



If it Walks Like a Bear Market Rally

and talks like a bear market rally, it's likely a bear market rally.

The stock rally in 2023 has been epic.

But is it about to run out of steam?

After the fact, we will know if this is a new bull market or a typical bear market rally.

However, as the chart below shows, by last fall, only some stocks in the S&P 500 were above their 200-day moving average.

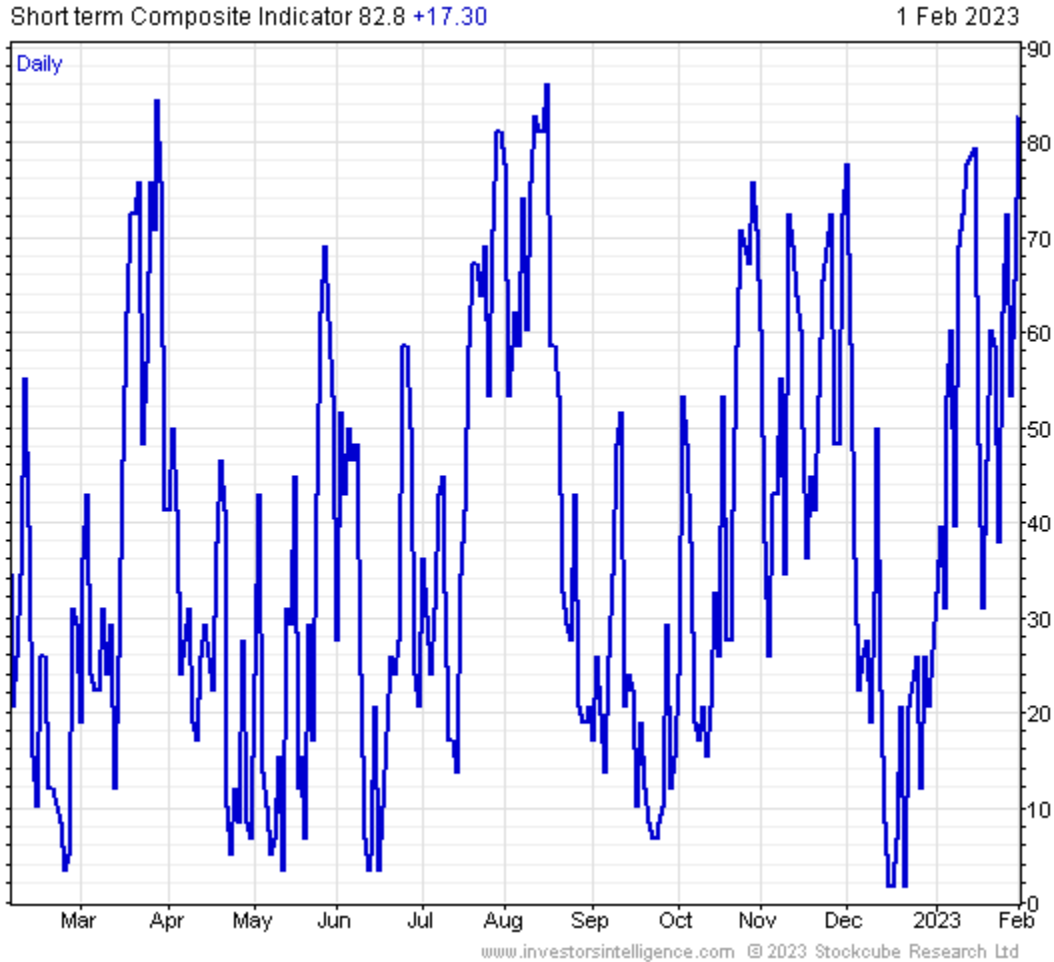
Like a rubber band stretched too far, these stocks snapped back quickly.

Today, that number is 75%.



Now the market is overextended.

One of my favorite indicators is the *Short-Term Composite*, courtesy of Stockcube Research, Ltd. This is a composite of nearly three dozen short-term and intermediate-term technical indicators.



From a low of 1.7 during the last oversold period, the indicator has shot up to 82.8.

Rarely does it go higher.

Between now and the next time the indicator is deeply oversold (below 10 or most likely below 5), a lot of damage may be done.

After all, many stocks rallying the hardest in 2023 have some of the lowest quality.

