



## Inflation and War

It was a volatile week for the financial markets. With persistent inflation and the threat of war, we might be in for a period of no apparent trends, and the choppy action makes it hard to generate meaningful returns.

2022 is shaping up to be a challenging year.

For now, at least.

The *Risk-O-Meter* stays on a "sell" signal. Risks are elevated, and caution is warranted.

40-year high inflation numbers roiled the markets last week.

As I have noted in the past, *everyone* is talking about inflation. We are all feeling the pain of higher prices. There's no escaping inflation right now. My heating oil bill increased 20% in a single month in January.

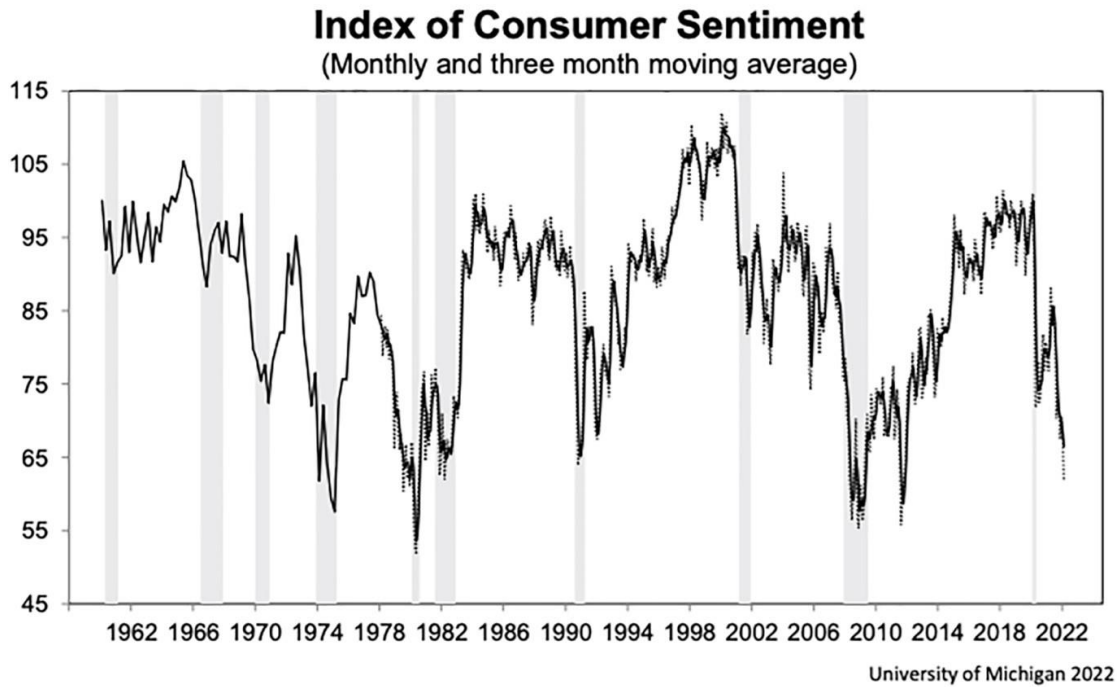
I just returned from Costco. My local Costco finally raised prices on toilet paper and paper towels. While I own enough toilet paper to survive the next two pandemics, I picked up another batch just in case. The 7% increase in paper products is painful. It pisses me off.

I didn't even peek over at the meat section. I didn't want to faint.

Of course, with everyone freaking out about inflation, I think about how the opposite could occur, and we could have a deflationary bust.

First, consumer confidence is at the fourth-lowest level of my lifetime. When folks are less confident, they are less likely to spend money beyond the necessities.

This means death for a lot of small businesses.



