



## War and Oversold Markets

War rages on in Europe.

The pictures I have seen from Ukraine are both tragic and heartbreaking.

The equity markets have taken it on the chin. Stock markets rebound and come back.

Lives are lost forever.

I pray the situation improves immediately.

Not surprisingly, the risks remain elevated, and the *Risk-O-Meter* remains on a “sell” signal.

While risks are elevated, the markets remain deeply oversold. Typically, such a profoundly oversold condition would provide an excellent opportunity to capture some profits for a short-term rally in the markets.

Sadly, we are not in a typical market.

The fog of war in Ukraine will also cast chaos and confusion on the markets. The situation in Europe changes by the minute.

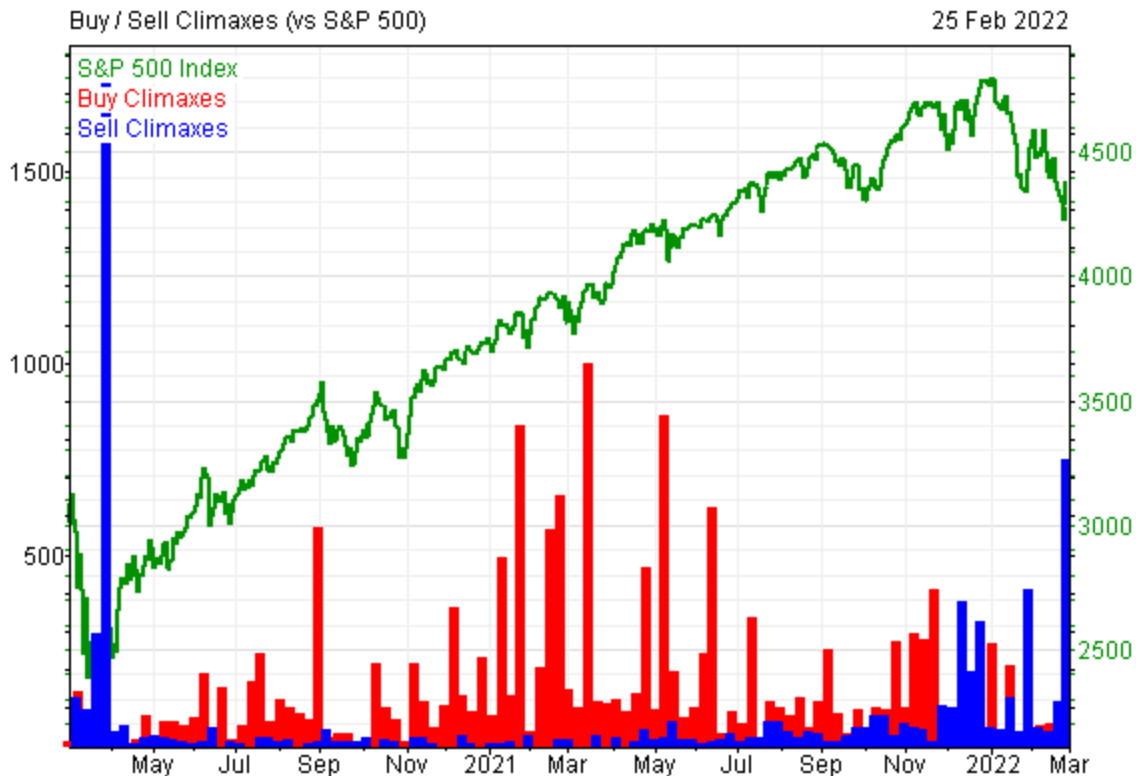
Therefore, volatility will remain high.

We could easily see some big up days when there is the hope of a resolution only to see stocks get hammered as tensions flare in Europe.

There are indicators supportive of stock prices right now.

For example, the number of stocks that made new lows only to finish the week higher was at the highest level since the beginning of the COVID rally.

See the chart below.



The blue line represents selling climaxes (new low followed by finishing up for the week). Selling climaxes were around 750 recently. While the number of selling climaxes does not indicate *the* low, it shows that the amount of selling has started to get exhausted.

