



Pain

Just one word uttered by Federal Reserve Chairman Jerome Powell has sent the markets reeling.

Powell suggested in a short speech that “reducing inflation is likely to require a period of sustained below trend growth.”

Then came the doozy. Powell said, “while higher interest rates, slower growth, and soft labor market conditions will bring down inflation, they will also bring some pain to households and

businesses.”

This statement threw cold water on the idea that rate increases would abate. I have warned for a few weeks that the recent move higher in stocks has the classic signs of a bear market rally.

Furthermore, the liquidity situation is unfavorable. Such a situation rarely coincides with the start of a new bull market.

Instead, this is a classic move where the market picks the pocket of those that jump aboard under sub-optimal conditions.

Last week I noted that we are in a situation that could be defined by George Soros' *Theory of Reflexivity*, where self-reinforcing market views push the market in one direction. There's only one snag. Interest rates would have to come down, and the market's fundamentals would have to change.

It doesn't look like either is happening for now. Fundamentals stink and Powell nixed the idea rates are going anywhere but up. As a result, the trend is likely to revert to the downside.

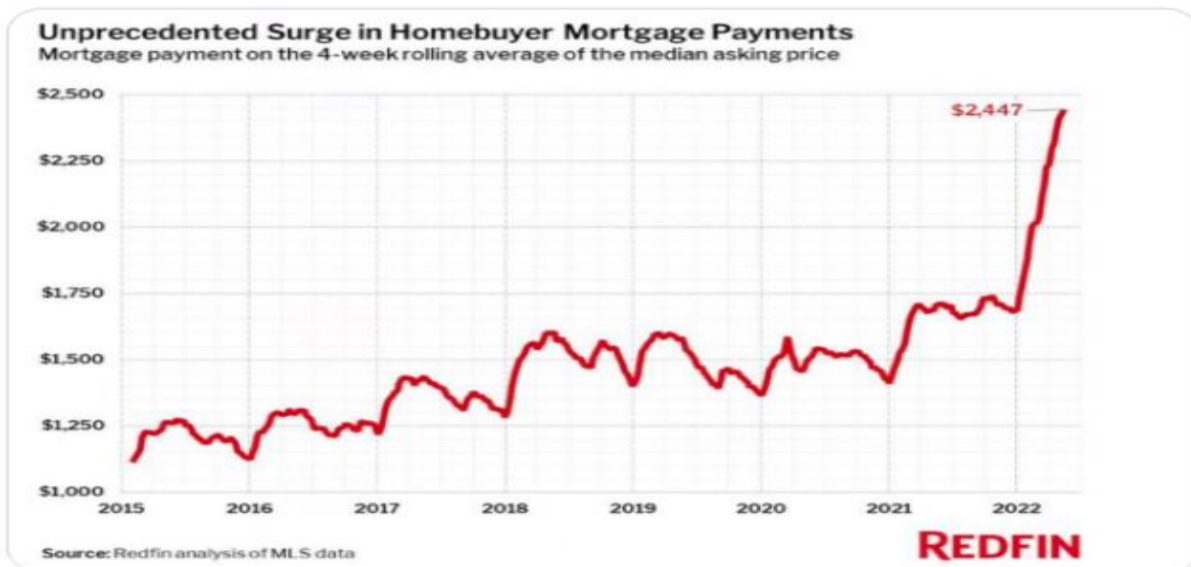
Lastly, household equity allocations have not fallen enough to be consistent with bear market lows.

Remember, markets change. Human nature does not.

Households will likely be puking up significant amounts of stock before this is all over.



Speaking of max pain, to make matters worse, mortgage payments are going parabolic. Take a look at this chart.



Mortgage payments have more than doubled since 2015. Payments have skyrocketed at a time when folks' 401(K)'s turned into 201(K)'s, and their most speculative holdings, such as cryptos, have been ground to dust.

Furthermore, real incomes are down since we are all getting hammered by higher energy and food costs. You know, the stuff we all use every day and whose impact is consistently undercounted in inflation reports.

If that wasn't bad enough, Moody's predicts that 183 real estate markets could be in big trouble as they're at least 25% over-priced.

According to Moody's, several markets are exceptionally over-priced.