Another indicator to keep an eye on is the performance of the Ark Innovation ETF (NYSE: ARKK). This exchange traded fund once held \$30 billion in assets after a strong performance run for many years. All of that out-performance was wiped out in a few months last year.

More importantly, institutions were making a big bet against the portfolio in ARKK in 2022. It became such a crowded trade that the cost of financing the position was over

7% annualized. That's pricey action in the short-seller world for big, liquid stocks, which is what ARKK holds.

The trade worked out very well in 2022. However, with the surge in ARKK's holdings in 2023, that trade's profit has been wiped out.

The snapback performance in ARKK's holdings is indicative of a bear market rally.

For two reasons.

First, these stocks were crushed in 2022. It's only natural that they would rebound the hardest when pressed to the floor at the end of the year.

Second, rarely are the leaders of one bull market the leaders of the next bull market.

New leadership emerges.

However, these stocks are the old guard of the last cycle.

New leadership needs to come from somewhere else. Preferably, this leadership will be from a sector that has been beaten down for a decade.

Another reason I am wary of calling a new bull market is the old axiom, "don't fight the Fed."

The market is convinced rate increases will stop.

Not only stop but reverse.

However, until that happens, it's just a guess. ***After*** rate increases stop and ***if*** rates reverse course, there will be plenty of time to ride a new trend.

The last reason is simple.

Short covering.

Here's a research blip I received on Friday, February 3rd (referring to the previous day's action).

GS prime broker desk: yesterday's short covering was the largest since Nov 2015 (exceeding Jan 2021) and ranks in the 99.8th percentile vs. the past 10 years. US and Euro equities made up 61% and 38% of the notional short covering, respectively.

That's short-sellers capitulating after a massive run-up in the most over-valued, sexiest stocks.

The substantial short covering indicates the end of the recent move-up in glossy stocks.

The *Risk-O-Meter* remains in the "green zone." It's been a fantastic start to the year.

Now is not the time to get complacent.

I have not bought in my taxable account since the last time the market was deeply oversold in early January.

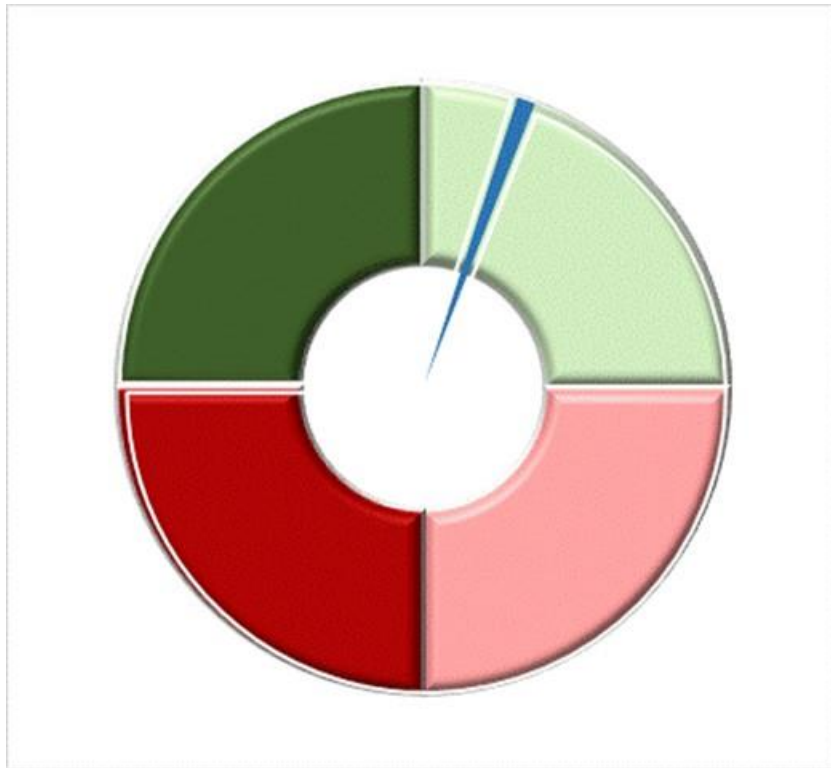
As I have noted in past newsletters, intermediate-term bottoms are much easier to see develop because there's only so much selling that can occur. Folks get wiped out or have to raise cash for margin calls, and the process runs its course.

