Back to Work

Happy Labor Day! Markets are closed today. Hopefully, you get to enjoy some time with family, friends or do something enjoyable at the unofficial end of Summer.

Labor Day recognizes the economic and social achievements of workers in the United States. Of course, without the struggles that many workers faced before us, we would not be the country we are today. We should take a moment to reflect on their contributions.

It's also a time where people are going to head back to work. The COVID pandemic created an unprecedented time in our lives and significantly impacted the labor force.

The government responded with a massive stimulus. That now comes to an end. Gone are the extra unemployment benefits. Those benefits are unlikely to return anytime soon. Also gone is the eviction moratorium. We could have some increased volatility as the day-to-day activity in people's lives starts to return to pre-pandemic levels.

Now it will be interesting to see if the job market gets flooded. Jobless claims were way down last week to pandemic lows. The jobs numbers massively disappointed on Friday.

I think that number was meaningless. The market didn't seem to care much. People will be getting back to work.

Is that evidence of a rebounding economy? Or is it evidence that people are not stupid, and if they can make more money staying home than working, they will stay home rather than work?

I think it's the latter. People aren't stupid. I'm the first to admit I would stay at home.

A lot of people made more money staying at home. For example, roughly 40% of workers earn more money by sitting at home. In 39 states, the benefits exceed average hourly wages.

We will also see what impact going back to work might have on inflation and if there's only been a blip higher in prices or something more permanent.

What happens when a massive chunk of the labor force gets a significant wage cut because they make more than their typical hourly wages until now?

I think we're about to find out.

Lumber prices have crashed as chainsaws work overtime in places like Canada. Prices are down 75% from their highs, and I suspect they could plunge even more from here. However, there are still bottlenecks in the supply chain. There are ships galore stuck at sea, with a record 44 ships off the California coast. These supply chain issues will need to get resolved before prices can normalize.

Then there's a couple of big-spending bills coming before Congress. There is roughly $5 trillion in spending that is earmarked within these bills. While the smaller $1 trillion bill is bipartisan, the enormous bill is not.

We will see if the events in Afghanistan have weakened Joe Biden and whether that impacts the domestic agenda. Even more importantly, with the economy opening up, do more politicians balk at the price tags of these bills?

Joe Manchin form West Virginia just did. He wrote in the *Wall Street Journal* that we should hit the pause button. *Nothing* gets done without his vote. It is hard to tell though if he can be swayed.

There's a huge election coming up next year. Inflation hurts poor people. It's top of mind for many folks because inflation numbers conveniently leave out food and energy prices. Everyone needs food and energy to survive.

I suspect that if there are enough marginal Democrats, the big-spending bill will be pared back dramatically from here. It's already down from $6 trillion.

What does all of this all mean for risk?

