



## Bloodbath

Last week I discussed the stealth crisis impacting emerging economies and major international markets.

This week, that crisis hit home, with U.S. markets taking a beating.

Many stocks were already in bear markets coming into this week. I highlighted this fact a few weeks ago with a chart that showed the Nasdaq was already in deep bear territory when eliminating just the five biggest companies in the index.

Now, sellers have come after even the biggest stocks. Nothing has been safe. I noted that there would already be tremendous losses by the time they came for Apple, Microsoft, and Netflix. Well, speculators have come after Apple, Microsoft, and Netflix, and there are enormous losses.

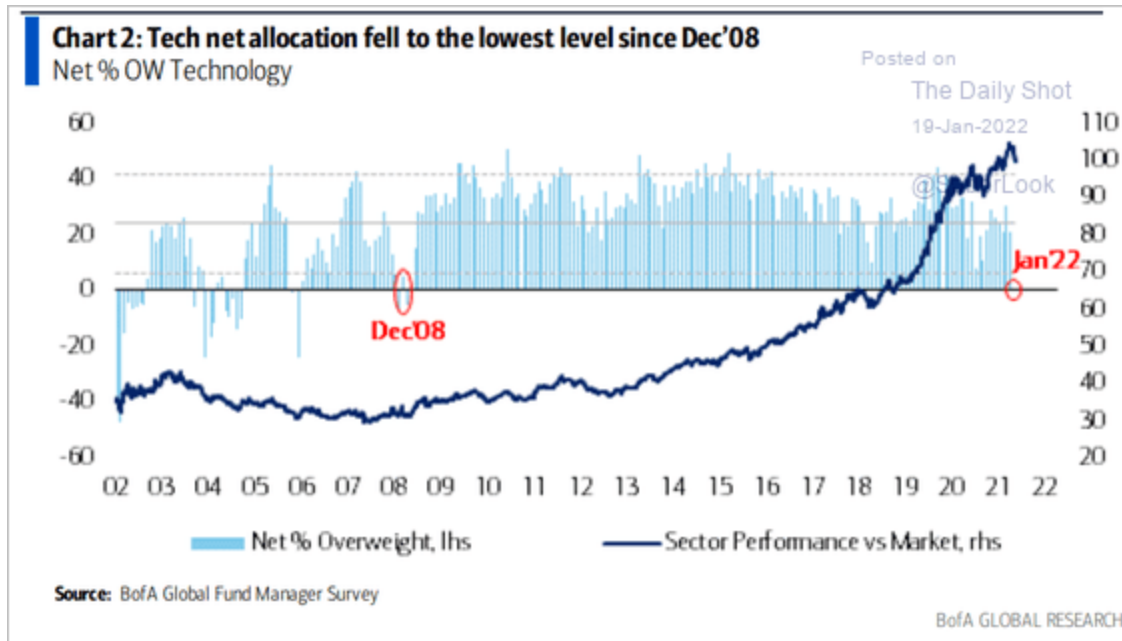
Institutional investors are fleeing technology stocks. For years, technology stocks represented a core holding for funds. That has changed.

If you did not own the most prominent technology stocks in the last year, chances are you had a crappy year. Fortunately, that was not the case for the strategies in this newsletter which outperformed their benchmarks and a vast majority of funds in their category.

Professional investors cannot be caught owning a bunch of stinkers at the end of the year. They don't want to show their clients that they invested in a bunch of stocks that cratered. So, fund managers dump those stocks.

Now, investment managers are underweight technology stocks. Since most people are wrong most of the time, it is becoming a contrarian play to own technology stocks.

Look at this chart. Investment managers have their lowest allocation to technology stocks since 2008!



That makes me bullish on technology stocks once all this selling pressure goes away.

Could the selling from here get worse?

Yes, it could.

For one, there could be a major conflict in Europe. The tensions between Russia and Ukraine grow by the day. The reaction to a Russian invasion could also encourage China to move against Taiwan. Imagine if both attacks were coordinated to happen after the Olympics? That would be a real doozy.

Meanwhile, while war tensions ramp up in Europe and Asia, the big news in the U.S. this week is that Mars, Inc., the maker of M&M's, has redesigned the candies to reflect a more "dynamic, progressive world."

Gone are the go-go boots for the green M&M, replaced with sneakers to reflect her "effortless confidence."

