



Investing *Risk-O-Meter* Style

As promised, this week, I am putting forth an investable version of the *Risk-O-Meter*. Please refer to last week's issue for details on the methodology.

Because this version trades monthly (there's no edge in weekly trading except overtrading and lower returns), there could be differences between the weekly version, which I'll call *Risk-O-Meter* Version 1.0

While both versions measure the same things, there's a difference in expressing the trades in an actual portfolio.

There are four components to both *Risk-O-Meters*: market trend, credit risk, sentiment, and volatility. However, the investable version uses exchange-traded funds (ETFs) to make investments, not individual stocks. Therefore, some adjustments in the secret sauce needed to be made to express the trades with ETFs.

The beauty of ETFs is that they are easy to trade, often trade with no commission, tight bid / ask spreads, and the ones in the *Risk-O-Meter* represent huge asset classes. Therefore, no one can manipulate the market.

I've created a new graphic for the investable *Risk-O-Meter*. You can think of each component as either in "risk-on" or "risk-off" mode. If all of the components are on "risk-on," the meter will point to dark green. If all components are in "risk-off" mode, the meter will point to dark red. If there is a mixture among the components, the meter will reflect that by pointing in-between.

In my opinion, the advantage of this is you can see collectively how much the components are in "risk-on" or "risk-off" mode.

You can see it in a nanosecond.

I will also show where each component is invested. That gives you many ways to use the *Risk-O-Meter*.

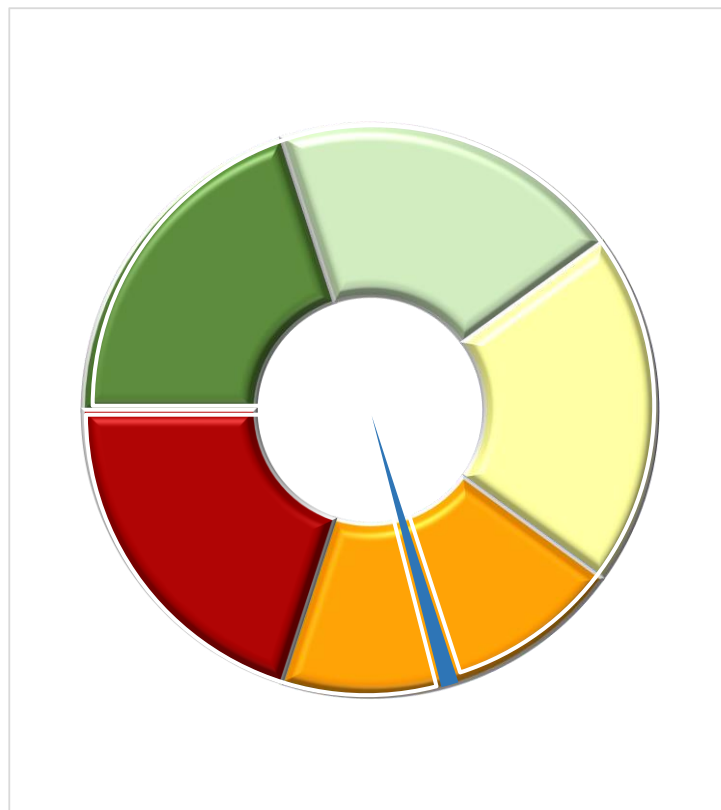
For example, you might think I'm a moron and bet against what my research suggests are profitable systems. I've been called worse! I'm sure you'll lose big over time, but you might have some good short-term runs.

Or, you might invest only in stocks or stock indexes. If the meter were pointed on dark green, that might give you the confidence to invest aggressively. If the meter points somewhere in the middle, you might pick your spots or scale back buying. If the meter points to red, you might sit on your hands and wait for a better environment.



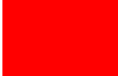

You might also want to invest in one or two of the components. So, it will be easy to see that as well.

For the time being, I will include both versions in this newsletter. As always, I welcome your feedback in making this newsletter more beneficial to you.

Without further ado, here's the current month's meter!



Here are the four components and their positions.

Component	Position	Position Size	Risk ON or OFF	
Market Trend	Cash	25%	OFF	
Sentiment	Cash	25%	OFF	
Volatility	IEF	22.50%	OFF	
Levered Volatility	UST	2.50%	OFF	
Credit Risk	SPY	22.50%	ON	
Levered Credit Risk	QLD	2.50%	ON	

Three of the four components are in "risk-off" mode. For both the Market Trend and Sentiment systems, the position is to hold cash.

