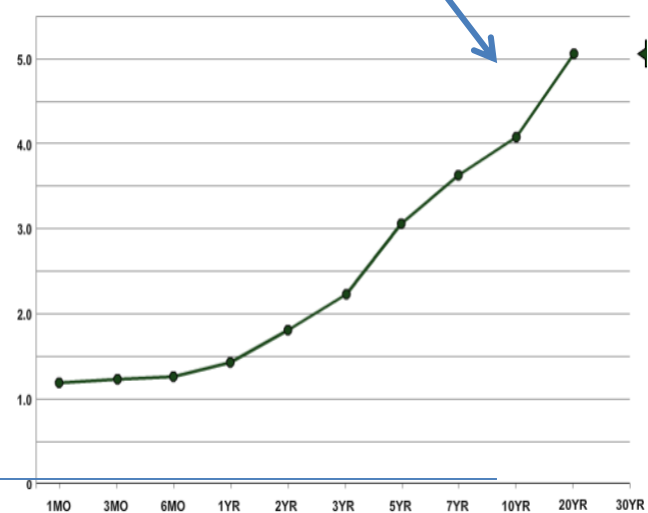
**Jan 1995**



**Aug 2000**

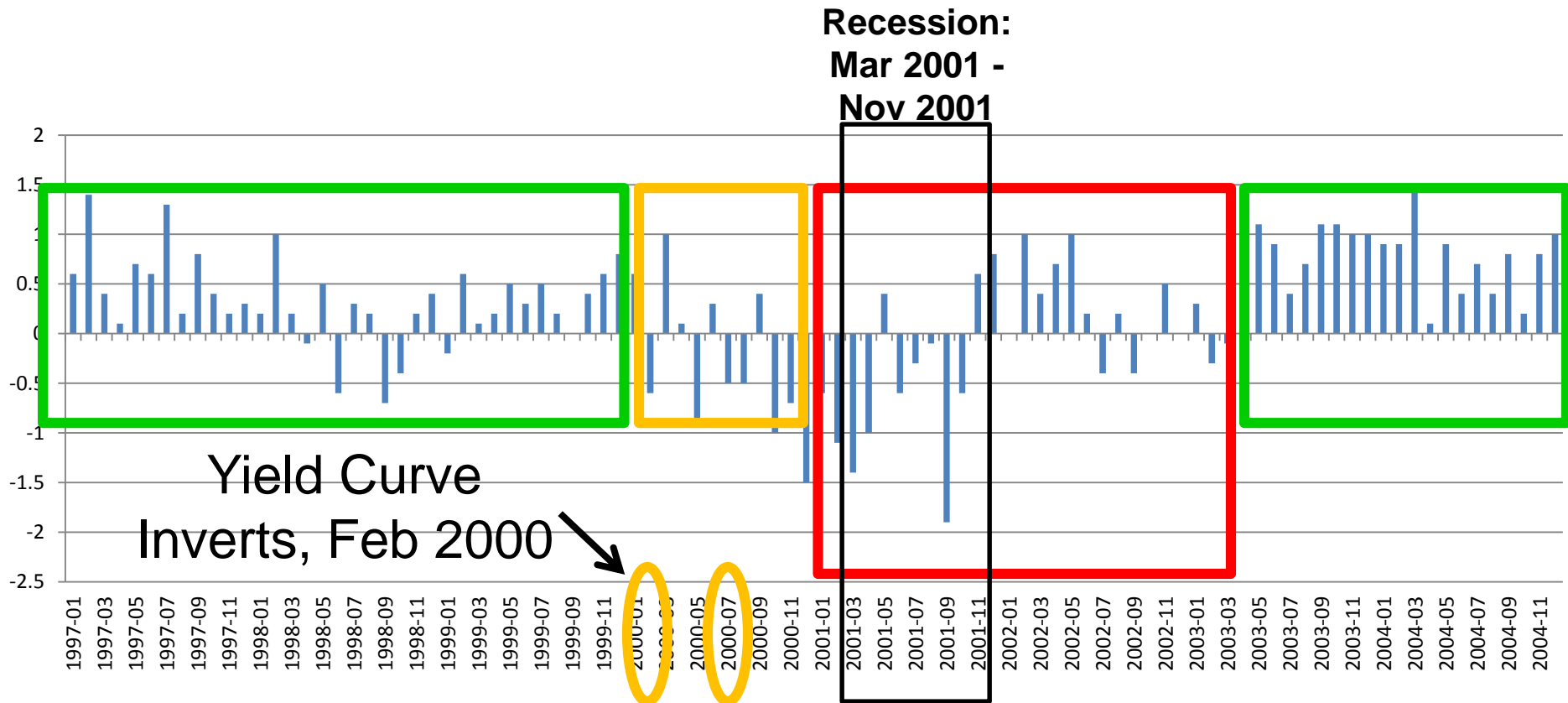


**Jan 2003**



# Leading Economic Index (LEI)

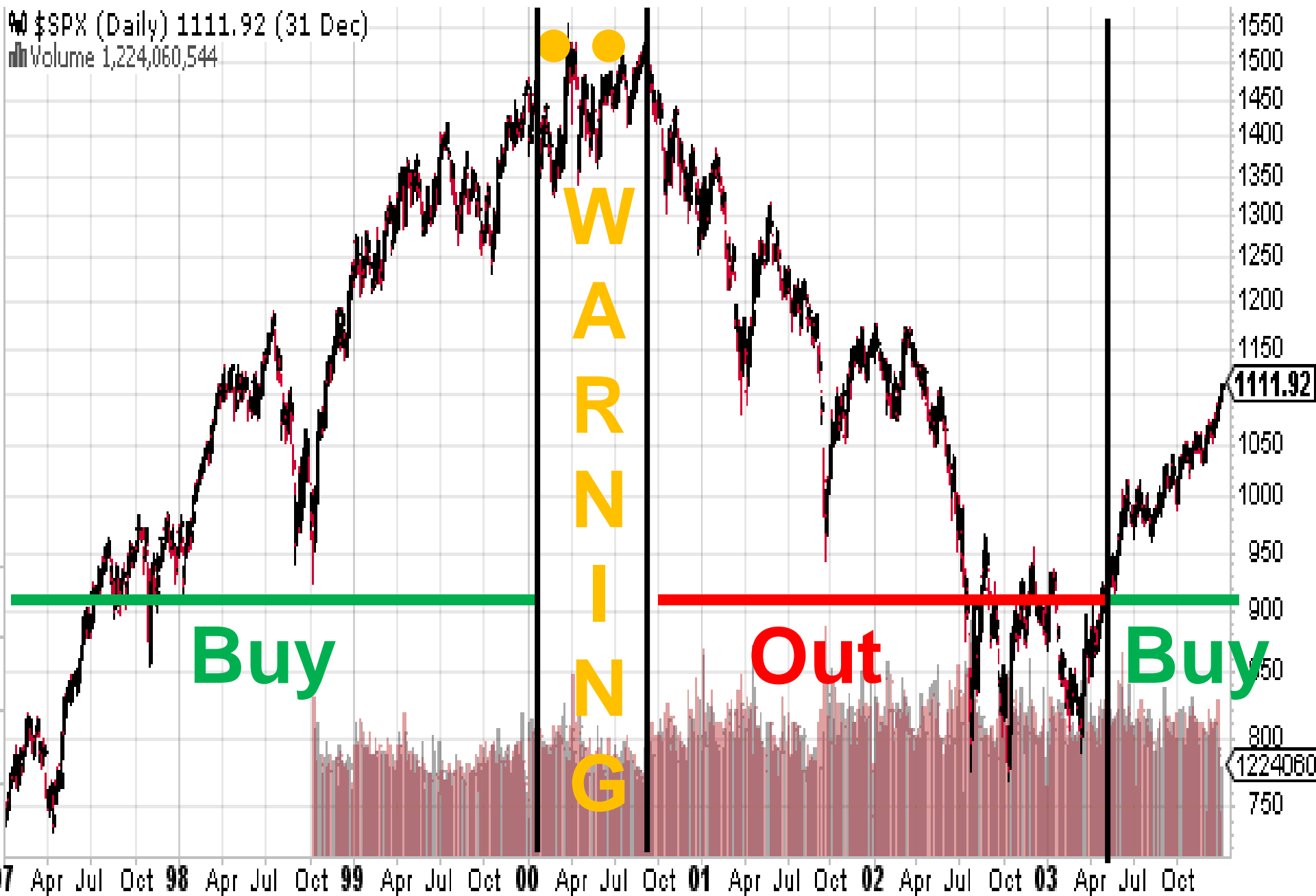
Jan. 1997 – Dec. 2004



# S&P 500 Index '97 – '04

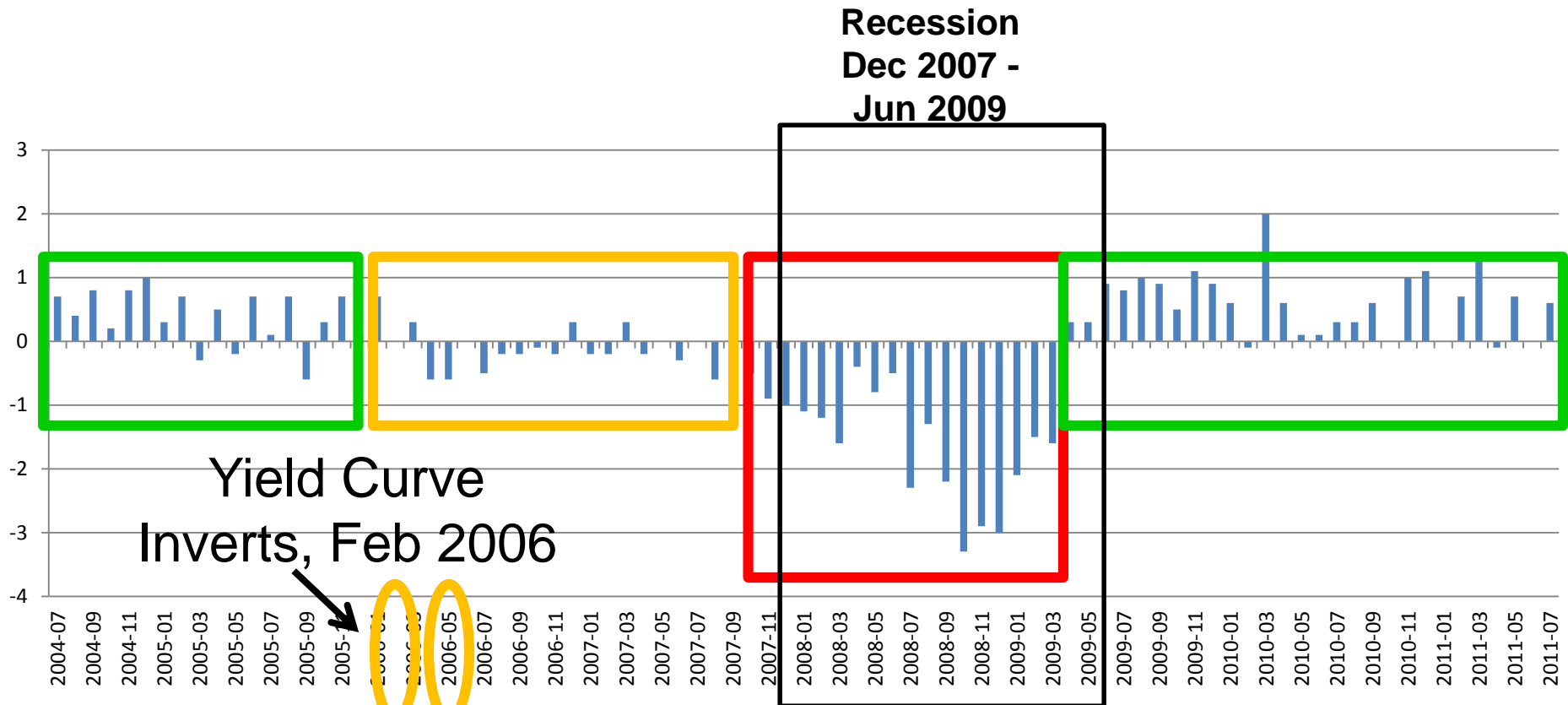