Well, the *Risk-O-Meter* moved up a bit this week but remained on a "buy" signal. While the signal was unchanged, there was a new development over the week. The market sentiment indicator flipped to a warning sign.
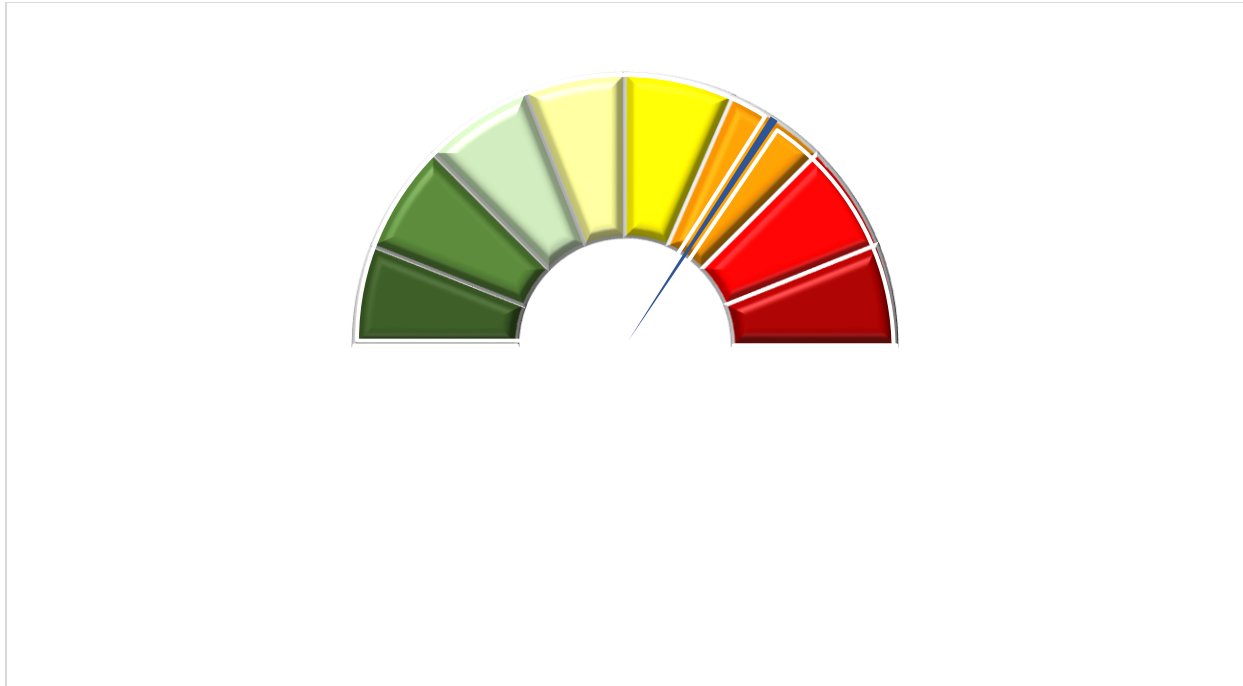
The level of bullishness in the market has been excessive for some time. This remained the case as the market continued to push to new highs. Now, even though the market is near all-time highs, the level of bullishness has started to drop, and investors are moving over to the bear camp.

This surprised me because traditionally, people become scared *after* a bit of a drop. For example, there are many bulls, the market drops 10%, and any wishy-washy, weak-handed investors get afraid and dump stocks.

That didn't happen this time. I would never have predicted that bears would start growing in numbers near an all-time high.

And, that's an important lesson.

The market doesn't care about my predictions. The market doesn't care about your predictions either. That's why it pays to have a systematic approach to analyze risk. The *Risk-O-Meter* analyzes risk in an unemotional fashion. The model has worked very well in both testing and real-time.

It pays to *react* and **not** to guess.

All of the other factors in the *Risk-O-Meter* are right on the edge of a "sell" signal. However, those factors have not flipped. Who knows? Next week could register a "sell" or maybe not. Again, it is better to react than to predict.

Lastly, I have added more value to the Forensic Accounting Stock Tracker (FAST) model for subscribers. There's a lot that goes into the model, and I have done my best to simplify the presentation of the results. The big institutional investors I have worked

with often prefer groups of stocks to buy or sell, such as the top 25 rated stocks in the model.

However, I have pulled out several stocks among the top and bottom-ranked lists to highlight as worthy of more attention. I have included a short commentary for each stock. While they are not official recommendations in this newsletter, I think it will make life easier for you if you're inclined to trade individual stocks.

I'm all for making life easier…

Happy trading!