Volatility is in "risk-off" mode, and the position is the iShares 7-10 Year Treasury Bond ETF (Nasdaq: IEF), while the levered position is the ProShares Ultra 7-10 Year Treasury ETF (ARCX: UST).

Lastly, the Credit Risk indicator is in "risk-on" mode. The position is long the SPDR S&P 500 Trust (ARCX: SPY), and the levered position is the ProShares Ultra QQQ (ARCX: QQQ).

I use the Schwab US Broad Market ETF (ARCX: SCHB) instead of the S&P 500. In testing, I used SPY because it has a long history. However, my accounts are at Schwab, SCHB has a very low fee, and over time there's a slight edge to owning the broad market versus the S&P 500. However, it's not worth making a big deal over the differences.

Levered ETFs are very volatile and not suitable for many, if not most, people. I keep the position size small at 2.5% because I have found an excellent risk/reward relationship by including the positions in the portfolio.

This portfolio represents my version of an investable Risk-O-Meter. You can make adjustments that suit your purposes (like I did with SCHB instead of SPY), such as not using levered ETFs if you wish.

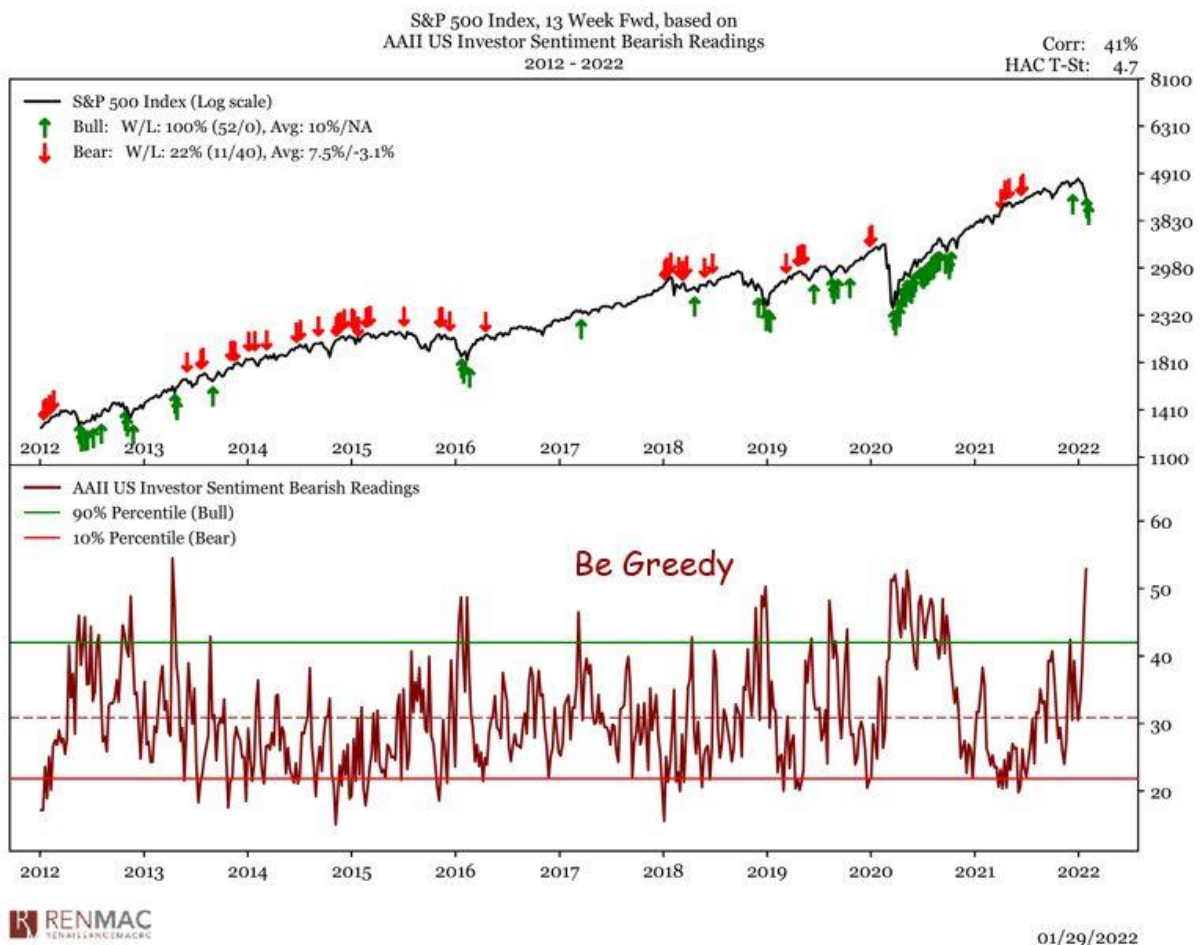
While risks did ease up a bit this week, the *Risk-O-Meter* is still on a sell signal. The rally I suspected would occur and noted in this space has occurred. Absent the complete implosion of Facebook's stock, which sent indexes down big time on Thursday; the market has mostly gone straight up.

