



Risk-O-Meter Stays Bullish

Markets are closed today in honor of civil rights legend, Dr. Martin Luther King, Jr.'s birthday.

It would be positive if the markets were closed *every* Monday. Friday too! That might give people a bit of time to digest important information in driving stock and bond prices higher or lower. We might all benefit from a lot *less* trading.

Wishful thinking, though...

It's also wishful thinking that recent inflationary pressures are "transitory." The latest inflation number hit a 40-year high at 7%. Inflation was 7.1% in 1982. As I noted last week, *everyone* is talking about inflation.

Despite multi-decade high inflationary pressures, something surprising in my own life happened this week. I have been interested in seeing what the 2022 prices would be for services I need, such as Internet access and phone service.

I received two Internet bills this week and my phone bill. The cost of Internet for my primary residence increased 2% for the year. The Internet bill for another property I own increased by 0%, and my phone bill *declined* by 5%. In none of those instances did I change the service one bit. Net-net, I came out a few cents ahead year-over-year! That was a pleasant surprise!

I received a fourth bill for topping up my heating oil, which increased 6% in a month. It's freezing right now, so it is what it is. It's so cold that even Jimmy Carter's suggestion to wear a sweater wouldn't do much good. I'll pay for the heat!

Then I watched an interview from *Fox News* on *YouTube* with Jon Tester. He has a show called *Bar Rescue* where he goes into an under-performing bar, yells at everyone, and gets them back on track toward fat profits.

During the interview, Jon broke down the financials for restaurants and talked about the strain that COVID, particularly the recent rise in cases, has had on the industry. In normal times, the margins for restaurants are razor-thin. I already knew this.

Now, it's practically *uneconomical*. I came away with the conclusion that bars and restaurants can't pass on recent price increases, at least entirely, to consumers.

That led me to an article about the owner of Nello in New York City. Nello is a restaurant located on Madison Avenue. As you might imagine, Madison Avenue is a high rent district.

Nello is popular with actors and athletes in the area and people that want to be "seen." I have the great misfortune of having had a drink there once to kill time before a dinner meeting. I ordered seltzer water while my two companions had a scotch and a gin and tonic—one drink. The bill after the tip was over \$70 for the round. My beverage was non-alcoholic!

Nello has a reputation for being overpriced with questionable quality food. In this article, the owner noted that some raw materials for dishes offered on the menu had increased 100%. However, he is eating that cost and *not* passing it onto the consumer.

When you charge \$80 for a steak, you have some wiggle room!

That got me thinking that we may be at a point where the price increases just can't be passed onto consumers. Of course, this will drive many businesses to close their doors if there is no relief. Many companies have *no* wiggle room.

New York City restaurants, in particular, are in a dire situation. If current trends continue, things will end badly. Something must give. If not, we could experience a generational impairment to the economies of many cities and states.

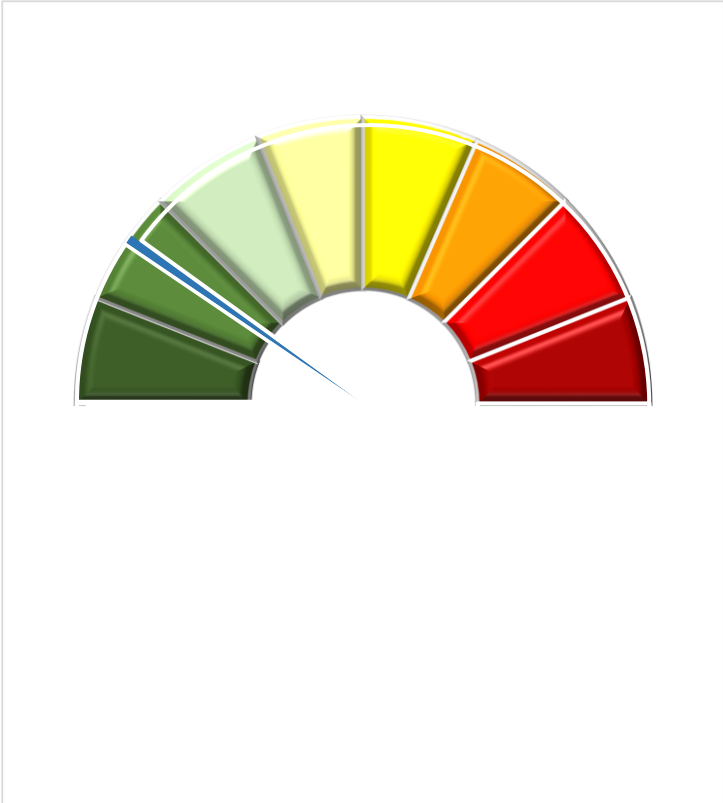
The *Risk-O-Meter* stays on a "buy" this week. The only red flag remains in the credit markets.