John

Micro-Cap Millions

There are no new trades again this week for the strategy. Performance is in-line with the benchmark after a period of lagging by about 15 percentage points. These stocks make big moves fast. It's normal to have a bit of a cooling off period before the next burst higher. If conditions stay favorable for stocks over the next few months, the strategy should be well positioned to benefit.
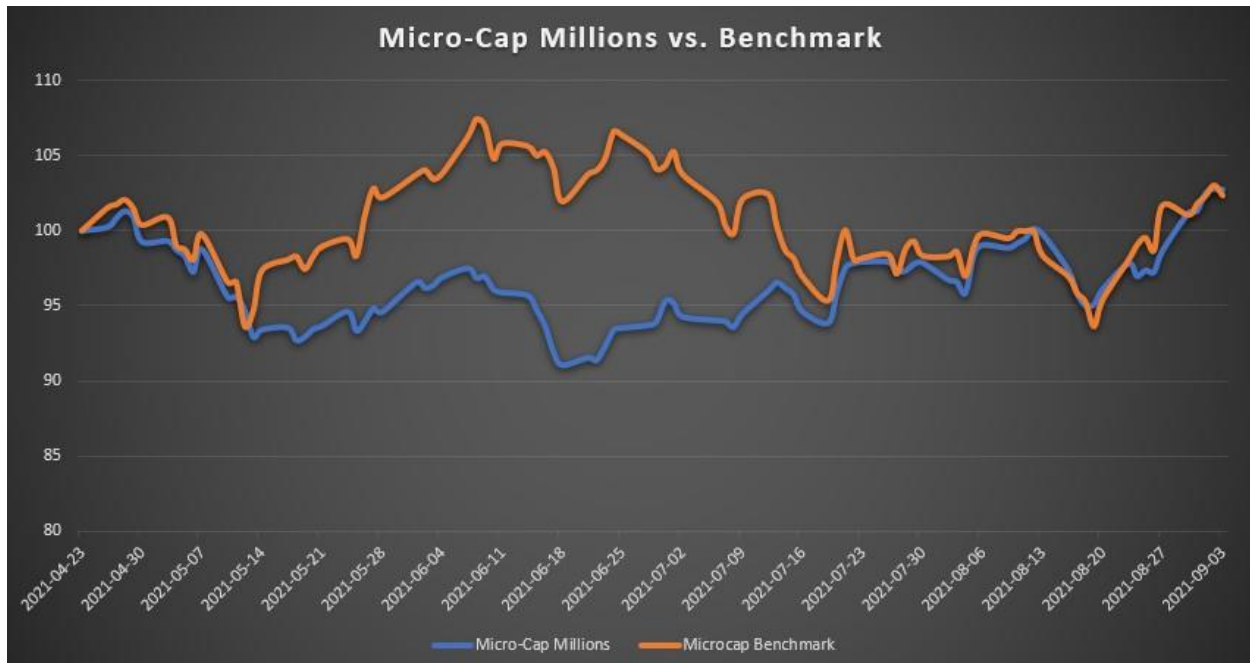
Here is the current portfolio:

BBSI	Barrett Business Services, Inc.
EVC	Entravision Communications Corp.
FEIM	Frequency Electronics, Inc.
HSII	Heidrick and Struggles International, Inc.
IHC	Independence Holding Company
MNDO	MIND CTI Ltd.
NAII	Natural Alternatives International, Inc.
SGA	Saga Communications
PCOM	Points International Ltd.
TSQ	Town Square Media