Overbought markets can remain overbought for a while. The buying can go on and on. Then the market gets spooked, and the overbought condition is resolved.

Preferably, this would repeatedly happen in a bull market. If the overall trend is up, and you're buying when the risk is reduced, and the market is oversold, it's a comfortable ride.

However, for the reasons noted above, I am wary that this is a new bull market emerging.

It's much better to tighten stops and consider hedges after the colossal run than pop champagne bottles.







Investable Risk-O-Meter

The Investable Risk-O-Meter is in full-on "risk on" mode. Given the changes I made recently to the Model, when all of the factors are in "risk on" mode, they will trade the same ETF.

This leads to greater short-term volatility and higher returns over time. Ultimately, the overall risk is about the same as the prior Model.

Higher returns at the same level of risk is a bet worth taking.

Component	Position	Position Size	Risk ON or OFF	
Market Trend	MDY	25.0%	RISK ON	
Sentiment	MDY	25.0%	RISK ON	
Volatility	MDY	25.0%	RISK ON	
Credit Risk	MDY	25.0%	RISK ON	

Year-to-date, the portfolio is up 6.33% compared to 7.8% and 6.5% for the S&P 500 and the 60/40 Global Benchmark, respectively.

Since inception, the portfolio is down 0.33% compared to -11.71% and -10.43% for the S&P 500 and the 60/40 Global Benchmark, respectively.

50X Fortunes

I renamed the levered ETF model I introduced a few weeks ago "50X Fortunes".

I aim to run this account up to 50X in 10-12 years. If I succeed, that would be a fortune.

Put two and two together, and that's what you get.

The strategy is again in "risk on" mode, meaning that my volatility indicator is bullish on the market.

The position to hold remains the same, **the Direxion Daily Semiconductor Bull 3X Shares (NYSE: SOXL)**.

*Of all the positions that could end up being traded, **SOXL** is by far the most volatile.*

Even though the trade was held only part of the month, the portfolio is up 29.6%.

Expect a wild ride over the next month.

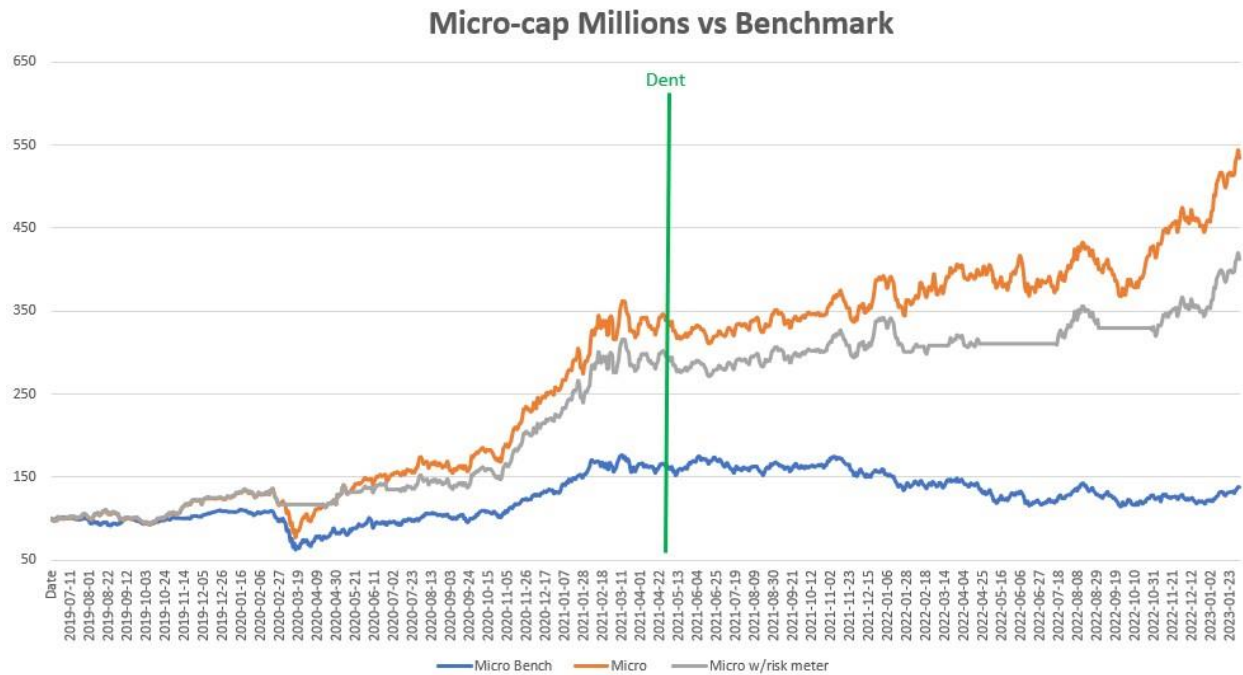
While the market is overbought, it makes no sense to override the system.