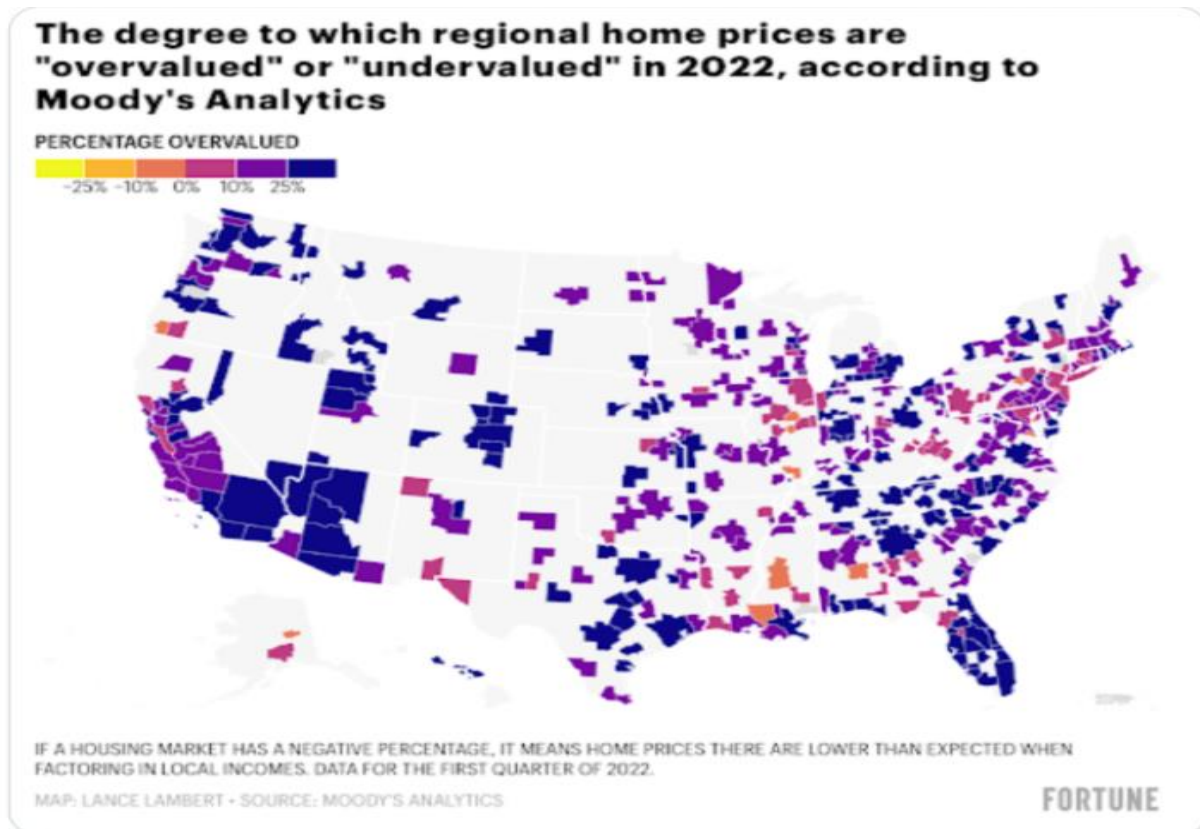
For example, Boise is 72% overvalued while Charlotte is 66% over-priced. Austin is 61% above its true value.

This makes sense as people have been moving to these areas in droves. Supply and demand is a fundamental law of economics.

The question is, will folks continue to migrate to these communities?

New York has plenty of overpriced markets. People cannot get out of the state fast enough. Over-priced markets in New York are going to get smoked.

And in the stupidest comment of the week, New York's Governor suggested that 5.4 million Republicans move out of state. Very few people pay nearly all of the taxes in New York City to support the millions of others that live there. Further mass exodus threatens to turn those markets in New York into a third-world country.



Meanwhile, the state of Florida is practically entirely over-priced by 25%. Yet, people can't get down there fast enough.

I live in a 25% over-priced area. However, there's no supply. People continue to want to move to the area due to quality schools, low crime, clean air, and low population density.

