



## The opportunity of the Decade?

The trend is your friend.

Until the end.

Right now, the trend of the market is up.

The trend models in my retirement strategies are fully invested.

However, a series of converging factors suggest that a severe ass-kicking could occur once the trend turns, *and it always does*.

Of course, the extent of ass-kicking's can only be known *after* the fact.

That said, things are occurring in the markets that are 100-year flood-type situations.

First, I have already posted the convergence of interest rates and earnings yield for stocks in this newsletter.

There's no incentive to take risks in stocks when the earnings yield is rolling over and interest rates are rising such that both factors are at the same level.

Cash sleeps tightly under the mattress in such situations.

Here is some updated homemade research.

The chart below shows the trend in Nasdaq 100 earnings yield compared with short-term rates.

The Nasdaq has been on a tear.

When it rolls over, the rest of the market may already be in the dumps by then.

The blue line is the Nasdaq 100 earnings yield and the grey and orange lines are 6-month and 2-year rates.



Why take the long-term risk of owning stocks with massive future earnings expectations embedded into the *current* stock price when you can get paid much more to hold 6-month T-bills?

When this situation occurred in the recent past, the result has been more than a punch in the nose.



Losses to the tune of 50-80%.

Yikes!

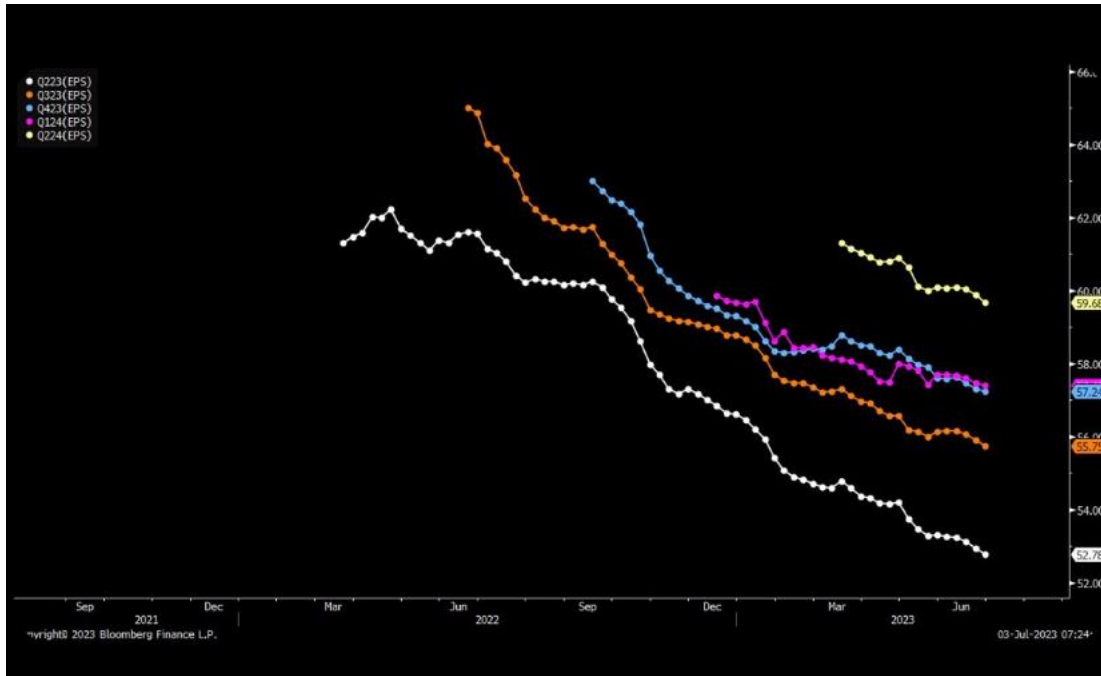
What's more, these losses happened over *several* years.

The market **didn't** crash.

It bled slowly...

Rates are likely to continue to rise.

Meanwhile, earnings estimates are falling for each quarter in 2024.



The stock market trends are higher.

For how long, no one knows.

There are other factors beyond the convergence of interest rates and earnings yields that pose a risk to our hard earned savings and investments.

We now know that all Americans' excess pandemic savings have vaporized.

Poof.

