



Red Dribble

No red tsunami on Tuesday's election night.

No red wave either.

Mostly, a red dribble.

Republicans underperformed despite the generic ballot projections being mostly on track. Republicans are likely to win the popular vote by 5-6%.

Unfortunately for Republicans, the election is not a popular vote.

There was no blue wall either.

However, the Democrats' strategy of pumping nearly \$50 million into the primary campaigns of Republican nutters hoping they'd get the nomination and making them easier to beat in the general election worked magnificently.

Where Republicans had stable candidates, they won. Often, they won big in areas they shouldn't.

While Lee Zeldin lost the election to become Governor of New York, his pragmatic campaign carried several House seats into the red column.

If New York City moves just 5% more to the Republican side, New York will become a red state. It's that close.

However, both sides will need to read this election more carefully.

Democrats are doubling down on policies that 70-80% of the country dislikes.

Meanwhile, far-right Republicans are trying to thwart the Republican leadership for not being nutty enough.

Ron Desantis is the big winner of election night. Florida is a red state and no longer in play as long as he's around.

In the end, Republicans stole defeat from the jaws of victory.

They will do well if they put up more reasonable candidates who tackle the extreme positions of the left without conspiracy theories. If they don't, they won't.

As I write this, the results for who will control the House and Senate are still up in the air.

It's a joke that the supposed Leader of the Free World cannot count ballots by the end of election night. By Friday, I saw certain races in California with only 40-50% of the vote counted.

No wonder why people are suspicious of fraud!

Either way, both houses will be close to evenly split. While there's balance, there won't be much bipartisanship.

I'd still like to see the House go to the Republicans to act as a brake against reckless spending.

If the Senate goes to Democrats, they need to win all three contested seats to break the filibuster potentially.

A 51-49 Democrat Senate would be interesting to see if they can get anything done for the American people.

That is unlikely.

The betting markets were wild on election night. Soon after the polls closed, the Democrats' odds increased dramatically.

The volatility of the movement in odds was insane.

The betting market was far more interesting to watch as the poll stations started to close and the vote counts began to be reported.

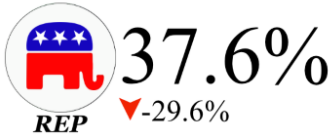
Think of it more as "in-game" action rather than placing a bet before the game begins.

When I finally called it a night at 10:26 PM EST, this is what it looked like...

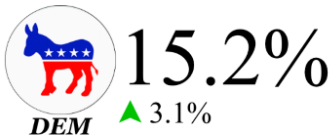
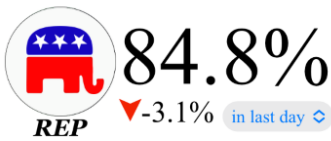
Hover over candidate pics to see market breakdown. Hover over underlined titles for amount bet.

Chance of...

Senate Control 2022

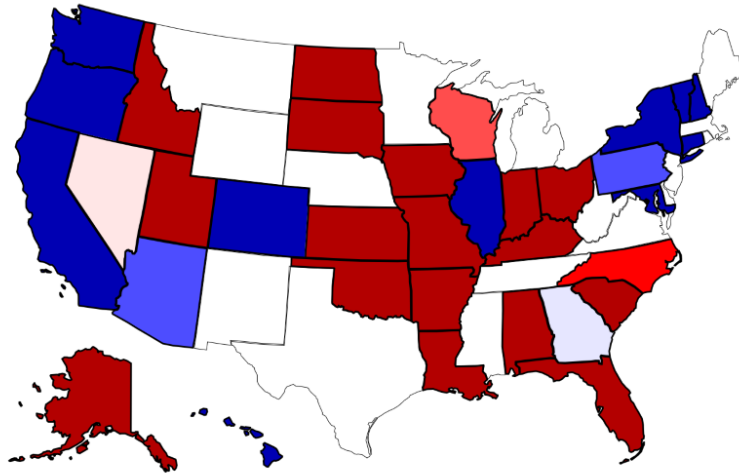


House Control 2022



Senate Seats 2022 (estimate: **50-50**. Hover over states)

Current senate is **50-50**



Last updated: 10:15PM EST on Nov 08, 2022
 Over \$1 million bet. State betting is from [PredictIt](#)
[Betfair](#) to be added if liquid state market available

US Presidency 2024

My opinion is that the betting market is not predictive ahead of time.

Prediction polls are even more useless.

The market is way too thin to be predictable. I'm sure if someone bet \$10,000 on Democrats to win the Senate around 8 PM EST on election night, they would move the odds significantly.

Therefore, it's more fun to watch than it is meaningful.

New Research!

