Americans are Broke (Again)

Soon after COVID hit, Americans were flush with cash.

Really flush—the most flush in decades.

Of course, this makes sense. Americans saved at a record pace with nothing else to do but sit at home.

Some folks decided to speculate from their couch while sitting in their underwear with Judge Judy playing in the background.

These overnight trading sensations gambled on everything from equities, options, and cryptocurrencies.

Massive amounts of money moving into stocks and crypto helped turn the market on a dime and led to a sensational rally.

The rally of a lifetime.

Plenty of folks stuffed the stimulus money under the mattress too.

For a little while…

The worm has turned.

The chart below shows that the personal saving rate has fallen to just 2.2% from over 14% in two years.

This is well below the 50-year average of nearly 8% and the lowest since 2006-07, before a major financial crash.

Back then, folks tapped into the equity in their home. That is, until there was no more equity left.

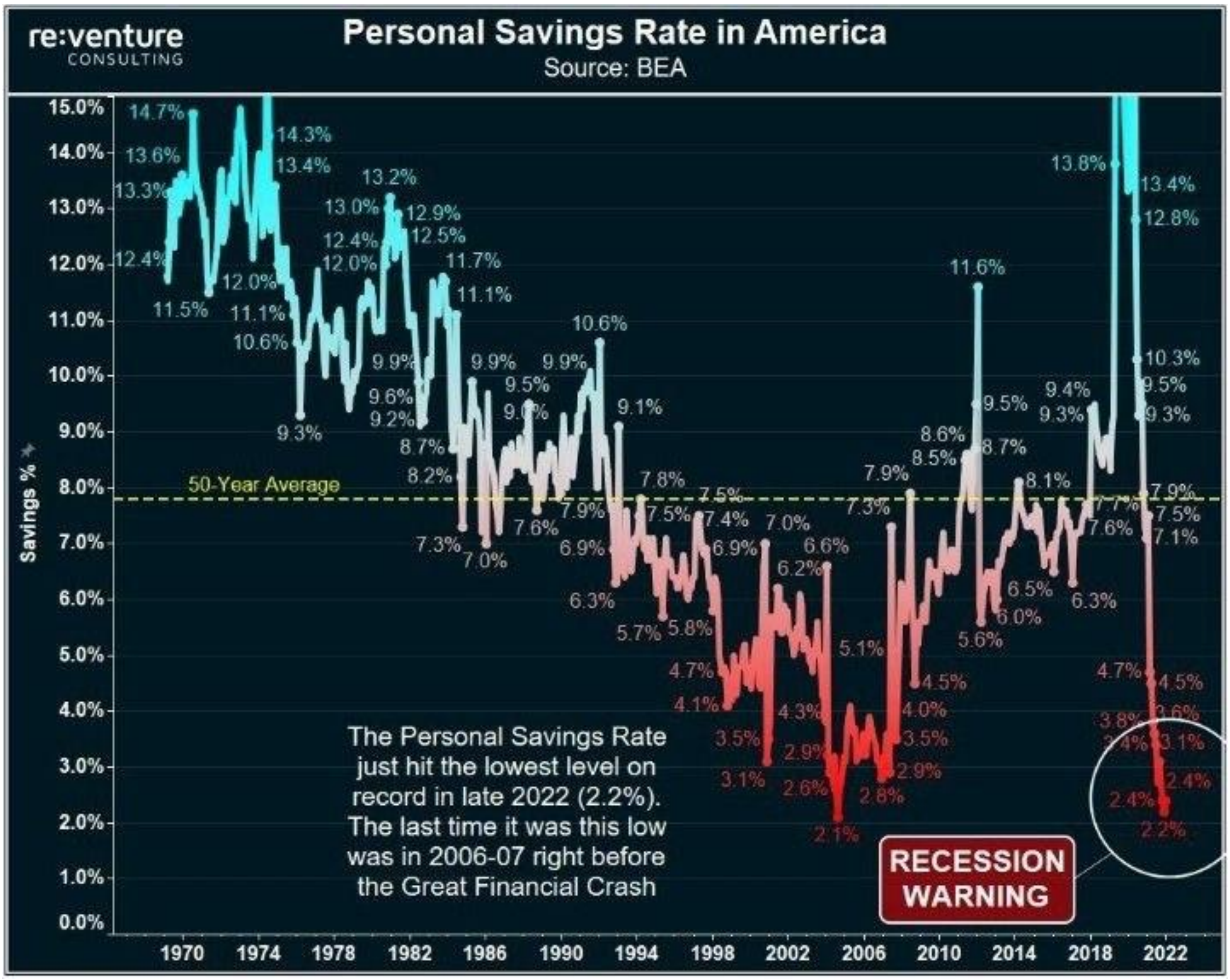
They were living on fumes, and the market crashed.

