



Happy July 4th!

I hope everyone has a great Independence Day this year *and* that you can afford the hot dogs and BBQ to celebrate.

Prices are up about 10% compared with last year!

However, is inflation about to stall and reverse course?

This week I wanted to share an interesting article I read in *The New York Post*.

Michael Burry, of *The Big Short* movie fame and investor who made a boatload on the mortgage crisis 15 years ago, has an interesting theory about deflation and interest rates.

The article is titled, '**Big Short**' investor says Fed could reverse rate hikes in '**bullwhip effect**' and can easily be searched on Google.

Burry's theory is that the Federal Reserve might be forced to *halt* interest rate increases.

Inventories are starting to build at companies like Wal-Mart and Target, creating a supply glut. At the same time, demand is beginning to taper off. It could get so bad that companies might just pay consumers to keep returned items rather than restock them.

This is what I predicted last Summer when I wrote in this newsletter that by April 2022, folks would have spent most of their excess cash. Demand is going to fall off of a cliff.

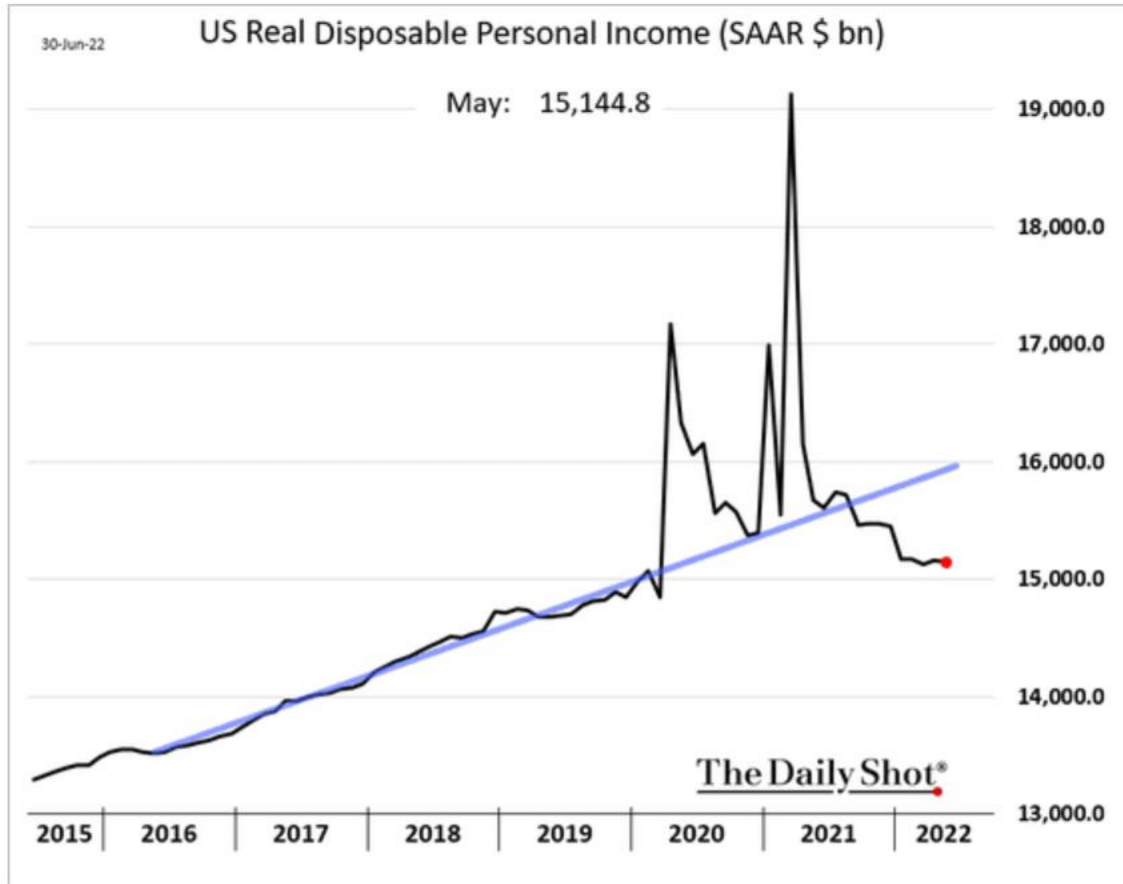
The combination of inflation and higher energy prices would eat up the COVID savings.