We have updated the *Risk-O-Meter*.

While there was nothing wrong with the old *Risk-O-Meter*, we have made a few minor tweaks.

I invest my own money into these strategies. The newsletter is a reflection of my investment style.

Therefore, I will make changes when I see fit because I have dough on the line.

That's purely selfish.

If my selfishness leads to better outcomes for you, that is a win. It's important to me that you have a positive experience as well.

Gone are the sentiment indicators that looked at trends in polling investors' bullishness or bearishness.

In extreme cases, these polls are very useful. However, those excessive levels might hit once every couple of years. Maybe even less than that.

So I tossed them.

While I watch those polls for those extremes, it's not useful in the *Risk-O-Meter* as far as I am concerned.

If Tuesday's election reinforced any notions I have about polls it is that people say one thing and do another.

Added to the *Risk-O-Meter* are some refinements to volatility.

One area of work that remains a work in process is automatically trading extreme overbought and oversold conditions.

I know when the market is overbought.

I know when it is oversold.

I can't put that into a quantifiable method and let it work automatically.

I'll use the *Risk-O-Meter* as a guide and then add to my taxable account when the market is oversold.

That account is not a trading account.

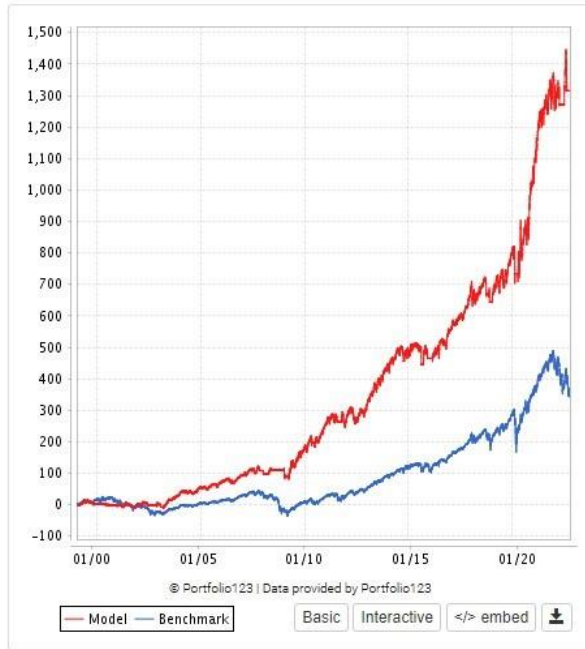
It's a one-way street.

Money goes in.

It does not come back out.

Here are the results of the updated *Risk-O-Meter* compared with the prior version.

The new version is first.

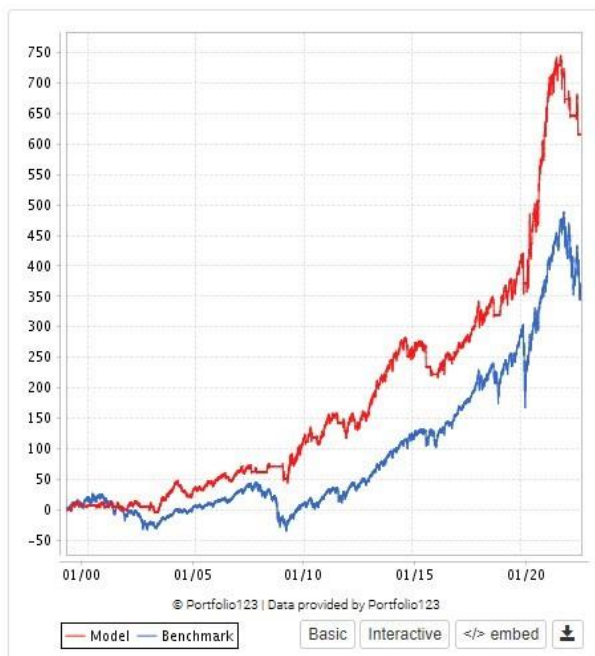


General Info

Total Market Value (inc. Cash)	1,414,840.91
Cash	1,414,840.91
Number of Positions	0
Last Trades	NA
Period	01/02/99 - 10/24/22
Sizing Method	% Portfolio Weight
Last Rebalanced (Every Week)	10/24/22
Benchmark	S&P 500 (SPY:USA)
Universe	spy spy
Ranking System	Adaptive Oscillator for long US equities

Quick Stats as of 10/24/2022

Total Return	1,314.84%
Benchmark Return	371.74%
Active Return	943.10%
Annualized Return	11.77%
Annual Turnover	192.31%
Max Drawdown	-24.26%
Benchmark Max Drawdown	-55.19%
Overall Winners	(30/53) 56.00%
Sharpe Ratio	0.82
Correlation with S&P 500 (SPY:USA)	0.72



