



Max Greed

We have now reached max greed in the markets.

Below is a modified version of the *CNN Fear & Greed Index*.

The chart shows that the index has pierced the 90% level, indicative of maximum greed.

At extremes, this index helps understand market sentiment.

After a huge run in the market to start the year, complacency is setting in.

While the index does not predict future returns, generally, extreme greed readings coincide with a more challenging market environment.

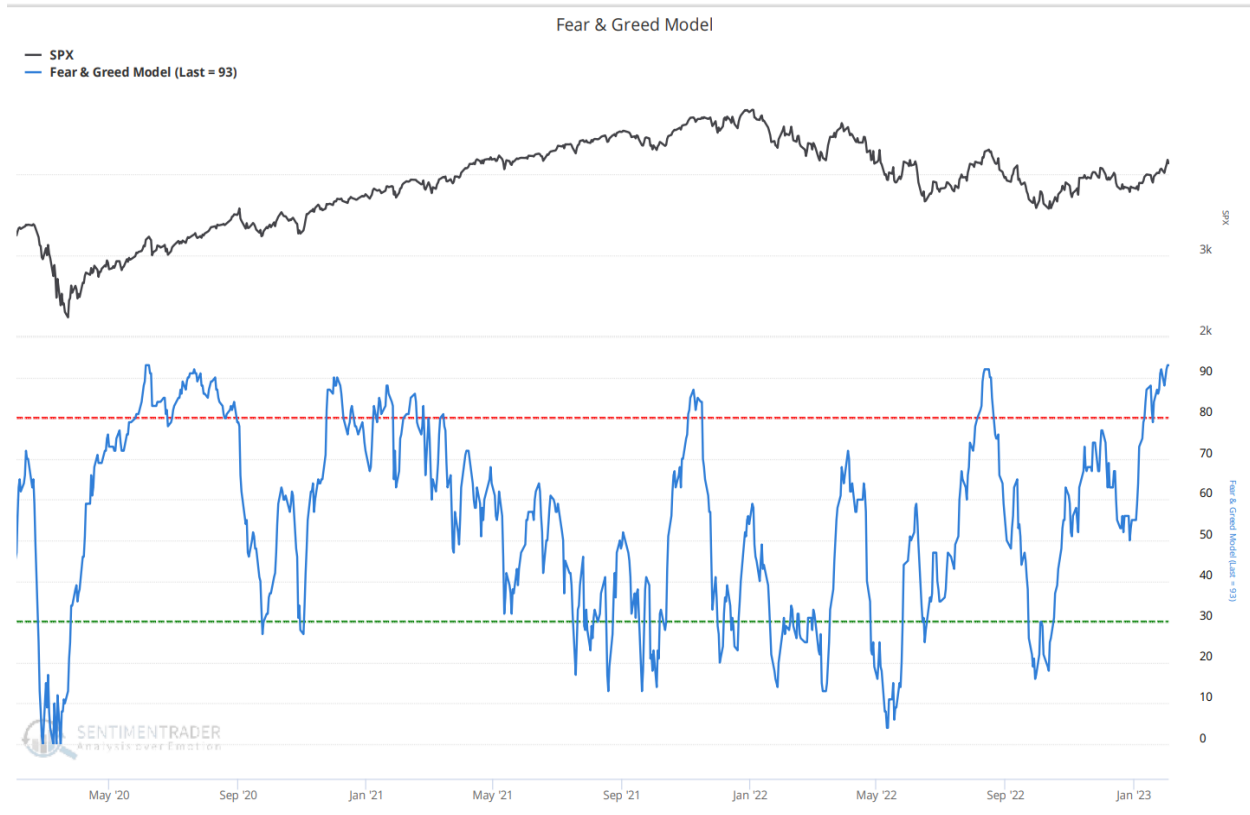
It is time to tighten stops and consider hedges.

This version is provided courtesy of *SentimenTrader.com*, and their model is more refined than the *CNN* model.

The model measures inputs such as price trends, volatility, options trading, and bond trading to determine prevailing investor sentiment.