The stock market has had a very rough January so far in 2022. In particular, technology stocks have taken a beating in the short-term.

By several of the measures I monitor, the market is not oversold despite the selling pressure in the first two weeks of the year. However, an oversold market with the *Risk-O-Meter* on a "buy" has historically been a very profitable trade to the upside. I am keeping a close eye on these metrics to see if the market does get oversold.

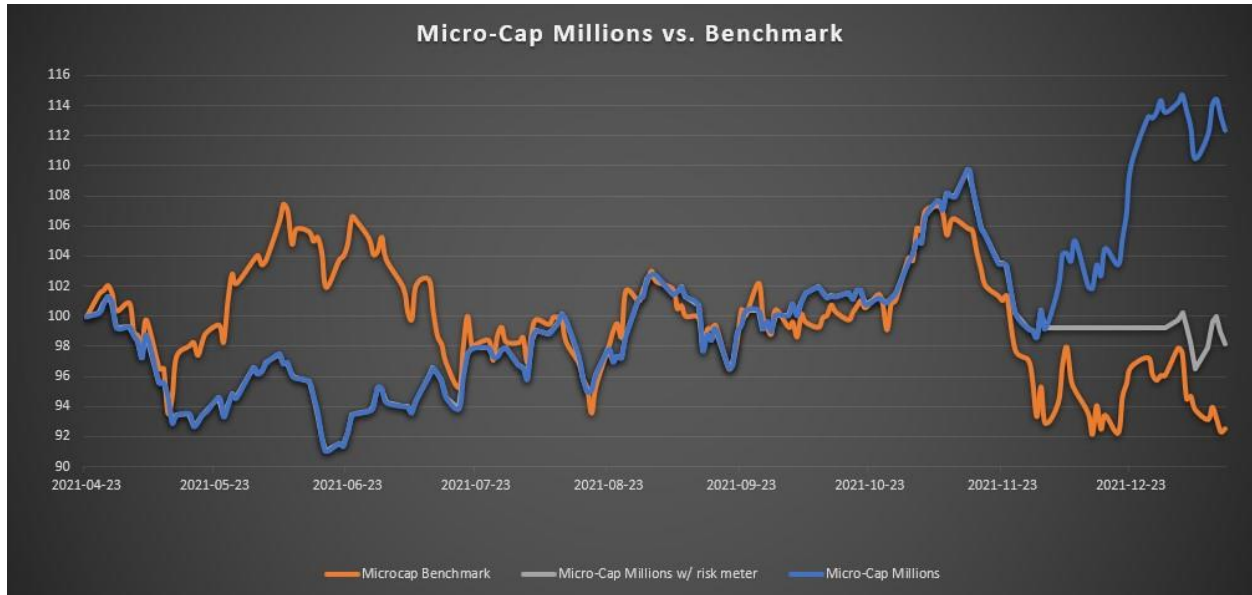
Earnings season and interest rates will be two drivers of stocks in the near term.

It will be interesting to see CEOs' and CFOs' comments on their ability to pass along price increases to consumers. The commentary on supply chains will also be worth noting. Most importantly, how will these issues affect future earnings? That's what will dictate stocks prices going forward and not what happened in 2020 and 2021.



Micro-Cap Millions

There's one trade this week.