Mega-Tech Trends

Here is the performance chart for *Mega-Tech Trends*. Like the micro-cap stocks, the performance is in-line with the benchmark.
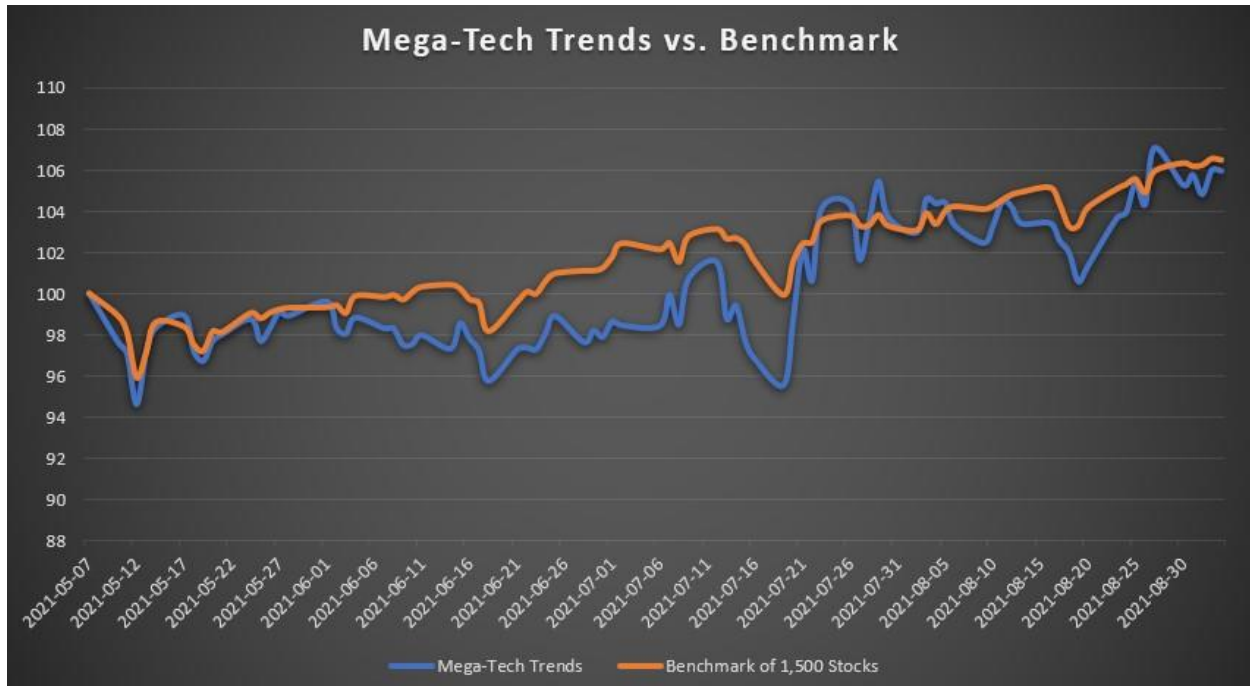
There are two trades in the strategy this week:

Buy Axcelis Technologies, Inc. (Ticker: ACLS) and LivaNova PLC (Ticker: LIVN)

Sell Donnelley Financial Solutions, Inc. (Ticker: DFIN) and Gartner, Inc. (Ticker: IT)

Here is the current portfolio:

ACLS	Axcelis Technologies, Inc.
ADTN	ADTRAN, Inc.
BDC	Belden, Inc.
BYD	Boyd Gaming Corp.
CCRN	Cross Country Healthcare, Inc.
FORR	Forrester Research, Inc.
KFY	Korn Ferry
LFUS	Littlefuse, Inc.
LIVN	LivaNova PLC
WDC	Western Digital

Axcelis Technoloiges, Inc. (Ticker: ACLS) has had a big run in 2021 however over the past few months the stock has been consolidating it's gains. It looks beautiful on the chart. The trend has asserted itself back in an upward fashion and there's been a modest pullback setting up for another breakout.

Of course anything can happen with any individual stock (that's why we have 10 positions in each strategy rather than just one) and the pending breakout could fail. That said, it's a statistically favorable pattern.

The company build capital equipment in the semiconductor industry. There's been massive shortages of semiconductors during the pandemic. Fundamentals continue to be very favorable to the sector.

LivaNova (Ticker: LIVN) builds medical devices for cardiac surgery. The stock has also had a big run in 2021 however the price action has been very choppy in recent months. _**If**_ it can break above $87 it might be off to the races to $120.

The Forensic Accounting Stock Tracker (FAST)

This month I have provided some commentary on certain stocks within the model that may be of interest long or short. While they are not formal recommendations in this newsletter, I think they are worthy of extra attention.

Highlighted Stocks Top 50

These stocks merit additional attention if you are looking for potential candidates to go **long**.

Skyworks Solutions, Inc. (NASDAQ: SWKS) – The stock is setting up a pattern to breakout. There's been a shallow pullback, but buyers control volume. A high-volume break above $181 could be off to the races for Skyworks.

Applied Materials, Inc. (NASDAQ: AMAT) – This stock has been in a holding pattern on a weekly chart. Relative strength is solid, and the sector is favorable.