We now know that the bottom 20% of savers have fewer savings than before COVID.

Fast forward six months, and I would not be surprised if the next 20% have now blown through their excess cash.

I am not sure when we will see that data, but here are two alarming charts.

First, real disposable income has plummeted to about pre-COVID levels.



Of course, disposable income has plummeted. That's because people who live in the real world (as opposed to Twitter or The New York Economic Club) are getting hosed buying gas and other stuff required to stay alive and keep a roof over their head.

If this chart uses government statistics to calculate inflation rates, then people are even worse off as inflation is understated on essentials.

Next, the savings rate has plummeted to at least eight-year lows.

Right on cue!

Just as I predicted.



As Scooby Doo would say, "Ruh Ro!"

Demand will wane from here. We are just getting started.

Where I live, the gas tax just *increased*. It turns out the gas tax fluctuates based on demand.

Demand is down, so the tax went up 10%. The tax increase keeps the infrastructure fund solvent. While the government does a goo job keeping the roads in great shape, I suspect this fluctuating tax will be revisited when the legislature is back in session.

Back to Burry.

The combination of factors he is talking about is called "The Bullwhip Effect."

I may be the victim of confirmation bias here. Burry's prediction is precisely what I predicted last Summer, with April 2022 as the turning point.

Burry and I also predicted the mortgage collapse, so I am likely biased by his opinions today. In 2004 I developed an indicator that told me precisely the top of the housing market a few years later.

We both managed top-performing strategies through the crisis.

I have no such indicator this time. Instead, I live in the real world. I buy my groceries. I fill up my tank with gas. I clean my toilets. I don't attend cocktail parties and hang out with elites who don't see what's already upon us—the coming deflation.

Deflation is bad.

The Powers that Be (aka “They”) are scared to death of deflation. “They” will let inflation run rampant to gut the middle class and make the poorest among us even poorer.

That's why the Biden Administration has no plan to curb inflation. This is especially true as it relates to energy prices. The man himself told us last week we will have to suck it up and keep paying high prices at the pump.

The market will force a change.

The worm will turn when inflation reverses, and deflation takes hold.

"They" won't let deflation crater asset values for too long. "They" will do everything in their power to reverse the course of deflation.

As a result, Burry would be correct, and interest rates would begin to reverse. We will also see other excuses to flood the market with more liquidity.

We could see max pain in the short-term, which would set up a massive buying opportunity once the liquidity situation improves. The action in the markets will look something like the COIVD lows.

Burry thinks we are about halfway through the stock market massacre.

The max pain might last a few more months. It will be interesting to see how companies deal with the inventory build and tapering demand. As I pointed out a few weeks ago, the best way to handle this is to make the quarterly results and forward guidance look as bad as possible. That's called “throwing in the kitchen sink.”

Do it.

Do it now.

The CEOs and CFOs can set their companies up to ride a higher wave since they stuck all of the shittiness in the current period.

Earnings season will be underway shortly.

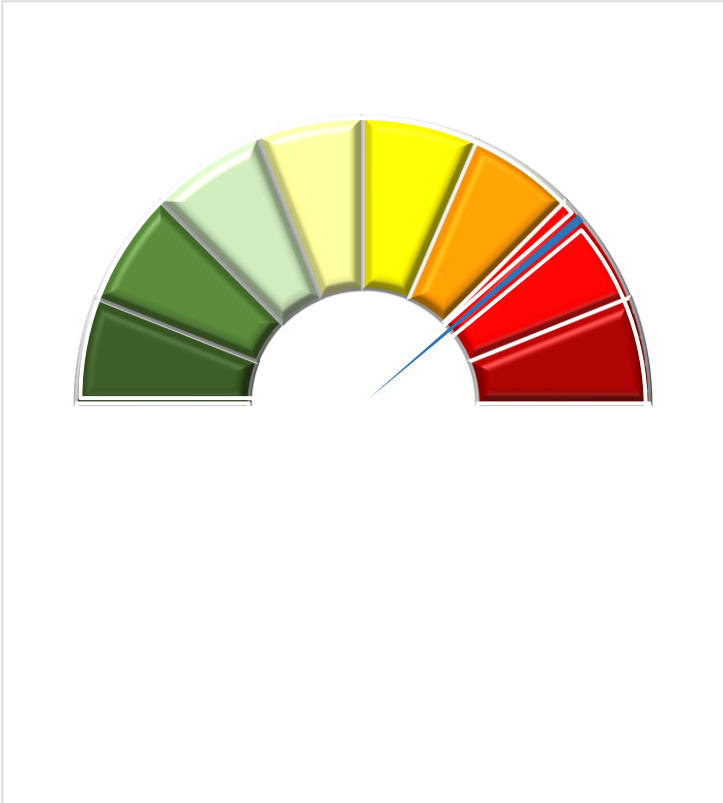
We are about to see what happens.