\$SPX (Daily) 1111.92 (31 Dec)

Volume 1,224,060,544



# Leading Economic Index (LEI)

July 2004 – July 2011



Six Month Moving Average LEI turned negative in  
May 2006

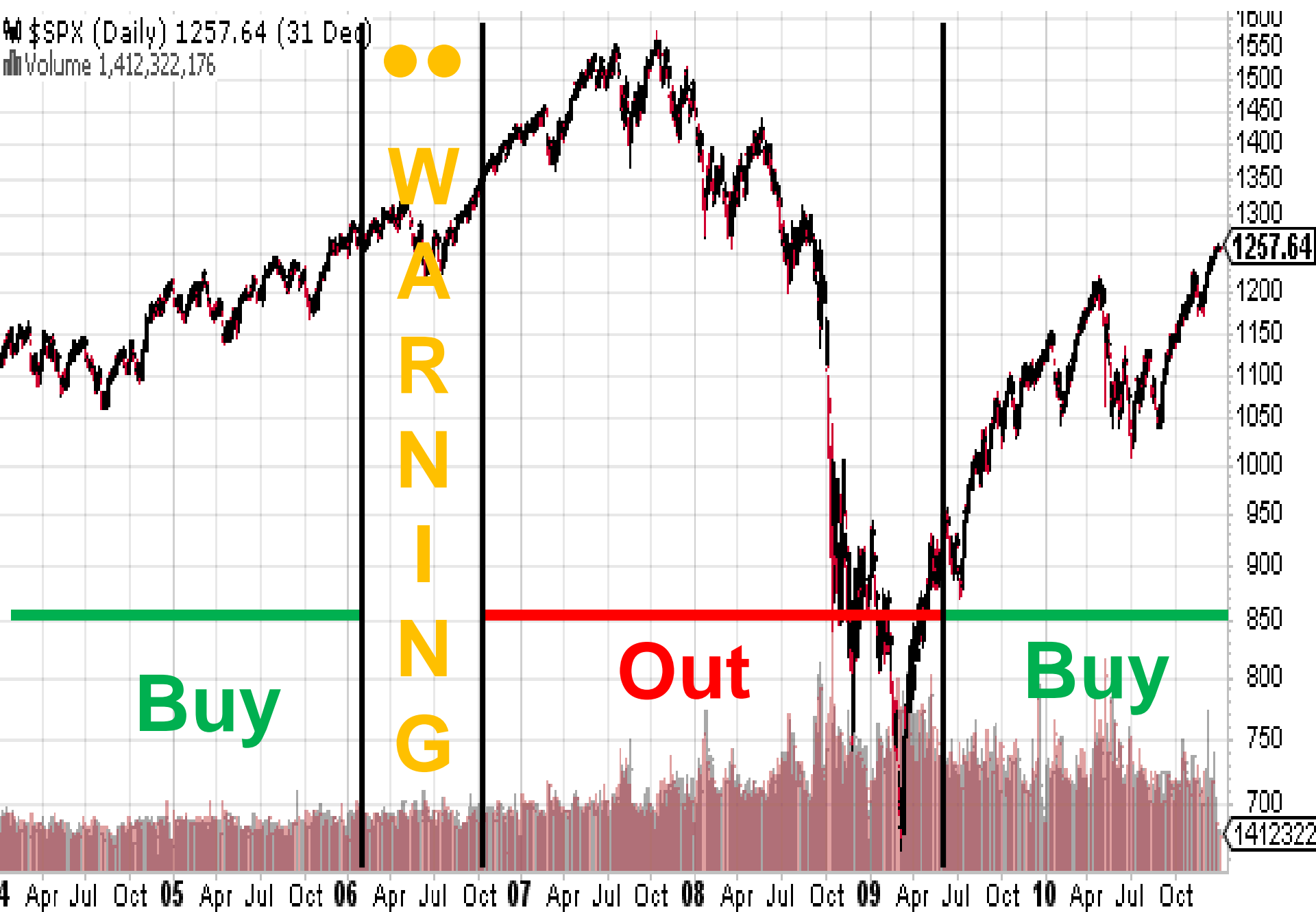
Stayed below zero until July 2009



# S&P 500 Index '04 – '10

\$SPX (Daily) 1257.64 (31 Dec)

