



## Fork in the Road

Last week's inflation report sent the markets reeling.

The number came in "hotter" than "expected" despite a dramatic pullback in energy prices.

Of course, rampant inflation was no surprise for those who live in the real world. Despite softening oil prices, food prices rose by the most ever at 13.5%.

Talking heads on *CNBC* and *Fox News* haven't bought their dinner in years. These knuckleheads have no idea what it costs to fill up a refrigerator.

The same day we learned what we already knew – that inflation is picking the pockets of average Americans – the White House threw a party to celebrate the "Inflation Reduction Act."

James Taylor provided the entertainment.

He sang his 1968 hit song *Fire and Rain*.

It's a song about suicide, drug addiction, and a mental hospital.

Just...perfect...

What moron thought that was an appropriate song?

It just shows how out of touch these assholes in D.C. really are.

The markets have been smashed because speculators have under-appreciated how much interest rates may continue to rise.

Famed economist and Democrat Larry Summers blasted a few tweets addressing the subject.

See for yourself below.

 **Lawrence H. Summers**  @LHSummers · Sep 13 ...  
I don't think there is any substantial probability in the US that this episode can be managed without rates being raised to close to 4 percent.

In that context, it seems to me to be better to move rapidly than slowly.

 15       20       128      

 **Lawrence H. Summers**  @LHSummers · Sep 13 ...  
With core inflation running above 7 percent this month and likely, given rent behavior, to remain elevated, I fear it is unlikely that a peak Fed funds rate around 4 will be enough to restore 2 percent inflation.

 102       258       1,208      

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 **Lawrence H. Summers**  @LHSummers · Sep 13 ...  
It is highly implausible that inflation will fall to 2 percent without unemployment exceeding 4.5 percent. Yet this is the most pessimistic view among 19 members of the FOMC. Dangerous group think.


 42       182       1,042      

 **Lawrence H. Summers**  @LHSummers · Sep 13 ...  
Median inflation used to be a favorite indicator for team transitory. This month it was at its highest ever reading.

 12       157       1,036      

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 **Lawrence H. Summers**  @LHSummers · Sep 13 ...  
Today's CPI report confirms that the US has a serious inflation problem. Core inflation is higher this month than for the quarter, higher this quarter than last quarter, higher this half of the year than the previous one, and higher last year than the previous one.

 318       1,749       6,290      

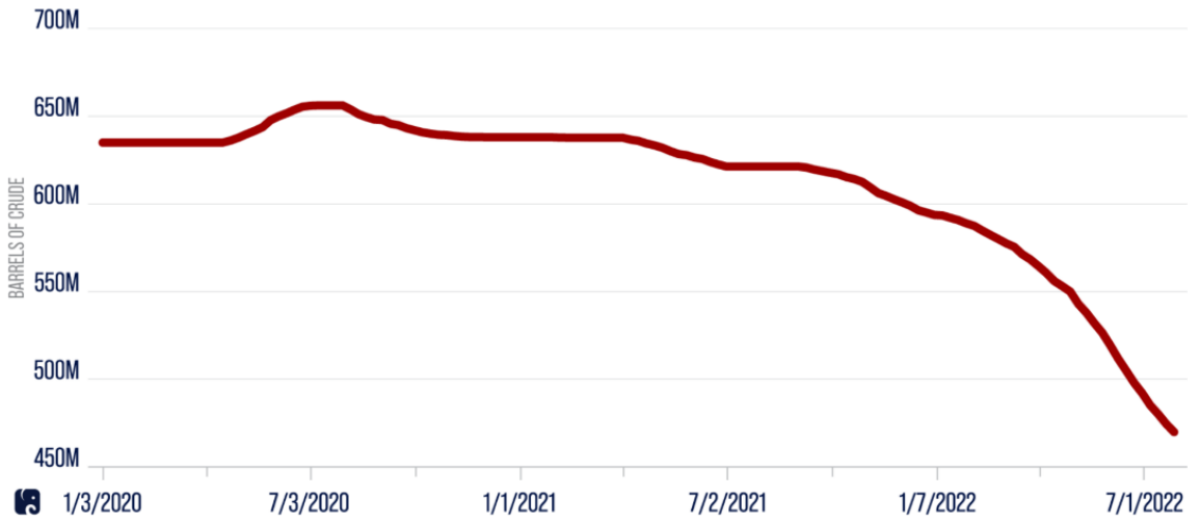
The market is unprepared for 4% or 5% Federal Funds Rates. Previously, I showed that mortgage payments have doubled since 2015. It now takes about 35% of medium income to make a mortgage payment.