Lots of selling climaxes are bullish. Stocks can only go so low.

Eventually, there's no more selling left.

Corporations are buying stock, which is bullish. As recently as March 3, 2022, 71 new stock buybacks were announced totaling \$55.5 billion. Cash takeovers also hit a six-week high.

Meanwhile, there was just \$1 billion in new offerings. This is the 10<sup>th</sup> consecutive week that offerings fell below \$10 billion. The secondary market for offerings and the IPO market are both dead. D-E-A-D.

Both factors support stock prices.

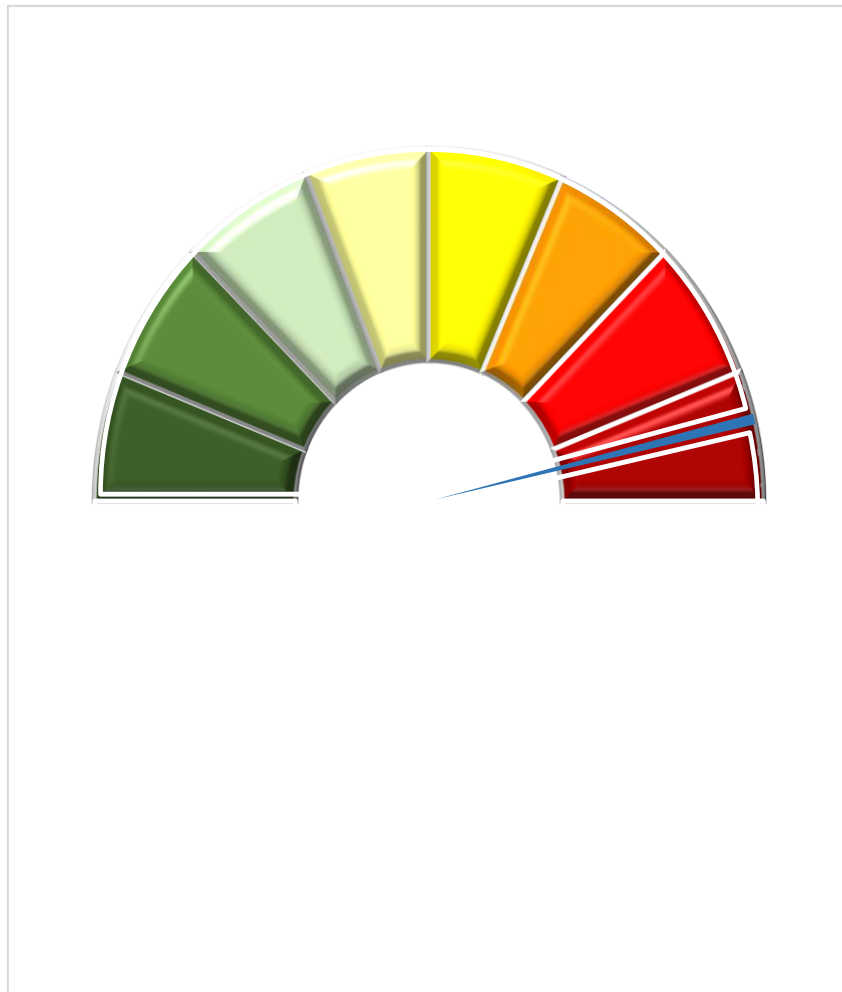
So, where to from here?

Well, if there is some resolution to the attack on Ukraine, the market would likely rip big-time. The rally would probably happen so fast that you would not have time to react.

On the other hand, if the war escalates, then the factors supportive of higher stock prices will not matter much in the short term. All of the news is about the war in Europe, and it is sucking up all of the oxygen related to market news.

Interestingly, different market caps of the market are widely diverging. The micro-cap strategy of this newsletter is ***near all-time highs*** on a fully invested basis. Meanwhile, large caps, which had the most significant gains before the recent downturn, have given those gains up for the most part. Mid-caps are in the middle. Therefore, there's still a great deal of value in individual stock picking. Not all stocks are falling. Far from it.