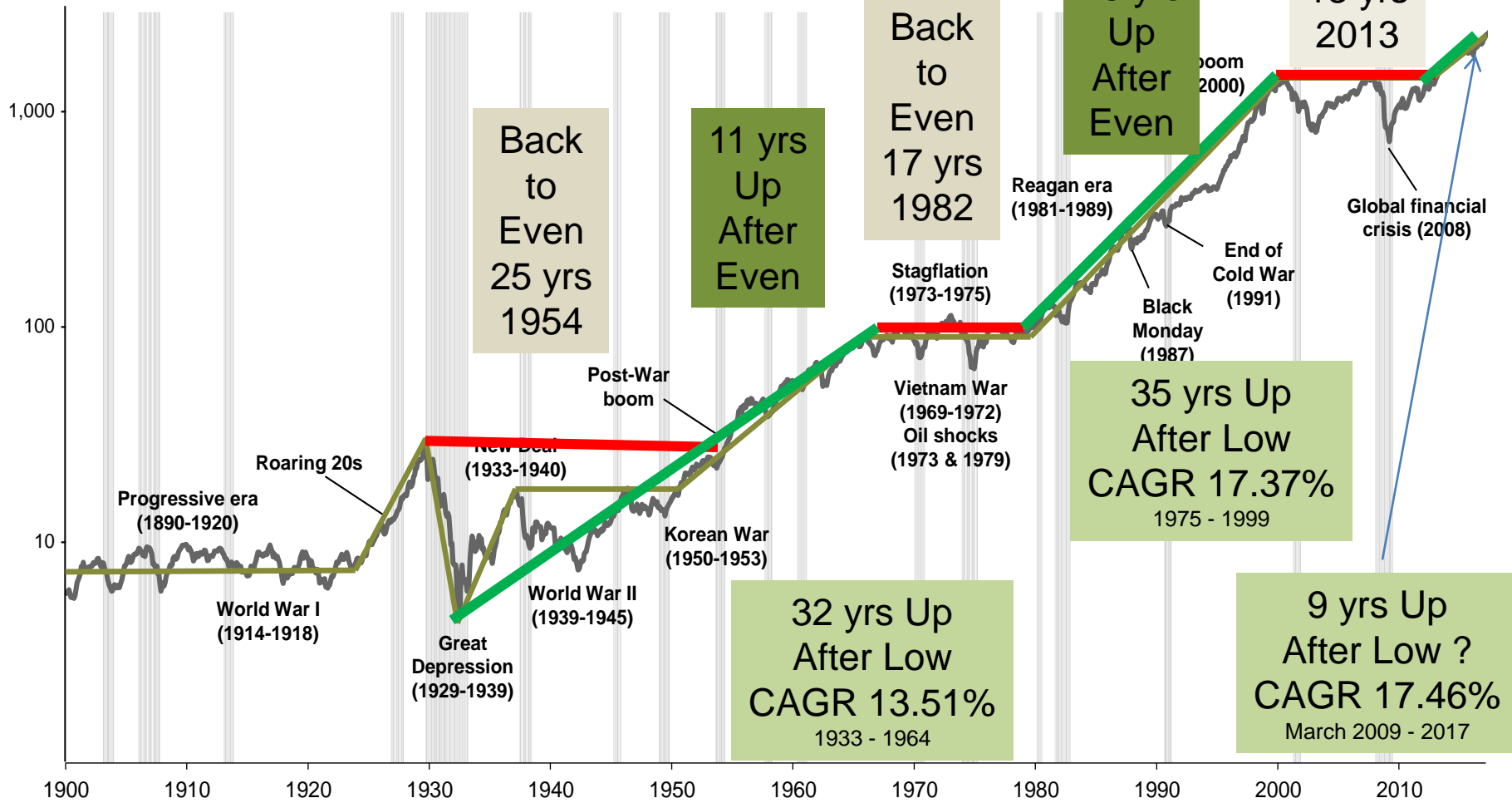
Volume 1,412,322,176



# Up Years After Breakeven

## S&P Composite Index

Log scale, annual

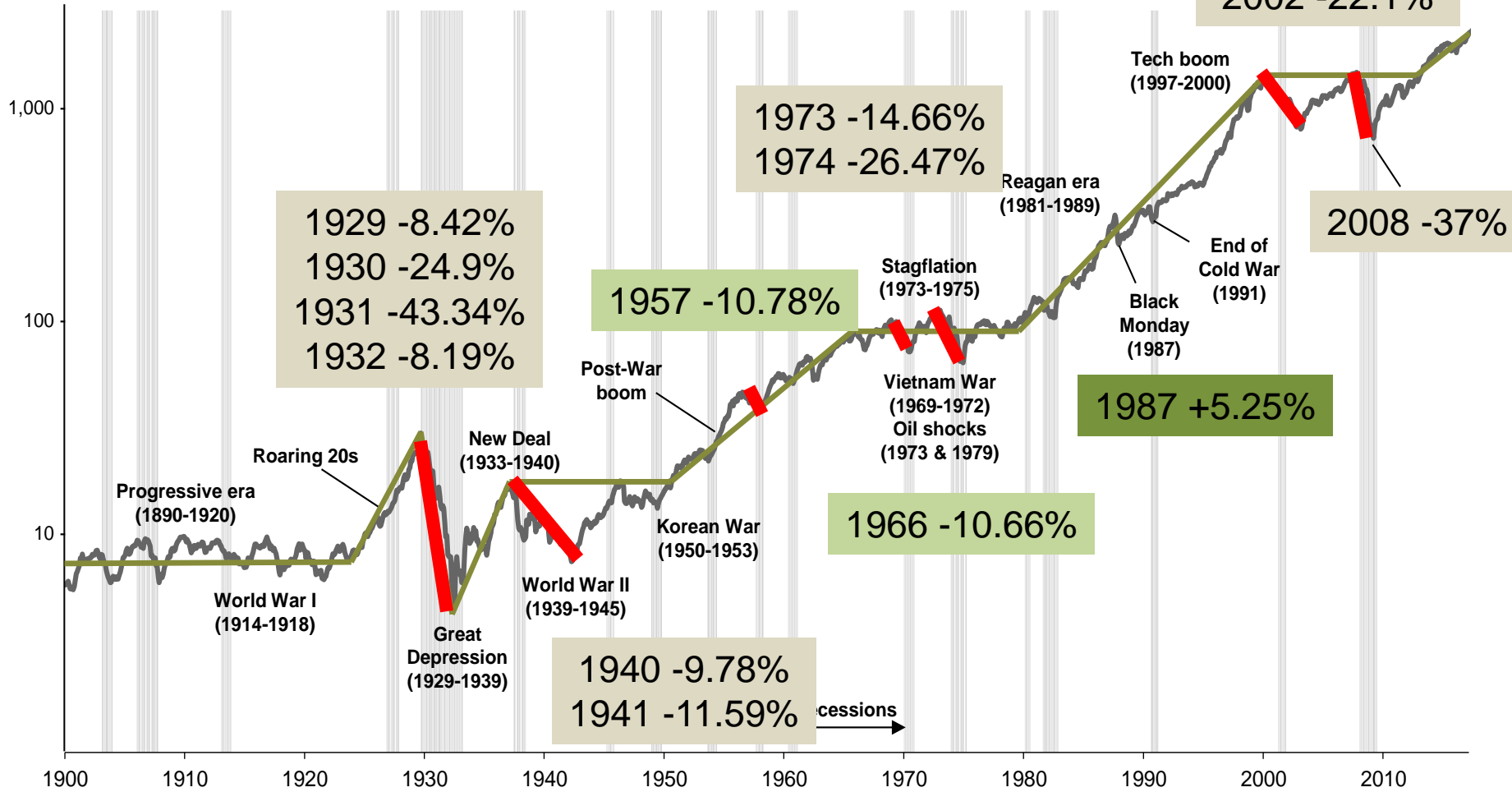


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# Losses Concentrated

## S&P Composite Index

Log scale, annual



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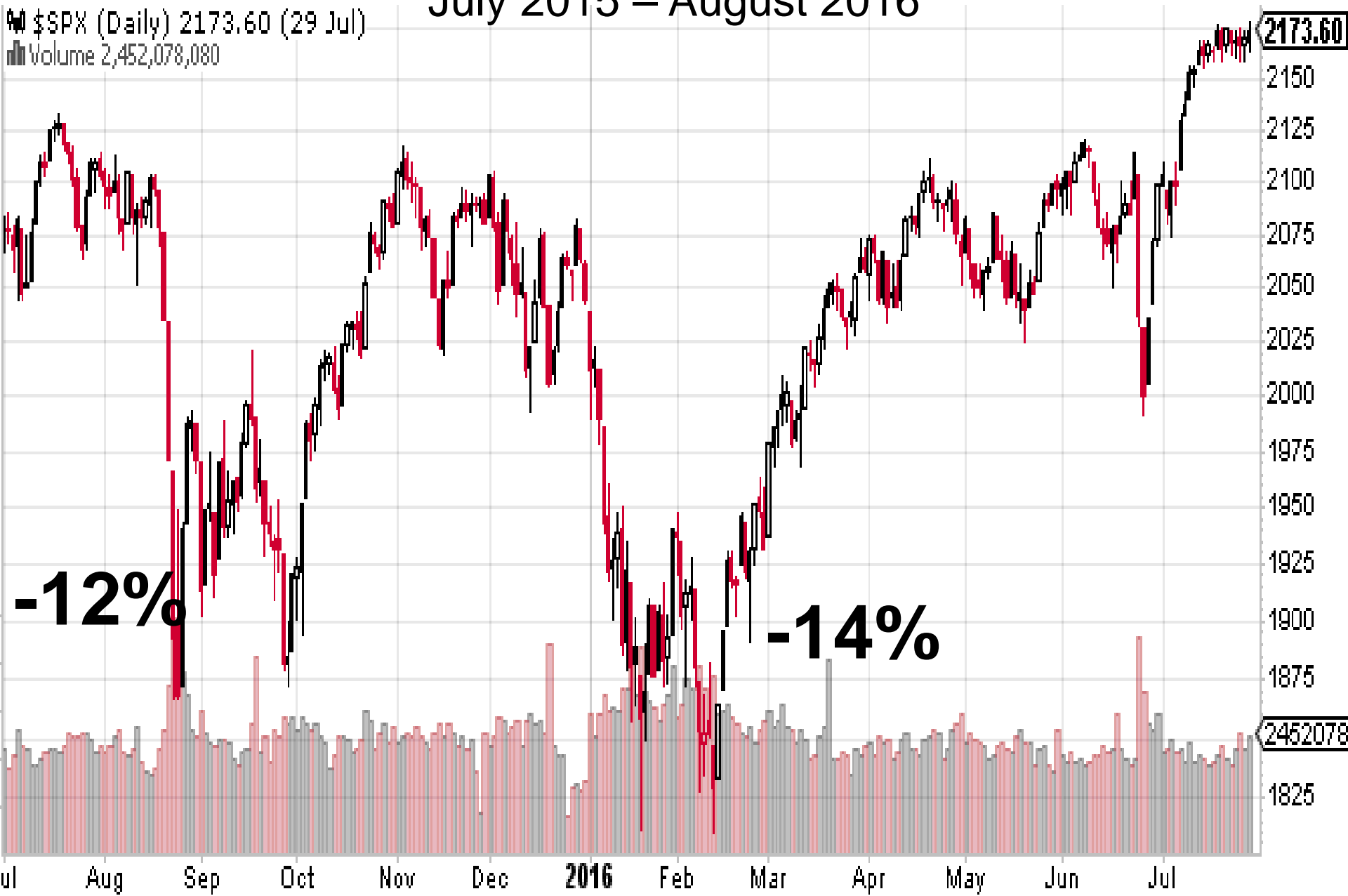