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

The market is no longer deeply oversold.

Caution is warranted here for the time being.

I'm sitting on my hands.







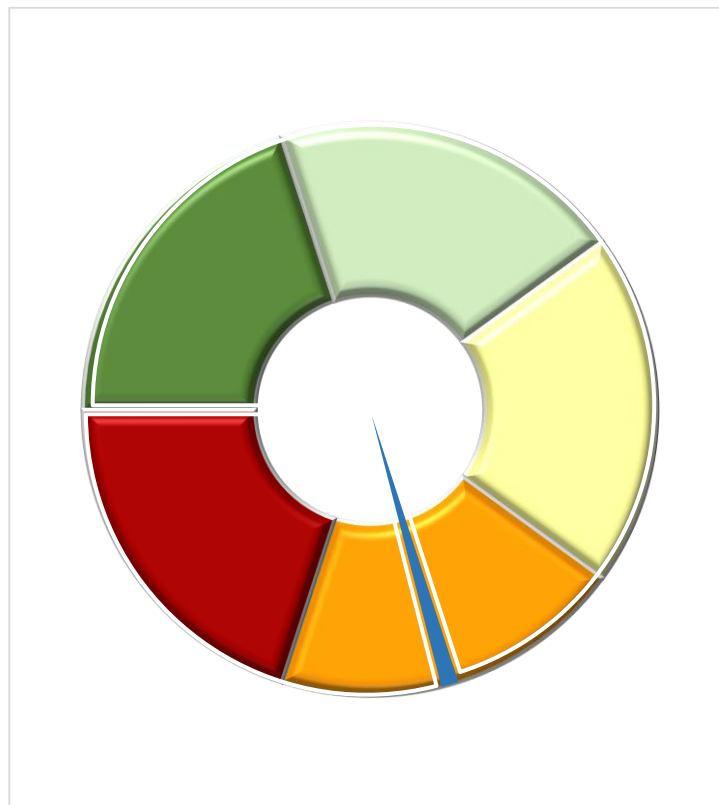
Investable Risk-O-Meter

There is no change this month in the strategy.

The first half of the year was the worst for the stock market in 52 years. It's obviously been a good thing to be lightly invested. There's been nowhere to hide. It's been a rare bear market for not only stocks but also fixed income. In addition, precious metals have done little to help.

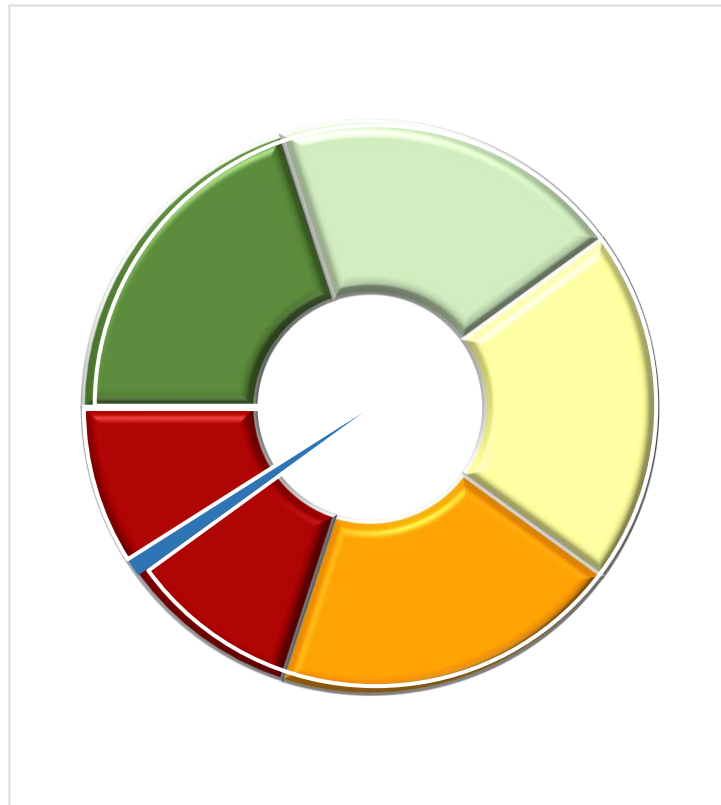
With inflation, cash might be burning a hole in your pocket, but we are clearly in a period where preservation is the name of the game.