The market is no longer oversold.

However, a couple of factors in play may be favorable to stocks.

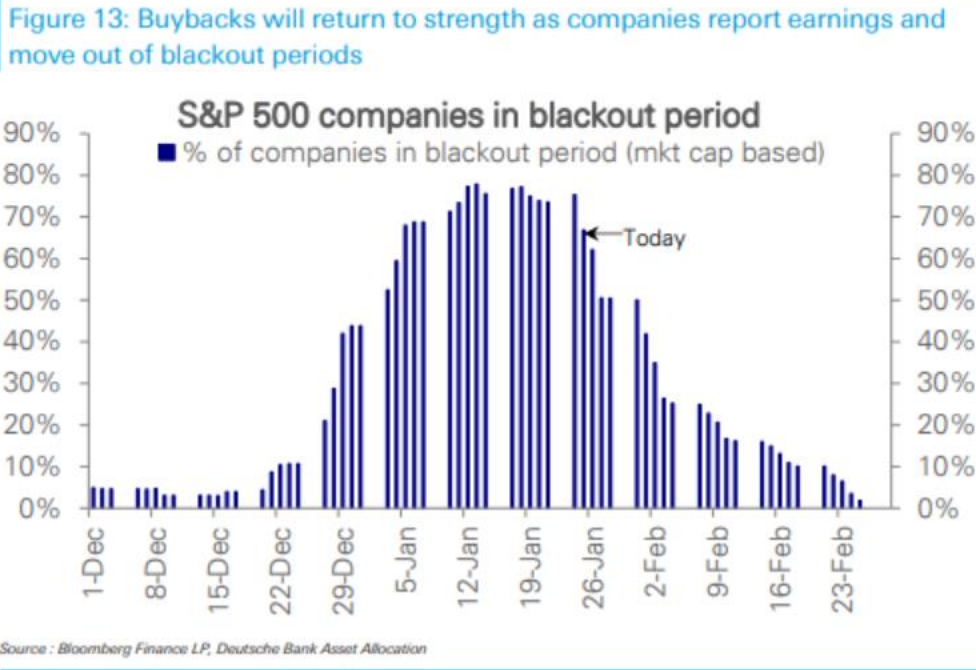
First, there's way too much bearishness out there. Take a look at this chart, which looks at trends in the levels of bullishness and bearishness in individual investors.

The level of bearishness is right up there with the initial COVID market panic and among the highest levels in the last decade. Historically, that has been very positive for stocks.



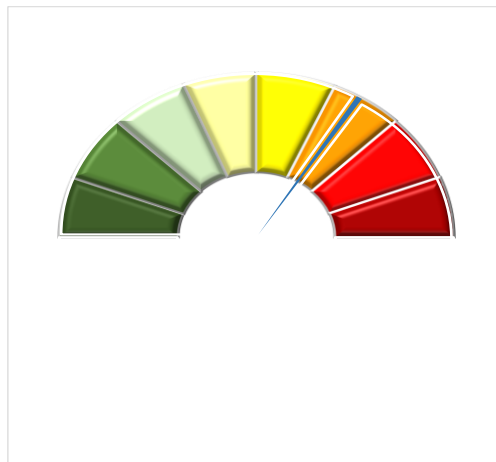
The other factor is that companies are increasingly coming out of quiet periods and can begin buying back stock.