If that's the case, you don't have a system, to begin with.

Again, keep the position manageable such that winning doesn't make you excited and losing does not make you upset.

Just go with the flow...

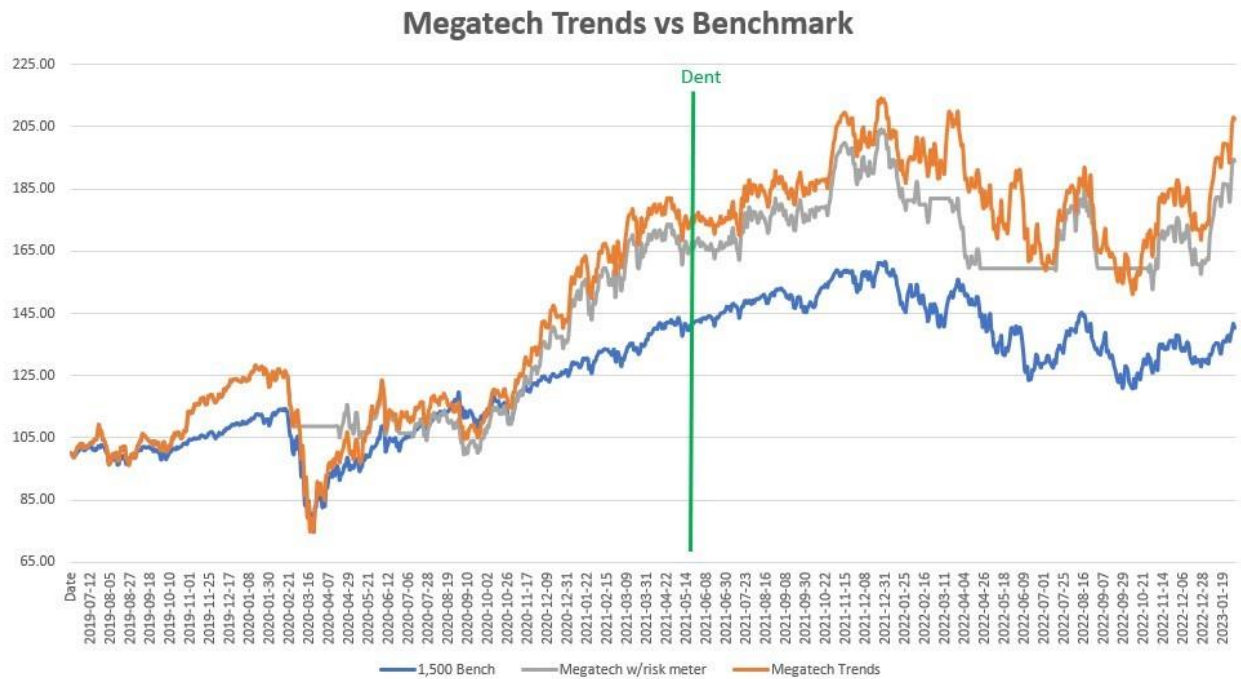
Micro-Cap Millions



No trades again this week. The equity curve hit new highs again. No new trades might frustrate new subscribers who want "action." But a system is a system. This week, there have been some significant gains in positions such as BELFB, IRMD, and KMDA. So if you're in the portfolio stocks or have been averaging into positions, you should be doing well without new trades.