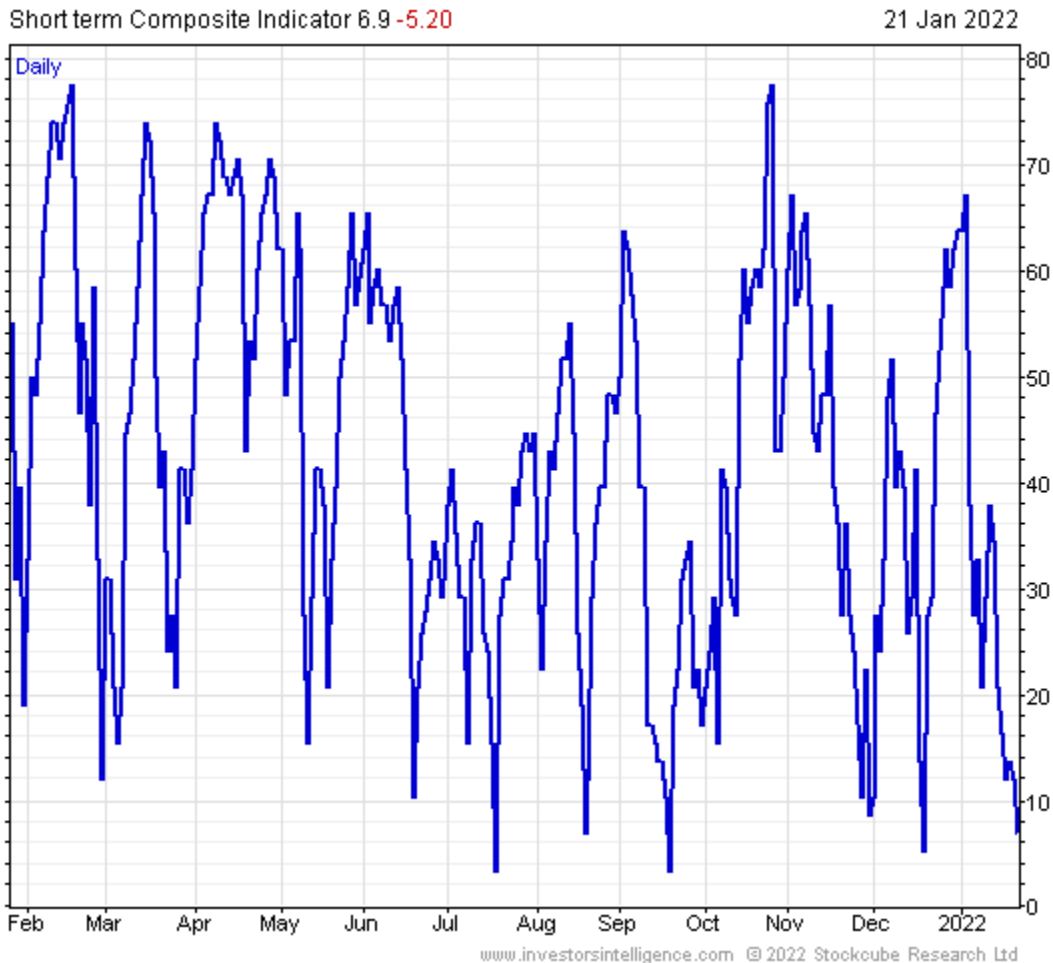
Green M&M's were always my favorite. I'll miss her go-go boots!

The world could be on the brink of war, and M&M's were a top story. We live in a strange time.

The market is oversold, though. Expect a bounce. That does not mean it's an outright buy. The biggest rallies occur in *bear* markets, not bull markets.

Here is a chart of my favorite short-term indicator. The *Short-Term Composite*, courtesy of Investors Intelligence, measures dozens of short-term and intermediate-term technical factors to develop an overall rating. Currently, the indicator stands at 6.9.

A reading of 6.9 indicates a deeply oversold market. Expect a bounce. If global tensions ease off a bit, there could be a substantial bounce. The market is very pressed right here.



That said, the *Risk-O-Meter* is now back on a “sell” signal. Risks have increased. The last two signals have led to losses after a huge run after the COVID smash. The back and forth losses are called whipsaws. Whipsaws are part of the trading game.

