The Calm Before the Storm?

Markets are hitting new highs, and the *Risk-O-Meter* remains on a buy since July 2020.

There's not a whole lot to report on the *Risk-O-Meter* as not very much changed from last week. Market breadth is still solid, with nearly all stocks participating in the march higher.

Market volatility is under control. Credit markets are not flashing any red flags.

Bullish sentiment is too high, but those bulls have not become bearish during market pullbacks as of late.

As a result, the *Risk-O-Meter* is unchanged from last week.

Last week I mentioned that when I became interested in the markets following the 1987 crash that I paid close attention to the work of Martin Zweig.

One of Zweig's favorite indicators was to follow liquidity. He did not believe in "Fighting the Fed". With interest rates at zero, you're fighting the Fed by betting against the trends in the market right now.

Of course, Zweig probably never imagined zero percent interest rates. I'm sure he's rolling over in his grave.

The liquidity situation has favored stocks since the pandemic lows over a year ago. However, there is one trend I will be paying attention to. A few weeks ago, I mentioned that corporations were buying back stock in massive amounts.

This corporate buying was in part likely due to the world opening up again, and companies could buy back stock and start to raise dividends. Some of this action was a catch up from a year ago.

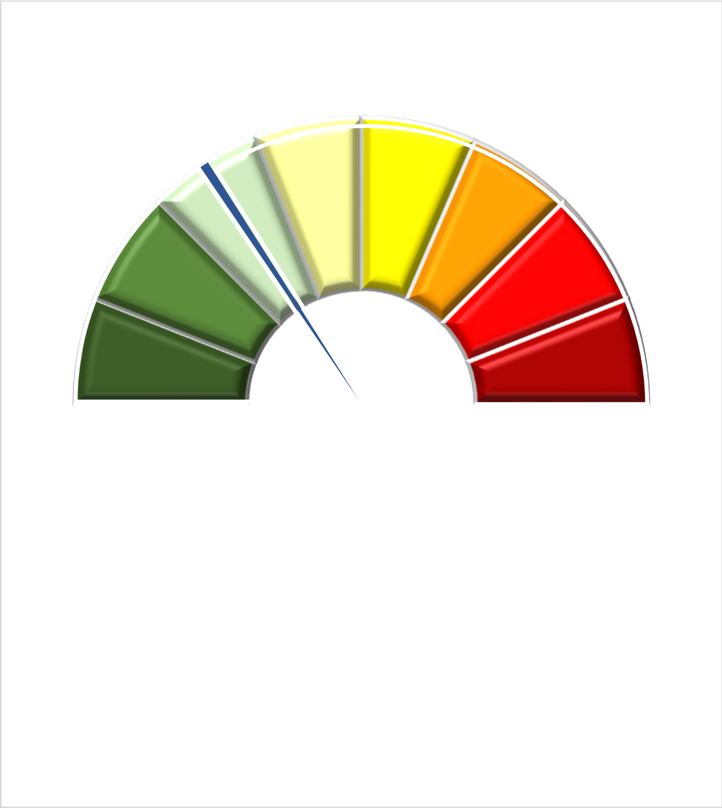
That may now be over. Corporate buying has plummeted nearly 90% and is at a 10-week low.

As corporations slow their buying, retail buyers (you and me) are taking the plunge and plowing more and more money into the markets. Generally, we want to bet against the masses.

The *Risk-O-Meter* considers the amount of bullishness versus bearishness in the market. Watching the liquidity of the market can provide clues as to what is next.

We may be in the calm before the storm simply because the biggest buyers, corporations, have slowed down, and the worst investors, which is the average person, is getting close to being fully invested.

Then there's no one left to buy. It's a trend I'll keep an eye on, but for now, we remain on a buy.



Happy trading,

John

Micro-Cap Millions

I have attached a *Quick Start Guide* below and will continue to do so for at least a few months as new people come aboard as subscribers. The *User Guide* located in your member area addresses some ways to get started with the micro-cap strategy. I strongly urge you to read it.