We know what happened in that crash.

Millions of people lost their homes.

401(k)’s turned into 201(k)’s.

The Great Recession caused a great deal of pain for the average American.



It’s déjà vu all over again.

With inflation reaching multi-decade highs, Americans are tapping into savings to stay afloat.

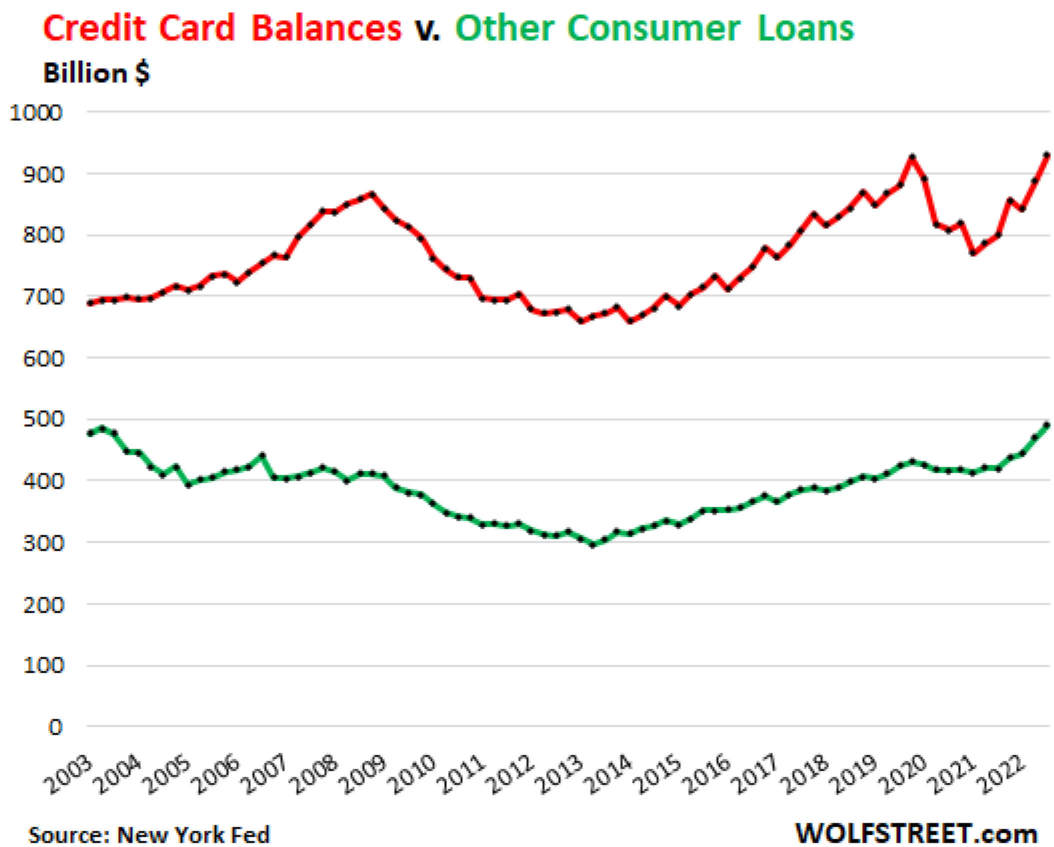
Many others are engaging in America's favorite pastime, buying stuff they don’t need with money they don’t have and paying 25% interest on their credit card balance.

Either way, the plummeting savings rate is a significant recession warning.

In addition to nosediving savings, folks are putting it on plastic.