For now, the Risk-O-Meter remains on "sell."



# Risk-O-Meter 2.0





The investable *Risk-O-Meter* was defensively positioned over the past month. For the most part, "risk-off" positions have been the place to be in hiding.

The trends and indicators in the *Risk-O-Meter 2.0* are intermediate-term in nature. Therefore, if the market rebounds sharply over the next month, the *Meter* will lag in performance.

That's OK.

What matters most is that there is at least one big trend in a year. *A lot* of performance can be generated with just one big trend to the upside or avoiding massive damage to the downside.

Here are the four components and their positions for March.

Component	Position	Position Size	Risk ON or OFF	
Market Trend	Cash	25.0%	OFF	
Sentiment	Cash	25.0%	OFF	
Volatility	IEF	22.5%	OFF	
Levered Volatility	UST	2.5%		
Credit Risk	TLT	22.5%	OFF	
Levered Credit Risk	UBT	2.5%	OFF	

This month, all of the indicators in the Model are in "risk-off" mode. With what is going on in the world, this makes perfect sense.

A great offense is a good defense.

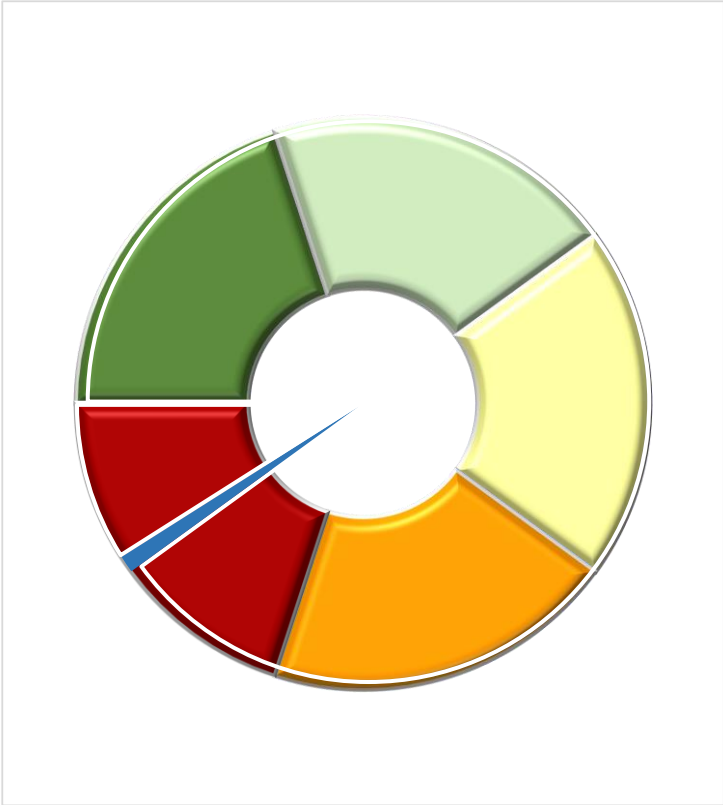
Should the market bounce or start a new uptrend in March, the *Risk-O-Meter* will miss out on the initial phase of a new rally.

That's OK. If the trend is sustainable, the *Risk-O-Meter* will adjust.