Ticker	Name	Return	Days Held	Sector
BELFB	Bel Fuse, Inc.	40.45%	165	Technology
DPSI	DecisionPoint Systems, Inc.	-8.97%	25	Technology
HCKT	The Hackett Group, Inc.	6.40%	319	Technology
IRMD	IRadimed Corp.	43.81%	88	Healthcare
IVAC	Intevac, Inc.	33.19%	88	Technology
KMDA	Kamada Ltd.	20.57%	46	Healthcare
KNSA	Kiniksa Pharmaceuticals Ltd.	1.48%	88	Healthcare
PERI	Perion Network Ltd.	91.80%	200	Technology
SMLR	Semler Scientific, Inc.	31.52%	88	Healthcare
TCMD	Tactile Systems Technology, Inc.	48.07%	81	Healthcare

Mega-Tech Trends



Three new trades this week.

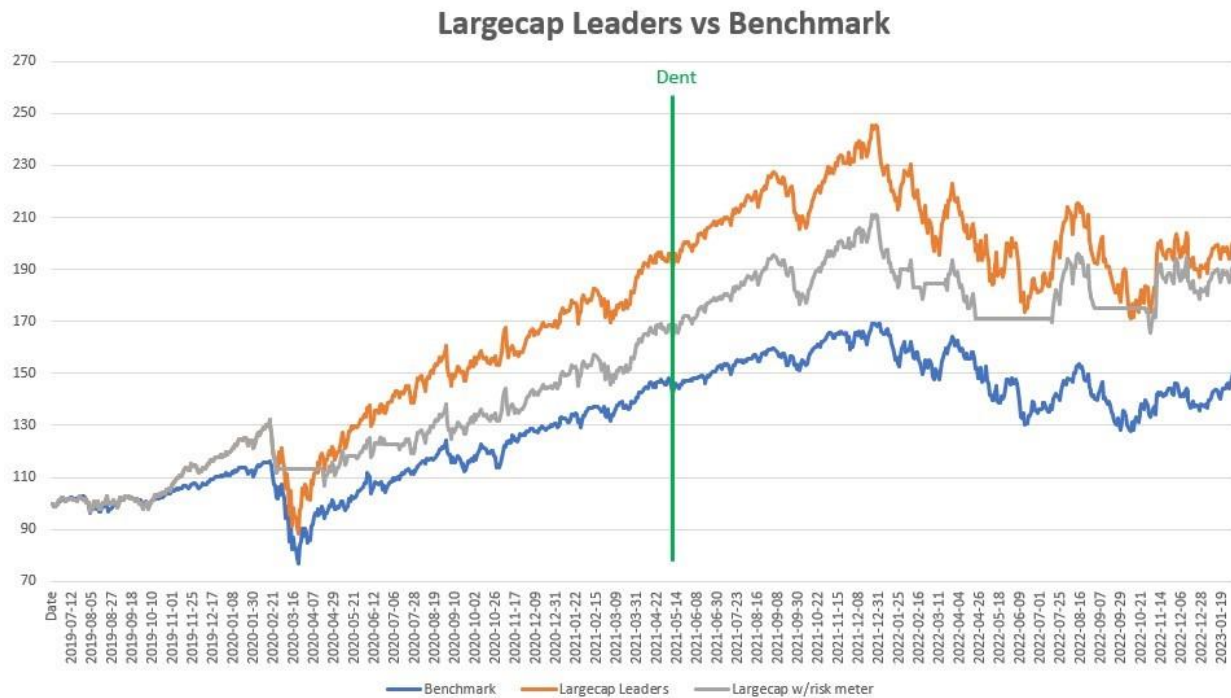
Buy Cirrus Logic, Inc. (Nasdaq: CRUS), CSG Systems Intl, Inc. (Nasdaq: CSGS), and Viavi Solutions, Inc. (Nasdaq: VIAV)

Sell Benchmark Electronics, Inc. (NYSE: BHE), Phototronics, Inc. (Nasdaq: PLAB), Jazz Pharma Plc (Nasdaq: JAZZ)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ACLS	Axcelis Technologies, Inc.	44.96%		Technology
ANIP	ANI Pharmaceuticals, Inc.	2.43%		Healthcare
BDC	Belden, Inc.	12.63%		Technology
CRUS	Cirrus Logic, Inc.	0.00%	NEW	Technology
CSGS	CSG Systems International, Inc.	0.00%	NEW	Telecommunications
RAMP	LiveRamp Holdings, Inc.	19.71%		Technology
SMCI	Super Micro Computer, Inc.	13.51%		Technology
TTMI	TTM Technologies, Inc.	4.93%		Technology
UEIC	Universal Electronics, Inc.	13.05%		Technology
VIAV	Viavi Solutions, Inc.	0.00%	NEW	Technology

Large Cap Leaders



There are two new trades this week.