General Info

Total Market Value (inc. Cash)	715,139.32
Cash	715,139.32
Number of Positions	0
Last Trades	NA
Period	01/02/99 - 10/24/22
Sizing Method	% Portfolio Weight
Last Rebalanced (Every Week)	10/24/22
Benchmark	S&P 500 (SPY:USA)
Universe	spy spy
Ranking System	Adaptive Oscillator for long US equities

Quick Stats as of 10/24/2022

Total Return	615.14%
Benchmark Return	371.74%
Active Return	243.40%
Annualized Return	8.61%
Annual Turnover	216.26%
Max Drawdown	-18.62%
Benchmark Max Drawdown	-55.19%
Overall Winners	(32/58) 55.00%
Sharpe Ratio	0.61
Correlation with S&P 500 (SPY:USA)	0.63

The new version outperforms the average stock in the S&P 500 by 943.10% versus the older version, which came out 234.40% ahead. The latest version has a maximum drawdown of 24.26% versus 18.62%.

However, the risk-adjusted return of the new version is sharply higher despite a greater drawdown.

Meanwhile, the S&P 500 got spanked at 55.12%

Ouch!

More New Research!

I will also be tackling the *Investable Risk-O-Meter* and *Levered ETF Model* soon.

Again, I have my own money invested in the strategies. I have been slow to invest all that I want to because this has been an “everything” bear market.

Given the historical rise in interest rates, fixed-income markets provided no cushion for the bear market in stocks. Precious metals performance has been poor as well.

Cash is King in 2022.

The changes I want to make to the *Investable Risk-O-Meter* are as follows:

Market trend, sentiment, volatility, and credit market indicators will trade the same markets for "risk on" and "risk off."

Cash will be a market class for all indicators.

Therefore, regardless of whether the market is in "risk on" mode or "risk off" mode if the markets are trending down, they will hold cash.

That also means that if all indicators are on "risk on" or "risk off," they will hold the same asset class. For example, if every indicator is on "risk on," and the Nasdaq-100 is the best-performing asset class, there will be a big bet on the Nasdaq-100.

The benefit of this is if you catch a big trend, fortunes can be made.

The downside is that if you're wrong, all the indicators fall similarly.

In initial testing, I see higher returns with higher drawdowns. But the returns more than offset a little additional risk.

As the great trader George Soros once said, “if you’re right, your bet cannot be big enough.”

The third change will eliminate the levered positions in the *Investable Risk-O-Meter*.

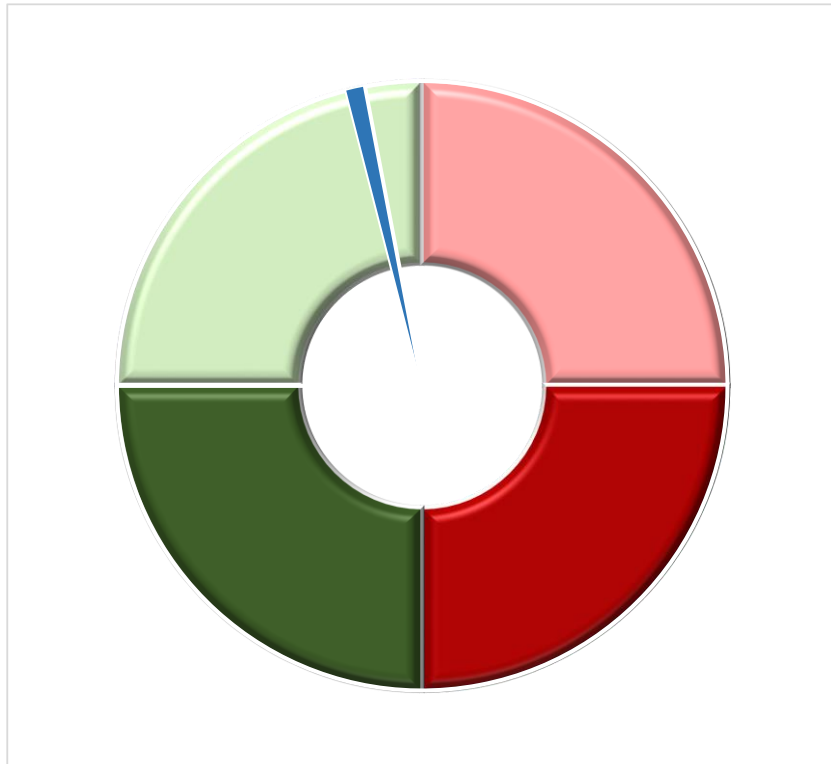
The reason for doing this is simple. There's a *Levered ETF Model* specifically for this type of trading.