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%	OFF	
Credit Risk	SPY	22.5%	ON	
Levered Credit Risk	QLD	2.5%	ON	

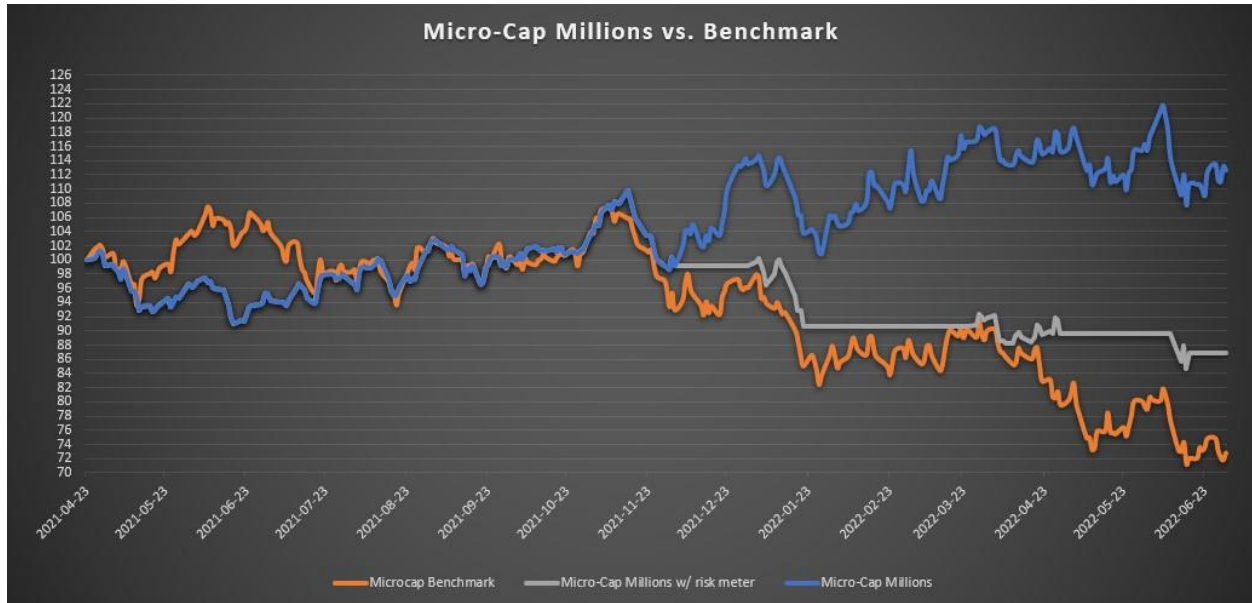


Levered ETF Model

The levered ETF model remains 100% in cash. Cash will sleep softly at night during the current craziness of this bear market.