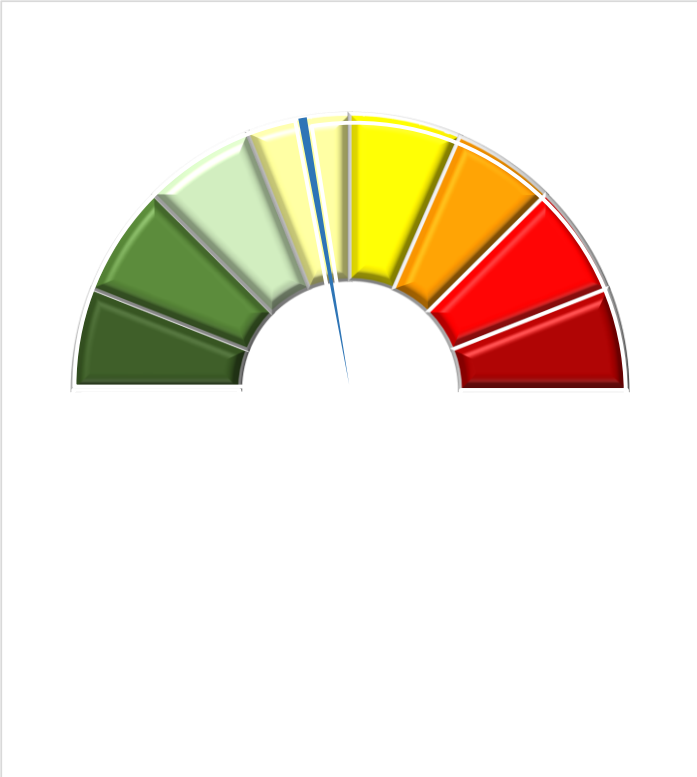
While I could see a price decline or modest cooling off, as long as people continue to want to come here and cannot find housing, the area may be more stable than other over-priced markets.

Moody's didn't account for the quality of life.

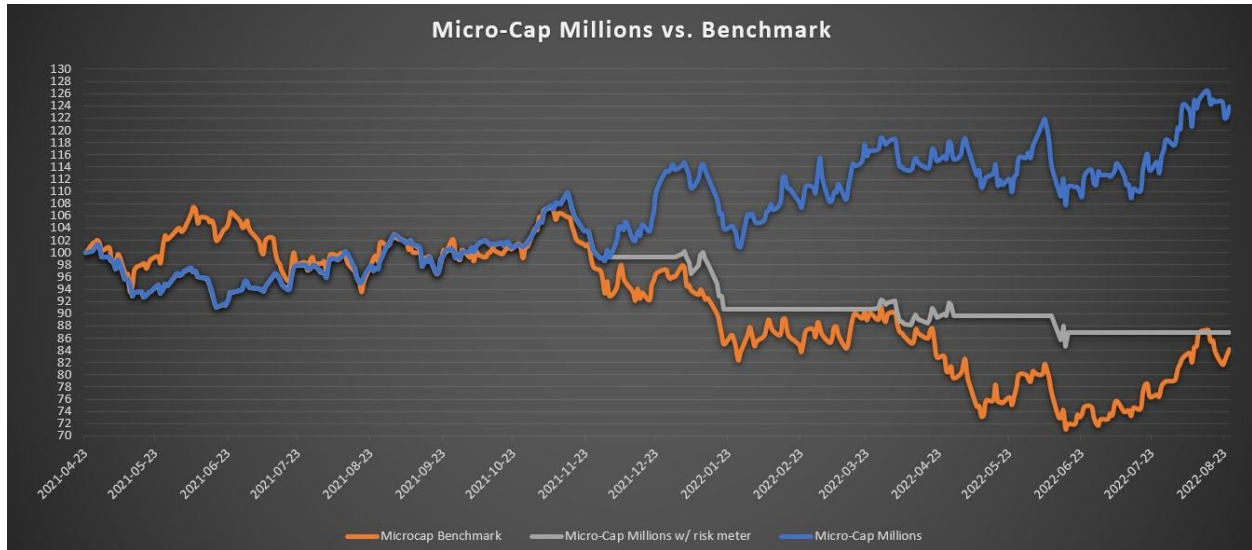
The *Risk-O-Meter* suggests moderate risks. I continue to sit on my hands and haven't made a trade in my taxable account in a month.

We will only know if the recent price action was a bear market rally until **after the fact**.

That said, it takes discipline not to chase the market when risks are elevated, but stocks rally anyways. My favorite high school math teacher always said, "fools rush in where angels fear to tread."