This is according to the Federal Reserve. Typically, I suspect the Federal Reserve is wrong about everything, but I have confidence in their research on consumer savings.

Americans like to spend!

Credit card debt was fast approaching \$1 trillion the last time I posted a chart here showing outstanding debt levels.

Interest rates on that debt are over 20%.

The consumer is tapped out. Their credit cards are screaming every time they're swiped.

That's not all.

There's also the potential for a commercial real estate bust.

The real estate market dwarfs the stock market in terms of value.

Every day there are stories about vacancies.

The primary real estate markets in the U.S. are seeing a surge in vacancies.



Retailers are pulling out of San Francisco.

*An entire mall* in San Francisco locked the doors and left the keys in the mailbox.

Two hotels too!

At the next city meeting, local leaders may have to adopt a resolution to rename the town "San Fran-Shithole" the way things are going.

By the way, read the comments to articles posted online and the number one suggestion is to convert unused office space into residential property.

That's astronomically expensive if not practically impossible.

Ain't gonna happen.

As rates rise and debt is rolled over, more companies will walk away from properties.

A commercial real estate bust threatens to unravel the rest of the markets.

So, what to do?

Nothing.

Not right now, at least.

We have to respect the trend and also understand the risks.

As my favorite math teacher used to say, "Fools rush in where angels fear to tread."

Now is not the time to be complacent.

The risk/reward ratios are not terrific.

The risk/reward ratios aren't even favorable.

The good news is that as the trend changes and the risks become a factor in market movements, the models in this newsletter will likely capture most (not all – no one is perfect) of those moves.

Act accordingly.

For now, we just need to be aware of the situation around us.

Lastly, when there are 50-80% market declines or a commercial real estate implosion, these are often set up as opportunities of a decade.

These situations present themselves infrequently.

Market smacking's like this are the proverbial "blood in the streets" situations.

When no one wants to talk about stocks, own commercial real estate, crypto, and the posers on TikTok are having their Ferrari's repossessed...that's when you get rich.

You have to be in the game to act on it.

And we will be!

# The Risk-O-Meter

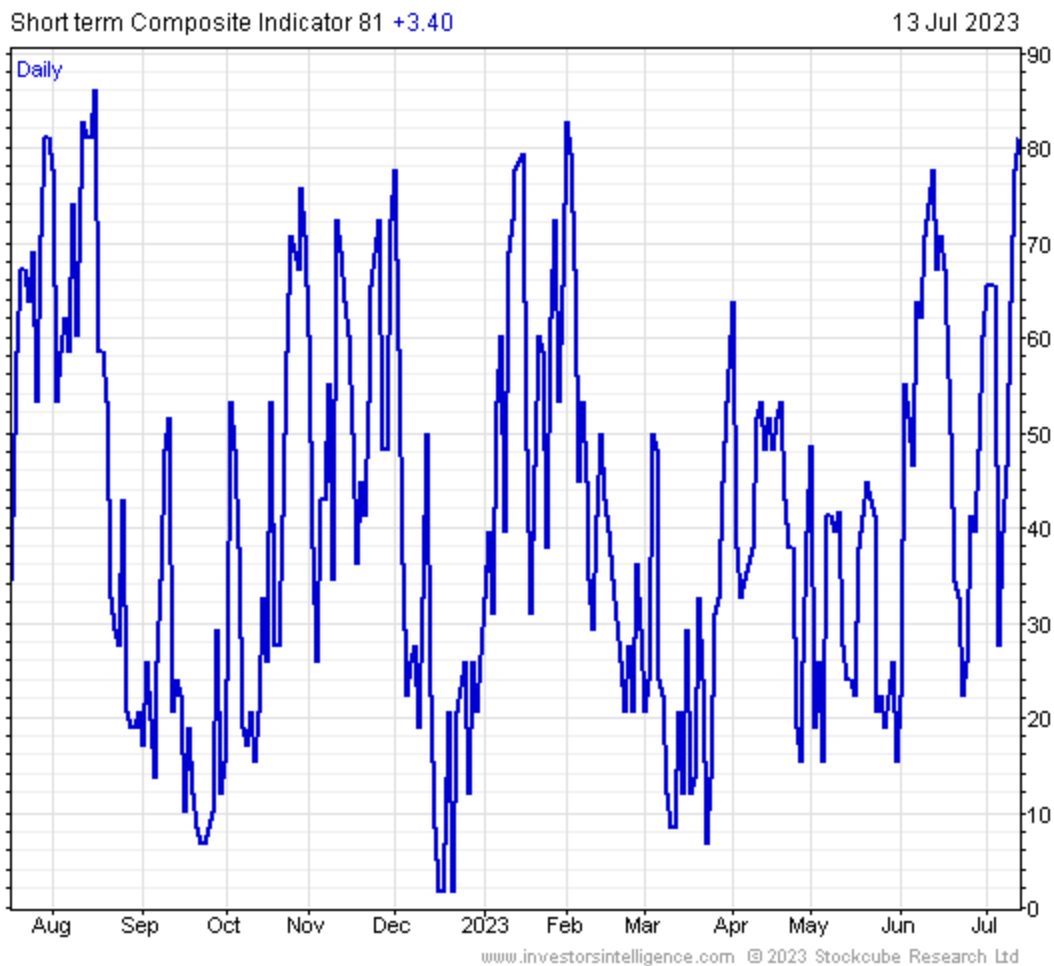
The *Risk-O-Meter* remains in the "green zone."

