The Trend is Your Friend

From centuries ago, an Eastern Philosophy legend tells the story of an older man who accidentally fell into the river rapids leading to a high and dangerous waterfall. Onlookers feared for his life.

Miraculously, he came out alive and unharmed downstream at the bottom of the falls. People asked him how he managed to survive.

"I accommodated myself to the water, not the water to me. Without thinking, I allowed myself to be shaped by it. Plunging into the swirl, I came out with the swirl. This is how I survived."

First, kudos to this guy. I don't know about you, but I might have had a few skid marks in my pants if I was about to plunge over a waterfall!

However, there is a lesson here for the stock market.

A valuable lesson.

A lesson that can give you financial freedom and independence.

The lesson is to "go with the flow."

In the financial markets, trends exist. What moves up often continues to go higher. Then higher. Then higher some more. Until it doesn't. Some other force may act on a company that eventually stops the stock from rising. No one knows.

Anyone that suggests that they can predict the future is simply lying to you. No one knows the future.

But you *can* follow trends. They are easy to spot.

The hard part is jumping into the rapids and going with the swirl and coming out the other side.

Do that consistently, though, and you can become rich. Very rich.

Right now, the trends in the market are positive. There's a lot of reasons to be skeptical about the stock market. Valuations are in nosebleed territory. Companies increasingly financially engineer their earnings. Corporate taxes are going up, including the introduction of a minimum tax.

There's too much optimism on the part of investors. Households are loaded to the gills with speculative investments.

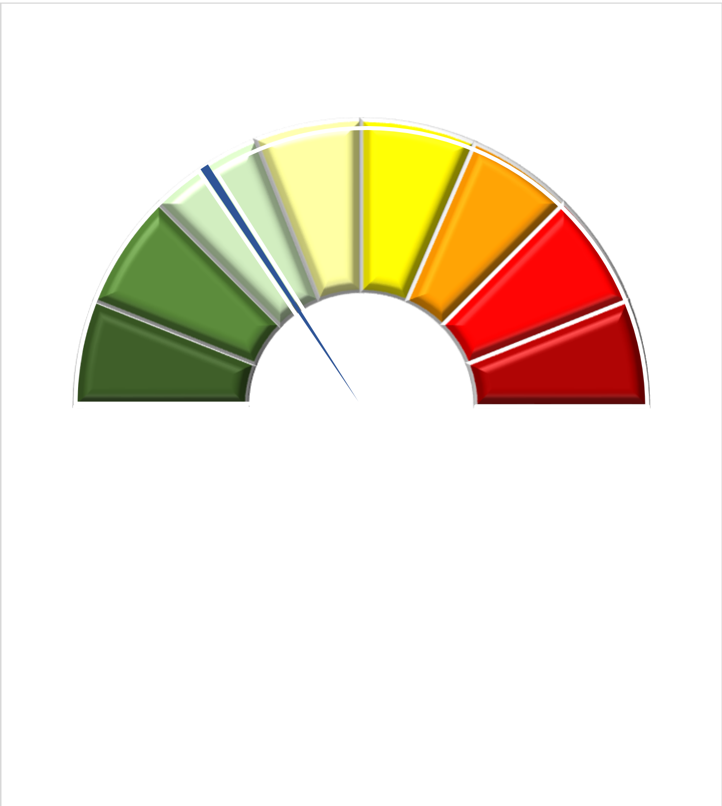
This always ends badly.

But, right now, the trend is favorable. The trend is you friend until the end when it bends.

The *Risk-O-Meter* stays on a buy since July 2020. This is an infrequent occurrence. There's almost always several trades per year. After being out of the market before the COVID scare and then a trade into the market before one out of the market, the next trade into the market has been in place for nearly a year.

Sentiment is too bullish. But, volatility is muted. Credit markets are showing no red flags. The participation of stocks in the market advance has been stellar.

Even though my intuition tells me risks are elevated, the data does not support that. The *Risk-O-Meter* isn't based on feelings. It's based on data.



The rest of this week's letter is going to be short. Unfortunately, I came down with food poisoning on Thursday. I have been blessed with an immune system of a superhero. However, this episode threw me for a loop.

I'm not sure I have any enemies in life, but I wouldn't wish what I have been through the last few days on my worst enemy if I did.

I had planned to lose a few pounds after my Mom and Stepdad had visited me for three weeks. Well, the food poisoning took care of that! I haven't eaten in nearly three days. Fortunately, I am coming around on the mend, but I am not 100%. And, I owe you this letter on time, but it's a struggle.

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:

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

Trades:

No new trades this week!

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 / as 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.
HRC	Hill-Rom Holdings, Inc.
IT	Gartner, Inc.
JBL	Jabil, Inc.
LFUS	Littlefuse, Inc.
MMS	Maximus, Inc.
TBI	Trueblue, Inc.
XRAY	Dentsply Sirona Inc.

Trades:

Buy Jabil, Inc. (Ticker: JBL)

Sell HP, Inc. (Ticker HPQ)

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.

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