The ideal situation for the *Risk-O-Meter* and big payoffs is when a sell signal comes, and the market is overbought. For example, just before COVID hit, this was the situation.

On the flip side, the ideal buy signal would be when the market is deeply oversold, which happened shortly after the COVID smash.

Now, we have some back and forth. As I use the *Risk-O-Meter* as a guide, I am inclined not to add to stocks right here. While stocks could bounce, and the odds favor a bounce, that doesn’t mean they won’t quickly turn back down in a nasty manner.

I’m not selling anything here either. I plan to sit on my hands in this oversold market for now.

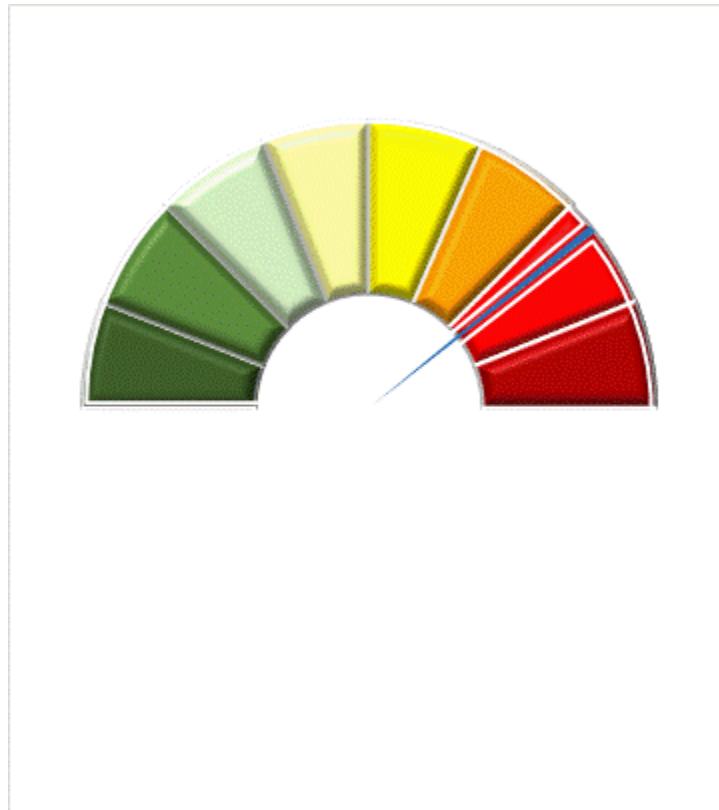
The problem with *Risk-O-Meter* is that while I find it a helpful guide, there's no specific portfolio attached to it. It measures risk.

That problem is solved.

I have created an investable version of the *Risk-O-Meter*. It tells you what to invest in based on the risks associated with market trends, volatility, credit markets, and sentiment.

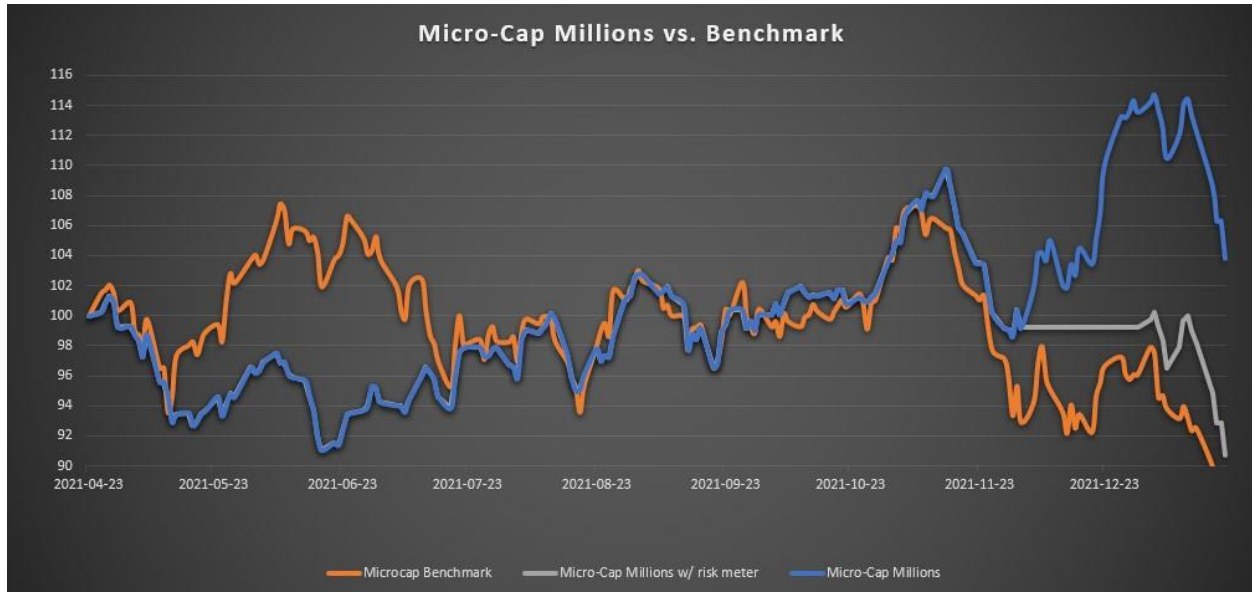
I am very excited about this research.