The market is absurdly overbought. It's been a fun rally as I've watched my portfolio balloon to all-time highs day after day.

However, the odds favor a breather.

The *Short-Term Composite Indicator* I have shown before, from *Investors Intelligence*, which measures dozens of technical factors, is overbought.

Not just overbought, but in the Bob Uecker nosebleed seats.



No indicator is perfect.

However, at *extremes*, I find this indicator useful.

A level of 81 is extreme.

Of course, the market *will* become oversold in the future.

Will there be a lot of damage done before then?

Will the market meander through and become oversold without significant losses?

Only liars know the answers to those questions.

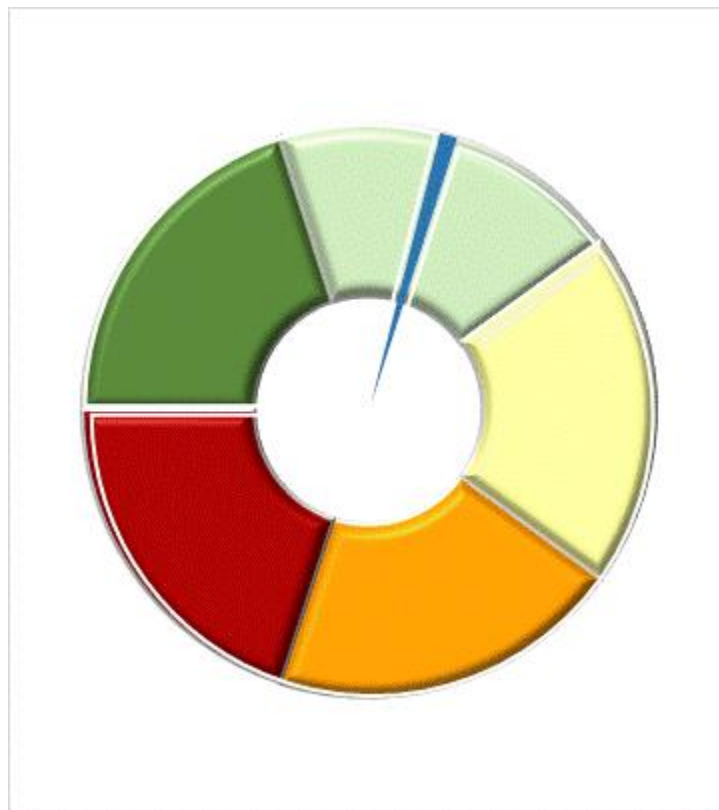
However, if I were playing poker, I would fold this hand.

There's no edge right now.