Car payments just hit their highest ever at \$712 per month.

The decline in energy prices is smoke and mirrors. The Biden administration has been depleting the Strategic Oil Reserve.

Wait until this winter when heating oil prices head back north. Over 20 million households are already behind on their utility bills.

## DRAINING AMERICA'S OIL RESERVES



The chart resembles most people's 401(K) balance in 2022. However, it depicts that the strategic oil levels have been decimated.

We are at a fork in the road for seven weeks until the mid-term elections.

The future of the country hangs in the balance.

With runaway inflation, out-of-control crime, an open border, and a historically unpopular president, it should be a cakewalk for Republicans in November.

Not so.

The Democrats are running a much better campaign keeping the narrative on Trump (who is not even on the ballot) and abortion rights.

Abortion is a controversial topic. However, it's typically about 20<sup>th</sup> on people's list of concerns. When folks struggle put food on the table and heat their home, abortion ranks about 1,000<sup>th</sup> on most people's concerns.

However, this year, with the Supreme Court ruling on Dodd, the Democrats have done a masterful job at creating a narrative that a right was taken away from people rather than the issue being returned to the states.

This gives the Democrats a good chance to keep control of Congress in November.

If that happens, there will be no check and balance against outrageous spending. Democrats do not care about inflation. They have proven this by spending trillions of

dollars despite persistently high inflation. I doubt Republicans care about inflation but they do not control the purse.

To be sure, Republicans are not fiscally responsible. Republicans run up trillions of dollars in deficits.

Today's Republicans are not fiscally conservative. Not by a long shot.

Politicians love to spend other people's money.

However, given the makeup of the government, Republicans would act as a check on any Democrat spending priorities for the next two years. It's doubtful there will be bi-partisan bills, and gridlock is more likely.

If Democrats win two seats in the Senate, then not only will there be \$10 trillion in spending programs, but the entire fabric of the country will be ripped apart because the filibuster will go the way of the Dodo Bird.

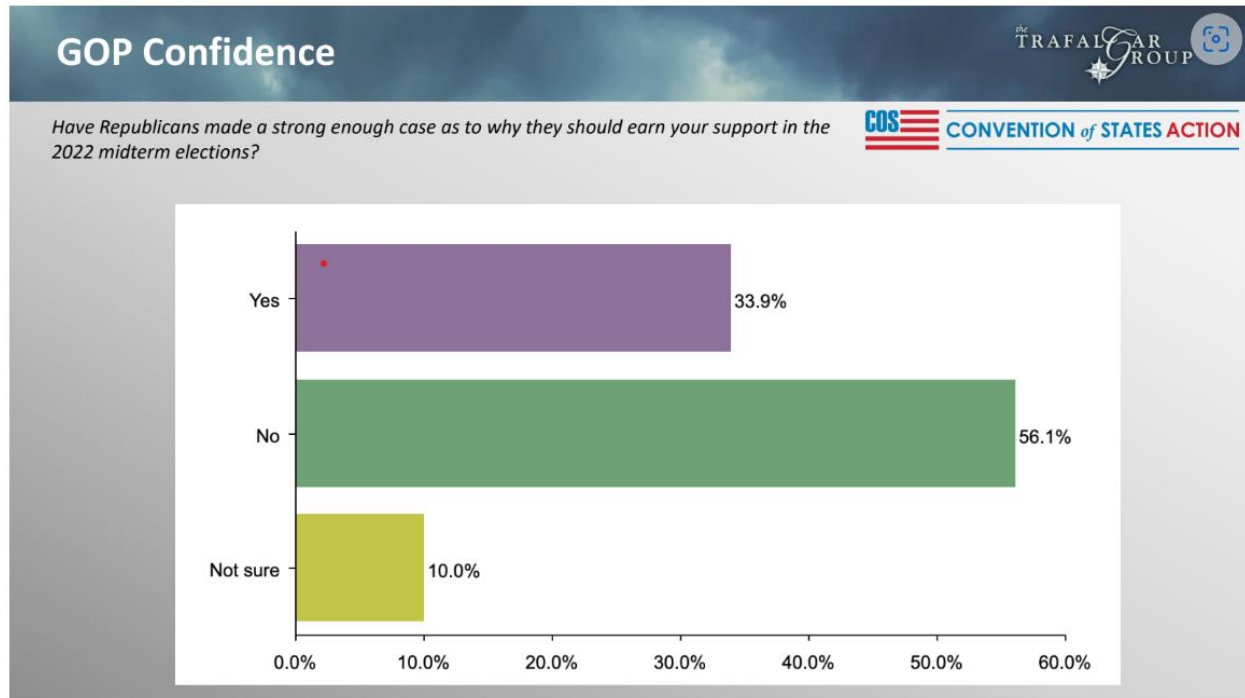
I think negotiation, compromise, and consensus among legislators are good things. I might not always agree with its use, but the filibuster is one of the most potent legislative tools ever created. It slows legislation down, allows cooler heads to prevail, and forces extreme ideas to die on the vine.