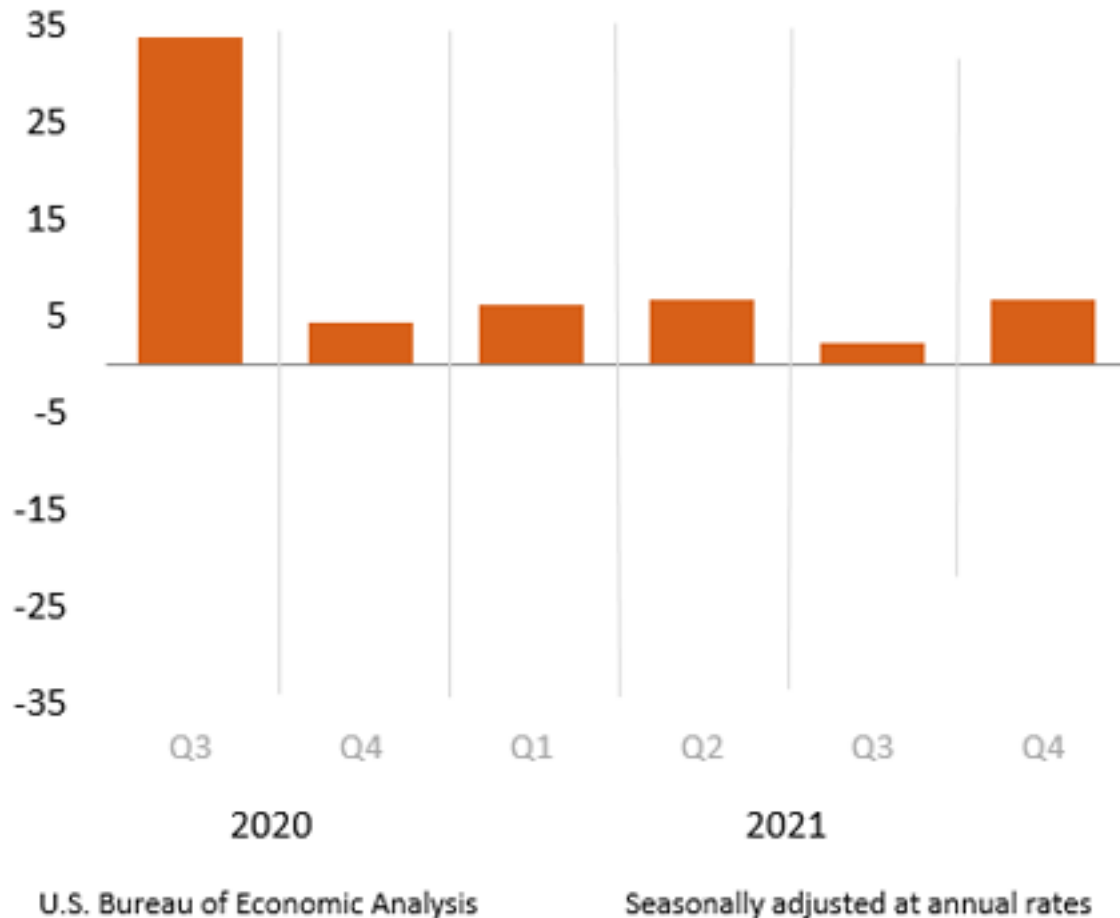
On top of low confidence, the labor force participation rate stinks.



In addition, wages are not keeping pace with inflation. Therefore, everyone feels the pinch every time they go to the grocery store or gas station.

Lastly, considering easy comparisons due to the worst pandemic in 100 years, GDP growth is underwhelming. Economic stagnation is a real possibility.

### Real GDP: Percent change from preceding quarter



To recap, prices are up more than wages, economic growth stinks, and people are out of the workforce even though more jobs are available than there are people to fill them.

These are forces in play that we have not seen in decades, if ever. There is a real possibility that the floor falls out from under the economy, and there is a collapse.

All of this bodes poorly for the folks in power right now. With November approaching at blazing speed, it will be hard to get anything significant done in Congress.

Spending is likely on hold. Build Back Better is dead. While there is talk of a "skinny" version of Build Back Better, Senator Joe Manchin wants to go through committees and have public hearings. That will take forever.

The Federal Reserve is also way behind the curve. I am not sure the Fed can ever catch up.

It isn't pleasant out there.

We also face the threat of war.

If I were a dictator and I put my Dictator Hat on for a moment, I know what I would do.

I would coordinate an attack on Ukraine at the same time as Taiwan. There's no way The United States can handle a two-front war. The expectation is that Russia will attack Ukraine this week. Why not wait and do it after the Olympics and start a two-front war?

I am anti-war and believe we should stay out of most conflicts. I do, however, support a strong military for defense purposes. I'm also a huge advocate for our troops. Politicians say they support the troops only to abandon them when they come back from conflict.

I support the troops.

