



## Stocks and Crypto

For all of the talk about how cryptocurrency is a new financial innovation, prices will shoot to the moon and that you'll get rich overnight and circumvent the reach of governments, it appears as though cryptos are just like stocks.

What do I mean?

You see, the companies that lead one cycle in the stock market seldom are the leaders of the next.

After a couple of cycles, the leading stocks may fall by the wayside altogether.

If I were writing this newsletter in the 1970s, companies like Bethlehem Steel, Kodak, and JC Penney would be the cornerstone of a portfolio.

By the 1980s, companies like GE and General Motors dominated the markets.

Then the Four Horseman of the Internet was all the rage by 2000.

Of course, if I told you in the late 1970s that 30 years later, many of the key stocks would be bankrupt or left in the dustbin, you would think I was nuts. Some people would even send me hate mail!

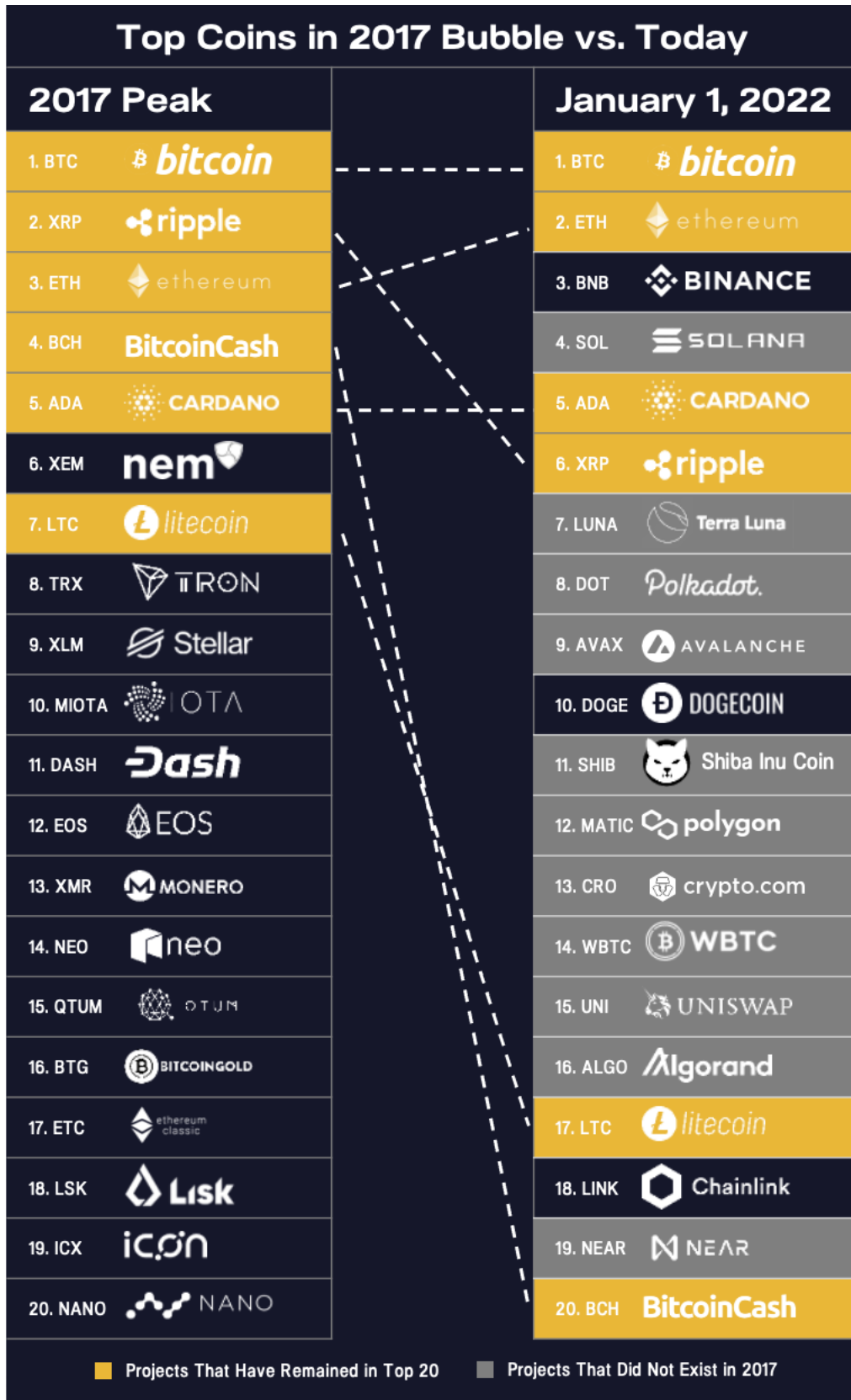
Of course, that is precisely what happened.