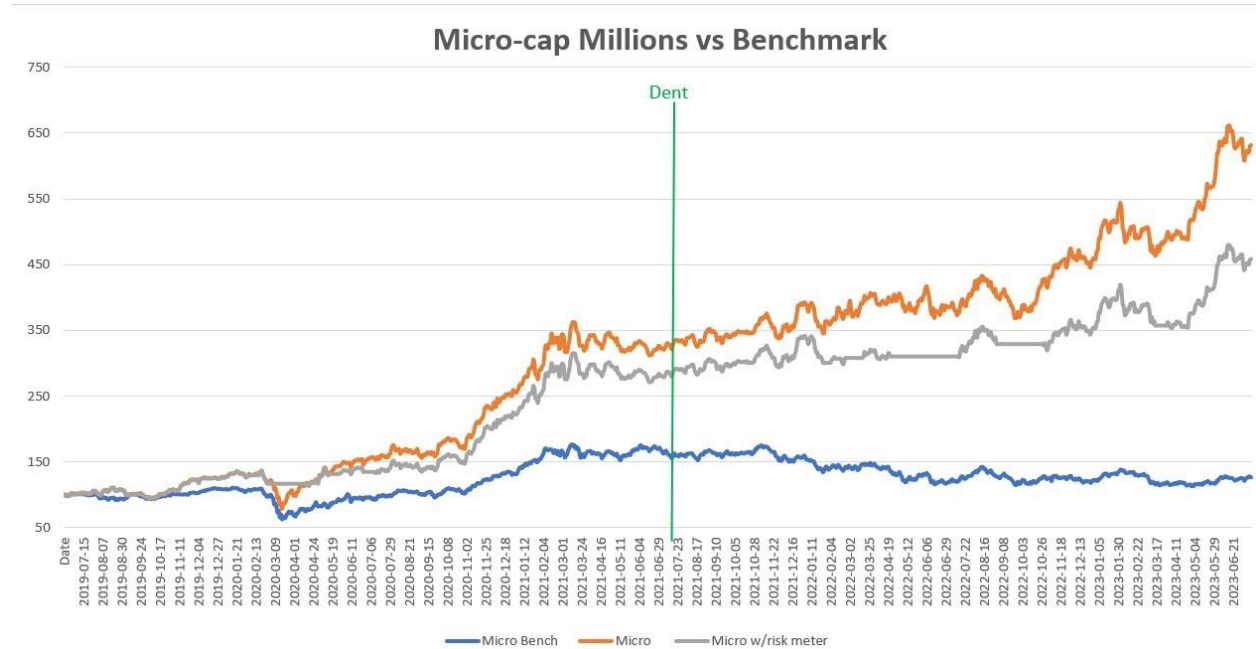
I am okay with being patient with my taxable account and waiting for better opportunities to buy stocks aggressively.

It's been a few months.

What's a few more?