SentimenTrader's version makes adjustments to the put/call ratio and junk bond holdings in the model to better reflect what they think are more accurate inputs into the model.

What matters is that the model is at extreme greed.



This is a warning sign.

My entire investment philosophy is built around the George Costanza Principle. George was the zany character on the show Seinfeld.

He's always getting into a jam. That's what makes the show funny.

Only when George realizes that the opposite of every instinct he has must be correct does his life turn around.

He approaches a beautiful woman at lunch. Instead of trying to impress her, he tells her he is unemployed and living with his parents!

He lands the girl.

He gets the job when he tells New York Yankees owner George Steinbrenner off.

I cover this topic in my book *Unbounded Wealth* (Chapter 5).

The masses are wrong most of the time. Most people get *below* average.

To be above average, we must do something *different* than the crowd.

The crowd is too greedy now. Let's be cautious.

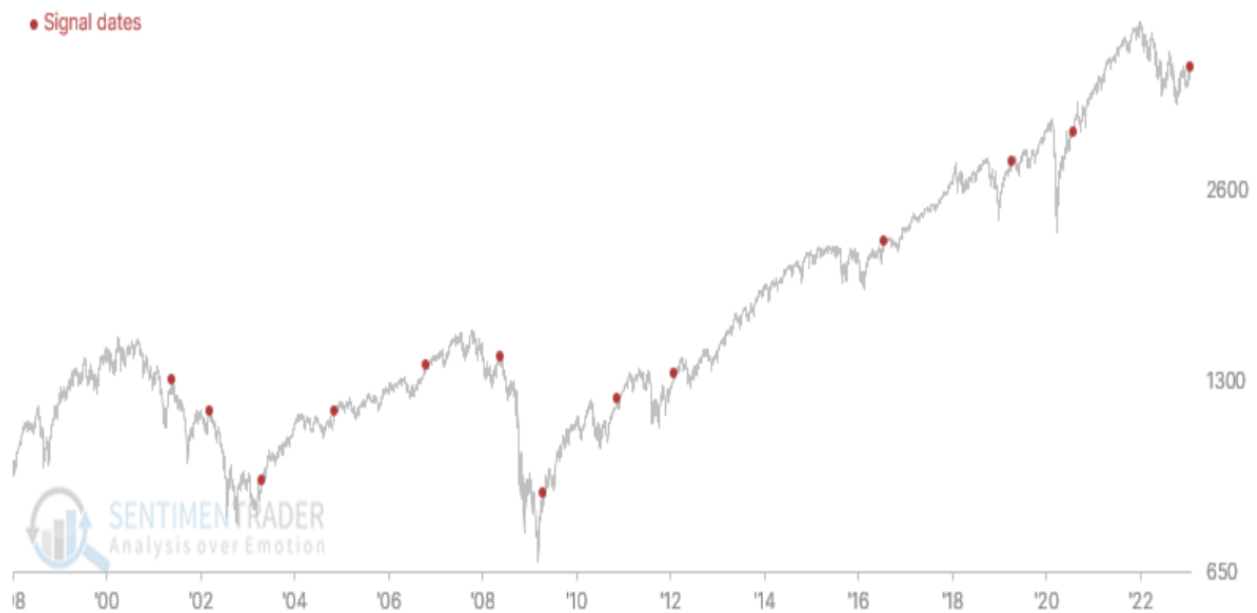
It's the "Dumb Money" crowd feeling giddy and greedy.

On the following chart, the red dots highlight periods of excessive optimism among the Dumb Money crowd versus the Smart Money crowd.

While there have been a couple of periods of strong momentum that carried the market higher despite overenthusiasm by the Dumb Money group (no one is wrong all of the time), most periods are characterized by falling or stalling markets.

We have now hit just the thirteenth signal this century.