# S&P 500 Index

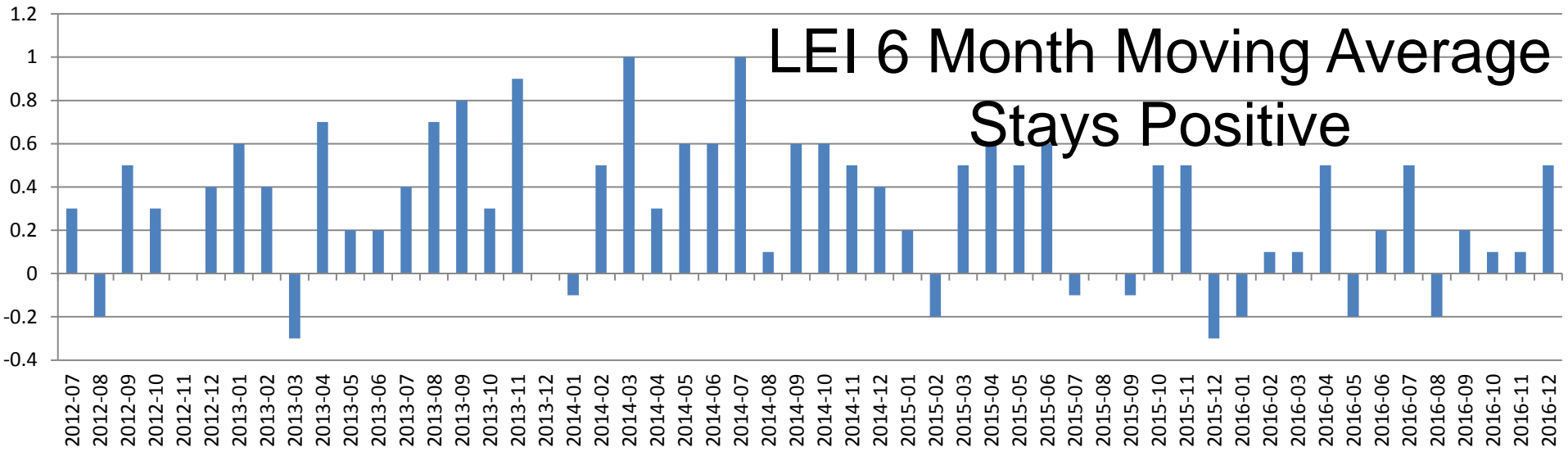
July 2015 – August 2016

\$SPX (Daily) 2173.60 (29 Jul)

