



Unprecedented

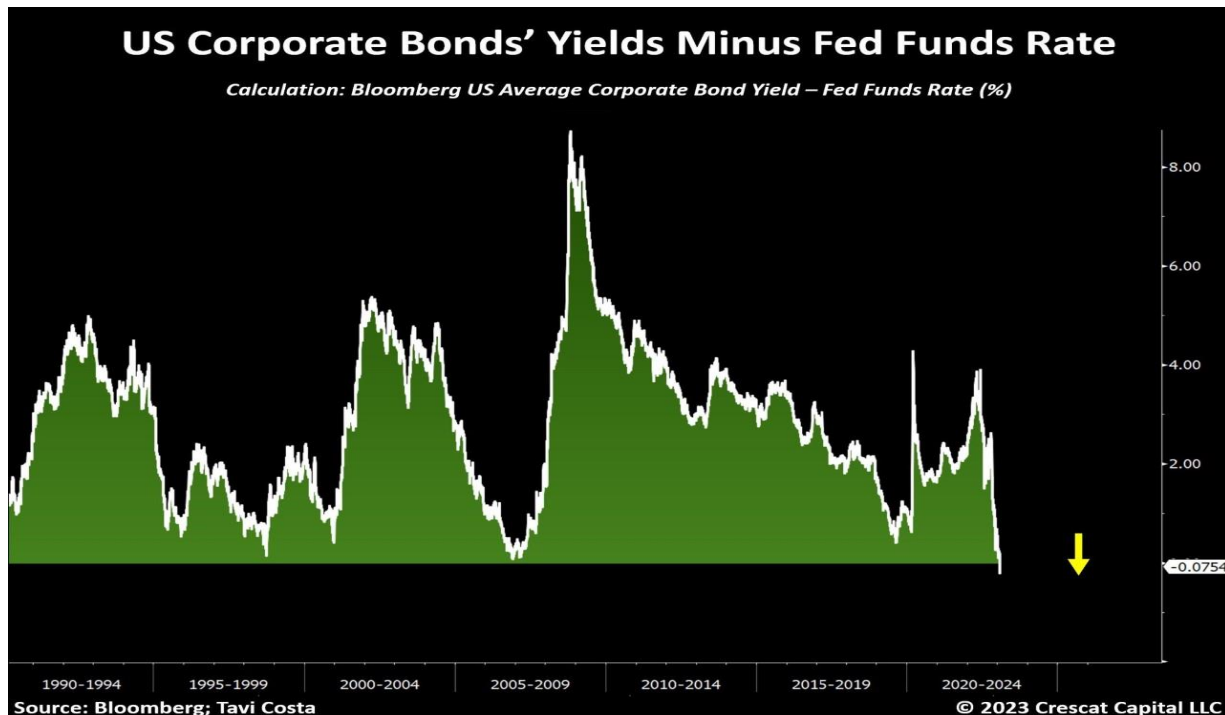
Rarely do we see anything new in financial markets.

While markets evolve, human nature does not. The same extremes occur over and over again.

Those extremes are driven by fear and greed.

Fear and greed are powerful emotions that cloud our better judgment.

However, there is something new that has developed in 2023. Check out this chart.



Corporate bonds are yielding *less* than the Fed Funds Rate.

About 7.5 basis points, to be exact.

That tells me we live in a Bizzaro Superman world where everything is upside down, and nothing makes sense.

Why would you earn less to take more risk than a risk-free short-term rate?

It's unprecedented.