Stay tuned for next week when I share my research with you.



# Micro-Cap Millions

There is one new trade this week.



Here is the trade:

**Buy Information Services Group, Inc. (III)**

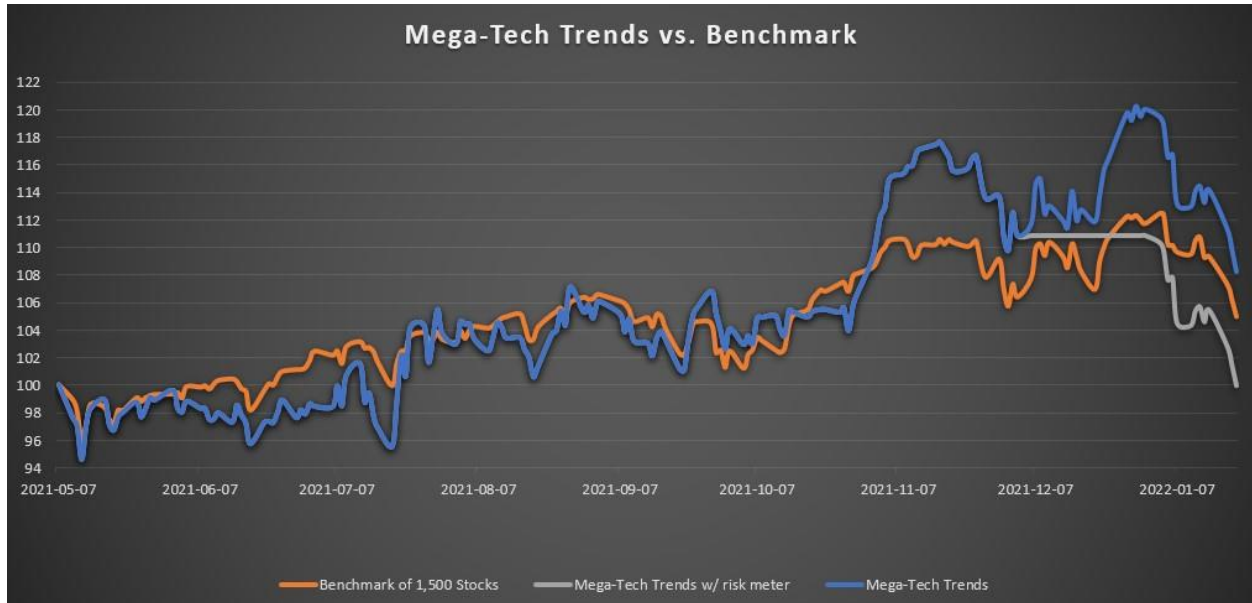
**Sell Sensus Healthcare, Inc. (Nasdaq: SRTS)**

Here is the current portfolio:

DLHC	DLH Holdings Corp
EEX	Emerald Holding Inc
HSII	Heidrick & Struggles International Inc
<b>III</b>	<b>Information Services Group Inc</b>
LINK	Interlink Electronics
NTIP	Network-1 Technologies Inc
PCOM	Points.com Inc
SGA	Saga Communications Inc.
WSTG	Wayside Technology Group
WTT	Wireless Telecom Group Inc.

# Mega-Tech Trends

There are no new trades this week for the strategy.



Here is the portfolio:

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

There are no trades again this week for the strategy.



Here is the current portfolio:

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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