Corporate buybacks have been one of the biggest drivers of stock market performance since the financial crisis bottom in early 2009. We are now about three-quarters of the way through the quiet periods, and the numbers drop off sharply from here.



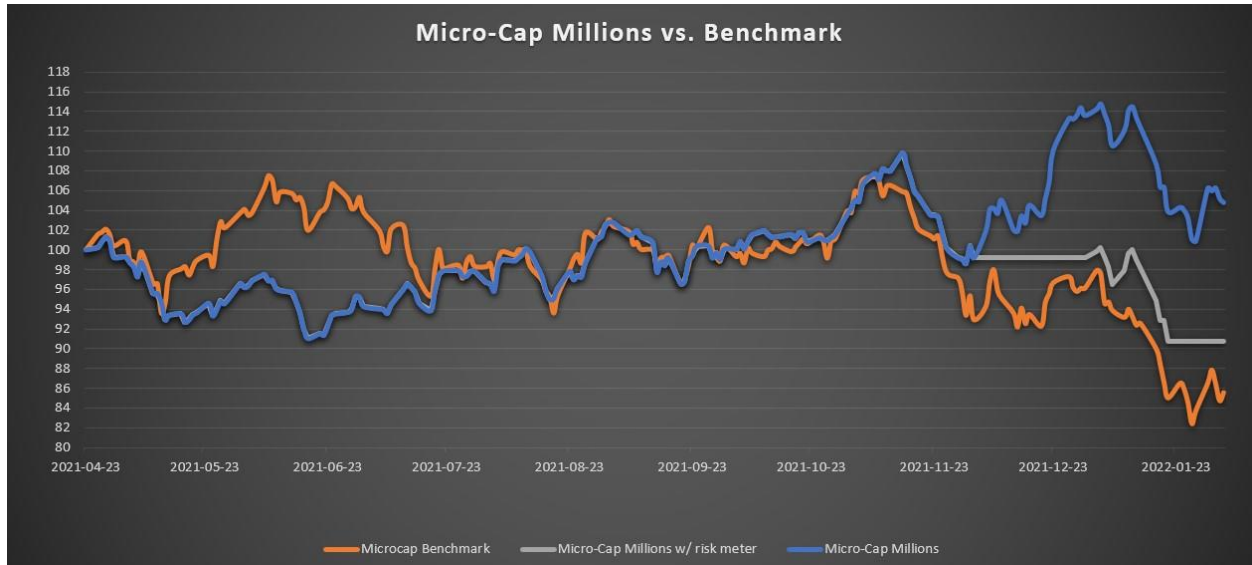
Note, where the chart says “today” is not today but a couple of weeks ago. Today, only about 10-15% of companies are still in a quiet period. It remains to be seen how aggressive buybacks could be in the near future. Everyone is freaked out about supply chains, inflation, and the labor market.

Now that the oversold condition is worked off, there is no edge either way (the market is not overbought either). Nonetheless, the *Risk-O-Meter* is urging caution.



Micro-Cap Millions

There is one new trade this week.



Here is the trade:

Buy Sensus Healthcare, Inc. (Nasdaq: SRTS)