**It is far more important to catch the meat in the middle of a trend than worry about timing tops and bottoms.**

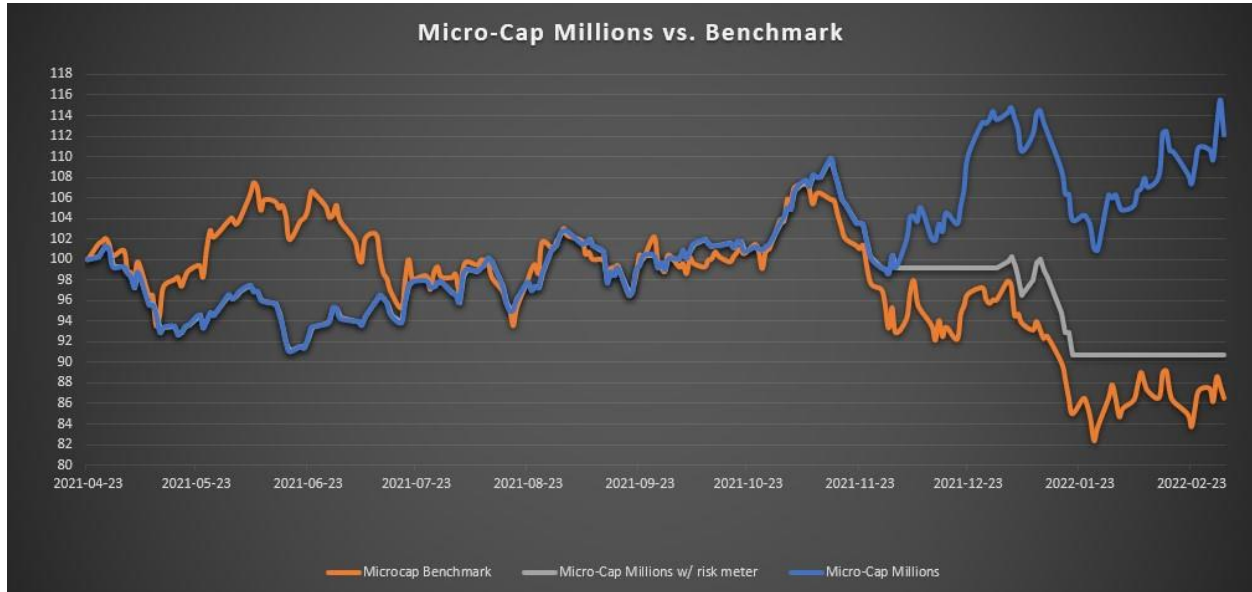
The only trade is to buy TLT and UBT (if you want to use levered funds) and sell SPY and QLD (again, if you use levered funds).

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



# Micro-Cap Millions

Micro-caps are performing very strongly in a challenging market. One benefit of micro-caps is that smaller companies tend to be focused on a single business. As such, they may be less affected by global turmoil. There are no trades this week in the strategy.