Lots of dead money.

It's happening with cryptos too.

Here's a great chart that illustrates that the leaders of one cycle are seldom the leaders of the next cycle.

This chart shows the biggest cryptos in 2017 before a major crash and the most valuable cryptos in 2022 near all-time highs. Not a lot of overlap.



Eleven of today's top 20 cryptos didn't exist five years ago.

What's the lesson?

Human nature never changes.

People are motivated by greed and fear.

It doesn't matter whether it's tulip bulbs, Internet stocks, or cryptocurrencies.

Markets change, and the vehicles for speculation change.

Human nature **never** changes.

The other lesson is that, at least for now, Bitcoin is the most solid crypto to trade speculatively. Bitcoin has the most institutional support. Bitcoin has also come to signify "cryptocurrency," much like "to Google," means to search for something on the Internet. That could change, and it probably will. For now, though, Bitcoin is the dominant crypto to trade.

Switching gears...

A few issues ago, I posted a chart showing the interest rate increases embedded into the futures markets. The Federal Reserve raised Fed Funds by 0.50%, as expected. However, the 0.75% rate factored into the market appears to be off the table based on comments from Jerome Powell.

As a result of that change and potentially his view of a "soft" landing, the market rallied hard after the interest rate announcement.

The increase in the S&P 500 was the greatest in 40 years on the day of a rate increase.

The next day, the market tanked.

I am not sure why any of these central bankers have any credibility. They have been wrong for as long as I have been in this business.

Inflation was not transitory.

They waited around far too long to raise rates.

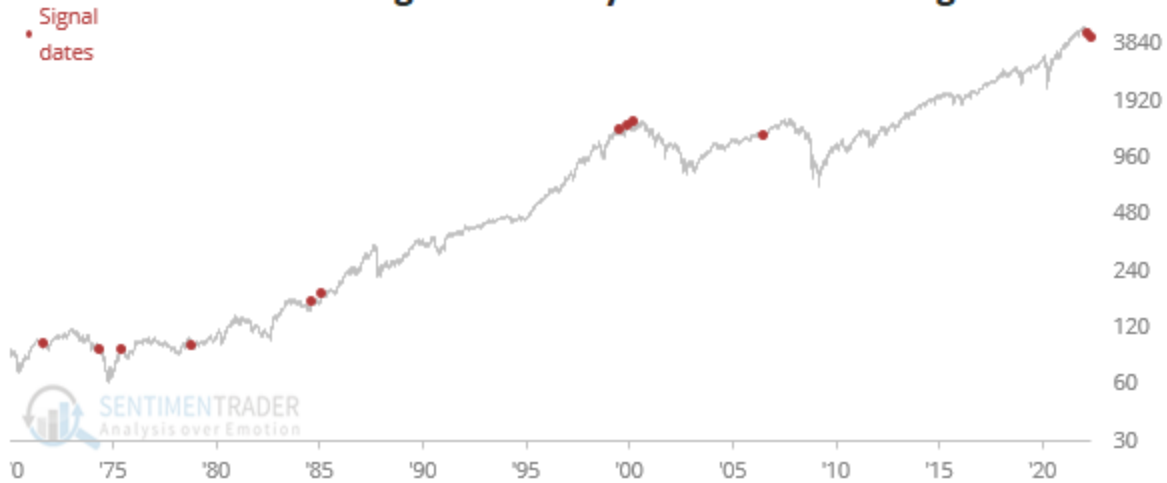
They are behind the curve.

They cannot catch up.

Here's a fascinating chart, courtesy of *Sentimentrader.com*, that in the short-term at least, the market tends to lose after a big jump on a rate increase.

Of course, this time could be different, but the odds favor selling rallies until further notice.