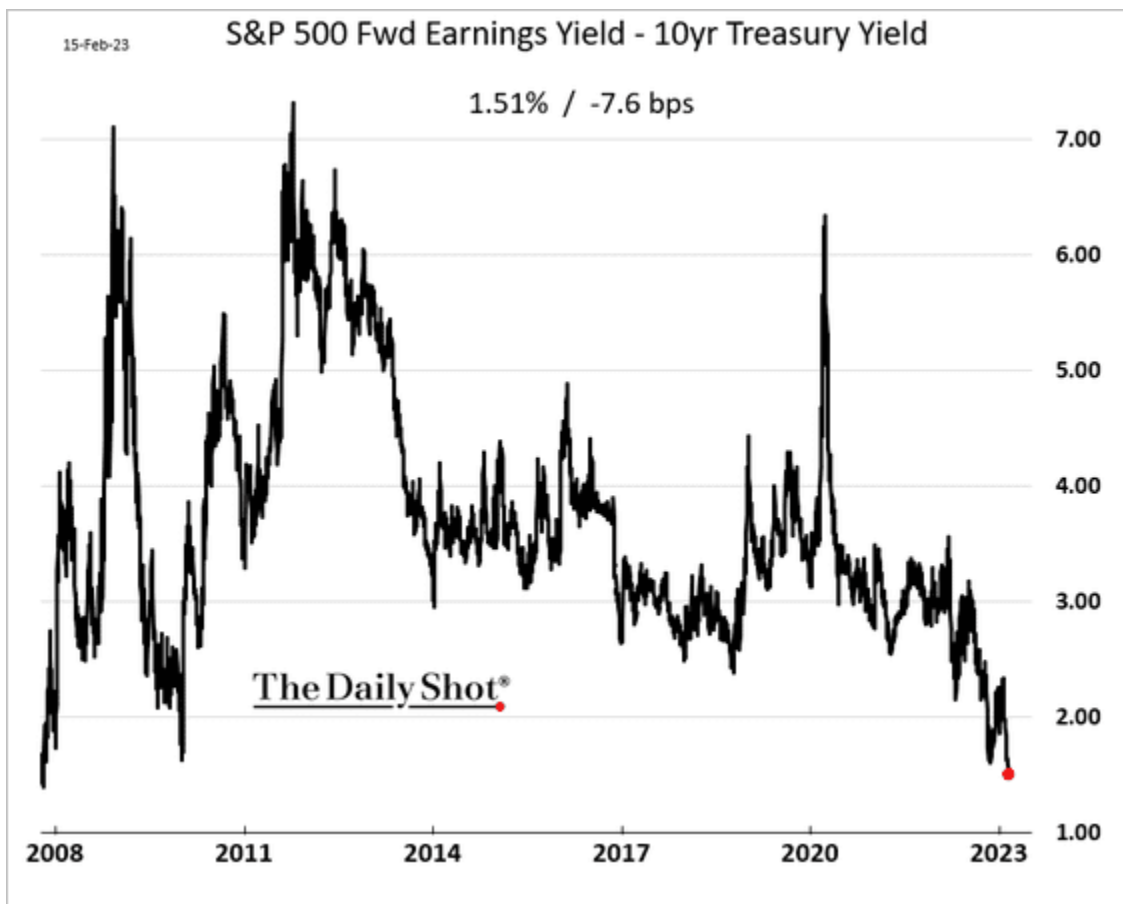
(When I say "unprecedented, I might be acting dramatically. I am confident I saw a chart with a more prolonged timeframe back to the 1920s, and the current situation is unusual. However, I cannot locate that chart, and it's possible I saw it in my dreams!).

While the recent run-up in stocks in 2023 could have signaled the end of the bear market, I am doubtful because of this chart.

Markets do not bottom when spreads are this tight.

Markets bottom after spreads have blown out.

Spreads are far from having blown out. Take a look at this chart below.



The chart shows the forward earnings yield on the S&P 500 minus the 10-year Treasury Yield.

We are right back to where we were in 2008.

We all know how that horror movie ended.

Lots of blood and guts.

Also, 2011 had a significant market scare, and this relationship was signaling trouble about six months ahead of time.