S&P 500 after Smart/Dumb Money Confidence Spread cycles > 0.5 to < -0.5



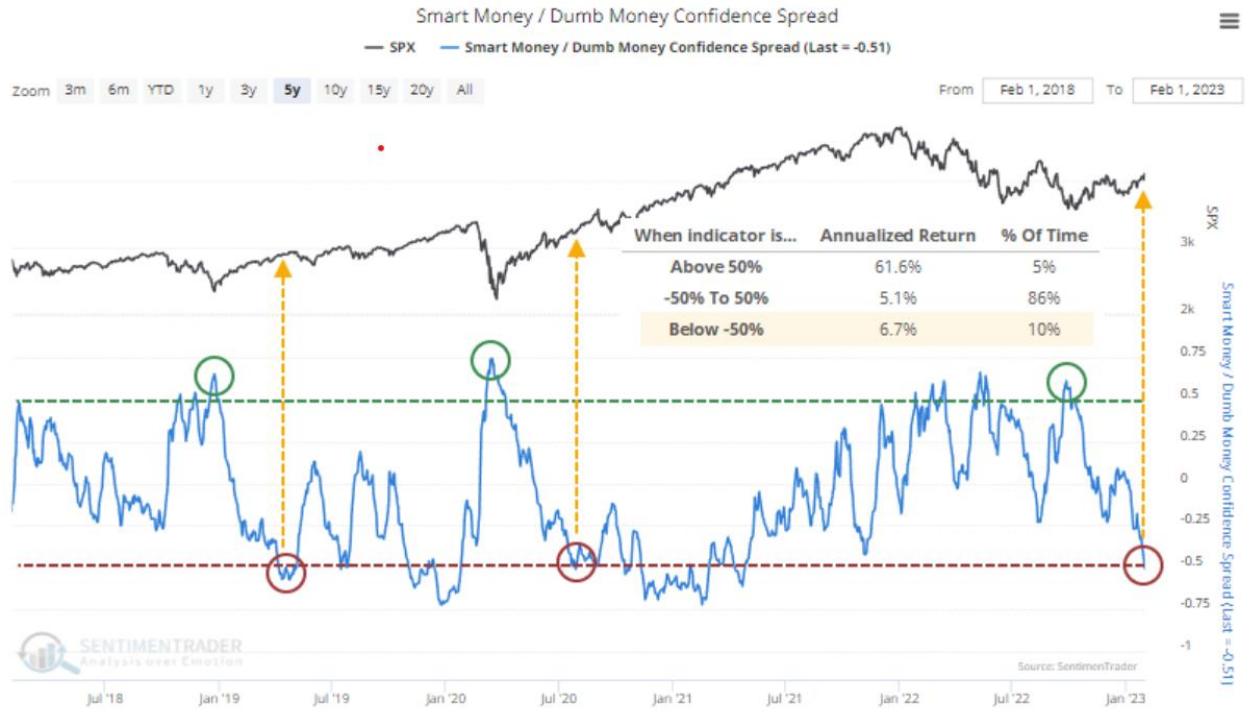
These extreme levels are reached about 10% of the time.

While the returns are positive, they are just 1/10th of the performance when reversed.

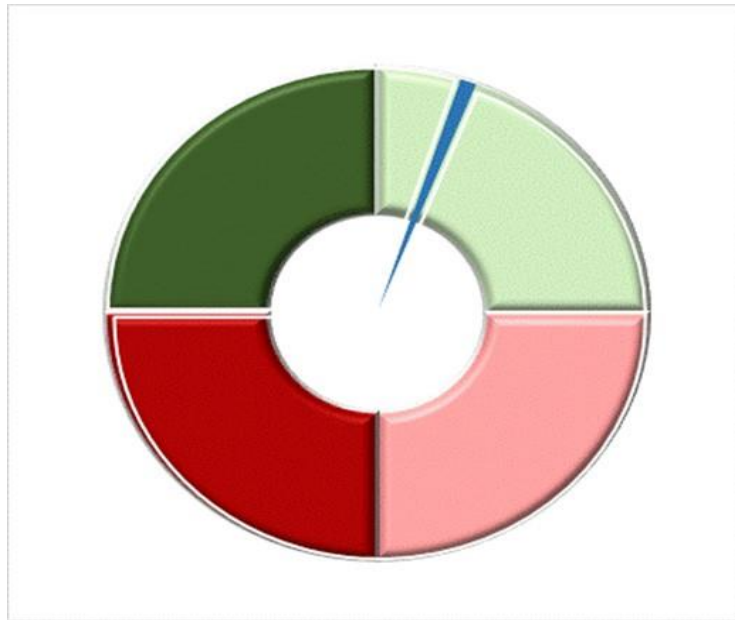
When Smart Money is bullish and Dumb Money is bearish, the annualized return is 61.7%.