Buy Motorola Solutions, Inc. (NYSE: MSI) and ServiceNow, Inc. (NYSE: NOW)

Sell Merck & Co, Inc. (NYSE: MRK), and Becton, Dickinson & Co. (NYSE: BDX)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ADI	Analog Devices, Inc.	4.68%	4	Technology
CSCO	Cisco Systems, Inc.	-2.15%	60	Technology
EPAM	EPAM Systems, Inc.	4.34%	81	Technology
FDS	FactSet Research Systems, Inc.	1.47%	17	Technology
KEYS	Keysight Technologies, Inc.	2.71%	67	Technology
MSI	Motorola Solutions, Inc.	0.00%	NEW	Technology
NOW	ServiceNow, Inc.	0.00%	NEW	Technology
ORCL	Oracle Corp.	2.72%	11	Technology
SNPS	Synopsys, Inc.	1.17%	4	Technology
ZBH	Zimmer Biomet Holdings, Inc.	2.84%	4	Healthcare

The Forensic Accounting Stock Tracker™ (FAST)

Below are the top and bottom 50 stocks in the FAST Model for **February 2023**. The Model is updated monthly.

How to Use FAST™

There are several ways to use FAST™ in your investing process.

Among them:

- Individual stock selection -- FAST™ can help you analyze individual stocks and narrow your investment opportunities to the highest earnings quality equities.
- Options Trades – FAST™ is built around identifying companies with the highest opportunities or risks to generate earnings results that exceed or fall short of investor expectations. Stocks tend to have more volatility around earnings releases. Using options on high/low-ranked FAST stocks may improve returns or hedging opportunities by betting on stocks that may exceed or fall short of analysts' and investors' expectations.
- Building an Entire Portfolio – While FAST™ ranks stocks in order of earnings quality, there may ultimately be little difference between the #1 and #22 ranked stock, for example. Buying an entire basket of the top 25 or 50 stocks may provide a diversified portfolio with similar underlying characteristics: strong earnings quality, reasonable valuations, and expectations that could lead to upward revisions in the coming quarters.

The bottom 50 stocks are ranked by their actual rank (1447-1496) instead of 1-50 because the 50th stock was the lowest-ranked stock in the Model, but some subscribers needed clarification with the 1-50 rank.

As I noted at the time of last month's FAST Model, the market was deeply oversold at the start of the year.

Now the opposite is true.

From here, it makes sense to be more cautious about the long ideas and give more consideration to the short ideas in the Model. I have highlighted a couple of stocks below.

Interesting Long Ideas

Curtis-Wright Corp. (NYSE: CW) – The stock just bounced off support on high volume. Up/down volume is now 1.1, with buyers taking control. Relative strength is turning up, and the stock just broke above a key moving average.

S&P Global, Inc. (NYSE: SPGI) – Watch for a break above \$395. Relative strength ready to turn higher. Up/down volume ratio 1.2.

Interesting Short Ideas

Again, with the market being overbought compared with last month, short positions and hedges are more interesting than long positions.

Cinemark Holdings, Inc. (NYSE: CNK) – Stock has rallied about 50% on only average volume. Cinemark touched the 200-day moving average and sold off slightly from that day's high. Relative strength is low. The stock is massively overbought and due for a pullback.

Irobot Corp. (Nasdaq: IRBT) – Showed no strength in a solid market to start 2023. The up/down volume is 0.5, and sellers are in control. The stock is in a defined downtrend. Any weak bounce would be a good spot to short.



Forensic Accounting Stock Tracker
“CSI For Your Stock Portfolio”