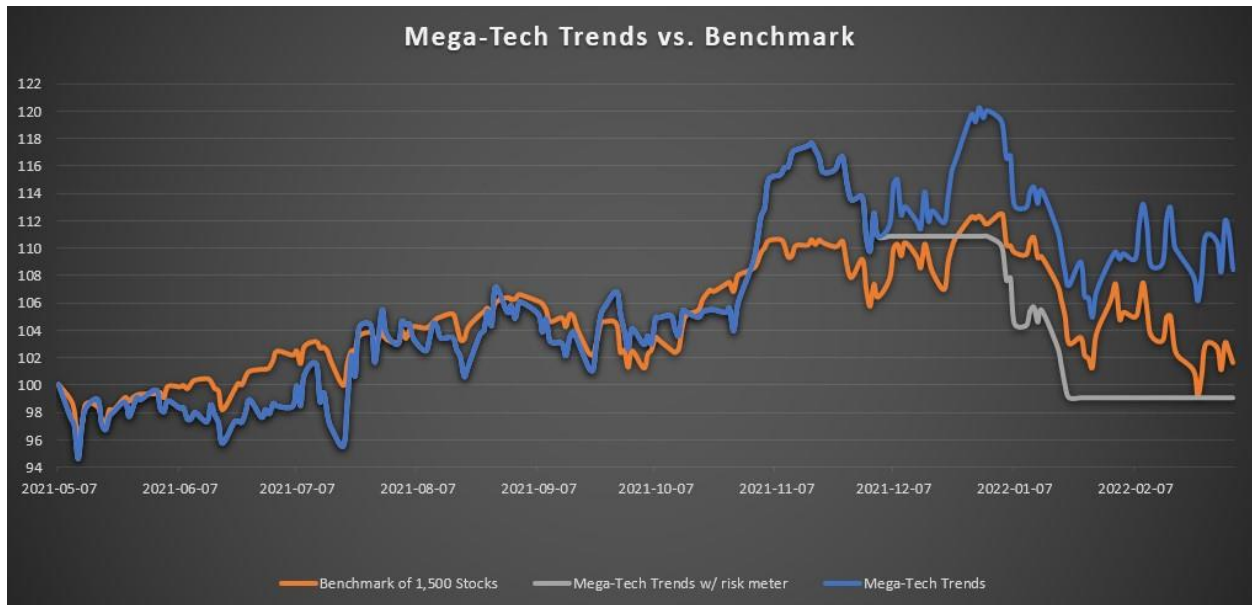


Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
EEX	Emerald Holding Inc	0.71%	102	Business Services
HSII	Heidrick & Struggles International Inc	-2.66%	207	Business Services
HSO	Hudson Global Inc	8.97%	10	Business Services
III	Information Services Group Inc	18.48%	39	Business Services
LINK	Interlink Electronics	1.60%	88	Technology
NTIP	Network-1 Technologies Inc	-2.58%	95	Technology
PCOM	Points.com Inc	8.17%	193	Business Services
SGA	Saga Communications Inc.	0.36%	207	Consumer Services
WSTG	Wayside Technology Group	6.38%	88	Technology
WTT	Wireless Telecom Group Inc.	-11.80%	74	Technology

# Mega-Tech Trends

Relative to the overall market, the mid-cap strategy has held up OK. No trades this week in the strategy as well.



Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ACLS	Axcelis Technologies Inc.	23.11%	178	Technology
APH	Amphenol Corp	1.40%	18	Technology
CNXC	Concentrix Corp	0.95%	32	Technology
HOLX	Hologic Inc	-1.79%	109	Healthcare
KFY	Korn Ferry	-12.89%	74	Business Services
LFUS	Littelfuse Inc	-16.73%	123	Technology
MCK	McKesson Corp	27.12%	116	Healthcare
SANM	Sanmina Corp	2.07%	25	Technology
SNX	TD SYNNEX Corporation	-0.35%	25	Technology
VIVO	Meridian Bioscience Inc	3.19%	10	Healthcare

# Large-Cap Leaders

There is nowhere to hide in large-cap stocks. The largest stocks have been a disaster. Quality has not mattered and has hurt performance recently relative to the benchmark. When there is wholesale selling like there has been, fundamentals do not matter. Many of these stocks are deeply oversold. If there is any good news about the war in Europe, capital will start flowing into the biggest stocks aggressively.



There are three trades this week:

**Buy Analog Devices, Inc. (Nasdaq: ADI), Cadence Design Systems, Inc. (Nasdaq: CDNS), and Pfizer, Inc. (NYSE: PFE)**

**SELL EPAM Systems (NYSE: EPAM), Alphabet, Inc. (Nasdaq: GOOGL), Danaher Corp. (NYSE: DHR)**

Ticker	Name	Return	Days Held	Sector
AAPL	Apple Inc	-5.35%	25	Technology
ADI	Analog Devices Inc	0.00%	NEW	Technology
ANET	Arista Networks Inc	-4.01%	4	Technology
APH	Amphenol Corp	-3.21%	25	Technology
CDNS	Cadence Design Systems Inc	0.00%	NEW	Technology
CVS	CVS Health Corp	3.83%	67	Healthcare
MCK	McKesson Corp	27.97%	116	Healthcare
MSFT	Microsoft Corp	1.77%	214	Technology
PFE	Pfizer Inc	0.00%	NEW	Healthcare
STE	Steris Plc	8.47%	10	Healthcare