Of course, this is a rare occurrence and something we see just 5% of the time.

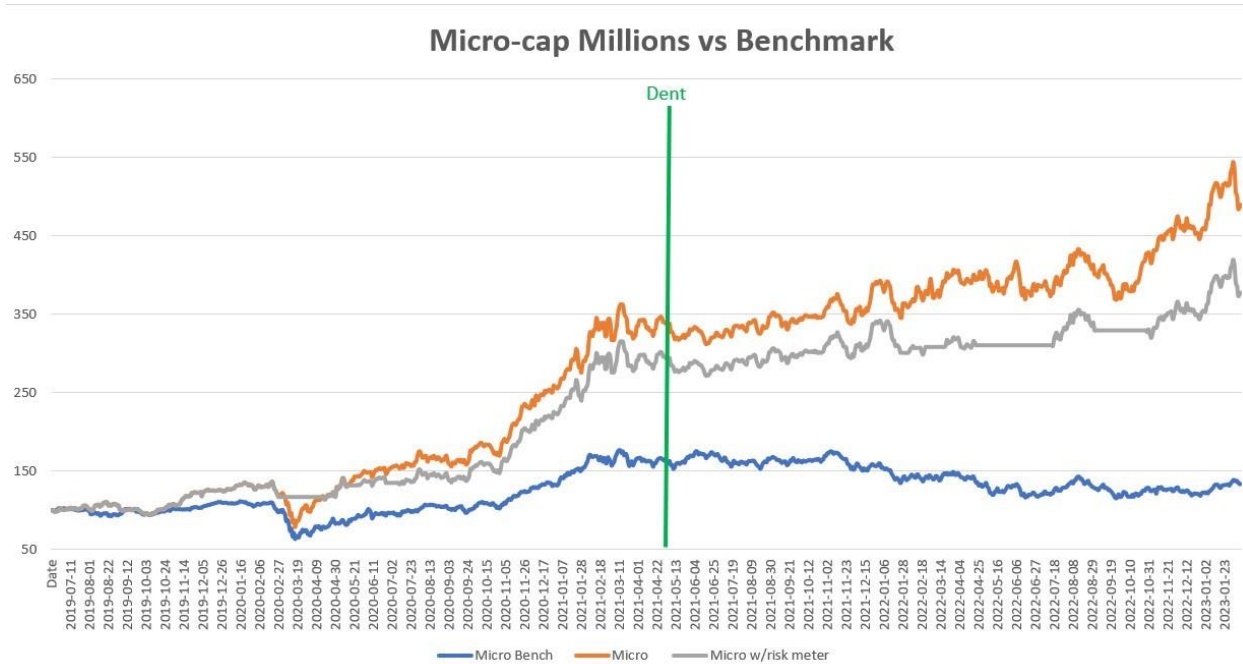
After a solid start for the year, the excessive reading of this indicator suggests that the market digesting the move, or a pullback, is highly probable.



Risk-O-Meter is still in the “green zone”...