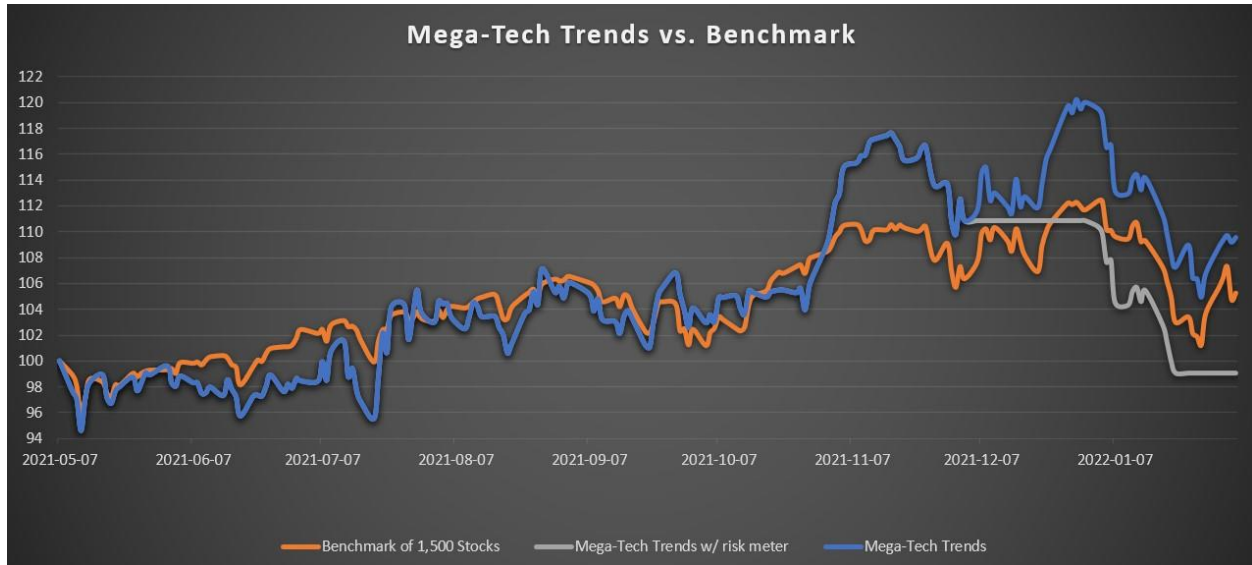
Sell DLH Holdings Corp. (Nasdaq: DLHC)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
EEX	Emerald Holding Inc	-2.93%	74	Business Services
HSII	Heidrick & Struggles International Inc	5.61%	179	Business Services
III	Information Services Group Inc	7.42%	11	Business Services
LINK	Interlink Electronics	3.09%	60	Technology
NTIP	Network-1 Technologies Inc	0.00%	67	Technology
PCOM	Points.com Inc	-6.49%	165	Business Services
SGA	Saga Communications Inc.	-1.79%	179	Consumer Services
SRTS	Sensus Healthcare Inc	0.00%	new	Healthcare
WSTG	Wayside Technology Group	-2.87%	60	Technology
WTT	Wireless Telecom Group Inc.	-9.28%	46	Technology

Mega-Tech Trends

There are two new trades this week.



Here are the trades for this week:

Buy Sanmina Corp. (Nasdaq: SANM) and TD SYNEX Corp. (NYSE: SNX)

Sell Baxter International, Inc. (NYSE: BAX) and Forrester Research, Inc. (Nasdaq: FORR)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ACLS	Axcelis Technologies Inc.	25.63%	150	Technology
BDC	Belden Inc	19.28%	200	Technology
CNXC	Concentrix Corp	6.07%	4	Technology
CVS	CVS Health Corp	4.13%	25	Healthcare
HOLX	Hologic Inc	1.63%	81	Healthcare
KFY	Korn Ferry	-7.44%	46	Business Services
LFUS	Littelfuse Inc	-13.71%	95	Technology
MCK	McKesson Corp	19.79%	88	Healthcare
SANM	Sanmina Corp	0.00% new		Technology
SNX	TD SYNEX Corporation	0.00% new		Technology

Large-Cap Leaders

There are three new trades this week.



Here are the trades:

Buy Apple, Inc. (Nasdaq: AAPL), Amphenol Corp. (NYSE: APH), Alphabet, Inc. (Nasdaq: GOOGL)

Sell Baxter International (NYSE: BAX), PerkinElmer, Inc. (NYSE: PKI), Hologic, Inc. (Nasdaq: HOLX)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
AAPL	Apple Inc	0.00%	NEW	Technology
APH	Amphenol Corp	0.00%	NEW	Technology
CVS	CVS Health Corp	7.09%	39	Healthcare
DHR	Danaher Corp	-5.44%	109	Healthcare
GOOGL	Alphabet Inc	0.00%	NEW	Technology
INTU	Intuit Inc.	-16.04%	60	Technology
MCK	McKesson Corp	20.58%	88	Healthcare
MSFT	Microsoft Corp	7.42%	186	Technology
WST	West Pharmaceutical Services Inc.	-6.09%	95	Healthcare
ZBRA	Zebra Technologies Corp.	-15.70%	88	Technology

The Forensic Accounting Stock Tracker™ (FAST)

Below are the top and bottom 50 stocks in the FAST Model for January 2022. 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: strong earnings quality, reasonable valuations, and expectations that could lead to upward revisions in the coming quarters.