With no checks and balances in place, many bad things can happen. This is especially true since both parties are now dominated by extremists, with almost no one seeking a middle ground.

If you think the Republicans are a shoo-in to take over the House and possibly the Senate, then this poll should scare the shit out of you.

The poll asks whether or not Republicans have made a strong enough case to earn the respondent's vote.

Trafalgar Group conducted the poll. This pollster is considered to be right-leaning. They're generally viewed as controversial for their against-the-grain methods, which leads to results that often differ wildly from the consensus. However, Trafalgar has been remarkably prescient over the last several election cycles.



The fact that 57.2% of independents state that Republicans have not made a good case in voting for them illustrates how poorly Republicans are running their elections.

Although extremists suck up all the oxygen on social media, the press, and T.V., it's independents that decide elections.

I read this poll one night last week just before bed.

As I closed my eyes, the last three words I uttered that night were "God help us."

While I just ranted for several paragraphs about how crappy the Republicans are running campaigns with a lot of wind behind their back, the elections will be extremely tight no matter what.

If, in the end, folks stand in the voting booth and sense that their wallet feels quite a bit lighter, it's terrible news for the Democrats. Democrats poll very poorly on the economy. Usually, the state of the economy wins votes for the party that instills more confidence that they'll do a better job.

We do not live in usual times.

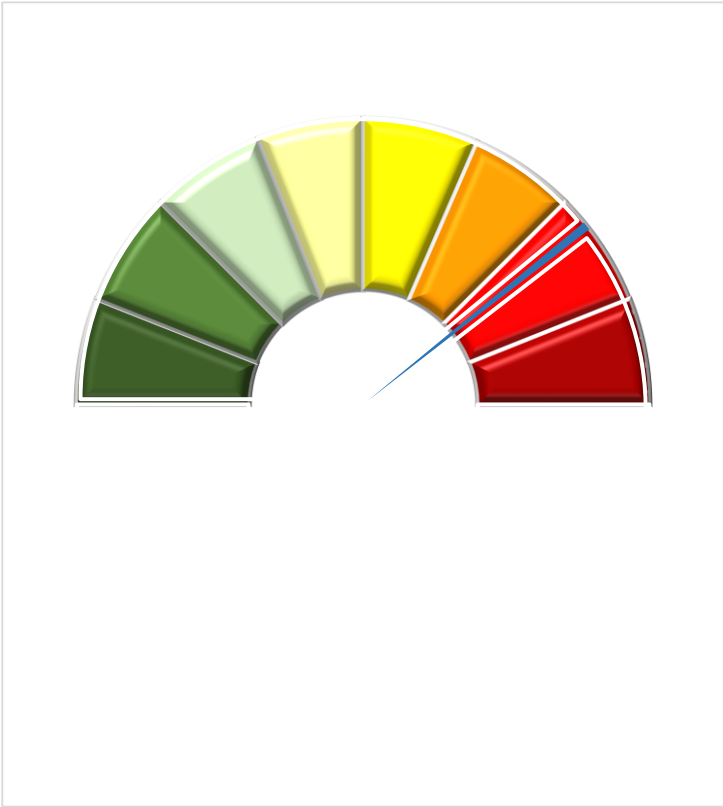
No surprise here, but the *Risk-O-Meter* is firmly in the red zone. Risks are high. I suspect we will continue to see extreme volatility in the markets.