The *Levered ETF Model* uses many more indicators than the *Investable Risk-O-Meter*. I want to research whether volatility is as helpful as I think it is or if following the trend of the indicators is the best way to approach the strategy. Following the trend is simpler!

Of course, I will share the results as soon as I have them.

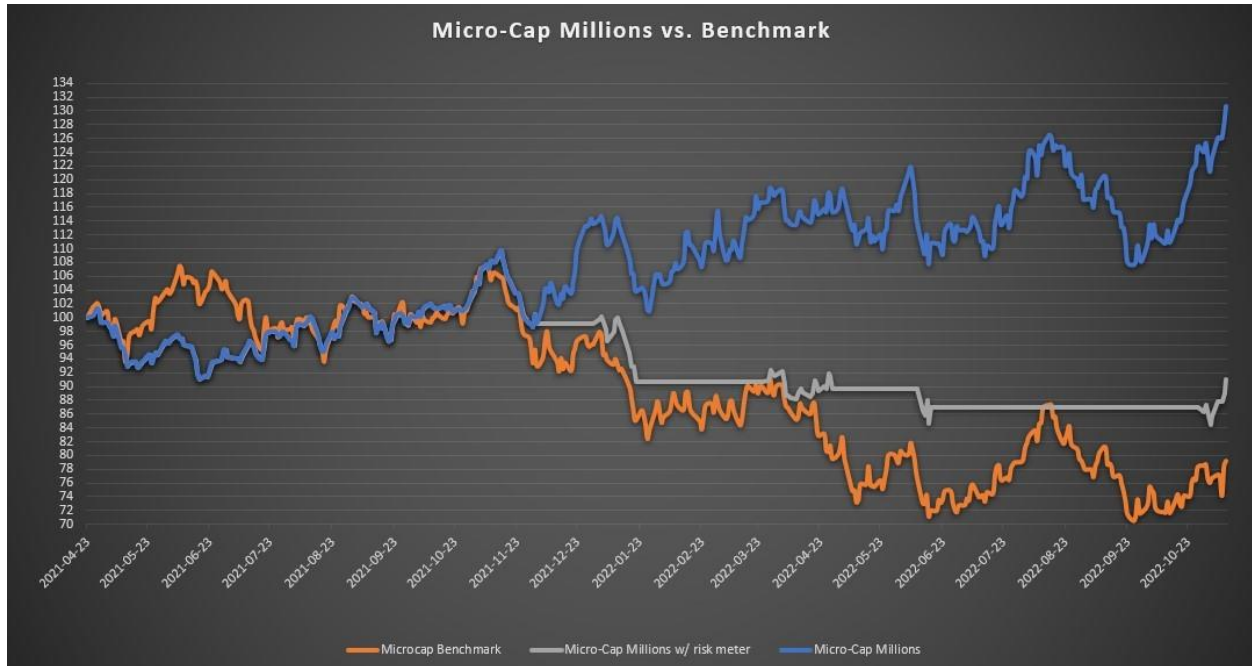
The *Risk-O-Meter* stays on a buy this week, although risks are balanced. The market is overbought.

My focus remains on small-cap stocks (IWM), equal-weighted technology (QQQE), and emerging markets (SCHE).



Note: I'm trying to change the order of the colors in this model but everything Microsoft makes is crap and have had trouble fixing this. Hopefully it will be done by next week.

Micro-Cap Millions



The portfolio is at all-time highs. That's something we could not have predicted, given market conditions. There are two trades this week.