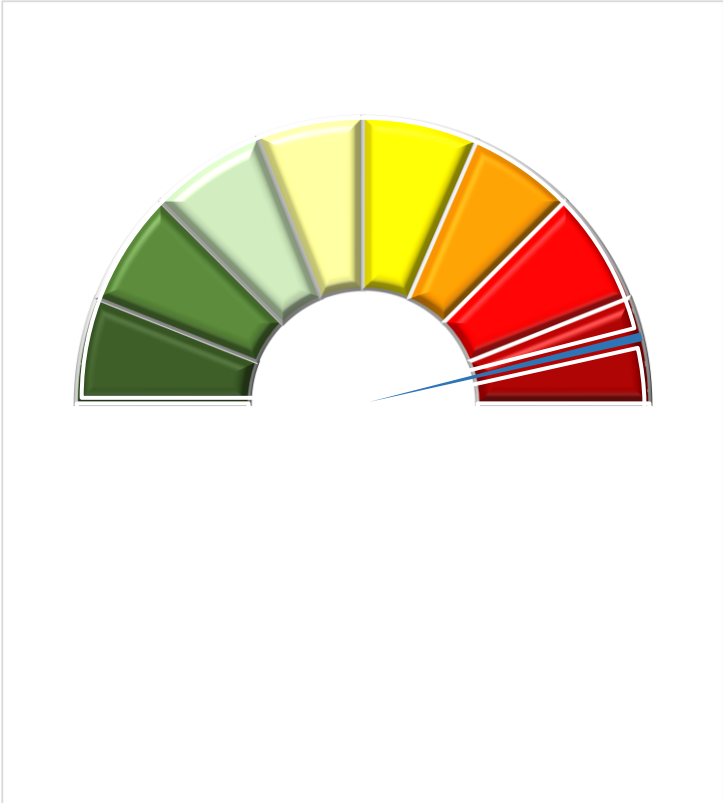
However, my view of Ukraine can be summed up with this photo.



When Mom has a sniper rifle, I think we should stay out. Let these people fight their fight.

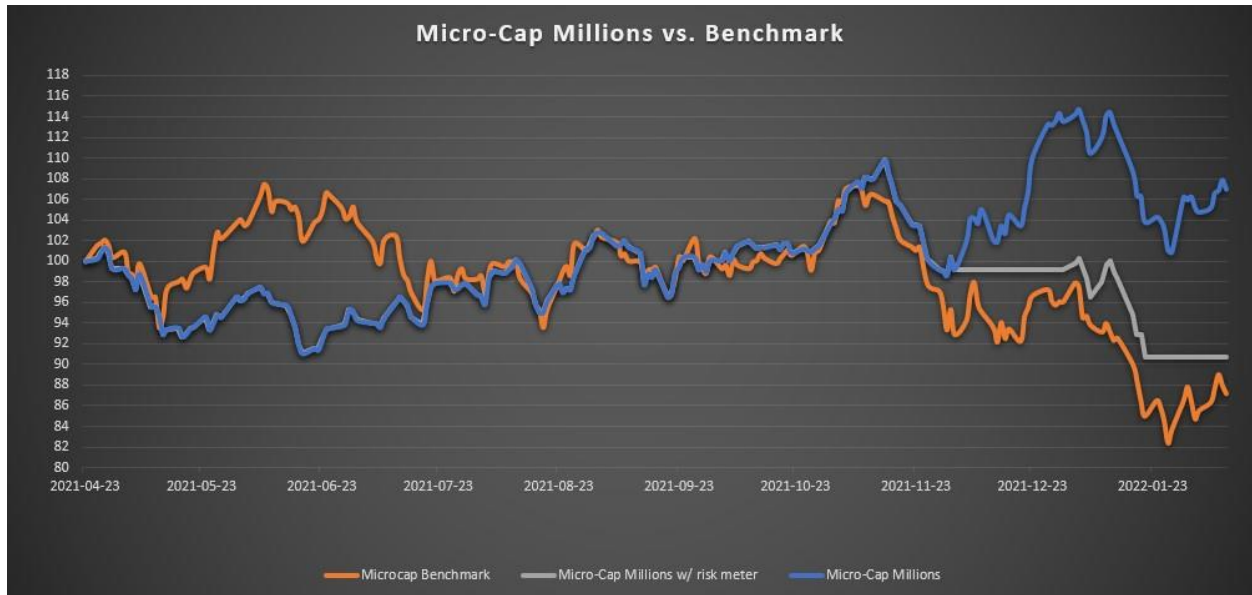
Of course, the markets are processing these issues minute by minute, and this has led to volatility on a day-to-day basis.

Right now, risks are highly elevated.



# Micro-Cap Millions

No trades this week. It was a good week for stocks outside the major indexes. When you're only watching the S&P 500 or Nasdaq, it isn't easy to understand what is happening with the average stock. Overall, despite many considerable headwinds, the smallest companies did well.