The upcoming election will dominate the news.

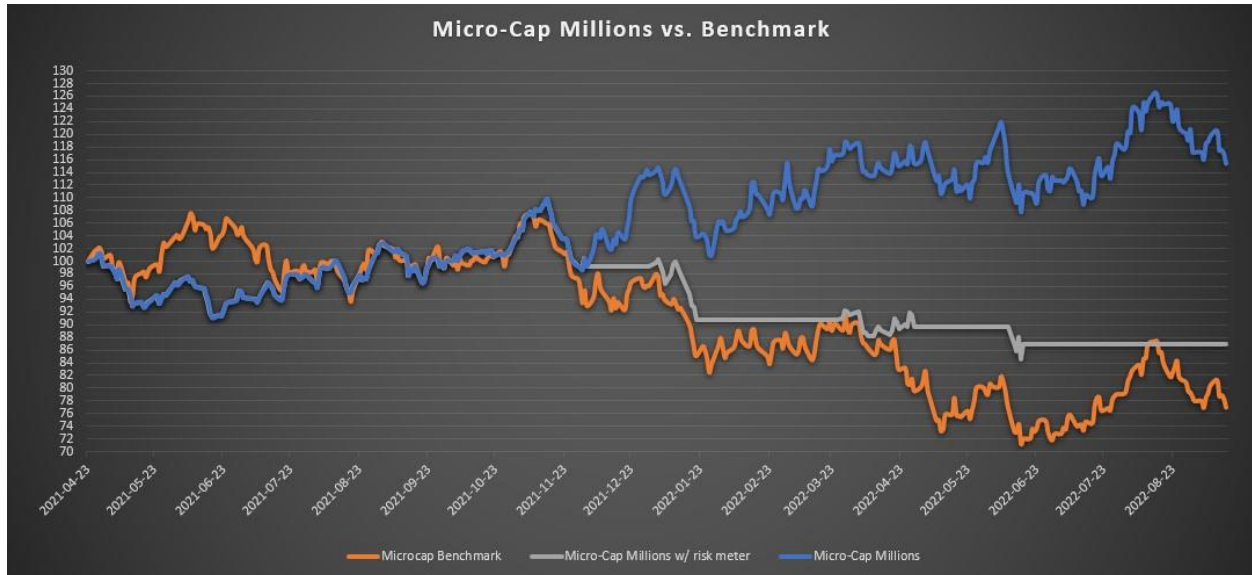
Another interest rate hike is coming. It could be a big one.

A lot is going on over the next seven weeks.

I continue to sit on my hands.