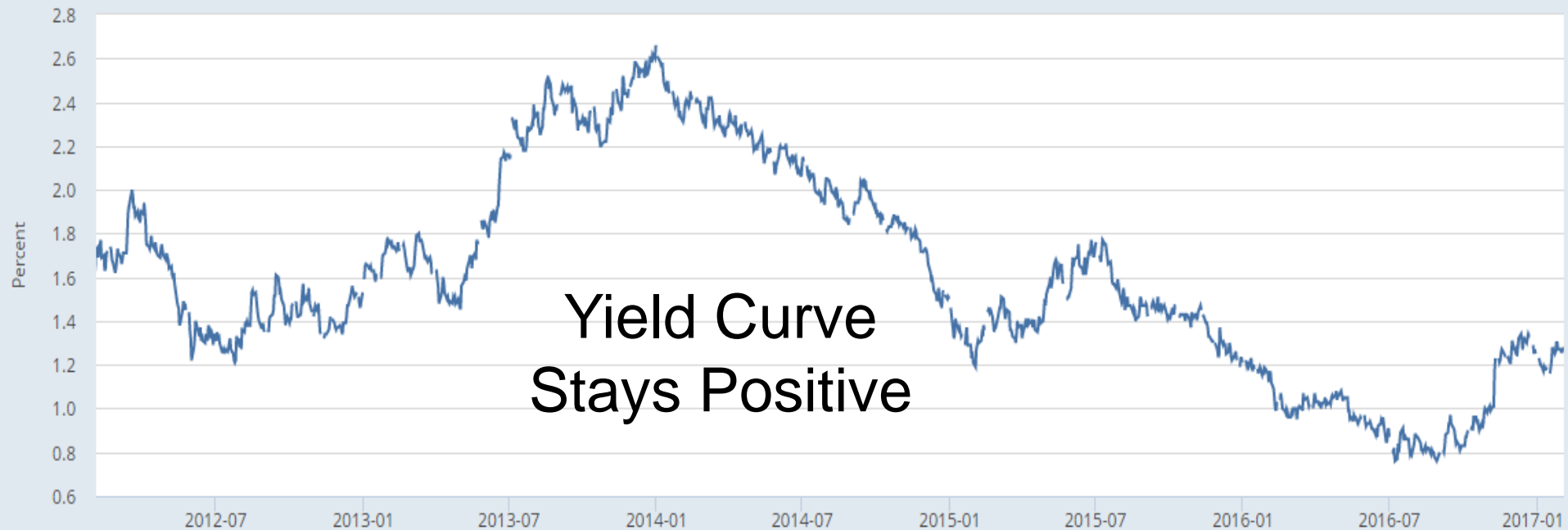
Volume 2,452,078,080



# No Recession Warning This Last Time



**FRED** — 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity



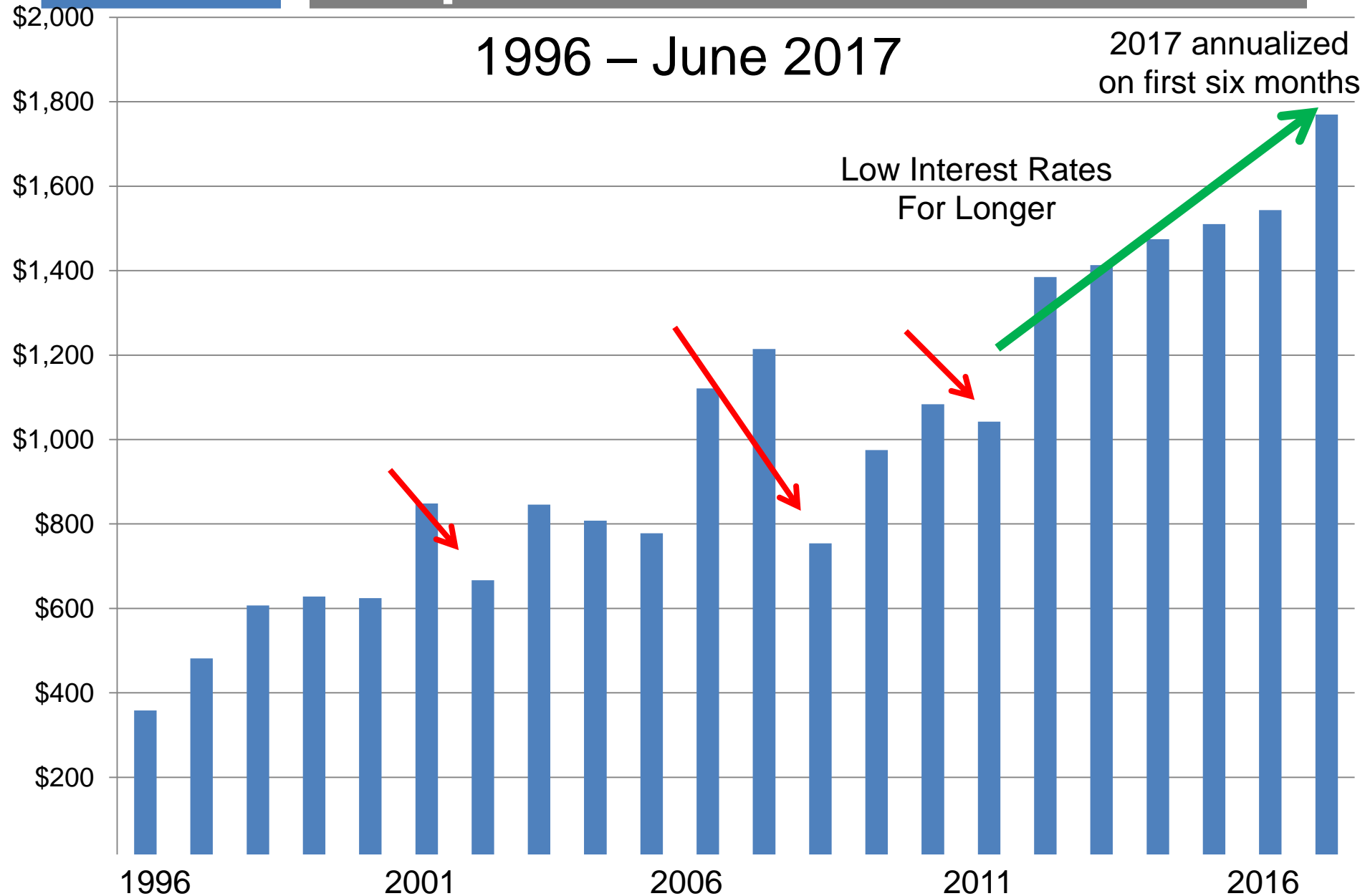
1. Credit-led Bull Market
2. Earnings
3. Global Synchronized Expansion

# Corporate Debt Issuance

1996 – June 2017

2017 annualized  
on first six months

Low Interest Rates  
For Longer



# Cash Stockpiles

## Corporate cash as a % of current assets

S&P 500 companies – cash and cash equivalents, quarterly



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# Corporate Cash Flows Into Stock

1. Stock Buybacks
2. Dividends
3. Mergers and Acquisitions
4. Investment in Plant/Property/Equip.
5. Retirement of more expensive debt