Agilent Technologies (NYSE: A) – The stock has been a winner in the FAST model. It's a beautiful trend. It might be a bit extended in the short term, but a modest pullback on light volume can be bought. The trend is your friend until the end.

Unitedhealth Group, Inc. (NYSE: UNH) – The stock is poised for a breakout. Buyers are in total control here. The stock looks great on a weekly chart where it's been stuck in a holding pattern for a few months within a very nice long-term trend.

Paypal Holdings, Inc. (NASDAQ: PYPL) – The stock is set up nicely with a couple of enormous buying volume days recently. If PayPal inches up from here, it could be off to the moon on a breakout above $310.

Qorvo, Inc. (NASDAQ: QRVO) – The stock is basing within a massive long-term positive trend. Volume factors are favorable, and it's poised for a breakout to the upside.

Highlighted Stocks Bottom 50

These stocks merit additional attention if you are looking for potential candidates to **short**.

Regis Corp. (NYSE: RGS) – The stock chart sure looks like folks aren't getting their hair coifed! The price is breaking down on heavy volume, especially over the past few days. It's a bit oversold but is an excellent short setup on a weak bounce from here.

Two Harbors Investments (NYSE: TWO) – The stock got clobbered on heavy volume from $8.15 to $6.09. The rebound since has been relatively weak. The volume in recent weeks is well below average. In addition, the stock's relative strength has fallen off a cliff and making multi-month lows.

Fluor Corp. (NYSE: FLR) – The stock has been beaten up in recent months. Every time it tries to rebound, it's a feeble effort. The move from $15.39 to $17 has been dreadful. Until further notice, the stock is a good candidate on any bounce until it starts to climb on higher volume.

LendingTree, Inc. (NYSE: TREE) – The stock has no relative strength. It's been left behind in this massive market rally in 2021, and the stock is down over 50% from its highs. Each rebound is weak. Almost all of the significant volume in the stock is selling-related.

Ehealth, Inc. (EHTH) – The stock also has no relative strength and massive selling pressure. The recent rally from $36 is weak. The stock could quickly turn around and blow right through that low.

Telephone and Data Sys, Inc. (NYSE: TDS) – There's a perfect setup right here. As the stock has bounced off of the most recent earnings quarter, it's been a terrible rebound. Volume in the stock is well below average. Sellers have total control of this stock at the moment.

Below are the top and bottom 50 stocks in the FAST model for August 2021. The model is updated monthly.

How to Use FAST™

There are several ways to use FAST™ in your investing process.

Among them:

• Individual stock selection -- FAST™ can help you analyze individual stocks and narrow your investment opportunities down to the highest earnings quality equities.

• Options Trades – FAST™ is built around identifying companies with the highest opportunities or risks to generate earnings results that exceed or fall short of investor expectations. Stocks tend to have more volatility around earnings releases. Using options on high/low ranked FAST stocks may improve returns or hedging opportunities by betting on stocks that may exceed or fall short of analysts' and investors' expectations.

• Building an Entire Portfolio – While FAST™ ranks stocks in order of earnings quality, there may ultimately be little difference between the #1 and #22 ranked stock, for example. Buying an entire basket of the top 25 or 50 stocks may provide a diversified portfolio with similar underlying characteristics, namely strong earnings quality, reasonable valuations, and expectations that could lead to upward revisions in the coming quarters.

≡FAST™
Forensic Accounting Stock Tracker
"CSI For Your Stock Portfolio"