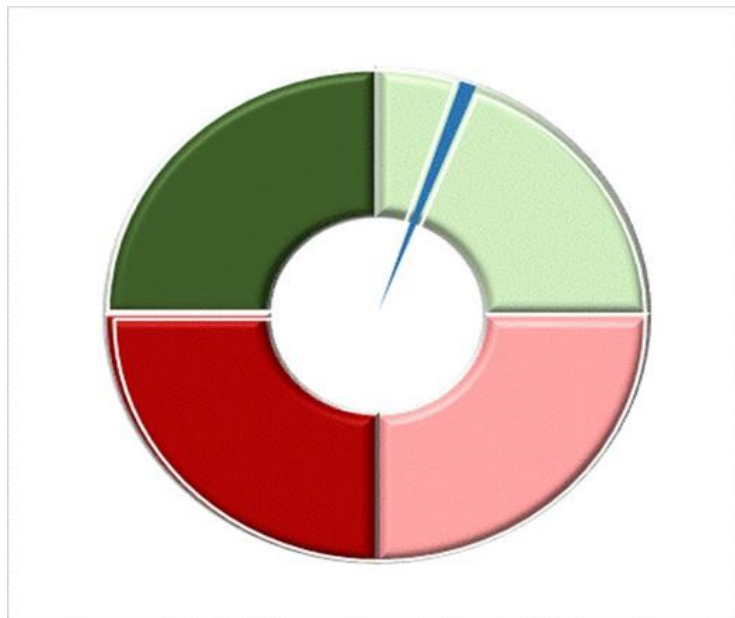
Right now, you're taking a lot of relative risks owning aggressive risk assets.

It might work out, or...

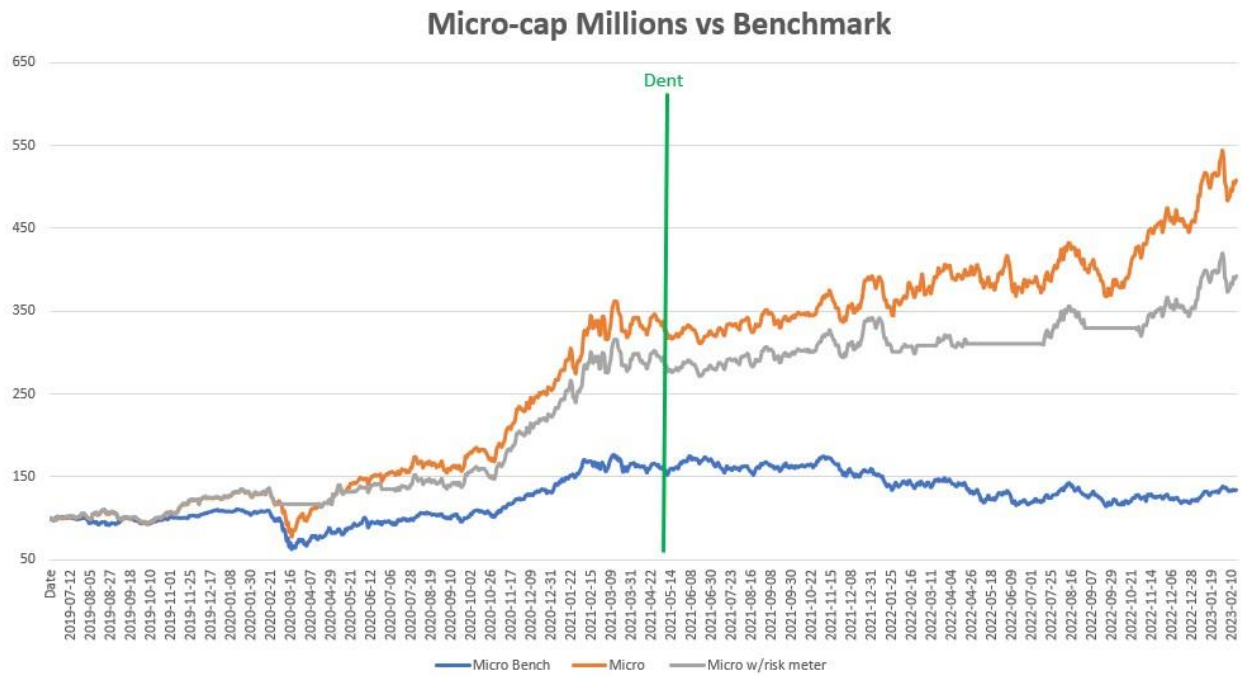
The *Risk-O-Meter* is still in the “green zone”...

I am still sitting on my hands. The market in risk assets is too overbought for my tastes. In addition, the reality is setting in that rates are going much higher than the consensus view coming into 2023.

That means a better opportunity to add to my taxable account holdings down the road.



Micro-Cap Millions



There is one new trade this week.