Micro-Cap Millions

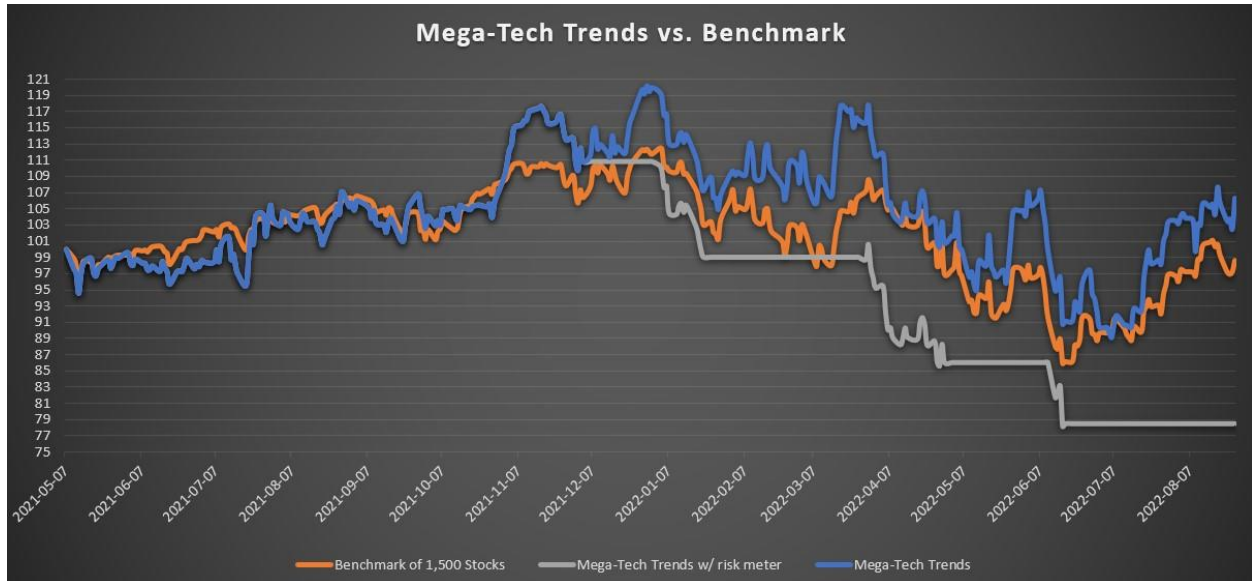


No trades this week.

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
AEY	ADDvantage Technologies Group Inc	15.71%	10	Technology
ASRT	Assertio Holdings Inc	-11.21%	59	Healthcare
BELFB	Bel Fuse Inc.	0.83%	3	Technology
BMRA	Biomerica Inc	5.97%	17	Healthcare
CTG	Computer Task Group Inc	-13.57%	80	Technology
HCKT	Hackett Group Inc (The)	4.52%	157	Technology
PCTI	PCTEL Inc	15.94%	10	Technology
PERI	Perion Network Ltd	21.03%	38	Technology
SCSC	ScanSource Inc	-21.13%	87	Technology
WSTG	Wayside Technology Group	-20.27%	94	Technology

Mega-Tech Trends



There is one trade this week.

Sell TD Synnex Corp. (Nasdaq: SNX)

There is no stock to replace SNX this week, and the portfolio currently holds nine stocks.

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
AEIS	Advanced Energy Industries Inc.	1.98%	17	Technology
AMKR	Amkor Technology Inc	-3.18%	17	Technology
CDW	CDW Corp	17.29%	94	Technology
CNXN	PC Connection Inc	8.22%	17	Technology
JBL	Jabil Inc	8.12%	24	Technology
PLAB	Photronics Inc	47.69%	164	Technology
SANM	Sanmina Corp	4.37%	17	Technology
SCSC	ScanSource Inc	-24.31%	80	Technology
TTMI	TTM Technologies Inc	5.13%	10	Technology

Large Cap Leaders



No trades this week.

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ABT	Abbott Laboratories	-3.08%	17	Healthcare
ADI	Analog Devices Inc	-0.29%	87	Technology
APH	Amphenol Corp	-0.50%	199	Technology
AVGO	Broadcom Inc	10.32%	66	Technology
CDW	CDW Corp	10.13%	108	Technology
EPAM	EPAM Systems Inc	4.38%	17	Technology
KLAC	KLA Corp	18.90%	45	Technology
MCHP	Microchip Technology Inc	-1.23%	17	Technology
NXPI	NXP Semiconductors NV	-2.64%	24	Technology
SNPS	Synopsys Inc	0.07%	3	Technology

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