### S&P 500 after > 1.5% gain on a day the Fed raised target rate



Signals (11)	% Chng	1 Day	3 Days	1 Week	2 Weeks	1 Month	2 Months	3 Months
1971-08-16	3.21	1.2	-0.6	0.6	0.8	1.0	-0.6	-6.7
1974-05-01	2.11	-0.1	-1.2	-0.6	-1.9	-5.4	-6.7	-14.0
1975-06-02	1.57	0.3	0.1	-1.5	-1.2	2.5	-4.1	-6.2
1978-11-01	3.97	-1.3	-1.7	-2.5	-4.3	-0.6	1.0	3.2
1984-08-21	1.75	-0.5	-0.2	-0.3	-2.1	-0.2	0.1	-2.8
1985-02-13	1.55	-0.5	-1.1	-1.7	-1.2	-3.7	-1.2	0.6
1999-06-30	1.57	0.6	1.1	1.6	2.7	-3.2	-3.5	-7.6
1999-11-16	1.84	-0.7	0.1	-1.1	-1.6	-0.1	2.5	-2.3
2000-03-21	2.56	0.5	2.2	0.9	0.1	-4.4	-5.8	-1.2
2006-06-29	2.16	-0.2	-0.2	-0.6	-2.9	0.3	2.5	5.2
2022-03-16	2.24	1.2	2.4	2.3	5.6	0.8		
2022-05-04	2.99							
<b>Median</b>	<b>2.14</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-0.6</b>	<b>-1.2</b>	<b>-0.2</b>	<b>-0.9</b>	<b>-2.5</b>
<b>% Positive</b>		<b>45%</b>	<b>45%</b>	<b>36%</b>	<b>36%</b>	<b>36%</b>	<b>40%</b>	<b>30%</b>
Avg Risk		-0.1	-0.5	-0.8	-2.1	-3.0	-4.1	-5.6
Avg Reward		0.0	0.3	0.3	0.6	0.9	2.4	2.9
% Big Drop		9	9	9	9	27	30	30
% Big Rise		18	18	18	9	9	0	0
Z-Score		-0.7	-0.6	-1.7	-1.9	-1.2	-2.3	-2.6

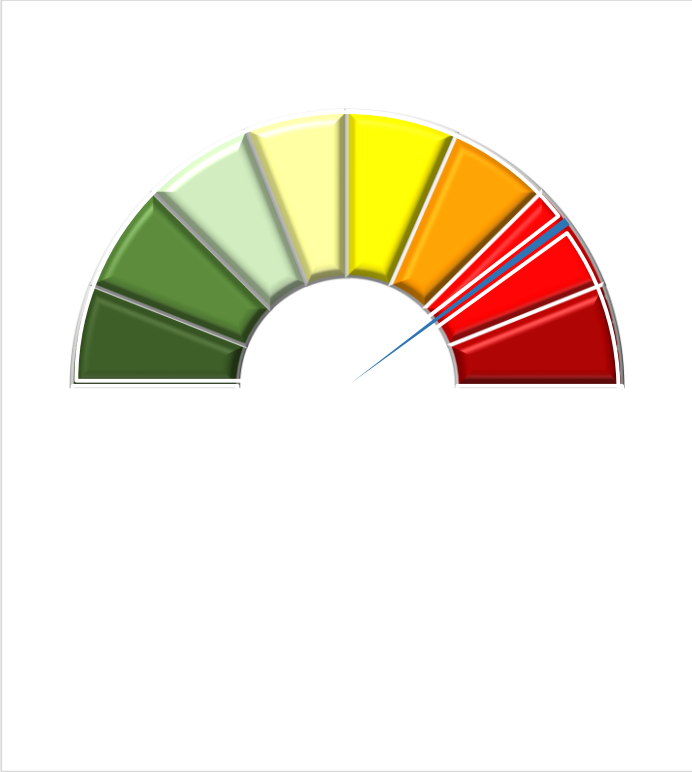
© SENTIMENTRADER Numbers are % return after signal

Speaking of selling rallies...

The *Risk-O-Meter* is still in the “red zone!”