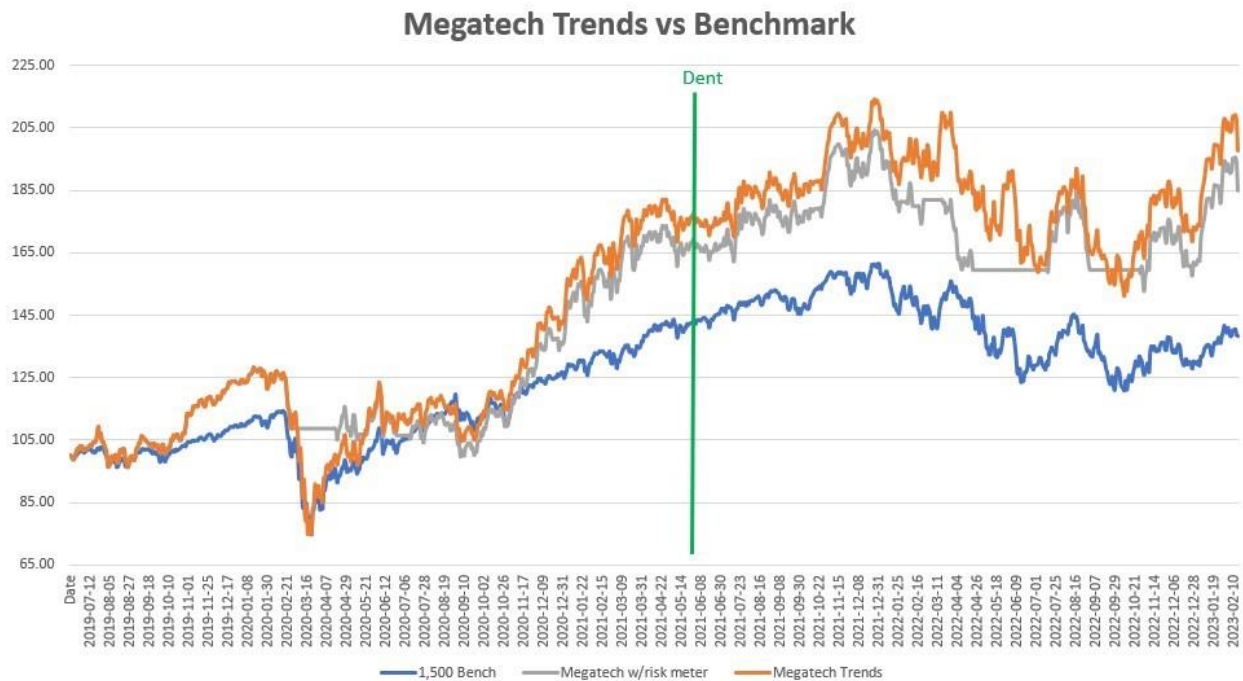
Buy Magic Software Enterprises, Inc. (Nasdaq: MGIC)

Sell CSP, Inc. (Nasdaq: CSPI)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
BELFB	Bel Fuse, Inc.	43.27%	178	Technology
DPSI	DecisionPoint Systems, Inc.	-15.73%	38	Technology
EDAP	EDAP TMS SA	4.67%	6	Healthcare
HCKT	The Hackett Group, Inc.	2.59%	332	Technology
IRMD	IRadimed Corp.	32.55%	101	Healthcare
IVAC	Intevac, Inc.	43.15%	101	Technology
KMDA	Kamada Ltd.	9.25%	59	Healthcare
KNSA	Kiniksa Pharmaceuticals Ltd.	-2.27%	101	Healthcare
MGIC	Magic Software Enterprises Ltd.	0.00%	new	Technology
TCMD	Tactile Systems Technology, Inc.	56.36%	94	Healthcare

Mega-Tech Trends



There is one trade this week.