# Stock Buybacks

Actual

Estimated

**\$800B**

2010

2011

2012

2013

2014

2015

2016

2017

2018

\$271

\$391

\$359

\$606

\$513

\$666

\$578

\$566

**\$800B**

\$900

\$800

\$700

\$600

\$500

\$400

\$300

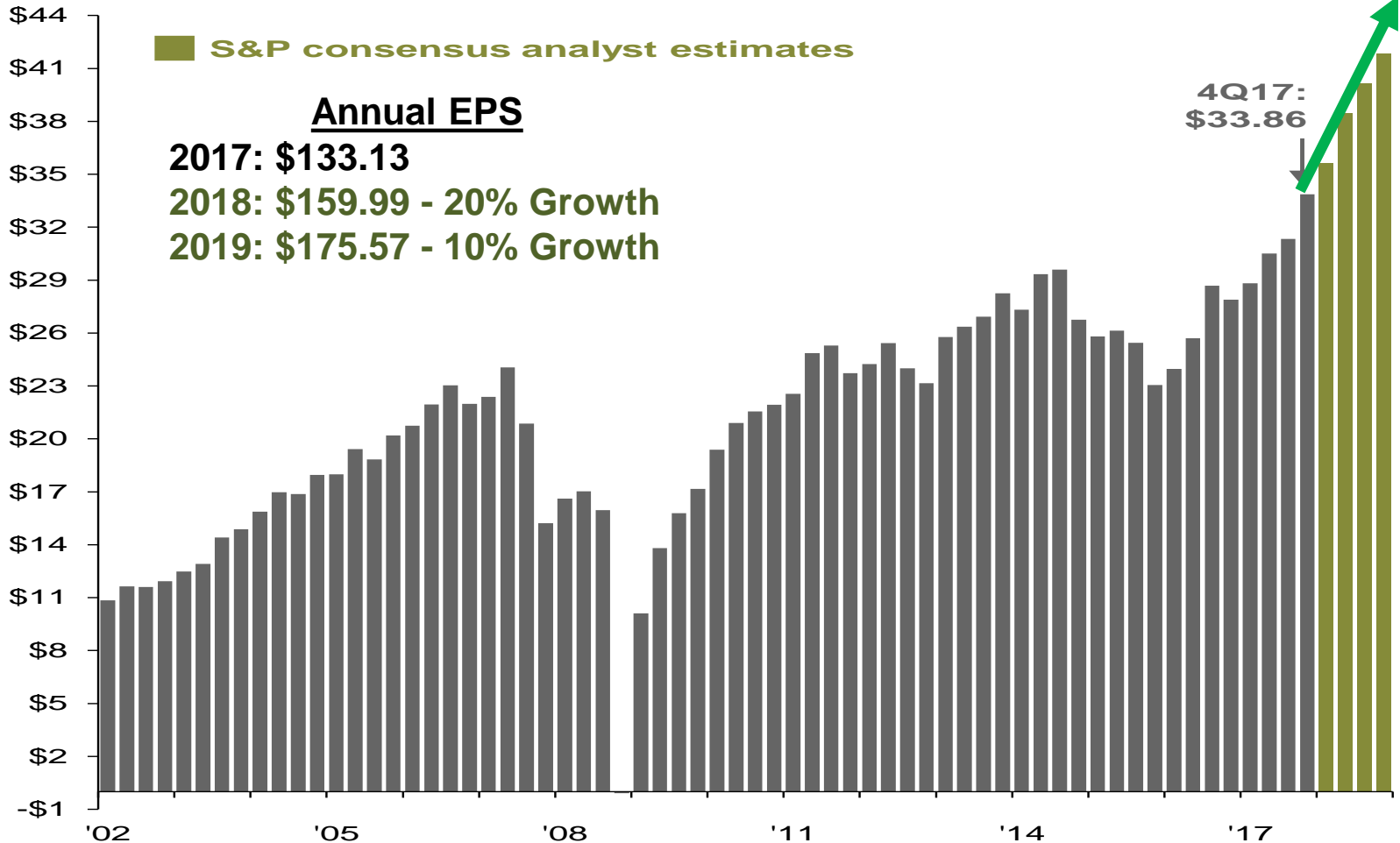
\$200

\$100

\$50

# Corporate Earnings

## S&P 500 earnings per share Index quarterly operating earnings



Source: JP Morgan Asset Management



# Valuation

## S&P 500 Index: Forward P/E ratio

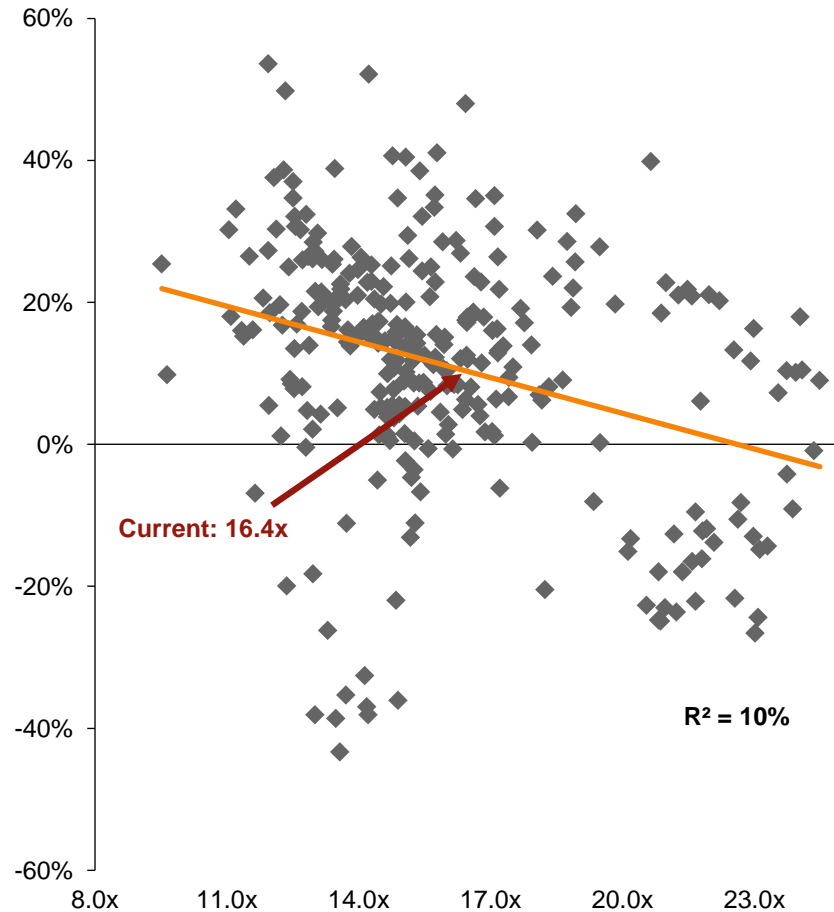


Source: JP Morgan Asset Management

# Valuation: History of Forward P/E

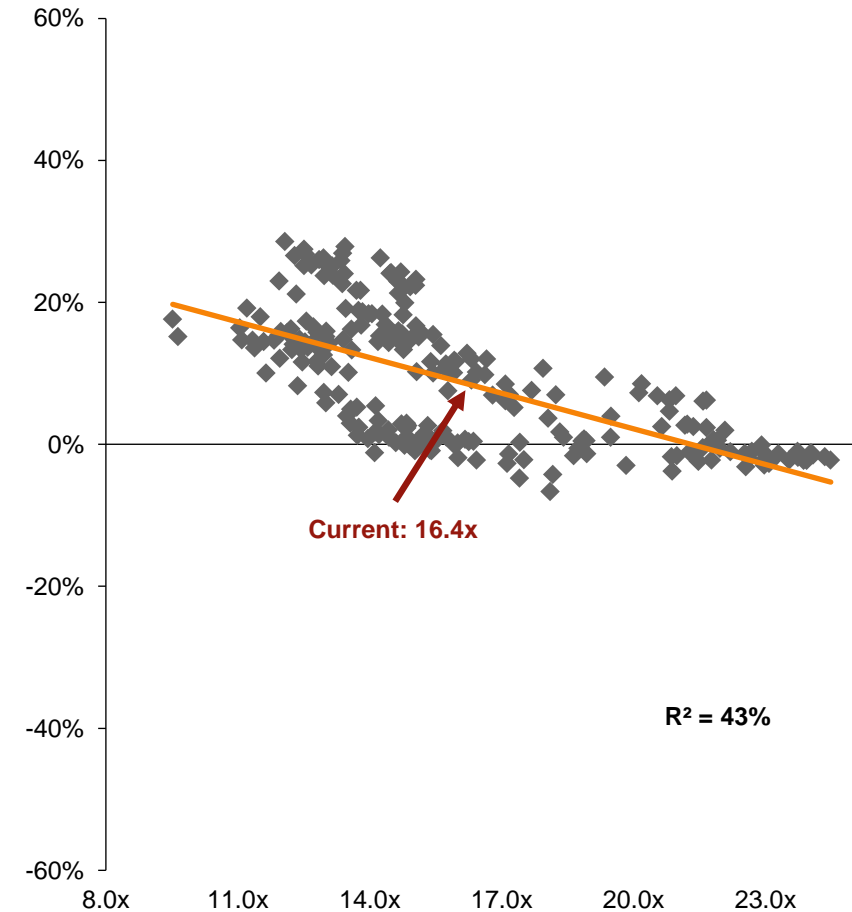
## Forward P/E and subsequent 1-yr. returns

S&P 500 Total Return Index



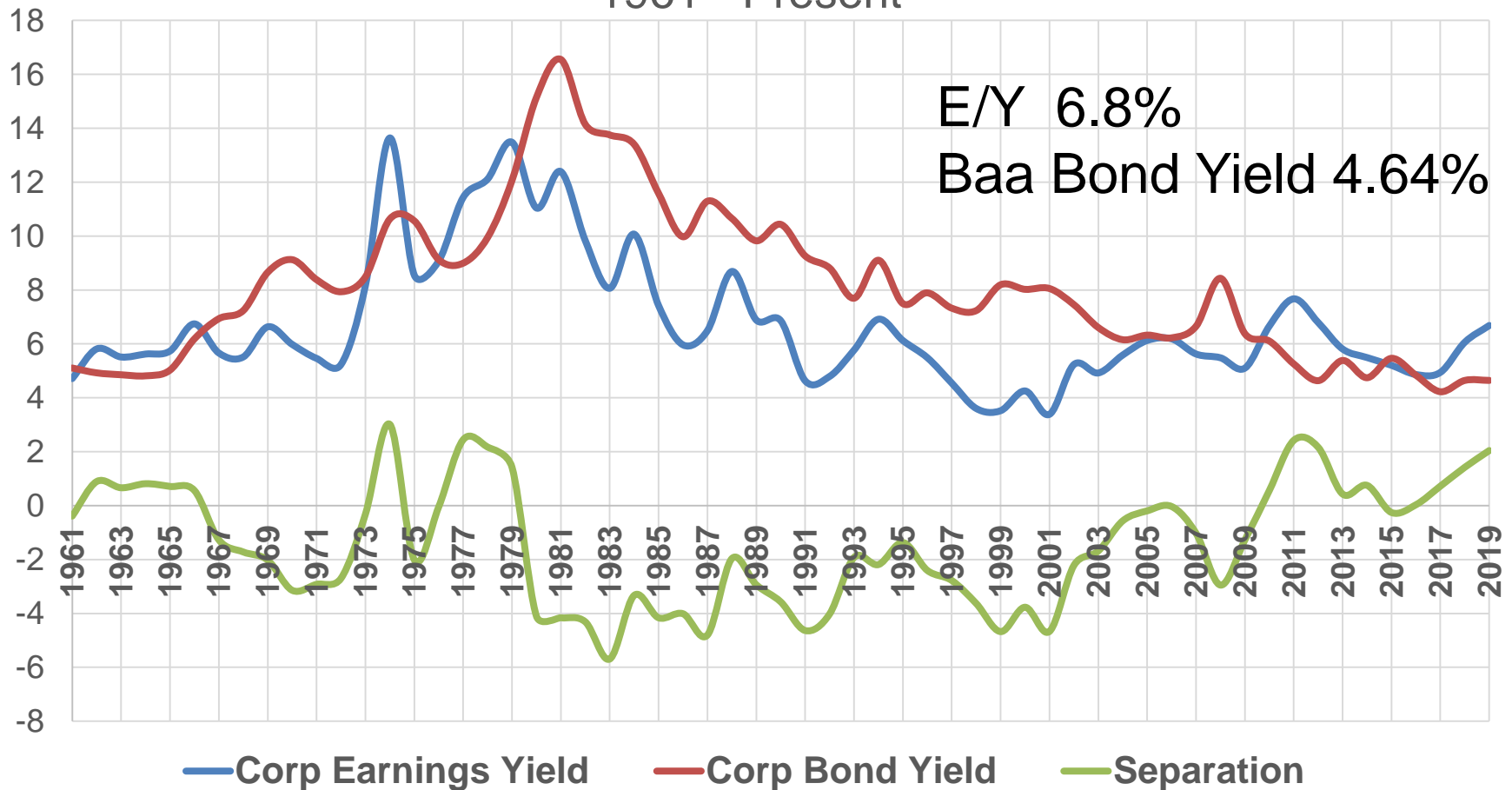
## Forward P/E and subsequent 5-yr. annualized returns