Forensic Accounting Stock Tracker
“CSI For Your Stock Portfolio”



Rank	Rank Change	Ticker	Stock Name	Overall Rank	Buybacks	Earnings Quality	Momentum	Sentiment
Column1	Column2	Column3	Column4	Column5	Column6	Column7	Column8	Column9
1	15	TEL	TE Connectivity Ltd	A+	B	A	A-	A
2	0	PRFT	Perficient Inc	A+	B	B+	A+	A
3	16	MTD	Mettler-Toledo International Inc	A+	B+	A+	B	A
4	8	IDXX	IDEXX Laboratories Inc	A+	B-	A	A	A
5	-1	MANH	Manhattan Associates Inc	A+	B-	A-	A	A
6	3	TPX	Tempur Sealy International Inc	A+	A+	B-	A+	B+
7	-4	CTAS	Cintas Corp	A+	B	A+	B	A
8	63	CDW	CDW Corp	A+	A	B	B	A
9	1	NXPI	NXP Semiconductors NV	A+	A	B-	A	A-
10	-3	ASGN	ASGN Inc	A+	B	B	A	A+
11	11	LKQ	LKQ Corporation	A+	A-	B	A	B+
12	94	ORLY	O'Reilly Automotive Inc	A+	A	A-	B-	A
13	156	STX	Seagate Technology Holdings plc	A+	A	B+	B+	B
14	-13	INTU	Intuit Inc.	A+	B-	A	A	A
15	8	WST	West Pharmaceutical Services Inc.	A+	C	A+	A-	A+
16	-1	LSCC	Lattice Semiconductor Corp	A+	B-	B+	A+	A
17	-11	AVY	Avery Dennison Corp	A+	B-	A+	B	A
18	11	ACM	AECOM	A+	A	C+	A	A
19	48	NSC	Norfolk Southern Corp	A+	A	A	B	B
20	20	CDNS	Cadence Design Systems Inc	A+	B-	A-	A-	A
21	-4	ODFL	Old Dominion Freight Line Inc	A+	B	A	A	B
22	47	TT	Trane Technologies plc	A+	B	B	A-	A
23	59	KEYS	Keysight Technologies Inc	A+	B	A	B	A
24	130	ADP	Automatic Data Processing Inc	A+	B	A-	B	A
25	1	LOW	Lowe's Cos Inc	A+	A	B-	A-	B+
26	25	MSI	Motorola Solutions Inc	A+	B-	A	B	A+
27	30	JCI	Johnson Controls International Plc	A+	B	B	A	B+
28	-23	DIOD	Diodes Inc	A+	A	C+	A-	A
29	167	HWKN	Hawkins Inc	A+	B-	B	B+	A+
30	17	CMG	Chipotle Mexican Grill Inc	A+	B-	A-	A-	A
31	-13	SEE	Sealed Air Corp	A+	B+	B	B+	A-
32	12	MSFT	Microsoft Corp	A+	B-	A-	B	A
33	67	FWRD	Forward Air Corp	A+	B	A-	B+	B+
34	68	EXLS	ExlService Holdings Inc	A+	B+	B-	A-	A
35	6	PVH	PVH Corp	A+	B	A-	B	A-
36	29	VRTS	Virtus Investment Partners Inc	A+	B	C	A+	A+
37	-13	UNP	Union Pacific Corp	A+	A-	A+	C	B+
38	49	SXI	Standex International Corp	A+	B	B	B+	A-
39	-14	TRMB	Trimble Inc	A+	B-	A-	A	B
40	20	ACLS	Axcelis Technologies Inc.	A+	B	C+	A	A+
41	200	ALGN	Align Technology Inc	A+	C+	B+	A	A-
42	-7	ZBRA	Zebra Technologies Corp.	A+	C-	B+	A+	A
43	50	CSX	CSX Corp	A+	A-	A+	B-	B
44	36	CSL	Carlisle Cos Inc	A+	B	A-	B-	A-
45	-7	TMO	Thermo Fisher Scientific Inc	A+	B-	A	B-	A+
46	129	ANET	Arista Networks Inc	A+	C+	A	A-	B+
47	-19	IT	Gartner Inc	A+	A	B-	A	B
48	72	NVR	NVR Inc.	A+	A	A	B+	C
49	25	AAPL	Apple Inc	A+	B+	A	B-	B
50	31	MEDP	Medpace Holdings Inc	A+	B-	B-	A	A-