Credit card balances have surged back to pre-pandemic highs.

Consumer loans are hitting 20-year highs as well.



We have seen this movie before.

It’s a horror film.

This double whammy of practically no savings and high-interest credit card balances and loans tends to end one way…badly…

That’s why we must have a systematic approach to saving and investing and *react* rather than *anticipate*.

That leads me to the *Risk-O-Meter*. The meter is still in the "green zone." However, as I noted last week, the market is now overbought.

I did a fair amount of buying in my taxable account when the market was deeply oversold, but now we have to be patient and wait for the next opportunity.

I suspect the strong rally in stocks to start the year and the U.S. dollar sell-off are related to the conviction that the Federal Reserve will soon pause interest rate increases and reverse course.

Sooner than later...

Fools rush in where angels fear to tread.

Anticipating is *very dangerous* to your account balance.

This reminds me of one of my favorite lessons in the financial markets.

In 2003, I was invited to dinner by one of the traders profiled in the original *Market Wizards* book. The book is a classic and one on practically every must-read list.

This trader made a fortune trading commodity markets using trend-following techniques.

After dinner, he invited me to his home to attend a gathering with a half dozen other traders. The buzz of the evening was the weather forecast which called for a massive blizzard that would blow through the area.

I had about a 30-minute drive back to where I was staying through the mountains in the dark.

Everyone was worried about the potential impact of the storm.

Everyone except the market wizard.

You see, he traded trends. He reacted. He didn’t anticipate. He didn’t predict.

While everyone got their undies in a bunch about a potential storm, Mr. Market Wizard remained calm.

In the end, the storm never hit.

It was much ado about nothing.

The same applies to the financial markets. Mr. Market Wizard would not buy soybean futures because he thought they might go higher or anticipated a move.

He would wait until the move had already started to happen.

Only then would he jump on board.

In his mind, there’s no snowstorm until it’s snowing.

It’s a powerful lesson that made and saved him, a fortune.

There are a lot of people wasting a lot of energy speculating what the Federal Reserve is going to do with interest rates.

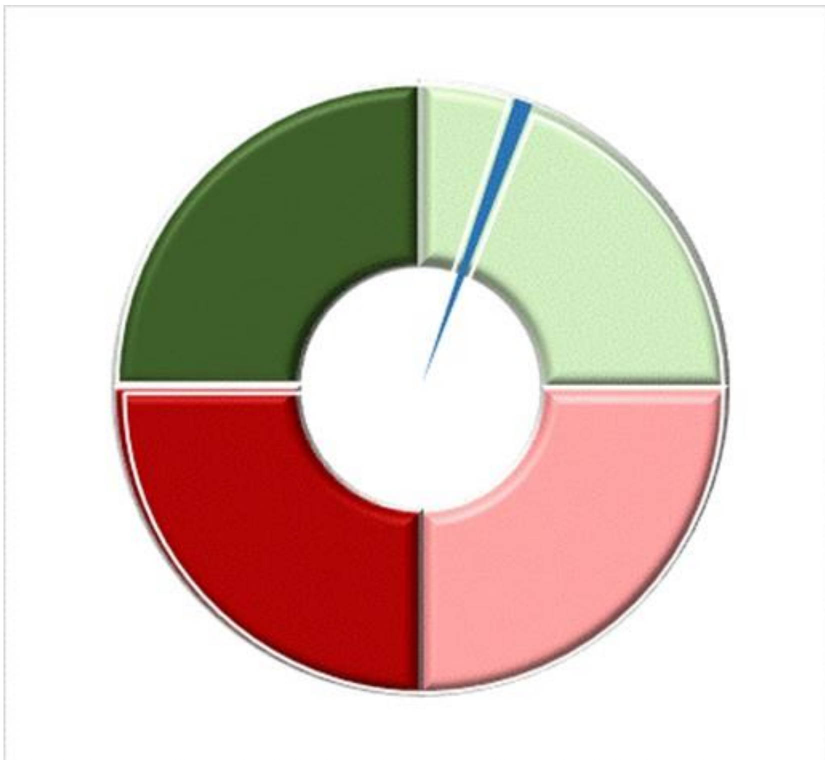
Of course, the Federal Reserve will pause the rate increase at some point.