# Micro-Cap Millions

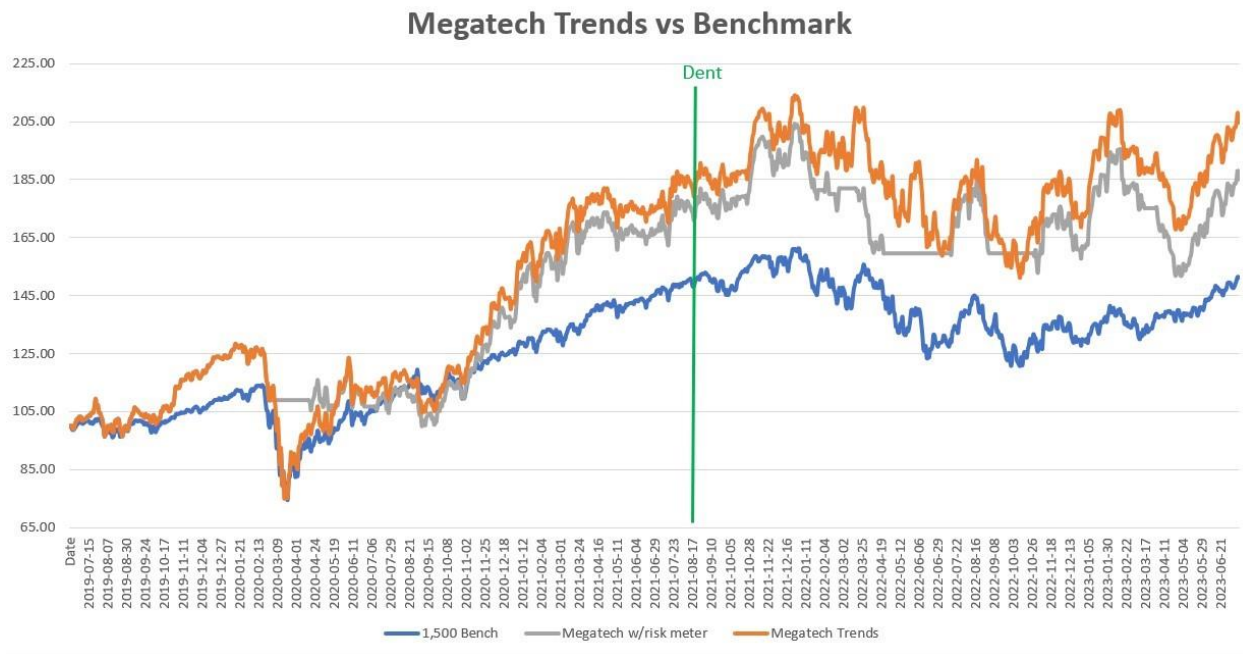


There are no trades this week. Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ALOT	AstroNova, Inc.	-7.43%	32	Technology
BELFB	Bel Fuse, Inc.	107.67%	326	Technology
CINT	CI&T, Inc. (Brazil)	0.16%	18	Technology
ELTK	Eltek Ltd.	57.15%	53	Technology
GILT	Gilat Satellite Networks Ltd.	17.24%	60	Technology
ITRN	Ituran Location & Control Ltd.	0.43%	39	Telecommunications
OOMA	Ooma, Inc.	14.84%	45	Technology
SPOK	Spok Holdings, Inc.	16.67%	137	Telecommunications
TCMD	Tactile Systems Technology, Inc.	25.72%	45	Healthcare
UTMD	Utah Medical Products, Inc.	13.32%	137	Healthcare



# Mega-Tech Trends



There are three “buys” and two “sells” this week. Nine stocks in the current portfolio.

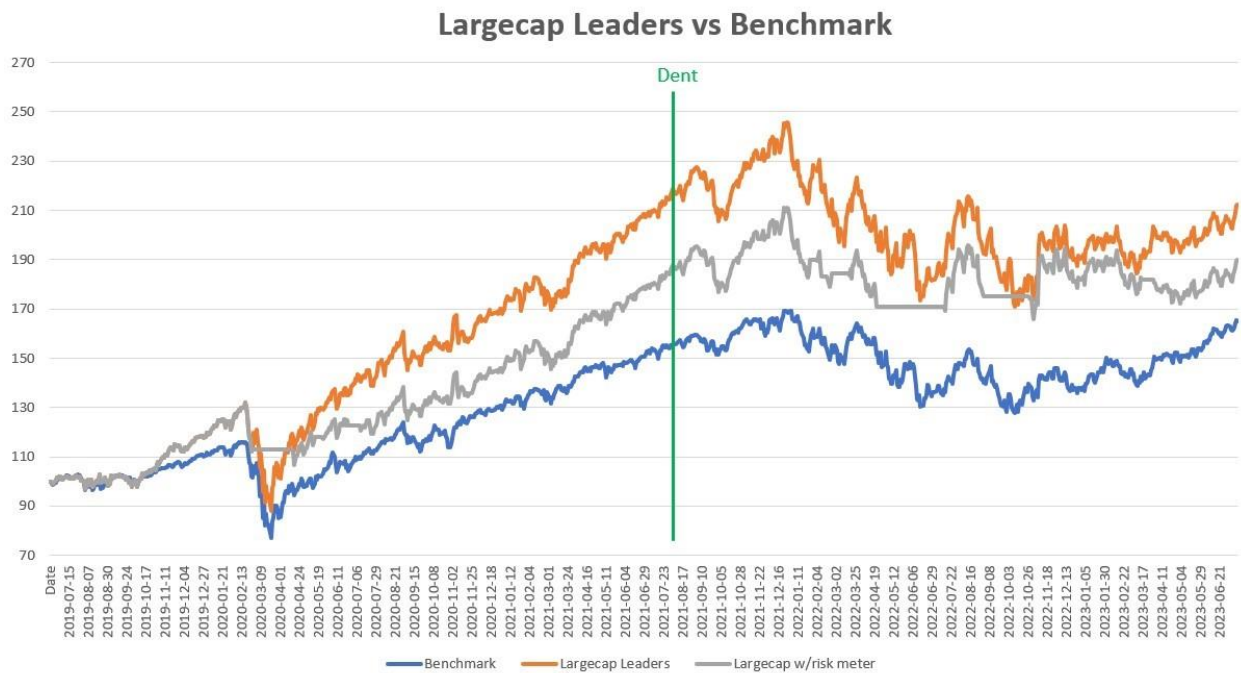
**Buy OSI Systems, Inc. (Nasdaq: OSIS) and Photonics, Inc. Nasdaq: (PLAB)**