S&P 500 Total Return Index



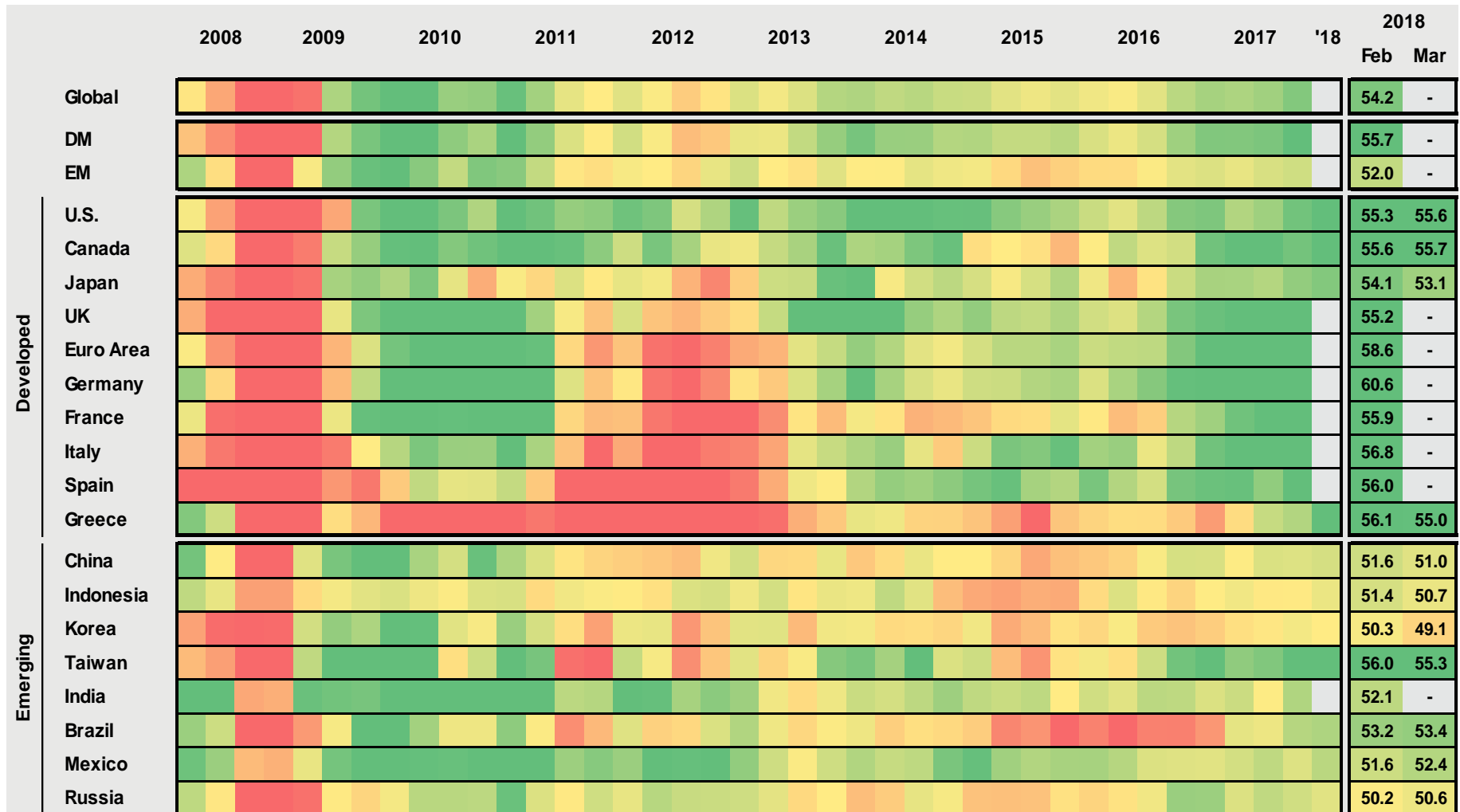
# Stocks vs. Bonds

## Corporate Earnings Yield and Corporate Bond Yield 1961 - Present



Source: Moody's

# Global Purchasing Managers' Index



Source: JP Morgan Asset Management

# Case for International

## MSCI All Country World ex-U.S. and S&P 500 Index

Dec. 1996 = 100, U.S. dollar, price return

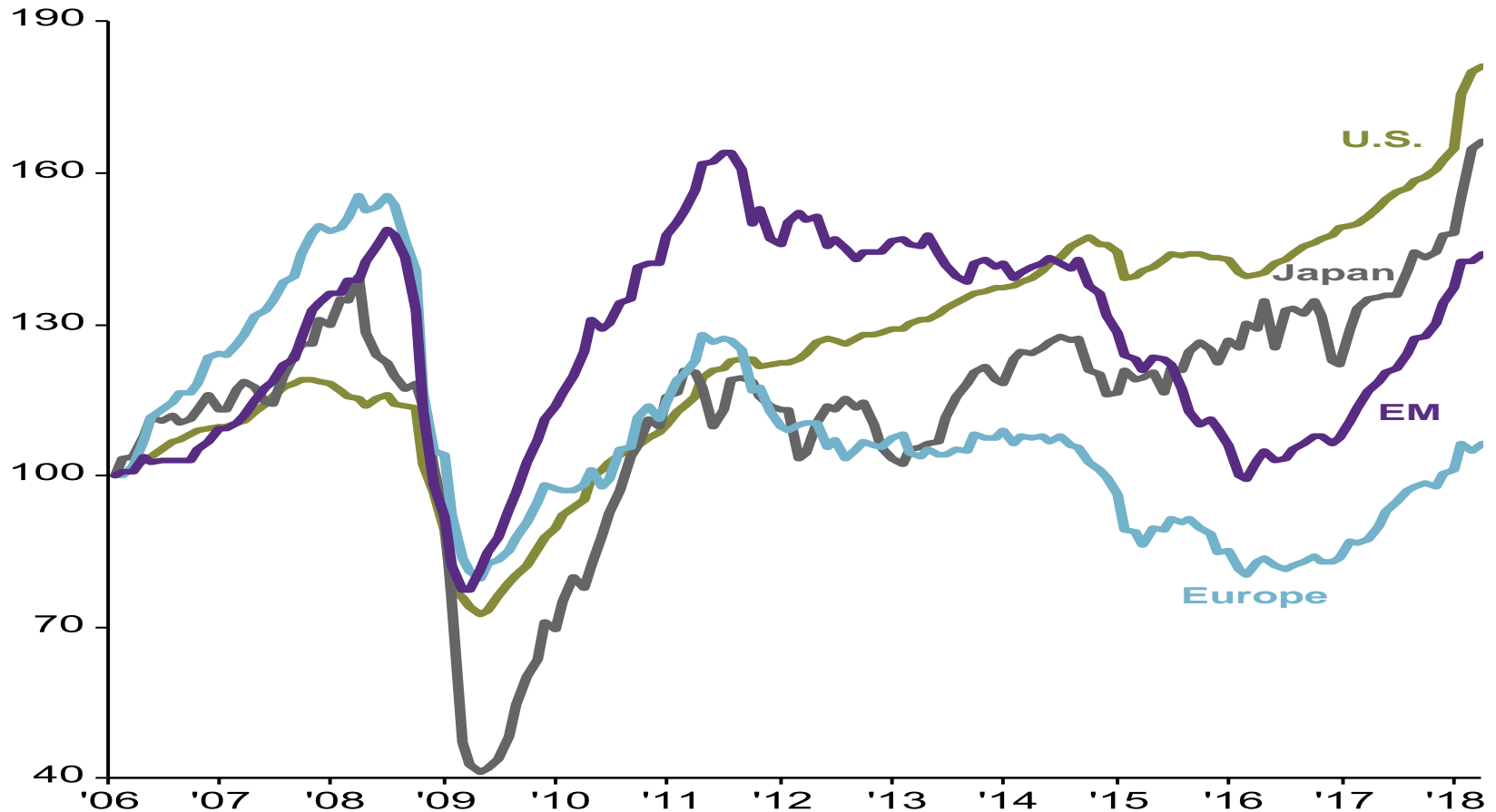


Source: JP Morgan Asset Management, MSCI, FactSet

# Case for International

## Global earnings

EPS, U.S. dollar, next 12 months, Jan. 2006 = 100



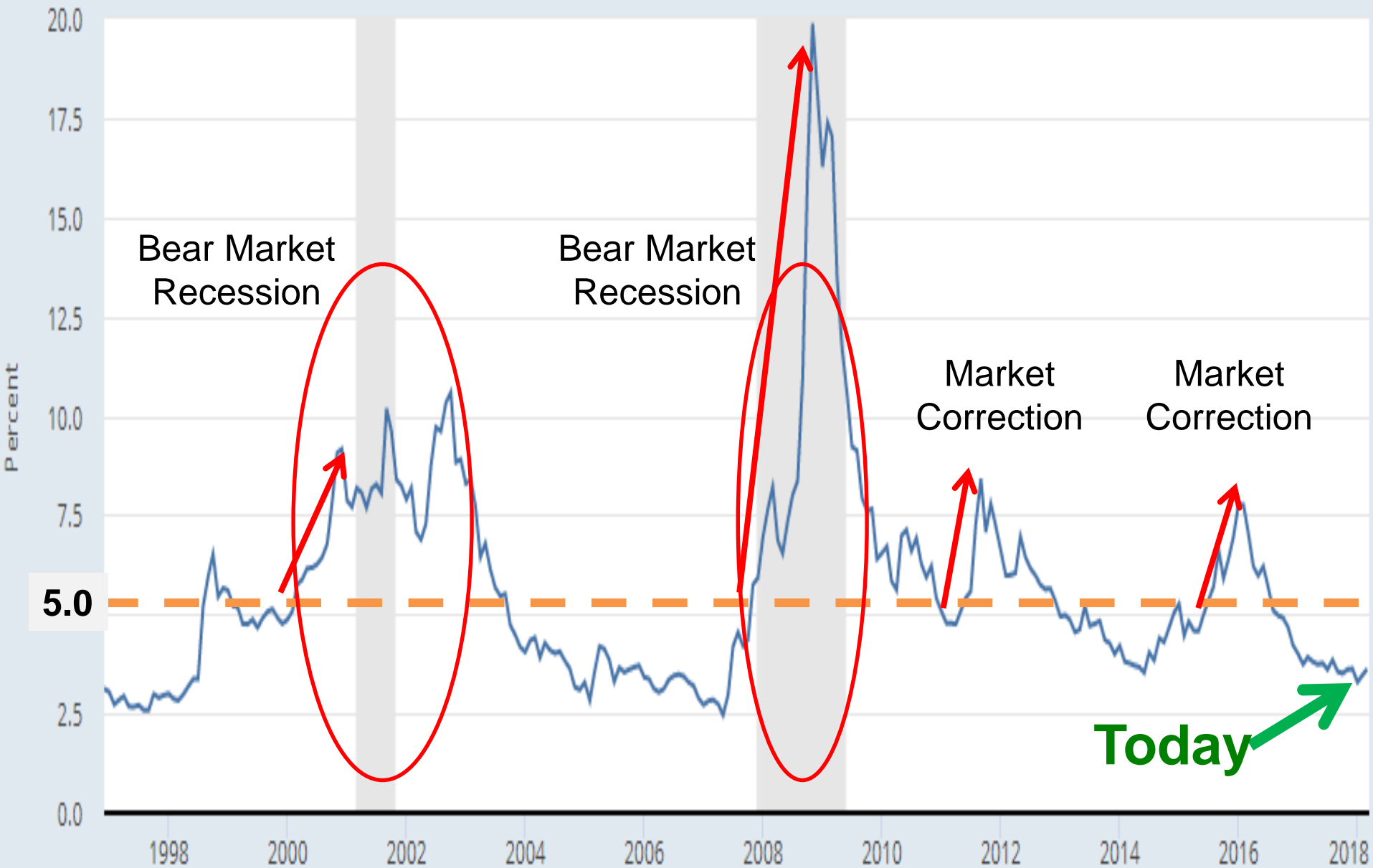
Source: JP Morgan Asset Management, MSCI, FactSet