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Rank	Rank Change	Ticker	Stock Name	Overall Rank	Buybacks	Earnings Quality	Momentum	Sentiment
Column1	Column2	Column3	Column4	Column5	Column6	Column7	Column8	Column9
1	1	JCI	Johnson Controls International Plc	A+	A-	A-	A	A+
2	12	TPX	Tempur Sealy International Inc	A+	A	A	A+	B
3	207	TGT	Target Corp	A+	A-	A	A+	A-
4	38	VRTS	Virtus Investment Partners Inc	A+	B	A+	A	A+
5	13	MSCI	MSCI Inc	A+	B	A+	A	A
6	1	MTD	Mettler-Toledo International Inc	A+	A-	A+	B+	A-
7	18	TEL	TE Connectivity Ltd	A+	B-	A	A	A
8	8	SWKS	Skyworks Solutions Inc	A+	B	A	A	A
9	343	FICO	Fair Isaac Corp	A+	A	A+	A	B
10	2	AMAT	Applied Materials Inc.	A+	B+	B+	A+	A
11	-7	MANH	Manhattan Associates Inc	A+	B	A	A+	B+
12	-3	A	Agilent Technologies Inc	A+	B	A+	B	A+
13	158	EMN	Eastman Chemical Co	A+	B	A	A-	A
14	42	HON	Honeywell International Inc	A+	B+	A-	B+	A
15	0	UNH	Unitedhealth Group Inc	A+	B	A+	B	A+
16	69	IDXX	IDEXX Laboratories Inc	A+	B-	A+	A+	A-
17	-11	PYPL	PayPal Holdings Inc	A+	B-	A+	B	A+
18	16	PWR	Quanta Services Inc.	A+	B-	A	A-	A
19	21	QRVO	Qorvo Inc	A+	A	B	A-	A-
20	104	ETN	Eaton Corp Plc	A+	B-	A	A-	A
21	-18	NSC	Norfolk Southern Corp	A+	A	A+	B-	B+
22	-17	UNP	Union Pacific Corp	A+	A	A	B-	A
23	42	WST	West Pharmaceutical Services Inc.	A+	B-	A	A	A
24	19	TT	Trane Technologies plc	A+	B	B	A	A-
25	47	OTIS	Otis Worldwide Corp	A+	B	A-	B+	A
26	6	LSCC	Lattice Semiconductor Corp	A+	B-	B+	A	A
27	49	SHW	Sherwin-Williams Co (The)	A+	A	B	B+	A-
28	52	NXPI	NXP Semiconductors NV	A+	A	B	A-	B+
29	-28	AAPL	Apple Inc	A+	A-	A	B+	B
30	193	ADSK	Autodesk Inc.	A+	B	B+	A-	A
31	88	DE	Deere & Co	A+	B	A	A-	B
32	-22	CTAS	Cintas Corp	A+	B	A	A-	B+
33	22	AVY	Avery Dennison Corp	A+	B	A+	B	A
34	385	LKQ	LKQ Corp	A+	A-	A	A	B-
35	128	JACK	Jack in the Box Inc.	A+	A	B-	A+	B
36	-14	INTU	Intuit Inc.	A+	B-	A	A-	A-
37	55	TMO	Thermo Fisher Scientific Inc	A+	B	A+	B	A
38	36	SEE	Sealed Air Corp	A+	A	C+	A-	A-
39	-18	INFO	IHS Markit Ltd	A+	B-	A	A	A-
40	91	ORCL	Oracle Corp	A+	A+	A+	B	C
41	-11	CDNS	Cadence Design Systems Inc	A+	B	B+	B+	A
42	142	MA	Mastercard Inc	A+	B+	A	C	A+
43	68	GWW	Grainger (W.W.) Inc	A+	A-	B+	B	B+
44	110	ORLY	O'Reilly Automotive Inc	A+	A	A	B+	C+
45	1	MDLZ	Mondelez International Inc	A+	A-	A	C	A+
46	12	ANTM	Anthem Inc	A+	A-	B-	B	A+
47	5	BLD	TopBuild Corp	A+	B-	B+	B+	A
48	15	TRMB	Trimble Inc	A+	B-	B+	A	A-
49	-5	ZBRA	Zebra Technologies Corp.	A+	C	A-	A	A
50	51	V	Visa Inc	A+	B	A+	C	A+