# The Forensic Accounting Stock Tracker™ (FAST)

Below are the top and bottom 50 stocks in the FAST Model for March 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 a slight 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	137	IR	Ingersoll Rand Inc	A+	B+	A-	A	A
2	60	OFG	OFG Bancorp	A+	A	B-	A	A+
3	10	STX	Seagate Technology Holdings plc	A+	A	B+	A-	B+
4	23	JCI	Johnson Controls International Plc	A+	B	B+	A+	A
5	171	HCA	HCA Healthcare Inc	A+	A+	A-	A-	B
6	31	UNP	Union Pacific Corp	A+	A-	A+	B	A
7	10	AVY	Avery Dennison Corp	A+	B-	A	A	A
8	173	LH	Laboratory Corp of America Holdings	A+	A	A-	B	A-
9	0	NXPI	NXP Semiconductors NV	A+	A	A-	B	A
10	127	DD	DuPont De Nemours Inc	A+	A-	A	B-	A
11	8	NSC	Norfolk Southern Corp	A+	A-	A	B	B
12	77	TSCO	Tractor Supply Co	A+	B+	B+	A	B+
13	12	LOW	Lowe's Cos Inc	A+	A	B-	A	A
14	57	CPRI	Capri Holdings Ltd	A+	B+	B	A	A-
15	-8	CTAS	Cintas Corp	A+	B	A	B-	A
16	41	NVT	nVent Electric plc	A+	B-	A-	A-	A
17	-5	ORLY	O'Reilly Automotive Inc	A+	A	A	B	B+
18	180	ANTM	Anthem Inc	A+	B-	A	B+	A
19	45	AZO	AutoZone Inc	A+	A	A-	A-	B-
20	106	PH	Parker-Hannifin Corp	A+	B-	B+	A	A
21	206	DFS	Discover Financial Services	A+	A	B	A	B
22	0	TT	Trane Technologies plc	A+	B	B+	A-	A-
23	95	FITB	Fifth Third Bancorp	A+	B+	B-	A	A
24	156	BHLB	Berkshire Hills Bancorp Inc	A+	A-	A	A	C+
25	141	KLAC	KLA Corp	A+	B	B+	B	A
26	47	TGT	Target Corp	A+	A-	A+	B-	B
27	122	FBHS	Fortune Brands Home & Security Inc	A+	B+	B-	B	A+
28	116	CNXC	Concentrix Corp	A+	C	A	B+	A+
29	56	STZ	Constellation Brands Inc	A+	B	A	B	B+
30	94	GPC	Genuine Parts Co	A+	B	B+	A	B
31	-17	INTU	Intuit Inc.	A+	B-	A	B	A
32	75	DRI	Darden Restaurants Inc	A+	B	B	A	B+
33	-1	MSFT	Microsoft Corp	A+	B-	A-	B	A+
34	-33	TEL	TE Connectivity Ltd	A+	B	A	B	A-
35	14	AAPL	Apple Inc	A+	B	A	B-	B
36	-18	ACM	AECOM	A+	A	B-	B	A-
37	225	PFBC	Preferred Bank of Los Angeles	A+	B-	B+	A	B
38	174	CE	Celanese Corp	A+	A	B	A	B-
39	17	LRCX	Lam Research Corp	A+	B+	A-	B-	B+
40	89	FBP	First BanCorp (Puerto Rico)	A+	A-	D+	A+	A
41	63	ETN	Eaton Corp Plc	A+	D+	B+	A	A+
42	-11	SEE	Sealed Air Corp	A+	B+	C+	A+	B+
43	373	GD	General Dynamics Corp	A+	B	B	B-	A
44	-6	SXI	Standex International Corp	A+	B	A	C+	A+
45	34	DOV	Dover Corp	A+	D+	A-	A	A
46	6	EXP	Eagle Materials Inc	A+	A	C	A	B
47	-12	PVH	PVH Corp	A+	B	A-	B-	A
48	68	PG	Procter & Gamble Co (The)	A+	B+	A+	D+	A+
49	98	VBTX	Veritex Holdings Inc	A+	B-	B	A+	A-
50	-4	ANET	Arista Networks Inc	A+	B-	A+	B-	A