**Sell Belden. Inc. (NYSE: BDC), Juniper Networks, Inc. (NYSE: JNPR), SMART Global Holdings, Inc. (Nasdaq: SGH)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ALRM	Alarm.com Holdings, Inc.	7.98%	53	Technology
CALX	Calix, Inc.	0.89%	4	Technology
DIOD	Diodes, Inc.	6.14%	123	Technology
EPAM	EPAM Systems, Inc.	5.56%	4	Technology
EXTR	Extreme Networks, Inc.	2.57%	14	Technology
LFUS	Littelfuse, Inc.	14.62%	67	Technology
OSIS	OSI Systems, Inc.	0.00%	NEW	Technology
PLAB	Photonics, Inc.	0.00%	NEW	Technology
PLUS	ePlus, Inc.	16.90%	45	Technology

# Large Cap Leaders



There is one this week.

**Buy Palo Alto Networks, Inc. (Nasdaq: PANW)**

**Sell Applied Materials, Inc. (Nasdaq: AMAT)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ADBE	Adobe, Inc.	6.09%	4	Technology
ALGN	Align Technology, Inc.	12.78%	74	Healthcare
BSX	Boston Scientific Corp.	1.75%	74	Healthcare
CRM	Salesforce, Inc.	32.42%	123	Technology
KEYS	Keysight Technologies, Inc.	3.33%	45	Technology
ORCL	Oracle Corp.	4.07%	4	Technology
PANW	Palo Alto Networks, Inc.	0.00%	NEW	Technology
SPGI	S&P Global, Inc.	5.79%	4	Technology
SYK	Stryker Corp.	2.75%	24	Healthcare
ZBH	Zimmer Biomet Holdings, Inc.	1.07%	4	Healthcare

**DISCLAIMER:**

**THIS COMMUNICATION IS FOR EDUCATIONAL AND INFORMATION PURPOSES AND DOES NOT CONSTITUTE INVESTMENT ADVICE.** Any Publishing Service offered by HSD Publishing is for educational and informational purposes only and **should NOT be construed as a securities-related offer of solicitation or be relied upon as personalized investment advice.** HSD Publishing strongly recommends that you consult a licensed or registered professional before making any investment decision.

**THE RESULTS PRESENTED ARE NOT TYPICAL OR VERIFIED.** HSD Publishing has not verified information regarding the historical trading performance presented. Subscribers' trading results have **NOT been tracked or verified**, past performance is not necessarily indicative of future results, **and the results presented in this communication are NOT TYPICAL.** Actual results will vary widely given various factors, such as experience, skill, risk mitigation practices, market dynamics, and the amount of capital deployed. Investing in securities is speculative and carries a high risk; you may lose some, all, or possibly more than your original investment.

**HS DENT IS NOT AN INVESTMENT ADVISOR NOR A REGISTERED BROKER.** Neither HSD Publishing nor its owners or employees is registered as a securities broker-dealer, broker, investment advisor (IA), or I.A. representative with the U.S. Securities and Exchange Commission, state securities or regulatory authority, or self-regulatory organization.

**WE MAY HOLD THE SECURITIES DISCUSSED.** HSD Publishing has not been paid directly or indirectly by the issuer of any security mentioned in the Services. However, HS Dent, its owners, and its employees may purchase, sell, or hold long or short positions in securities of the companies mentioned in this and future communications.

John Del Vecchio is not an employee or partner of HSD Publishing. HSD Publishing serves solely as the marketing arm for John Del Vecchio and Unbounded Wealth: Max Profits.

© 2023 HSD PUBLISHING. ALL RIGHTS RESERVED. 15016 Mountain Creek Trail Frisco, TX 77573.