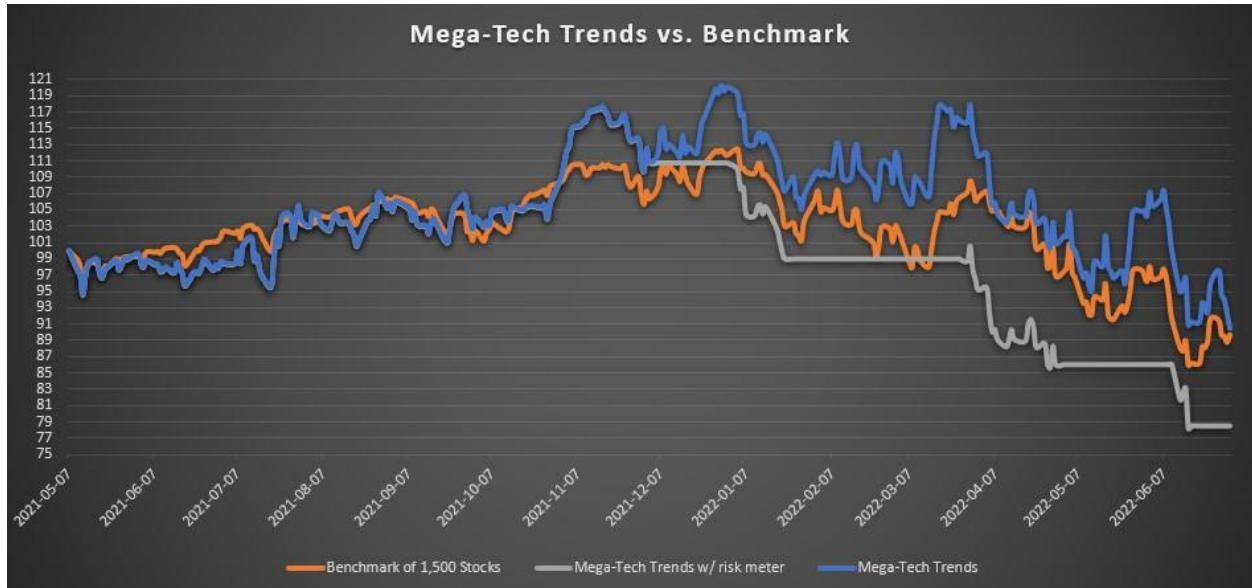
Micro-Cap Millions



No trades this week. Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ASRT	Assertio Holdings Inc	15.38%	4	Healthcare
CPHC	Canterbury Park Holding Corp	31.80%	81	Consumer Services
CTG	Computer Task Group Inc	-6.67%	25	Technology
HCKT	Hackett Group Inc (The)	-9.22%	102	Technology
HSO	Hudson Global Inc	2.80%	129	Business Services
NL	NL Industries Inc.	18.91%	39	Non-Energy Materials
QIPT	Quipt Home Medical Corp	-5.60%	25	Healthcare
RGP	Resources Connection Inc	24.07%	53	Business Services
SCSC	ScanSource Inc	-19.74%	32	Technology
WSTG	Wayside Technology Group	-13.57%	39	Technology

Mega-Tech Trends



There are two trades this week.

Buy Cigna Corp. (NYSE: CI) and Centene Corp. (NYSE: CNC)

Sell SMART Global Holdings (Nasdaq: SGH) and Cirrus Logic, Inc. (Nasdaq: CRUS)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
CDW	CDW Corp	-2.00%	39	Technology
CI	Cigna Corp	0.00%	new	Healthcare
CNC	Centene Corp	0.00%	new	Healthcare
DIOD	Diodes Inc	-19.55%	25	Technology
HUM	Humana Inc.	11.79%	11	Healthcare
KFY	Korn Ferry	-20.15%	193	Business Services
LFUS	Littelfuse Inc	-6.29%	46	Technology
NTCT	NetScout Systems Inc	-3.17%	4	Technology
PLAB	Photronics Inc	5.98%	109	Technology
SCSC	ScanSource Inc	-19.42%	25	Technology

Large-Cap Leaders



There is one trade this week.

Buy Cigna Corp. (NYSE: CI)

Sell Merck & Co, Inc. (NYSE: MRK)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ADI	Analog Devices Inc	-14.71%	32	Technology
APH	Amphenol Corp	-19.06%	144	Technology
AVGO	Broadcom Inc	-4.17%	11	Technology
CDNS	Cadence Design Systems Inc	-3.26%	116	Technology
CDW	CDW Corp	-7.98%	53	Technology
CI	Cigna Corp	0.00%	new	Healthcare
FTNT	Fortinet Inc	-2.98%	4	Technology
HOLX	Hologic Inc	-5.36%	53	Healthcare
HUM	Humana Inc.	7.74%	60	Healthcare
IT	Gartner Inc	-4.40%	46	Technology

The Forensic Accounting Stock Tracker™ (FAST)

Below are the top and bottom 50 stocks in the FAST Model for [July 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 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.