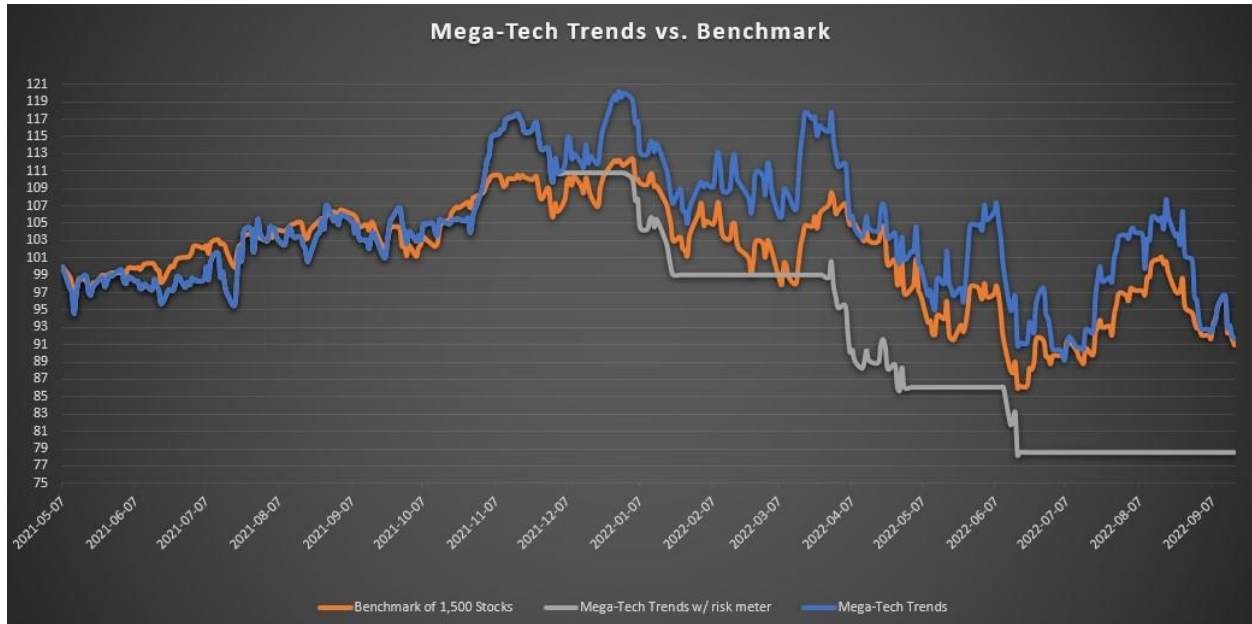
# Micro-Cap Millions



No trades this week. Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ASRT	Assertio Holdings, Inc.	-26.11%	81	Healthcare
BELFB	Bel Fuse, Inc.	-7.45%	25	Technology
CTG	Computer Task Group, Inc.	-20.80%	102	Technology
EDAP	EDAP TMS SA	5.92%	10	Healthcare
HCKT	The Hackett Group, Inc.	-12.19%	179	Technology
MRAM	Everspin Technologies, Inc.	-4.90%	10	Technology
PCTI	PCTEL, Inc.	2.92%	32	Technology
PERI	Perion Network Ltd.	20.52%	60	Technology
UTMD	Utah Medical Products, Inc.	-5.88%	4	Healthcare
WSTG	Wayside Technology Group, Inc.	-24.08%	116	Technology

# Mega-Tech Trends



No trades this week. Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
AEIS	Advanced Energy Industries, Inc.	-10.53%	39	Technology
AMKR	Amkor Technology, Inc.	-20.04%	39	Technology
CNXN	PC Connection, Inc.	-5.62%	39	Technology
CRUS	Cirrus Logic, Inc.	-0.56%	4	Technology
JBL	Jabil, Inc.	-1.58%	46	Technology
NTAP	NetApp, Inc.	-3.65%	10	Technology
SANM	Sanmina Corp.	-5.27%	39	Technology
SGH	SMART Global Holdings, Inc.	0.75%	10	Technology
TTMI	TTM Technologies, Inc.	-12.91%	32	Technology



# Large Cap Leaders



There are two trades this week.

**Buy CDW Corp. (Nasdaq: CDW) and Merck & Co, Inc. (NYSE: MRK)**

**Sell ANSYS, Inc. (Nasdaq: ANSS) and NXP Semiconductors (Nasdaq: NXPI)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ABBV	AbbVie, Inc.	1.87%	4	Healthcare
ADI	Analog Devices, Inc.	-10.89%	109	Technology
APH	Amphenol Corp.	-7.66%	221	Technology
AVGO	Broadcom, Inc.	0.77%	88	Technology
CDW	CDW Corp.	0.00%	NEW	Technology
MCHP	Microchip Technology, Inc.	-8.06%	39	Technology
MRK	Merck & Co., Inc.	0.00%	NEW	Healthcare
NTAP	NetApp, Inc.	-5.20%	4	Technology
SNPS	Synopsys, Inc.	-13.44%	25	Technology
WST	West Pharmaceutical Services, Inc.	-7.99%	10	Healthcare

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