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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	-238	BKH	Black Hills Corp	D-	D-	D+	D-	D-
2	-16	HP	Helmerich & Payne Inc.	F	D+	D-	D-	D-
3	15	SPPI	Spectrum Pharmaceuticals Inc	F	F	F	D-	D
4	-4	TREE	LendingTree Inc	F	D	D	D-	D-
5	-9	NYMT	New York Mortgage Trust Inc	F	D-	D-	C-	D-
6	26	SBRA	Sabra Health Care REIT Inc	F	D-	D-	D	D-
7	20	GNL	Global Net Lease Inc	F	F	D-	D	D
8	8	NBR	Nabors Industries Ltd	F	D-	F	C	D-
9	-2	TGI	Triumph Group Inc.	F	F	D-	C	D-
10	-16	NKTR	Nektar Therapeutics	F	D-	D+	F	D-
11	1	MPAA	Motorcar Parts of America Inc	F	D+	D-	D-	D-
12	-8	GO	Grocery Outlet Inc	F	D-	D	F	D-
13	-8	NWN	Northwest Natural Holding Co	F	D-	D-	F	D+
14	-4	ITRI	Itron Inc	F	F	C	D-	F
15	4	HLX	Helix Energy Solutions Group Inc	F	D-	F	D	D-
16	-2	WSR	Whitestone REIT	F	D-	D	D-	D-
17	-113	GEO	GEO Group Inc (The)	F	D-	D	F	D-
18	-10	HR	Healthcare Realty Trust Inc	F	D-	D+	D-	D-
19	-17	PSX	Phillips 66	F	D	D-	D-	D-
20	-62	MAC	Macerich Co (The)	F	F	D-	C-	F
21	-38	ARR	Armour Residential REIT Inc	F	F	D-	D-	C-
22	12	RCL	Royal Caribbean Group	F	F	D-	D+	D-
23	-25	NOV	NOV Inc	F	D+	D-	F	D-
24	-2	APEI	American Public Education Inc	F	F	D-	F	C-
25	11	EBS	Emergent BioSolutions Inc	F	D-	D-	D-	D-
26	12	PARR	Par Pacific Holdings Inc	F	D-	D-	D+	D-
27	-16	OHI	Omega Healthcare Investors Inc.	F	D-	D	D-	D-
28	0	VIAC	ViacomCBS Inc	F	F	D-	D	D-
29	13	UAL	United Airlines Holdings Inc	F	D-	D	D-	D-
30	-66	PNM	PNM Resources Inc.	F	D-	D-	D-	D-
31	-194	DEA	Easterly Government Properties Inc	F	D-	D+	D-	F
32	-7	HPP	Hudson Pacific Properties Inc	F	D	D-	D-	F
33	-10	TALO	Talos Energy Inc	F	D-	D	D-	F
34	5	JWN	Nordstrom Inc.	F	D-	D-	D-	D-
35	9	JRVR	James River Group Holdings Ltd	F	F	F	F	C-
36	-1	VSAT	ViaSat Inc.	F	D-	D-	D-	D-
37	-17	REGI	Renewable Energy Group Inc	F	F	D-	D	D-
38	-1	VNO	Vornado Realty Trust	F	D-	D	D-	F
39	-6	CNSL	Consolidated Communications Holdings Inc	F	F	F	D-	D-
40	0	CCL	Carnival Corporation & Plc	F	D-	D-	D-	F
41	-10	SLQT	SelectQuote Inc	F	D-	D-	F	D-
42	-29	EGHT	8x8 Inc	F	D-	D-	D-	F
43	-2	TRHC	Tabula Rasa HealthCare Inc	F	D-	F	F	D-
44	-18	HA	Hawaiian Holdings Inc	F	F	D-	D-	F
45	-15	CHRS	Coherus BioSciences Inc	F	D-	D-	D-	D-
46	-17	JBLU	JetBlue Airways Corp	F	F	D-	D-	D-
47	-2	RGNX	REGENXBIO Inc	F	F	D-	D-	D-
48	-1	AAL	American Airlines Group Inc	F	D-	D-	D-	F
49	-3	EHTH	eHealth Inc	F	F	D-	F	D-
50	-7	TDS	Telephone and Data Systems Inc.	F	F	F	D-	D-

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