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Column1	Column2	Column3	Column4	Column5	Column6	Column7	Column8	Column9
1	-25	WYNN	Wynn Resorts Ltd	D-	D-	C	D-	F
2	17	HR	Healthcare Realty Trust Inc	F	D-	D+	D-	D-
3	12	ITRI	Itron Inc	F	F	C	D-	D-
4	-10	MCS	Marcus Corp (The)	F	D	D-	D-	D-
5	-19	BJRI	BJ's Restaurants Inc	F	D-	D-	C	D-
6	-250	MYGN	Myriad Genetics Inc	F	D-	D-	D+	F
7	10	WSR	Whitestone REIT	F	D-	D	F	D-
8	3	NKTR	Nektar Therapeutics	F	D-	D+	F	D
9	-119	NEO	Neogenomics Inc	F	F	D+	F	D
10	-6	SPPI	Spectrum Pharmaceuticals Inc	F	F	F	F	D+
11	-162	ZYXI	Zynex Inc	F	B-	D-	F	F
12	-215	RUN	Sunrun Inc	F	D-	D	D	F
13	-38	NCLH	Norwegian Cruise Line Holdings Ltd	F	F	D+	D	F
14	16	UAL	United Airlines Holdings Inc	F	D-	D	D-	D-
15	-102	CMP	Compass Minerals International Inc.	F	D-	D	D-	D-
16	-212	SHAK	Shake Shack Inc	F	D-	D+	D-	F
17	-10	SBRA	Sabra Health Care REIT Inc	F	D-	D-	D+	D-
18	-21	CMTL	Comtech Telecommunications Corp.	F	F	D+	D-	D-
19	-113	SR	Spire Inc	F	D	D-	D-	D
20	13	HPP	Hudson Pacific Properties Inc	F	F	C	D-	D-
21	-87	LPSN	LivePerson Inc	F	D-	D	D	F
22	-100	OFIX	Orthofix Medical Inc	F	D-	D	D-	D-
23	-51	ALGT	Allegiant Travel Co	F	F	D-	D+	D-
24	8	DEA	Easterly Government Properties Inc	F	D-	D	D-	D-
25	-250	GDOT	Green Dot Corp	F	D-	D	D-	D-
26	-3	RCL	Royal Caribbean Group	F	D-	D-	D+	F
27	11	REGI	Renewable Energy Group Inc	F	F	D-	D-	D-
28	-1470	ITOS	iTeos Therapeutics Inc	F	D	F	D-	D-
29	-4	APEI	American Public Education Inc	F	F	D-	F	D+
30	-25	TREE	LendingTree Inc	F	D-	D	F	D-
31	-4	PARR	Par Pacific Holdings Inc	F	F	D-	D	D-
32	-43	ENTA	Enanta Pharmaceuticals Inc	F	D-	D	D-	D-
33	-112	TRIP	TripAdvisor Inc	F	D-	D-	D-	F
34	6	CNSL	Consolidated Communications Holdings Inc	F	F	F	D-	D
35	-1477	PARA	Paramount Global	F	F	D-	D+	F
36	-1	JWN	Nordstrom Inc.	F	D-	D-	D-	D-
37	-181	SJI	South Jersey Industries Inc	F	F	D-	D-	D-
38	7	HA	Hawaiian Holdings Inc	F	D-	D-	D-	D-
39	2	CCL	Carnival Corporation & Plc	F	D-	D-	D-	F
40	-4	JRVR	James River Group Holdings Ltd	F	F	F	F	D+
41	8	AAL	American Airlines Group Inc	F	D-	D-	D-	D-
42	-293	ATNI	ATN International Inc	F	F	D-	F	D
43	8	TDS	Telephone and Data Systems Inc	F	F	F	D-	D-
44	-59	IVR	Invesco Mortgage Capital Inc	F	F	F	D-	D-
45	-6	VNO	Vornado Realty Trust	F	D-	D-	D-	F
46	2	RGNX	REGENXBIO Inc	F	F	D-	F	D-
47	-5	SLQT	SelectQuote Inc	F	D-	F	D-	F
48	-2	CHRS	Coherus BioSciences Inc	F	D-	D-	F	F
49	1	EHTH	eHealth Inc	F	F	D-	F	D-
50	-6	TRHC	Tabula Rasa HealthCare Inc	F	D-	F	F	D-

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