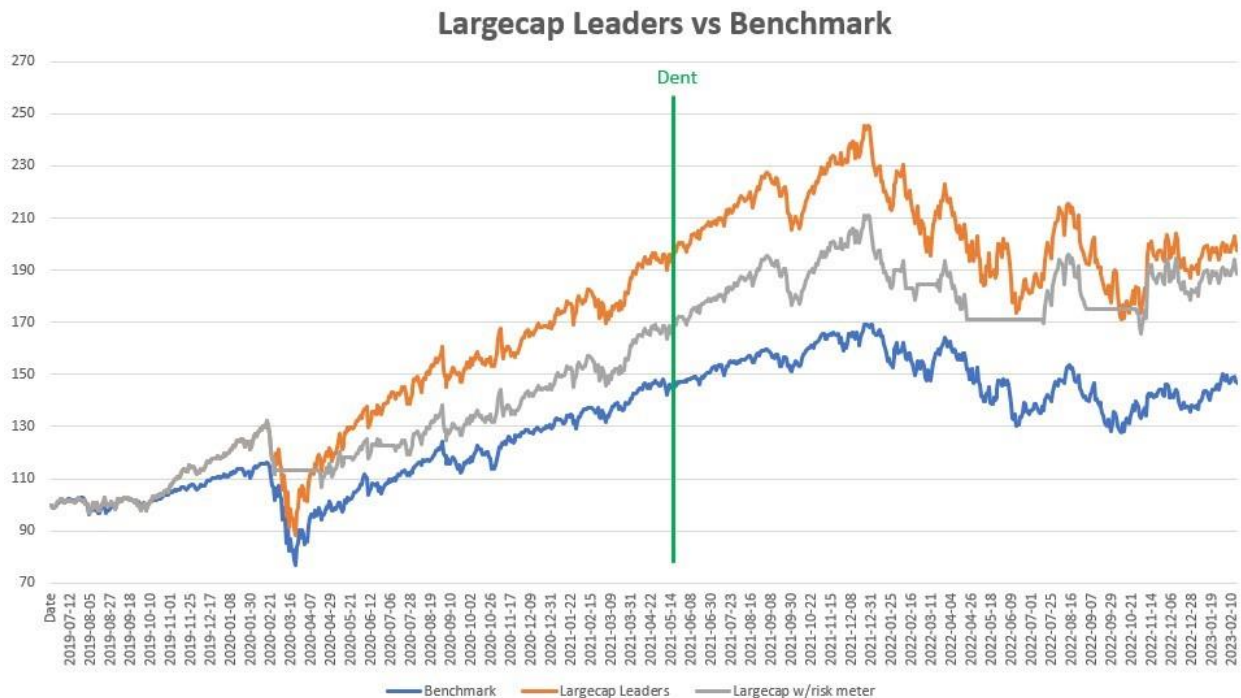
Buy Teradata Corp. (NYSE: TDC)

Sell Super Micro Computer, Inc. (Nasdaq: SMCI)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ACLS	Axcelis Technologies, Inc.	56.33%	59	Technology
ANIP	ANI Pharmaceuticals, Inc.	-1.81%	17	Healthcare
BDC	Belden, Inc.	19.72%	101	Technology
CARS	Cars.com, Inc.	5.79%	6	Technology
CRUS	Cirrus Logic, Inc.	2.33%	10	Technology
CSGS	CSG Systems International, Inc.	-2.79%	10	Telecommunications
FN	Fabrinet	0.90%	6	Technology
TDC	Teradata Corp.	0.00%	new	Technology
UEIC	Universal Electronics, Inc.	9.30%	24	Technology
VIAB	Viavi Solutions, Inc.	-4.37%	10	Technology

Large Cap Leaders



There are two new trades this week.

Buy Adobe, Inc. (Nasdaq: ADBE) and Fortinet, Inc. (Nasdaq: FTNT)

Sell EPAM Systems, Inc. (NYSE: EPAM) and Synopsis, Inc. (Nasdaq: SNPS)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ADBE	Adobe, Inc.	0.00%	new	Technology
ADI	Analog Devices, Inc.	13.46%	17	Technology
CSCO	Cisco Systems, Inc.	2.60%	73	Technology
FDS	FactSet Research Systems, Inc.	1.38%	30	Technology
FTNT	Fortinet, Inc.	0.00%	new	Technology
KEYS	Keysight Technologies, Inc.	5.86%	80	Technology
MSI	Motorola Solutions, Inc.	4.26%	10	Technology
NOW	ServiceNow, Inc.	-3.92%	10	Technology
ORCL	Oracle Corp.	0.54%	24	Technology
PAYC	Paycom Software, Inc.	-4.66%	6	Technology

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