There is one change in the presentation of the model this month. The bottom 50 stocks are ranked by their actual rank (1447-1496) instead of 1-50 because the 50th stock was the lowest-ranked stock in the model, but some subscribers found that confusing with the 1-50 rank.



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	14	AZO	AutoZone Inc	A+	A	A+	B	A
2	30	KLAC	KLA Corp	A+	B	A	A-	A+
3	-2	IT	Gartner Inc	A+	A-	B	A	A
4	36	NXPI	NXP Semiconductors NV	A+	A-	A+	B	B+
5	7	SANM	Sanmina Corp	A+	A	B+	B	A
6	79	ULTA	Ulta Beauty Inc	A+	B+	A	A	B
7	16	STX	Seagate Technology Holdings plc	A+	A	A-	B	B+
8	-8	ELV	Elevance Health Inc	A+	C+	A+	A	A
9	-2	AVGO	Broadcom Inc	A+	B	B	A	A+
10	-6	SCI	Service Corp International	A+	B+	A-	A-	B
11	16	DRI	Darden Restaurants Inc	A+	A-	A	B-	B+
12	-4	ORLY	O'Reilly Automotive Inc	A+	B+	A+	B-	A
13	-11	CTAS	Cintas Corp	A+	B	A+	B-	A
14	-1	DFS	Discover Financial Services	A+	A	B	A-	B
15	-4	MSI	Motorola Solutions Inc	A+	B-	A	B	A+
16	27	AFL	AFLAC Inc	A+	B+	A-	B+	B
17	-8	FTNT	Fortinet Inc	A+	B	B-	A	A+
18	37	CI	Cigna Corp	A+	A-	A	C+	A-
19	-9	CSX	CSX Corp	A+	B+	A+	C+	A
20	-1	ADP	Automatic Data Processing Inc	A+	B-	A-	B	A
21	23	LKQ	LKQ Corporation	A+	A-	B+	B+	B
22	44	LMT	Lockheed Martin Corp	A+	B	A	C+	A+
23	3	EXLS	ExlService Holdings Inc	A+	B-	B	A	A-
24	5	LHX	L3Harris Technologies Inc	A+	A-	B+	C+	A+
25	173	EXP	Eagle Materials Inc	A+	A	A	B	C+
26	12	KEYS	Keysight Technologies Inc	A+	B	A	C	A+
27	-24	AAPL	Apple Inc	A+	B	A+	B	B
28	72	OFG	OFG Bancorp	A+	A	D+	A	A-
29	-11	GPC	Genuine Parts Co	A+	B-	A	B	B+
30	4	JBL	Jabil Inc	A+	A-	D+	A	A+
31	6	WAT	Waters Corp	A+	B	A	B-	A-
32	95	WAFD	Washington Federal Inc.	A+	A	B-	B	A-
33	25	RTX	Raytheon Technologies Corp	A+	B-	B	B+	A+
34	-18	ANET	Arista Networks Inc	A+	C+	A+	A-	B+
35	49	ATEN	A10 Networks Inc	A+	B	B-	A	B+
36	54	HIG	Hartford Financial Services Group Inc. (The)	A+	A	B-	A	B
37	12	MTD	Mettler-Toledo International Inc	A+	B	B+	B-	A-
38	3	CDW	CDW Corp	A+	B+	B	B-	A+
39	12	BRK.B	Berkshire Hathaway Inc	A+	B	A	A-	B-
40	22	ABBV	AbbVie Inc	A+	C-	A	B	A+
41	-2	UNH	Unitedhealth Group Inc	A+	C	A-	B	A+
42	12	PWR	Quanta Services Inc.	A+	D+	A	A	A-
43	38	CDNS	Cadence Design Systems Inc	A+	C+	A	B-	A
44	2	TEL	TE Connectivity Ltd	A+	B	B	B-	A+
45	11	ACM	AECOM	A+	B+	C	A-	A
46	415	PLAB	Photronics Inc	A+	B-	C+	A	A+
47	75	STE	Steris Plc	A+	D+	A	B	A+
48	-24	NSC	Norfolk Southern Corp	A+	B+	A	D+	A-
49	46	ADI	Analog Devices Inc	A+	B	B	B-	A-
50	-44	PG	Procter & Gamble Co (The)	A+	B-	A	C-	A