Trade:

Buy Sensus Healthcare, Inc. (Nasdaq: SRTS)

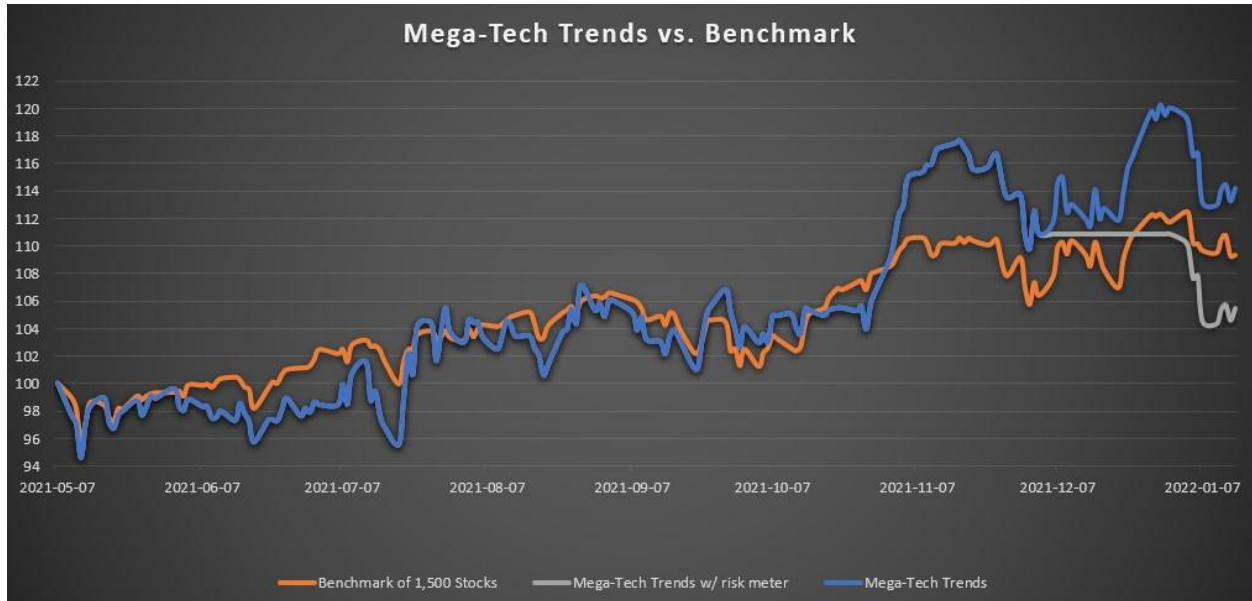
Sell Sono-Tek Corp. (Nasdaq: SOTK)

Current Portfolio:

Ticker	Name
DLHC	DLH Holdings Corp
EEX	Emerald Holding Inc
HSII	Heidrick & Struggles International Inc
LINK	Interlink Electronics
NTIP	Network-1 Technologies Inc
PCOM	Points International Ltd
SGA	Saga Communications Inc.
SRTS	Sensus Healthcare Inc
WSTG	Wayside Technology Group
WTT	Wireless Telecom Group Inc.

Mega-Tech Trends

No trades this week!



Current Portfolio:

Ticker	Name
ACLS	Axcelis Technologies Inc.
BAX	Baxter International Inc
BDC	Belden Inc
CVS	CVS Health Corp
FORR	Forrester Research Inc
HOLX	Hologic Inc
KFY	Korn Ferry
LFUS	Littelfuse Inc
LH	Laboratory Corp of America Holdings
MCK	McKesson Corp

Large-Cap Leaders

No trades this week!



Current Portfolio:

Ticker	Name
ABT	Abbott Laboratories
CVS	CVS Health Corp
DHR	Danaher Corp
HOLX	Hologic Inc
INTU	Intuit Inc.
MCK	McKesson Corp
MSFT	Microsoft Corp
PKI	PerkinElmer Inc.
WST	West Pharmaceutical Services Inc.
ZBRA	Zebra Technologies Corp.

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