Eventually, the Federal Reserve will reverse course and cut rates.

After those moves begin, there will be plenty of opportunities to jump on board.

In the meantime, you can go about your day and not worry about something you cannot control.

With the overbought market, I'm not doing anything in my taxable account right now, and I anticipate no trades this week.



Last week, I introduced a levered ETF strategy with the intention of making 50x my investment in 10 years (I'll have a new name for this by the next monthly newsletter with the next trade).

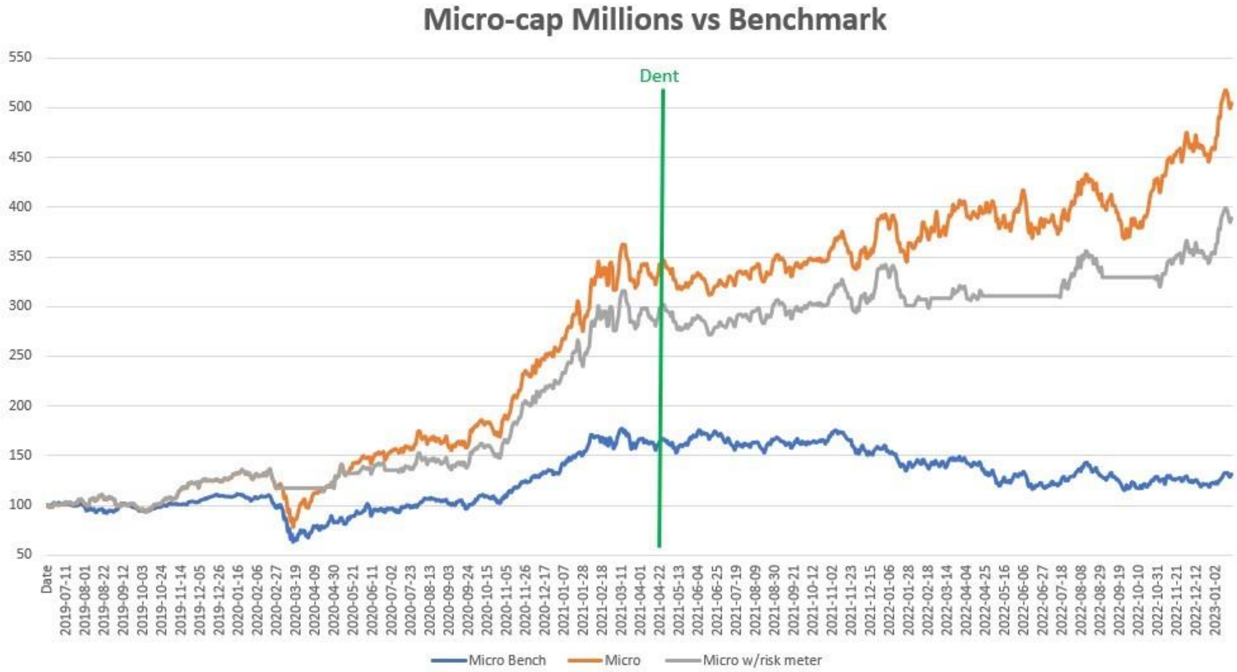
It was a wild week for the position in the strategy, **SOXL**. There were days of 8% losses and days of 8% gains. There were some minor gains as well. Mostly, the strategy was flat.

It's a good reminder, though, to only trade what doesn't affect your emotions.

Also, this strategy is entirely separate from any other system I trade. For example, it has nothing to do with the *Micro-cap Millions* strategy.

The benefit of having multiple strategies, even if they are concentrated (*Micro-cap Millions* has ten stocks and the ETF strategy holds one ETF), is that in the end, you often end up with a smoother ride, less risk, and a bigger account balance.