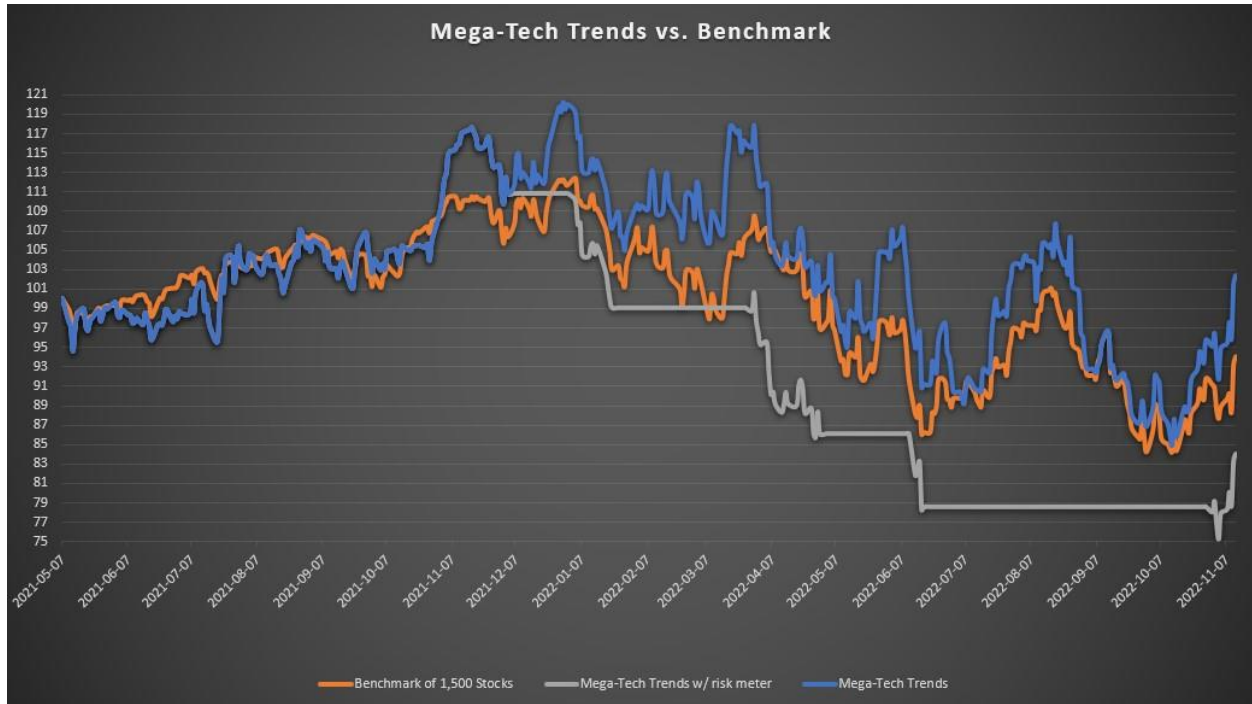
Buy Tactile Systems (Nasdaq: TCMD) and Voyager Therapeutics, Inc. (Nasdaq: VYGR)

Sell Computer Task Group, Inc. (Nasdaq: CTG) and Everspin Technologies, Inc. (Nasdaq: MRAM)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
BELFB	Bel Fuse, Inc.	35.67%	81	Technology
EDAP	EDAP TMS SA	20.14%	66	Healthcare
HCKT	The Hackett Group, Inc.	5.69%	235	Technology
IRMD	IRadimed Corp.	3.56%	4	Healthcare
IVAC	Intevac, Inc.	2.92%	4	Technology
KNSA	Kiniksa Pharmaceuticals Ltd.	10.76%	4	Healthcare
PERI	Perion Network Ltd.	42.96%	116	Technology
SMLR	Semler Scientific, Inc.	8.76%	4	Healthcare
TCMD	Tactile Systems Technology, Inc.	0.00%	NEW	Healthcare
VYGR	Voyager Therapeutics, Inc.	0.00%	NEW	Healthcare

Mega-Tech Trends



No trades this week. Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
AEIS	Advanced Energy Industries, Inc.	11.31%	4	Technology
BDC	Belden, Inc.	5.97%	4	Technology
BHE	Benchmark Electronics, Inc.	2.85%	11	Technology
CDW	CDW Corp.	15.28%	46	Technology
COHU	Cohu, Inc.	9.69%	11	Technology
EXTR	Extreme Networks, Inc.	0.50%	11	Technology
JBL	Jabil, Inc.	11.43%	102	Technology
NTAP	NetApp, Inc.	12.04%	18	Technology
PLAB	Photronics, Inc.	20.43%	32	Technology
SANM	Sanmina Corp.	35.49%	95	Technology

Large Cap Leaders



There is one trade this week:

Buy EPAM Systems, Inc. (NYSE: EPAM)

Sell Broadcom, Inc. (Nasdaq: AVGO)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ADI	Analog Devices, Inc.	17.74%	39	Technology
ADSK	Autodesk, Inc.	13.61%	18	Technology
APH	Amphenol Corp.	0.71%	277	Technology
CDNS	Cadence Design Systems, Inc.	10.18%	11	Technology
CDW	CDW Corp.	7.91%	53	Technology
EPAM	EPAM Systems, Inc.	0.00%	NEW	Technology
FTNT	Fortinet, Inc.	19.17%	4	Technology
KLAC	KLA Corp.	18.26%	11	Technology
NTAP	NetApp, Inc.	11.23%	32	Technology
SNPS	Synopsys, Inc.	-8.71%	81	Technology

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