## The Present Value Formula and the Risk Premium

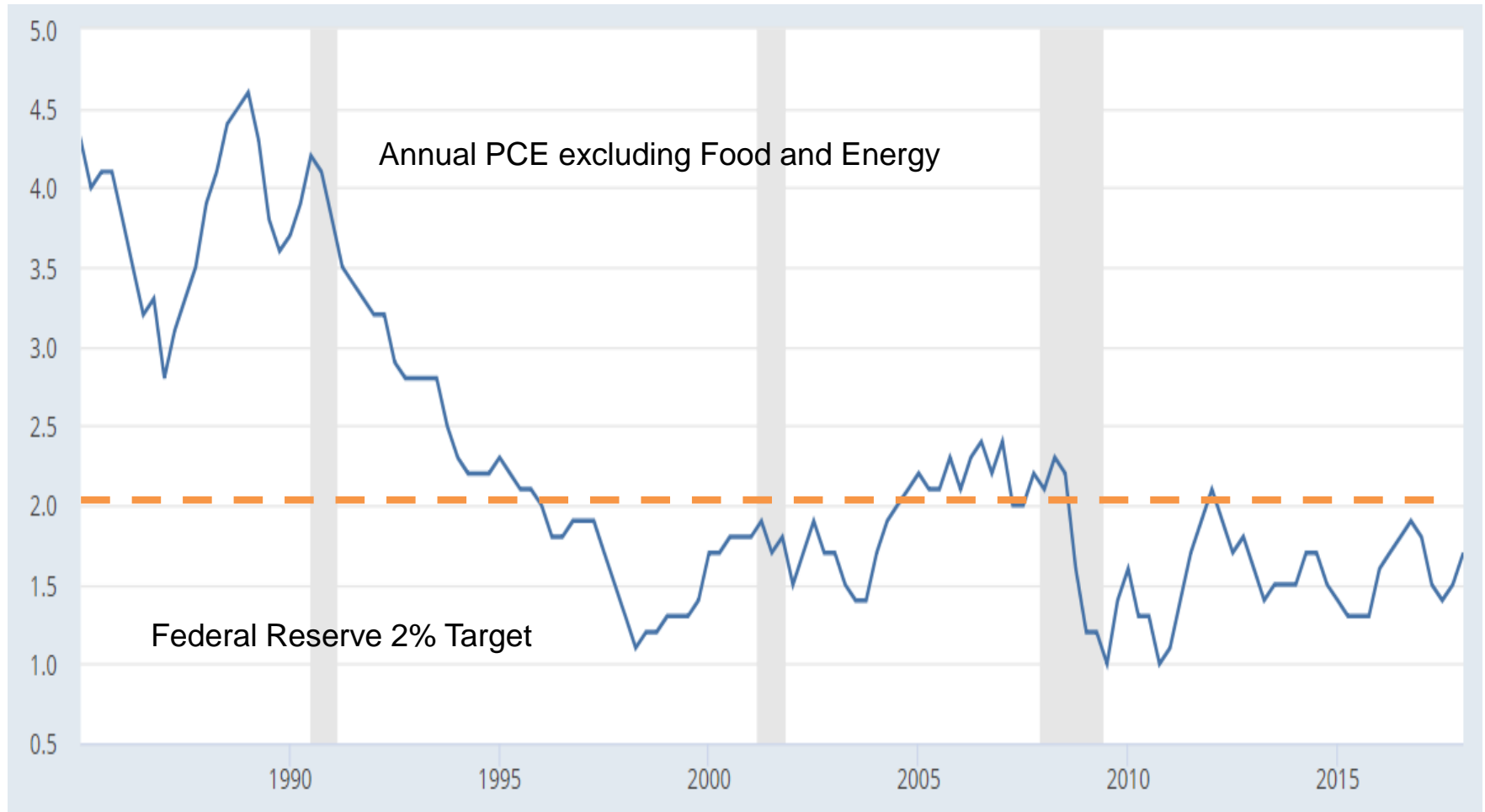
$$\text{Stock Values} = \frac{\text{Future Earnings}}{\text{Risk-Free Interest Rate} + \text{Risk Premium}}$$



# High Yield Spread



# Inflation



Source: U.S. Bureau of Economic Analysis

# Present Value Drivers

**Up 20% y/y**

$$\begin{array}{l} \text{Stock} \\ \text{Values} \end{array} = \frac{\text{Future Earnings}}{\begin{array}{cc} \text{Risk-Free} & \text{Risk} \\ \text{Interest Rate} & + \text{Premium} \end{array}}$$

**+2% ytd**

<b>1 Month T-Bill</b>	<b>HY Spread</b>
<b>Now 1.6%</b>	<b>Now ~ 3.4%</b>
<b>Yr. Ago 0.7%</b>	<b>Yr. Ago ~ 3.8%</b>

# Market Breadth: Advance – Decline



Source: StockCharts.com



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## Risk Mitigated Strategies and Wealth Management

1. **Dividend**: High dividend paying stocks with capability to transition 100% to cash.
2. **Core**: Diversified global stock/bond portfolio with five separate risk mitigation methods
3. **Multi-Fund Diversified**: 11 dual-momentum high relative strength mutual funds with capability to rotate 100% to cash.
4. **Capital Appreciation**: 6 High-relative strength ETFs with two layers of risk mitigation.

\$DOWI ▼ O:20,107.62 H:20,155.35 L:20,068.68 C:20,085.13 ▲ 32.71  
MA(200.0) ▼ M:12,350.27 MA(75.0) ▼ M:15,496.47 2/1/17

# DJIA 1919 - 1939

Great  
Depression  
Aug. 1929  
Mar. 1933



\$DOWI ▼ O:20,107.62 H:20,155.35 L:20,068.68 C:20,089.08 ▲ 36.66

MA(200.0) ▼ M:12,350.29 MA(75.0) ▼ M:15,496.52 2/1/17

# DJIA 1933 - 1966

1000

1,900% Advance  
9.5% Avg. Annual Return  
33 Year Bull Market

50



\$DOWI ▼ O:20,107.62 H:20,155.35 L:20,068.68 C:20,076.30 ▲ 23.88  
MA(200.0) ▼ M:12,350.23 MA(75.0) ▼ M:15,496.35 2/1/17

# DJIA 1963 - 1983







\$DOWI ▼ O:20,107.62 H:20,155.35 L:20,066.88 C:20,086.81 ▲ 34.39

MA(200.0) ▼ M:12,350.28 MA(75.0) ▼ M:15,496.49 2/1/17

# DJIA 1994 - Current



20,500.00  
20,086.81  
19,500.00  
19,000.00  
18,500.00  
18,000.00  
17,500.00  
17,000.00  
16,500.00  
16,000.00  
15,496.49  
15,000.00  
14,500.00  
14,000.00  
13,500.00  
13,000.00  
12,350.28  
12,000.00  
11,500.00  
11,000.00  
10,500.00  
10,000.00  
9,500.00  
9,000.00  
8,500.00  
8,000.00  
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7,000.00  
6,500.00  
6,000.00  
5,500.00  
5,000.00  
4,500.00  
4,000.00  
3,500.00  
3,000.00  
2,500.00  
2,000.00  
1,500.00  
321045K  
Monthly

\$DOWI ▼ O:20,107.62 H:20,155.35 L:20,066.88 C:20,086.81 ▲ 34.39  
MA(200.0) ▼ M:12,350.28 MA(75.0) ▼ M:15,496.49 2/1/17

# DJIA 1994 - Current