I also would suggest being a bit tactical in trading the positions. That means using limit orders or spreading the orders out over a bit of time.

Micro-cap stocks are tiny, and the volume traded can be pretty low. This is not like buying shares of Apple.

This newsletter trades on Monday because the data needed to calculate all of the formulas is updated over the weekend.

There is nothing special about Monday. Fools rush in where angels fear to tread. Be reasonable.

Here's the portfolio for this week:

ALJJ	ALJ Regional Holdings, Inc.
CRAI	CRA International, Inc.
CRD.A	Crawford & Company Class A
DLHC	DLH Holdings Corp.
HMTV	Hemisphere Media Group, Inc.
ISDR	Issuer Direct Corp.
MAGIC	Magic Software Enterprises Ltd.
NAII	Natural Alternatives International, Inc.
TAIT	Taitron Components, Inc.
WSTG	Wayside Technology Group

There are no new trades again this week. This is a good thing. This has allowed the strategy to catch up a bit with lower turnover (trading back and forth), and smaller stocks have done well in recent weeks.

I'd expect more trading activity in the coming weeks.

Half the stocks have been winners, and half have been losers. ALJJ has posted the largest gain with a 22.06% increase while CRD.A is down 10.01%.

Overall the strategy is slightly behind the broader market but is holding steady.

Mega-Tech Trends

Mega-Tech Trends uses the same strategy but with bigger stocks. Trading these stocks will make life much easier than trading just micro-caps. The trade-off for an easier life is lower returns. That said, the returns in testing and since the real-time launch of this strategy in June 2019 have been very satisfactory.

I do not think you need to sit around monitoring these positions to trade throughout the day. As a suggestion, I'd wait until the market has opened up a little bit and bid / ask spreads narrow. Amateurs trade in the first 30 minutes of the day. After that, though, you should be able to set it and forget it.

Here's the portfolio this week:

BCOR Blucora Inc.

CIEN Ciena Corp.

FORR Forrester Research, Inc.

HPQ HP, Inc.

IT Gartner, Inc.

LFUS Littlefuse, Inc.

MMS Maximus, Inc.

UNH UnitedHealth Group, Inc.

XRAY Dentsply Sirona Inc.

Trades:

Buy Maximus, Inc (Ticker: MMS)

Sell TE Connectivity, Inc. (Ticker: TEL)

This week's new purchase is **Maximus, Inc. (Ticker: MMS)**. Maximus provides business services to governments around the world. The company's primary focus is on consulting for health and human services programs.

After years of stagnant revenue growth, Maximus has hit eight consecutive trailing 12-month periods of breakout revenue growth to new highs. Meanwhile, the company's cash flow metrics suggest solid earnings quality. Maximus has made some acquisitions, but the overall strength of the balance sheet is good.

Profit margins have also started to turn the corner. After years of slow decline, gross profit margin, operating margin, and net margin have poked their head up and changed the long-term trend. This favorable outcome is one factor that could lead to higher stock prices.

Speaking of stock prices, shares of Maximus are within $1 of breaking out to six-month highs after a modest pullback.

Shares are close to breaking out to 5-year highs. The trend is our friend, and the trend is clearly up for shares in Maximus. As a result, it's a new buy for the strategy.

QUICK START GUIDE

It's time to get started! In just a few minutes, you'll be on your way to living life on *your* terms!

There are three ways to implement my strategy: Aggressive, Conservative, and Moderate. I use Option #3, Moderate. Choose the one that is right for you.

Option #1, Aggressive – Go all in. Just buy the stocks that are listed in the newsletter on Monday! It's entirely random whether the Monday you get started will help or hinder your returns. No one knows. But this is the easiest way to get on the program and by far requires the least decision-making. After that, you have one job; stick with the strategy!

Option #2, Conservative – Use the *Risk-O-Meter* and wait until there's a **new** buy signal **after** the next sell signal.

Bottoms are easier to spot than tops because once investors have sold, there's nothing left to sell.