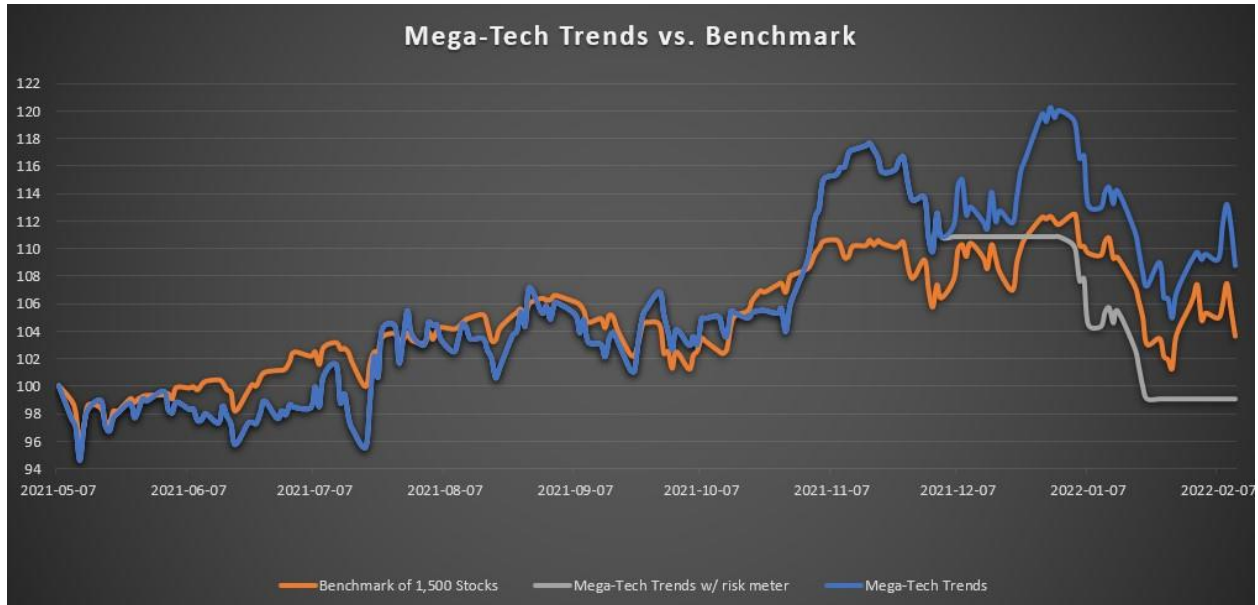


Here is the portfolio:

Ticker	Name	Return	Days Held	Sector
EEX	Emerald Holding Inc	-5.45%	81	Business Services
HSII	Heidrick & Struggles International Inc	4.37%	186	Business Services
III	Information Services Group Inc	11.85%	18	Business Services
LINK	Interlink Electronics	2.99%	67	Technology
NTIP	Network-1 Technologies Inc	0.37%	74	Technology
PCOM	Points.com Inc	4.57%	172	Business Services
SGA	Saga Communications Inc.	2.82%	186	Consumer Services
SRTS	Sensus Healthcare Inc	-2.16%	4	Healthcare
WSTG	Wayside Technology Group	1.06%	67	Technology
WTT	Wireless Telecom Group Inc.	-5.25%	53	Technology

# Mega-Tech Trends

Two trades this week.



Here are the trades:

**Buy Amphenol Corp. (NYSE: APH) and News Corp. (Nasdaq: NWSA)**

**Sell Belden, Inc. (NYSE: BDC) and CVS Health Corp. (NYSE: CVS)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ACLS	Axcelis Technologies Inc.	29.34%	157	Technology
APH	Amphenol Corp	new	new	Technology
CNXC	Concentrix Corp	4.87%	11	Technology
HOLX	Hologic Inc	-2.11%	88	Healthcare
KFY	Korn Ferry	-8.22%	53	Business Services
LFUS	Littelfuse Inc	-13.84%	102	Technology
MCK	McKesson Corp	22.33%	95	Healthcare
NWSA	News Corp	new	new	Consumer Services
SANM	Sanmina Corp	-1.46%	4	Technology
SNX	TD SYNEX Corporation	-2.08%	4	Technology



# Large-Cap Leaders

One trade this week. The market is now going after large caps the most, which I have noted in the past would happen once there was a lot of damage done in smaller companies. We are now seeing smaller stocks hold up better. Once the carnage subsides for the large caps, we are likely in for a big bounce even if the economic backdrop looks gloomy. There's only so much selling that can take place.



Here is the trade:

**Buy News Corp. (Nasdaq: NWSA)**

**Sell Zebra Technologies Corp. (Nasdaq: ZBRA)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
AAPL	Apple Inc	-2.18%	4	Technology
APH	Amphenol Corp	-4.55%	4	Technology
CVS	CVS Health Corp	2.89%	46	Healthcare
DHR	Danaher Corp	-10.36%	116	Healthcare
GOOGL	Alphabet Inc	-6.29%	4	Technology
INTU	Intuit Inc.	-17.31%	67	Technology
MCK	McKesson Corp	23.14%	95	Healthcare
MSFT	Microsoft Corp	3.59%	193	Technology
<b>NWSA</b>	<b>News Corp</b>	<b>new</b>	<b>new</b>	<b>Consumer Services</b>
WST	West Pharmaceutical Services Inc.	-8.33%	102	Healthcare

**NOTE: NWSA is in both *Mega-Tech Trends* and *Large Cap Leaders*.**



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