Rank	Rank Change	Ticker	Stock Name	Overall Rank	Buybacks	Earnings Quality	Momentum	Sentiment
Column1	Column2	Column3	Column4	Column5	Column6	Column7	Column8	Column9
1	0	ORLY	O'Reilly Automotive, Inc.	A+	B+	A	A+	A+
2	1	AZO	AutoZone, Inc.	A+	A	A+	A+	B
3	2	MCK	McKesson Corp.	A+	B+	B	A+	A
4	4	SAIC	Science Applications International Corp.	A+	B	A+	A-	B+
5	5	ACM	AECOM	A+	B	B	A	A+
6	11	CTAS	Cintas Corp.	A+	B-	A	B+	A
7	0	LHX	L3Harris Technologies, Inc.	A+	B	A	B	A-
8	7	CW	Curtiss-Wright Corp.	A+	B	B-	A	A
9	42	AMGN	Amgen, Inc.	A+	B+	A	B+	B
10	-6	EXLS	ExlService Holdings, Inc.	A+	C+	A+	A	B+
11	-5	OFG	OFG Bancorp	A+	B+	B-	A	A
12	22	BDC	Belden, Inc.	A+	B	B	A-	A+
13	1	LOPE	Grand Canyon Education, Inc.	A+	A+	C	B	A+
14	113	LMT	Lockheed Martin Corp.	A+	A-	A-	A	C+
15	4	SCI	Service Corp. International	A+	A-	A-	A-	B-
16	14	GPC	Genuine Parts Co.	A+	C-	A	A+	A-
17	47	HCA	HCA Healthcare, Inc.	A+	A	B-	B	A
18	14	GD	General Dynamics Corp.	A+	B-	B	A+	A
19	35	TWNK	Hostess Brands, Inc.	A+	B-	B+	A	B+
20	4	NVT	nVent Electric plc	A+	C	B	A	A+
21	-10	EME	EMCOR Group, Inc.	A+	A	C	A	A-
22	45	CHE	Chemed Corp.	A+	B	B	B	A+
23	-10	HUBB	Hubbell, Inc.	A+	C	A+	A	B+
24	18	AON	Aon plc	A+	A-	C+	B+	A
25	-9	PWR	Quanta Services, Inc.	A+	D+	A+	A	A-
26	52	AFL	Aflac, Inc.	A+	B+	B-	A	B+
27	-4	MEDP	Medpace Holdings, Inc.	A+	A	B	B	B
28	-6	ULTA	Ulta Beauty, Inc.	A+	B	B	A-	B
29	10	MTD	Mettler-Toledo International, Inc.	A+	B-	A	B-	A+
30	7	ATEN	A10 Networks, Inc.	A+	A-	A+	A	D+
31	-5	MSI	Motorola Solutions, Inc.	A+	C+	B	A-	A
32	4	HSY	The Hershey Co.	A+	D+	A	A+	B+
33	-31	IT	Gartner, Inc.	A+	B	A-	A	C+
34	32	CSCO	Cisco Systems, Inc.	A+	B	A	C-	A+
35	5	GIS	General Mills, Inc.	A+	B-	A	A	C+
36	22	WAB	Westinghouse Air Brake Technologies Corp.	A+	B-	A-	B+	B+
37	53	VRSN	VeriSign, Inc.	A+	B	A	D+	A+
38	117	CSX	CSX Corp.	A+	B+	A	C	A-
39	2	CI	Cigna Corp.	A+	A-	D+	A+	A-
40	52	PG	Procter & Gamble Co.	A+	B-	B+	B	A
41	7	SPGI	S&P Global, Inc.	A+	A	A	D	A
42	43	PEP	PepsiCo, Inc.	A+	D+	A-	A	A
43	18	BJ	BJ's Wholesale Club Holdings, Inc.	A+	C+	A-	A-	B+
44	-9	CDNS	Cadence Design Systems, Inc.	A+	C	A+	B-	A+
45	70	A	Agilent Technologies, Inc.	A+	B-	A	C+	A+
46	31	FBP	First BanCorp (Puerto Rico)	A+	A	B+	B+	C
47	41	KBR	KBR, Inc.	A+	C+	A	A+	B-
48	-36	APOG	Apogee Enterprises, Inc.	A+	A	B-	B	B
49	109	MDLZ	Mondelez International, Inc.	A+	B-	B+	B	A-
50	47	DGX	Quest Diagnostics, Inc.	A+	A-	B+	B	B-