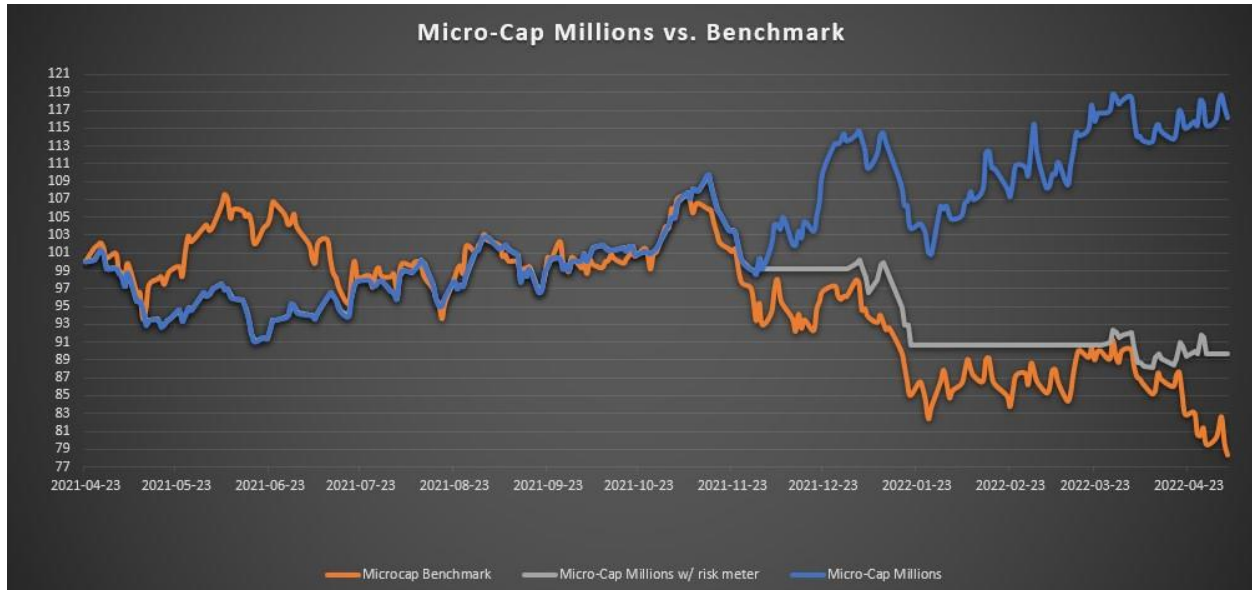
Tread carefully!

Risks are elevated!



# Micro-Cap Millions

Performance of the micro-cap strategy remains strong.



One trade this week.