Tops in the market are much harder to see. People can buy, and buy, and buy some more. The *Risk-O-Meter* went on a buy-in July 2020 and remained that way at least through April 2021 as I wrote this. This Bull Market will continue until it stops. **The *Risk-O-Meter* does not predict. It reacts.**

It could go red next week. Who knows? Some investors are more comfortable buying after a pullback. That's fine. It's up to you. In this case, waiting around would have cost returns of 30% to 50% or more.

The next time the *Risk-O-Meter* goes on a buy after the next sell, the world might look like there are many reasons not to buy stocks.

That will be precisely the time to buy. After that, you have one job; stick with the strategy!

Option #3, Moderate – The middle ground. If the *Risk-O-Meter* is currently on a buy signal, then dollar-cost average over four to six weeks, adding consistent Dollar amounts to your portfolio each Monday, until fully invested. You won't invest everything at the top, and you won't catch the bottom. You will earn an average over the weeks that it takes to build a full position.

After that, you have one job; stick with the strategy! This is the approach I choose in my investing. I never jump in with both feet first. I work into the positions. The exception would be new buy signals after the *Risk-O-Meter* comes off a sell signal, at which point I would get fully invested.

You might have noticed that I repeated one line, "After that, you have one job; stick with the strategy!" There's a reason. The strategy is designed to be just that. It's a strategy.

It’s not a collection of individual stock picks. Of course, you can cherry-pick the stocks in the system if you want. That is your choice. But I don’t recommend it.

It’s a 10-stock portfolio because the performance is better than a 20-stock portfolio without much change in risk. 10 stocks are much easier to manage. I am all about the path of least resistance.

Of the 10 stocks, some will undoubtedly look more compelling than others. That doesn't mean anything, though. I certainly cannot differentiate which among the 10 stocks will outperform the others.

The best way to follow this strategy is to risk an amount of capital that will not prevent you from remaining invested when there are bumps in the road. There will be losses. There will be times when the system underperforms the broad markets. Often the financial markets feel as if they are designed to test your mental strength. When you jump ship, the ship usually rights itself, and the performance of the strategy starts to move in the right direction.

You must pick an investment approach that suits your own ability to stick with the system. Then you must stick with it through thick, thin, and hell or high water.

Do that, and you'll be way ahead of 99% of the other investors out there.

DISCLAIMER:

THIS COMMUNICATION IS FOR EDUCATIONAL AND INFORMATION PURPOSES AND DOES NOT CONSTITUTE INVESTMENT ADVICE. *Any Publishing Service offered by HSD Publishing is for educational and informational purposes only and* ***should NOT be construed as a securities-related offer of solicitation or be relied upon as personalized investment advice.*** *HSD Publishing strongly recommends that you consult a licensed or registered professional before making any investment decision.*

THE RESULTS PRESENTED ARE NOT TYPICAL OR VERIFIED. *HSD Publishing has not verified information regarding the historical trading performance presented. Subscribers' trading results have* ***NOT been tracked or verified,*** *past performance is not necessarily indicative of future results,* ***and the results presented in this communication are NOT TYPICAL.*** *Actual results will vary widely given a variety of factors, such as experience, skill, risk mitigation practices, market dynamics, and the amount of capital deployed. Investing in securities is speculative and carries a high degree of risk; you may lose some, all, or possibly more than your original investment.*

HS DENT IS NOT AN INVESTMENT ADVISOR NOR A REGISTERED BROKER. *Neither HSD Publishing nor any of its owners or employees is registered as a securities broker-dealer, broker, investment advisor (IA), or IA representative with the U.S. Securities and Exchange Commission, any state securities or regulatory authority, or any self-regulatory organization.*

WE MAY HOLD THE SECURITIES DISCUSSED. *HSD Publishing has not been paid directly or indirectly by the issuer of any security mentioned in the Services. However, HS Dent, its owners, and its employees may purchase, sell, or hold long or short positions in securities of the companies mentioned in this and future communications.*

John Del Vecchio is not an employee or partner of HSD Publishing. HSD Publishing is acting solely as the marketing arm for John Del Vecchio and Unbounded Wealth: Max Profits*.*