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
1448	-29	BA	Boeing Co	F	D-	D+	D-	D-
1449	-118	ALK	ALASKA AIR GROUP INC	F	D+	D-	D-	D-
1450	7	RUN	Sunrun Inc	F	D-	D+	D-	D-
1451	13	WW	WW International Inc	F	D-	D-	D-	D+
1452	-12	RGNX	REGENXBIO Inc	F	D-	C	F	D-
1453	-19	TCMD	Tactile Systems Technology Inc	F	D-	D	D-	D+
1454	2	CAMP	CalAmp Corp	F	D-	D	D	D-
1455	-1455	HOUS	Anywhere Real Estate Inc	F	D-	D-	C	D-
1456	22	QURE	UniQure NV	F	D-	C-	F	D-
1457	-51	NYMT	New York Mortgage Trust Inc	F	D-	D-	D	D-
1458	2	FBC	Flagstar Bancorp Inc	F	D+	F	D	F
1459	13	HA	Hawaiian Holdings Inc	F	D+	F	D	D-
1460	-12	SHAK	Shake Shack Inc	F	D	D	D-	D-
1461	-8	MAC	Macerich Co (The)	F	F	D-	C-	F
1462	-4	ANIK	Anika Therapeutics Inc	F	D-	D+	F	D-
1463	13	AAL	American Airlines Group Inc	F	D-	F	C-	D-
1464	-12	MNRO	Monro Inc	F	D-	D	D-	F
1465	-6	WBD	Warner Bros. Discovery Inc	F	D+	D-	D-	F
1466	-1	OSUR	OraSure Technologies Inc	F	C-	D-	D-	D-
1467	1	STT	State Street Corporation	F	D-	F	D	D-
1468	12	LYLT	Loyalty Ventures Inc	F	D+	F	D+	D-
1469	10	TG	Tredegar Corp	F	D+	D-	D-	F
1470	-19	VNO	Vornado Realty Trust	F	D-	D	D	F
1471	-51	ENDP	Endo International plc	F	D+	F	D-	D-
1472	-1	CARA	Cara Therapeutics Inc	F	D-	C-	F	D-
1473	4	XNCR	Xencor Inc	F	D-	D+	F	D-
1474	8	DBD	Diebold Nixdorf Inc	F	D+	F	D-	D-
1475	-13	RCUS	Arcus Biosciences Inc	F	D-	F	D-	D
1476	5	TRIP	TripAdvisor Inc	F	D-	D-	D-	D-
1477	-27	FF	FutureFuel Corp	F	D-	D	F	D-
1478	7	NEO	Neogenomics Inc	F	F	D-	F	D
1479	-30	HPP	Hudson Pacific Properties Inc	F	F	D	D-	F
1480	-25	CCL	Carnival Corporation & Plc	F	D-	D-	D-	F
1481	-64	RCL	Royal Caribbean Group	F	F	D-	D	D-
1482	1	SKYW	SkyWest Inc	F	D-	D-	D-	D-
1483	6	TWO	Two Harbors Investment Corp	F	F	D-	D-	D-
1484	3	SLQT	SelectQuote Inc	F	D-	D-	D-	D-
1485	-11	LPSN	LivePerson Inc	F	D-	D-	D-	D-
1486	-72	ITOS	iTeos Therapeutics Inc	F	D-	D-	D-	D-
1487	-46	ALGT	Allegiant Travel Co	F	F	D-	D	D-
1488	3	JRVR	James River Group Holdings Ltd	F	F	D-	F	D
1489	-23	PMT	PennyMac Mortgage Investment Trust	F	F	F	D	D-
1490	0	NKTR	Nektar Therapeutics	F	D-	D	F	F
1491	-30	NCLH	Norwegian Cruise Line Holdings Ltd	F	F	D-	D-	D-
1492	0	TDS	Telephone and Data Systems Inc	F	F	F	D-	D-
1493	-5	IVR	Invesco Mortgage Capital Inc	F	F	F	F	D-
1494	1	VIR	Vir Biotechnology Inc	F	D-	F	D-	D-
1495	-2	JBLU	JetBlue Airways Corp	F	D-	F	D-	D-
1496	0	EHTH	eHealth Inc	F	F	D-	F	D-
1497	-3	CHRS	Coherus BioSciences Inc	F	D-	D-	F	F

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