Micro-Cap Millions



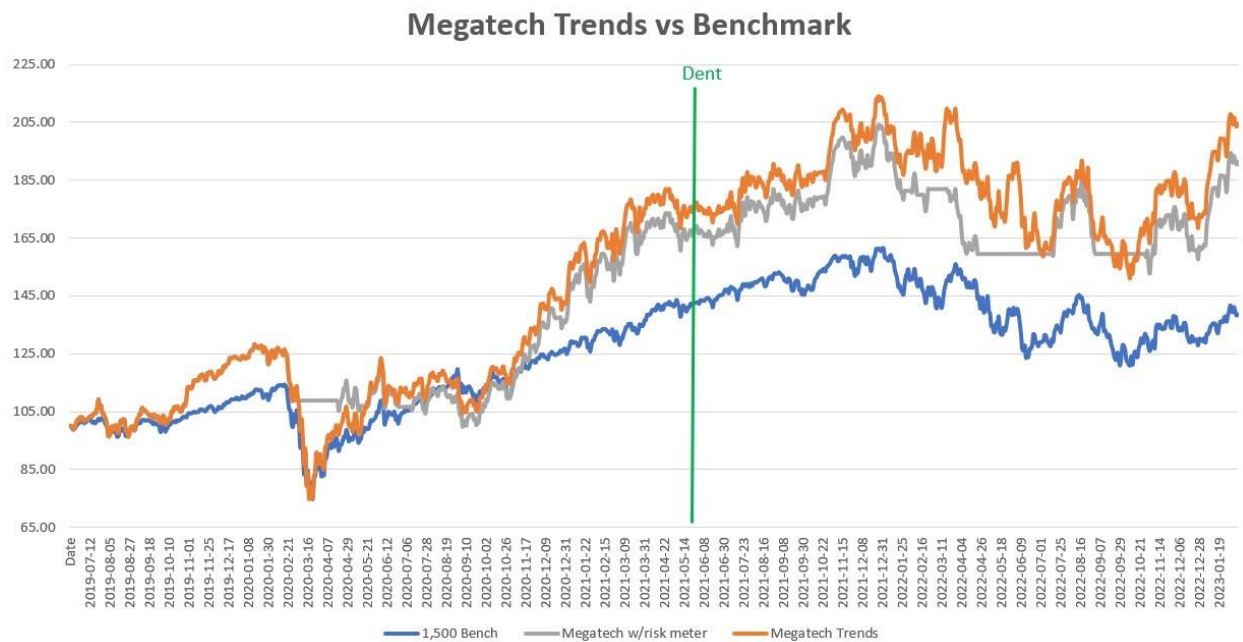
There are two trades this week.

Buy CSP, Inc. (Nasdaq: CSP) and EDAP TMS SA (Nasdaq: EDAP)

Sell Perion Network Ltd (Nasdaq: PERI) and Semler Scientific, Inc. (Nasdaq: SMLR)

| Ticker | Name | Return | Days Held | Sector |
|--------|----------------------------------|---------|-----------|------------|
| BELFB | Bel Fuse, Inc. | 45.08% | 171 | Technology |
| CSPI | CSP, Inc. | 0.00% | new | Technology |
| DPSI | DecisionPoint Systems, Inc. | -19.08% | 31 | Technology |
| EDAP | EDAP TMS SA | 0.00% | new | Healthcare |
| HCKT | The Hackett Group, Inc. | 5.55% | 325 | Technology |
| IRMD | IRadimed Corp. | 19.36% | 94 | Healthcare |
| IVAC | Intevac, Inc. | 40.42% | 94 | Technology |
| KMDA | Kamada Ltd. | 10.54% | 52 | Healthcare |
| KNSA | Kiniksa Pharmaceuticals Ltd. | -0.25% | 94 | Healthcare |
| TCMD | Tactile Systems Technology, Inc. | 40.68% | 87 | Healthcare |

Mega-Tech Trends



There are two trades this week.