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Column1	Column2	Column3	Column4	Column5	Column6	Column7	Column8	Column9
1	13	EXEL	Exelixis Inc	D-	D-	D+	F	D-
2	-20	LUV	Southwest Airlines Co.	F	D-	D-	D	D-
3	-5	HCC	Warrior Met Coal Inc	F	C-	D-	D-	D-
4	39	ENTA	Enanta Pharmaceuticals Inc	F	D-	C	F	F
5	-68	AHH	Armada Hoffler Properties Inc	F	F	D	D-	D+
6	-84	BKH	Black Hills Corp	F	D-	D-	D-	D+
7	-246	PEB	Pebblebrook Hotel Trust	F	D-	D-	C-	F
8	-32	VVI	Viad Corp	F	F	D-	D+	D-
9	-84	DAL	Delta Air Lines Inc	F	C-	F	D-	D-
10	-91	PBF	PBF Energy Inc	F	C+	D-	D-	F
11	-389	RGS	Regis Corp	F	C-	D-	D-	D-
12	-21	CONE	CyrusOne Inc	F	D-	D	D-	D-
13	-30	TWO	Two Harbors Investment Corp	F	D+	D-	D	D-
14	-19	PVAC	Penn Virginia Corp	F	F	F	C-	D-
15	-92	FLR	Fluor Corp	F	F	D-	C	D-
16	-105	MNRO	Monro Inc	F	D-	D-	F	D-
17	-24	DRQ	Dril-Quip Inc.	F	C-	D-	F	F
18	15	UIHC	United Insurance Holdings Corp	F	C-	D-	F	D-
19	-154	CARA	Cara Therapeutics Inc	F	D-	C-	D-	D-
20	-31	MCS	Marcus Corp (The)	F	D+	D-	D-	D-
21	-162	RCL	Royal Caribbean Group	F	F	D	D	F
22	6	DEA	Easterly Government Properties Inc	F	D-	D+	D-	D-
23	-16	OXY	Occidental Petroleum Corp	F	D	F	D-	D-
24	-4	MAC	Macerich Co (The)	F	F	D	D+	F
25	-16	NKTR	Nektar Therapeutics	F	D-	D	F	D-
26	-1	CCL	Carnival Corporation & Plc	F	F	D+	D-	F
27	-101	TREE	LendingTree Inc	F	D-	D-	D-	D-
28	-26	TGI	Triumph Group Inc.	F	F	F	C-	D-
29	-7	EIX	Edison International	F	D-	D-	F	D+
30	-4	HR	Healthcare Realty Trust Inc	F	D-	D	D-	D-
31	-82	JRVR	James River Group Holdings Ltd	F	F	D-	D-	D+
32	-54	PSX	Phillips 66	F	D	D-	D-	D-
33	9	IVR	Invesco Mortgage Capital Inc	F	F	D-	D	D-
34	-2	TRHC	Tabula Rasa HealthCare Inc	F	D-	D-	D-	D-
35	-118	EHTH	eHealth Inc	F	F	D	F	D-
36	-69	RGNX	REGENXBIO Inc	F	F	D	D-	F
37	-84	TALO	Talos Energy Inc	F	D-	D-	D-	D-
38	-35	CNSL	Consolidated Communications Holdings Inc	F	F	F	D-	D-
39	-4	JBLU	JetBlue Airways Corp	F	F	F	D-	D-
40	5	ARR	Armour Residential REIT Inc	F	F	D-	D-	D-
41	7	VSAT	ViaSat Inc.	F	D-	D-	F	F
42	4	VNO	Vornado Realty Trust	F	D-	D-	D-	D-
43	-13	CNK	Cinemark Holdings Inc	F	D-	D-	D-	F
44	-25	AAOI	Applied Optoelectronics Inc	F	F	D-	F	D-
45	-28	HA	Hawaiian Holdings Inc	F	F	F	D-	D-
46	3	CHRS	Coherus BioSciences Inc	F	D-	D-	F	F
47	0	AAL	American Airlines Group Inc	F	F	F	D-	D-
48	-7	TDS	Telephone and Data Systems Inc.	F	F	F	D-	D-
49	-25	SPPI	Spectrum Pharmaceuticals Inc	F	F	D-	D-	F
50	-6	UAL	United Airlines Holdings Inc	F	F	F	D-	F

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