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Rank	Rank Change	Ticker	Stock Name	Overall Rank	Buybacks	Earnings Quality	Momentum	Sentiment
Column1	Column2	Column3	Column4	Column5	Column6	Column7	Column8	Column9
1449	19	TNDM	Tandem Diabetes Care, Inc.	F	D-	D-	D	D-
1450	23	TRIP	TripAdvisor, Inc.	F	D-	D+	F	D
1451	-255	UAL	United Airlines Holdings, Inc.	F	D	D-	D-	D-
1452	-57	LCII	LCI Industries	F	D	D-	D-	D-
1453	-23	GT	Goodyear Tire & Rubber Co.	F	D	D-	D-	D-
1454	-61	JWN	Nordstrom, Inc.	F	C-	D-	D-	F
1455	-8	LUMN	Lumen Technologies, Inc. (Louisiana)	F	C+	D-	D-	D-
1456	19	CTLT	Catalent, Inc.	F	D-	D-	F	D
1457	30	RGNX	REGENXBIO, Inc.	F	D-	D	D	D-
1458	0	WW	WW International, Inc.	F	D	D-	F	D
1459	-23	VIR	Vir Biotechnology, Inc.	F	D-	D+	D-	D-
1460	1	ITOS	iTeos Therapeutics, Inc.	F	D-	D-	D	D-
1461	-16	AAL	American Airlines Group, Inc.	F	D+	D-	D-	D-
1462	22	NLY	Annaly Capital Management, Inc.	F	F	D-	D+	D
1463	-49	MAC	Macerich Co.	F	D-	D-	D+	F
1464	0	LYV	Live Nation Entertainment, Inc.	F	D-	D-	D+	F
1465	-5	SAM	Boston Beer Co., Inc.	F	D-	D+	F	D-
1466	8	TWO	Two Harbors Investment Corp.	F	F	D+	D-	D-
1467	0	BDN	Brandywine Realty Trust	F	D-	D-	D-	D-
1468	-25	XNCR	Xencor, Inc.	F	D-	D	D-	D-
1469	-51	VSAT	ViaSat, Inc.	F	C-	D-	D-	F
1470	-30	PEB	Pebblebrook Hotel Trust	F	D	D-	D-	F
1471	-83	UNIT	Uniti Group, Inc.	F	D-	D-	D-	D-
1472	-24	ALGT	Allegiant Travel Co.	F	D	D	F	F
1473	-4	NCLH	Norwegian Cruise Line Holdings Ltd.	F	F	D-	D-	D+
1474	14	CRNC	Cerence, Inc.	F	D-	D+	F	D-
1475	-22	WBD	Warner Bros. Discovery, Inc.	F	D	D-	D-	D-
1476	-14	BFH	Bread Financial Holdings, Inc.	F	D	F	D-	D-
1477	-6	ZIMV	Zimvie, Inc.	F	D	D-	D	D-
1478	1	IRBT	iRobot Corp.	F	D-	D	D-	F
1479	3	TG	Tredegar Corp.	F	D	D-	D-	F
1480	-15	DEA	Easterly Government Properties, Inc.	F	F	D	D-	F
1481	-80	CNK	Cinemark Holdings, Inc.	F	D	D-	D-	F
1482	-5	WDC	Western Digital Corp.	F	D-	D	F	D-
1483	-3	ILPT	Industrial Logistics Properties Trust	F	D	D-	F	D-
1484	-51	CRSR	Corsair Gaming, Inc.	F	D-	D-	D-	D-
1485	1	KD	Kyndryl Holdings, Inc.	F	D	F	D-	D-
1486	-10	PARA	Paramount Global	F	D	D-	D-	D-
1487	-4	LPSN	LivePerson, Inc.	F	D-	D-	F	D-
1488	-16	RWT	Redwood Trust, Inc.	F	D-	F	D	D-
1489	6	BGS	B&G Foods, Inc.	F	F	D-	F	D
1490	-9	CNSL	Consolidated Communications Holdings, Inc.	F	F	F	D-	D-
1491	-1	JBLU	JetBlue Airways Corp.	F	D-	D-	F	D-
1492	0	SKYW	Sky West, Inc.	F	D-	D-	F	D-
1493	-2	CHRS	Coherus BioSciences, Inc.	F	D-	D-	D-	D-
1494	-1	NKTR	Nektar Therapeutics	F	D-	D-	F	D-
1495	-10	SAFE	Safehold, Inc.	F	F	D-	D-	F
1496	0	GPMT	Granite Point Mortgage Trust, Inc.	F	F	F	D-	D-
1497	-3	HPP	Hudson Pacific Properties, Inc.	F	F	D-	D-	F
1498	-9	CCL	Carnival Corp.	F	F	D-	D-	F

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