**Buy Resources Connection, Inc. (Nasdaq: RGP)**

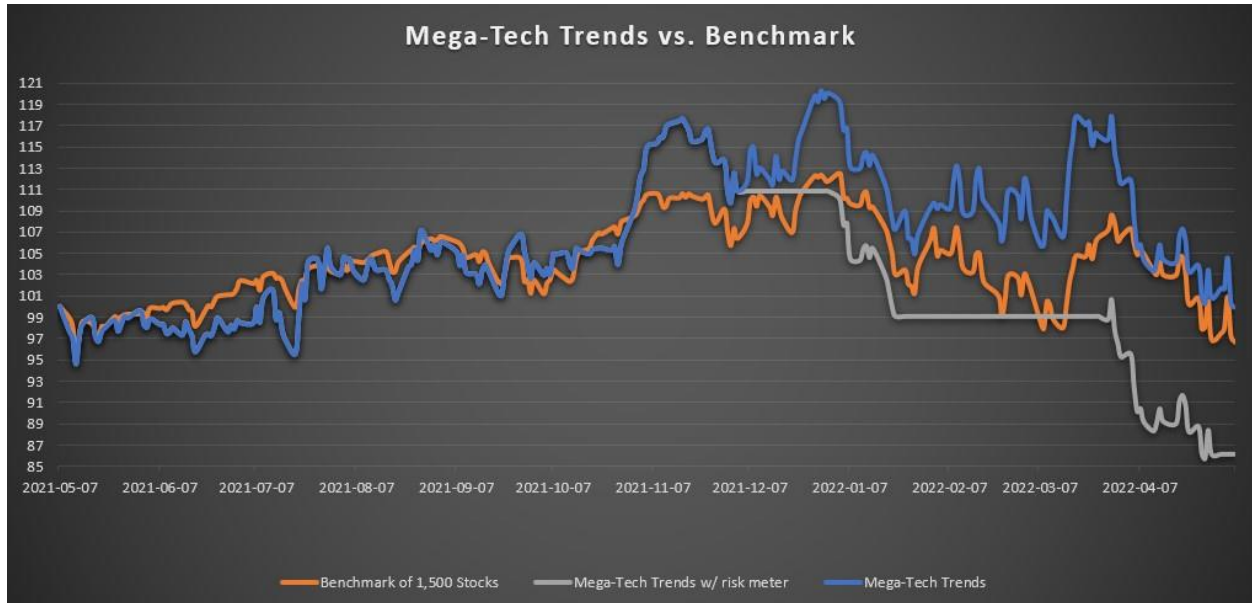
**Sell Heidrick & Struggles International, Inc. (Nasdaq: HSII)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
BTN	Ballantyne Strong Inc	-4.46%	25	Technology
CPHC	Canterbury Park Holding Corp	46.93%	25	Consumer Services
CYBE	CyberOptics Corp	17.95%	25	Technology
HCKT	Hackett Group Inc (The)	12.28%	46	Technology
HSON	Hudson Global Inc	14.90%	73	Business Services
ISDR	Issuer Direct Corp	-10.58%	46	Technology
NTIP	Network-1 Technologies Inc	-6.64%	158	Technology
<b>RGP</b>	<b>Resources Connection Inc</b>	<b>0.00%</b>	<b>0</b>	<b>Business Services</b>
SGA	Saga Communications Inc.	2.37%	270	Consumer Services
WTT	Wireless Telecom Group Inc.	-21.88%	137	Technology

# Mega-Tech Trends

Performance of mid-caps are about back to even. What a volatile year!



There are three trades this week.

**Buy Avnet, Inc. (Nasdaq: AVT), SMART Global Holdings (Nasdaq: SGH), TrueBlue Inc. (NYSE: TBI)**

**Sell Concentrix Corp. (Nasdaq: CNXC), PC Connection, Inc. (Nasdaq: CNXN), Merit Medical Systems, Inc. (Nasdaq: MMSI)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ACLS	Axcelis Technologies Inc.	16.26%	241	Technology
AVT	Avnet Inc	0.00%	0	Technology
FN	Fabrinet	-8.99%	4	Technology
FORR	Forrester Research Inc	-3.43%	21	Business Services
HOLX	Hologic Inc	0.78%	172	Healthcare
JBL	Jabil Inc	-7.34%	46	Technology
KFY	Korn Ferry	-16.50%	137	Business Services
PLAB	Photronics Inc	-10.43%	53	Technology
SGH	SMART Global Holdings Inc	0.00%	0	Technology
TBI	TrueBlue Inc	0.00%	0	Business Services

# Large-Cap Leaders

The brutal sell off continues...



There are five trades this week.

**Buy Advanced Micro Devices, Inc. (NYSE: AMD), CDW Corp. (Nasdaq: CDW), EPAM Systems, Inc. (NYSE: EPAM), Hologic, Inc. (Nasdaq: HOLX), Robert Half International, Inc. (NYSE: RHI)**

**Sell Analog Devices, Inc. (Nasdaq: ADI), Broadcom, Inc. (Nasdaq: AVGO), Micron Technology, Inc. (Nasdaq: MU), Abbott Labs (NYSE: ABT), Arista Networks, Inc. (NYSE: ANET)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
AMD	Advanced Micro Devices Inc	0.00%	0	Technology
APH	Amphenol Corp	-10.59%	88	Technology
CDNS	Cadence Design Systems Inc	-5.38%	60	Technology
CDW	CDW Corp	0.00%	0	Technology
EPAM	EPAM Systems Inc	0.00%	0	Technology
HOLX	Hologic Inc	0.00%	0	Healthcare
HUM	Humana Inc.	-3.13%	4	Healthcare
KLAC	KLA Corp	3.79%	4	Technology
RHI	Robert Half International Inc.	0.00%	0	Business Services
STE	Steris Plc	-0.58%	73	Healthcare



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