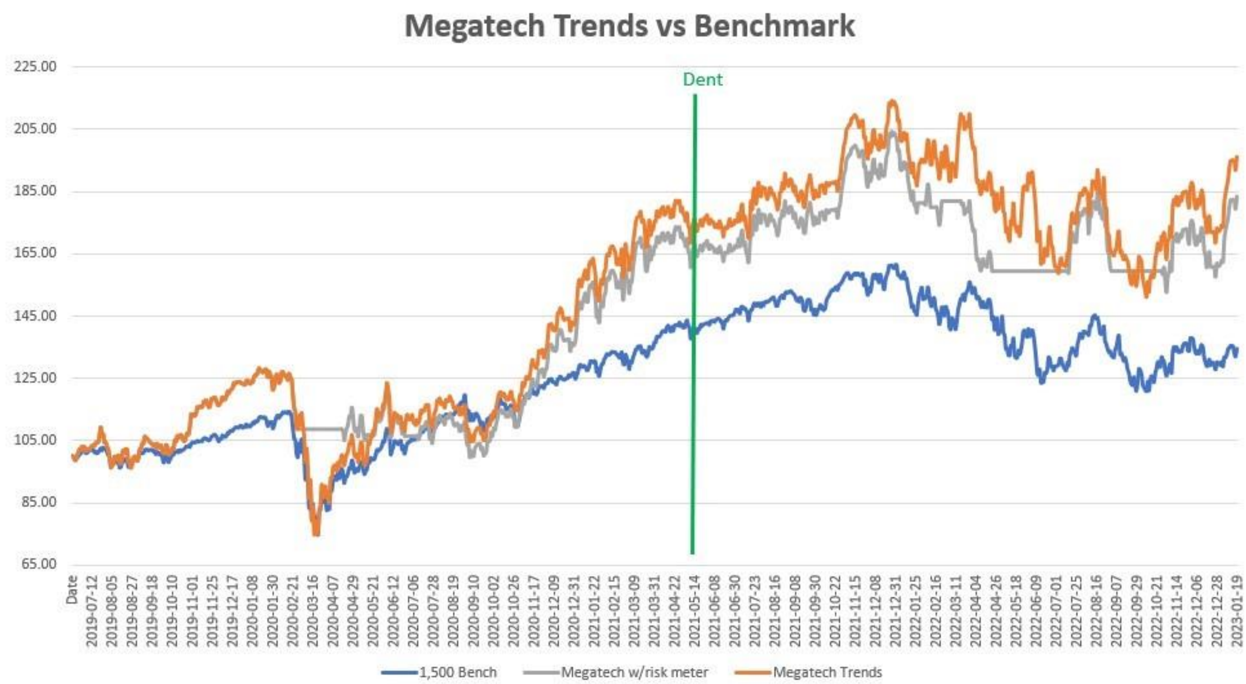
Micro-Cap Millions



There are no trades this week. Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
BELFB	Bel Fuse, Inc.	32.16%	151	Technology
DPSI	DecisionPoint Systems, Inc.	-11.09%	11	Technology
HCKT	The Hackett Group, Inc.	-2.07%	305	Technology
IRMD	IRadimed Corp.	21.99%	74	Healthcare
IVAC	Intevac, Inc.	32.60%	74	Technology
KMDA	Kamada Ltd.	23.39%	32	Healthcare
KNSA	Kiniksa Pharmaceuticals Ltd.	1.12%	74	Healthcare
PERI	Perion Network Ltd.	67.89%	186	Technology
SMLR	Semler Scientific, Inc.	28.16%	74	Healthcare
TCMD	Tactile Systems Technology, Inc.	40.34%	67	Healthcare

Mega-Tech Trends



There are three trades this week.