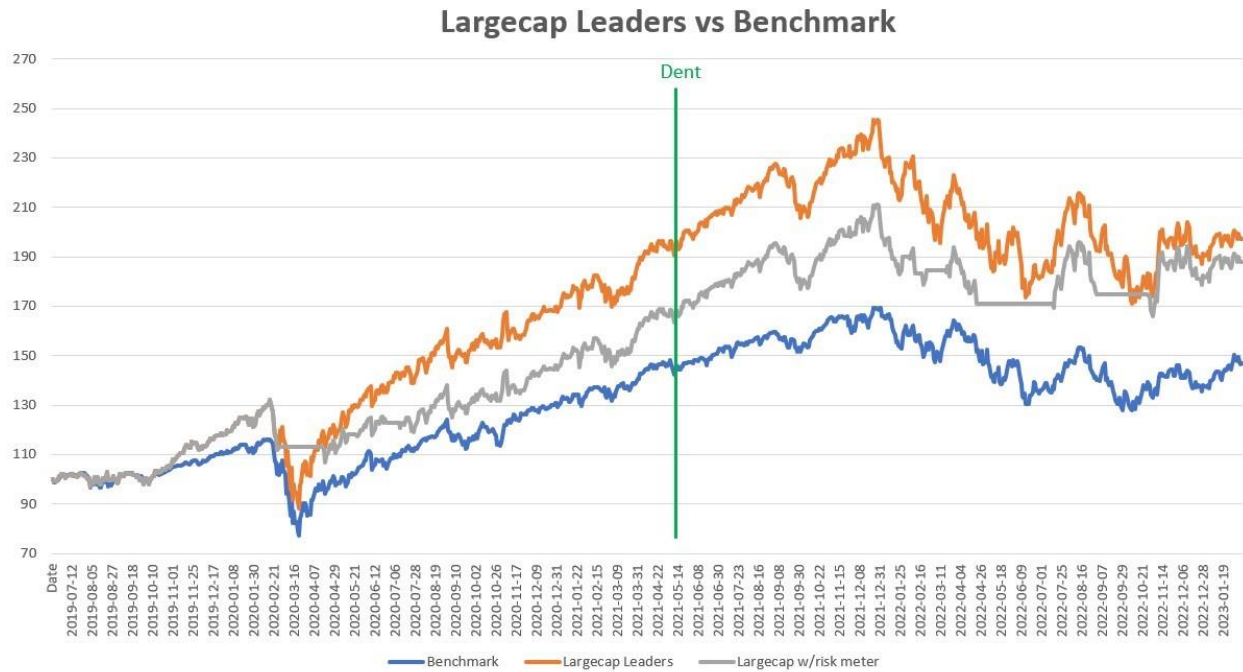
Buy Cars.com, Inc. (NYSE: CARS) and Fabrinet (NYSE: FN)

Sell TTM Technologies, Inc. (Nasdaq: TTMI) and LiveRamp (NYSE: RAMP)

Here is the current portfolio:

| Ticker | Name | Return | Days Held | Sector |
|--------|---------------------------------|--------|-----------|--------------------|
| ACLS | Axcelis Technologies, Inc. | 52.78% | 52 | Technology |
| ANIP | ANI Pharmaceuticals, Inc. | 2.11% | 10 | Healthcare |
| BDC | Belden, Inc. | 17.51% | 94 | Technology |
| CARS | Cars.com, Inc. | 0.00% | new | Technology |
| CRUS | Cirrus Logic, Inc. | 2.54% | 3 | Technology |
| CSGS | CSG Systems International, Inc. | -2.21% | 3 | Telecommunications |
| FN | Fabrinet | 0.00% | new | Technology |
| SMCI | Super Micro Computer, Inc. | 17.09% | 10 | Technology |
| UEIC | Universal Electronics, Inc. | 8.99% | 17 | Technology |
| VIAV | Viavi Solutions, Inc. | -3.60% | 3 | Technology |

Large Cap Leaders



There is one new trade this week.

Buy Paycom Software, Inc. (NYSE: PAYC)

Sell Zimmer (NYSE: ZBH)

Here is the current portfolio:

| Ticker | Name | Return | Days Held | Sector |
|--------|--------------------------------|--------|-----------|------------|
| ADI | Analog Devices, Inc. | 4.50% | 10 | Technology |
| CSCO | Cisco Systems, Inc. | -5.98% | 66 | Technology |
| EPAM | EPAM Systems, Inc. | 1.45% | 87 | Technology |
| FDS | FactSet Research Systems, Inc. | 1.40% | 23 | Technology |
| KEYS | Keysight Technologies, Inc. | 3.34% | 73 | Technology |
| MSI | Motorola Solutions, Inc. | 0.28% | 3 | Technology |
| NOW | ServiceNow, Inc. | -1.89% | 3 | Technology |
| ORCL | Oracle Corp. | -0.69% | 17 | Technology |
| PAYC | Paycom Software, Inc. | 0.00% | new | Technology |
| SNPS | Synopsys, Inc. | 1.80% | 10 | Technology |

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