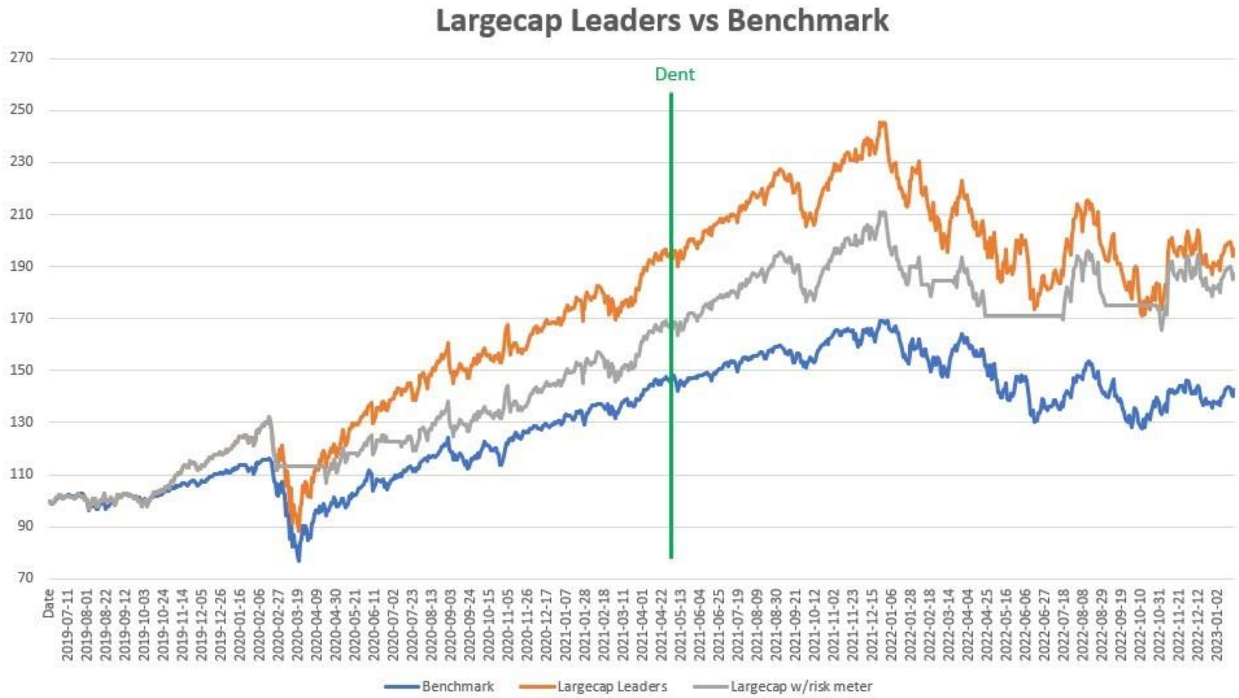
Buy Coherent Corp. (Nasdaq: COHR), Photronics, Inc. (Nasdaq: PLAB), and Universal Electronics, Inc. (Nasdaq: UEIC)

Sell Advanced Energy Industries, Inc. (Nasdaq: AEIS), Ichor Holdings, Inc. (Nasdaq: ICHR), and Jabil, Inc. (NYSE: JBL)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ACLS	Axcelis Technologies, Inc.	25.64%	32	Technology
BDC	Belden, Inc.	4.76%	74	Technology
BHE	Benchmark Electronics, Inc.	1.92%	81	Technology
CDW	CDW Corp.	24.29%	116	Technology
COHR	Coherent Corp.	0.00%	NEW	Technology
FN	Fabrinet	4.32%	24	Technology
PLAB	Photronics, Inc.	0.00%	NEW	Technology
RAMP	LiveRamp Holdings, Inc.	7.30%	11	Technology
TTMI	TTM Technologies, Inc.	9.73%	32	Technology
UEIC	Universal Electronics, Inc.	0.00%	NEW	Technology

Large Cap Leaders



There are two trades this week.

Buy Lam Research Corp. (Nasdaq: LRCX) and Oracle Corp. (NYSE: ORCL)

Sell Analog Devices, Inc. (Nasdaq: ADI) and CDW Corp. (Nasdaq: CDW)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
APH	Amphenol Corp.	-0.88%	347	Technology
BDX	Becton, Dickinson & Co.	-2.13%	11	Healthcare
CSCO	Cisco Systems, Inc.	-5.88%	46	Technology
EPAM	EPAM Systems, Inc.	-4.22%	67	Technology
FDS	FactSet Research Systems, Inc.	0.57%	3	Technology
KEYS	Keysight Technologies, Inc.	1.30%	53	Technology
KLAC	KLA Corp.	28.72%	81	Technology
LRCX	Lam Research Corp.	0.00%	NEW	Technology
MRK	Merck & Co., Inc.	1.07%	39	Healthcare
ORCL	Oracle Corp.	0.00%	NEW	Technology

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