



## Wall of Worry

There is an old saying on Wall Street that the market climbs a “wall of worry.”

Conversely, the market slides down a "slope of hope."

Of course, something needs to trigger investors and speculators to do an about-face, sell stocks, and cause the market trend to turn down.

The trend is up.

The market is climbing a wall of worry.

I have noted many factors that we should all be worried about.

Interest rates have gone up, and earnings estimates have gone down. The conversion of risk-free yields and stock earnings yields is a bright red flag.

In such a scenario, future market returns are terrible historically.

Joe Six-Pack has depleted his excess savings.

Inflation is still a problem.

Inflation is only slowing... at a rate many of us have never seen.

War could break out in Asia.

War in Europe rages on.

The list goes on.

None of these factors matter when it comes to price.

The price trend continues its march upward.

However, at some point, there will be a trigger that will reverse the trend.

The Big Swinging Dicks on Wall Street, bureaucrats, and talking heads on Comedy Central (AKA CNBC) want you to believe there will be a soft landing in the "Goldilocks" economy.

There's never a soft landing.

The notion of a soft landing is a fairytale, just like Goldilocks.

The most obvious trigger to me is a commercial real estate debacle.

If that happens, there will not be a soft landing.

Take Barry Sternlicht, for example.

In case you don't know, Barry Sternlicht is the Babe Ruth of commercial real estate.

He's the best at the game.

One of the best there ever was.

Sternlicht has been warning for many months that the parabolic rise in interest rates would cause massive problems in the real estate market.

Here's the thing.

He just got caught up in it.

He just defaulted on nearly \$213 million in loans.

That's just the start.

He's now warning of a "Category 5 Hurricane" in commercial real estate.

## Billionaire Sternlicht Warns CRE Storm Now "Category 5 Hurricane"



BY TYLER DURDEN

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Days after Barry Sternlicht's Starwood Capital Group [defaulted on a \\$212.4 million mortgage](#) backed by an Atlanta office tower, [Bloomberg](#) released an eye-opening interview with the billionaire investor about mounting distress in US commercial real estate.

"**We're in a Category 5 hurricane,**" Sternlicht said in an interview on June 28 taped for a July 25 release in an upcoming episode of *Bloomberg Wealth* with David Rubenstein.

Sternlicht warned, "It's sort of a **blackout hovering over the entire industry** until we get some relief or some understanding of what the Fed's going to do over the longer term."

Think about that. Babe Ruth saw the pitch coming, but he could do nothing about it.

Sternlicht didn't get caught with his pants down.

He got run over by a freight train.

What do you think would happen to the minor league real estate investors if that happened to the very best?

The commercial real estate implosion isn't due to speculation. No, the problem lies in the pace of interest rate increases.

Rates may still go higher, adding jet fuel to the fire that is just starting to heat up.

Stock market investors are narrowly focused.

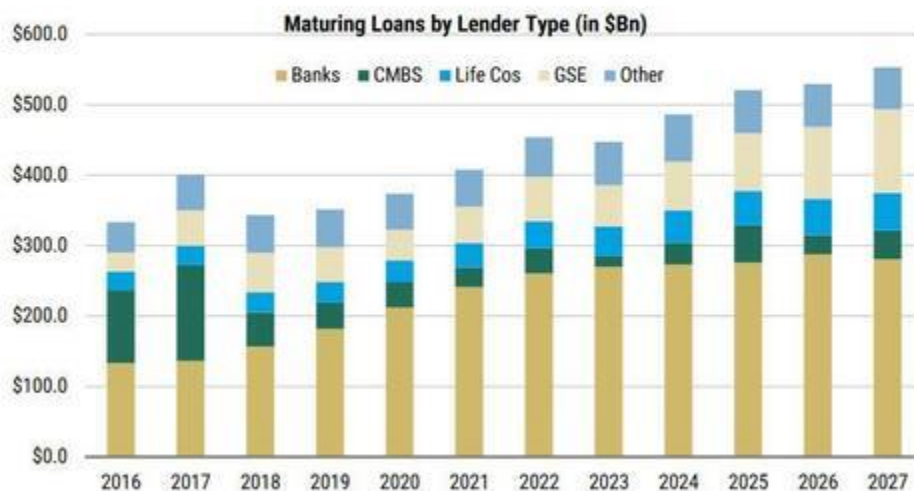
Bond markets often flash warning signs that stock investors miss.

The commercial real estate market dwarfs stocks.

The numbers are enormous.

As the article from Zero Hedge above points out, \$2.5 TRILLION in loans must be rolled in the next five years.

### Exhibit 8: CRE Debt Maturities: \$2.5tn in next 5 years



Source: Trepp, Morgan Stanley Research

And here's the thing.

The pace of the rate increase has been historic.

Any move off of zero percent is going to be historic.

However, rates are roughly at the long-term average.

This goes to show the fragility of the entire system.



If the Category Five hurricane hits land and starts doing damage, the result will be deflationary.

Deflation hurts rich people.

Therefore, the powers to be will react aggressively to mitigate the damage.

Rates will plunge as the big boys are bailed out again.

Inflation be damned.

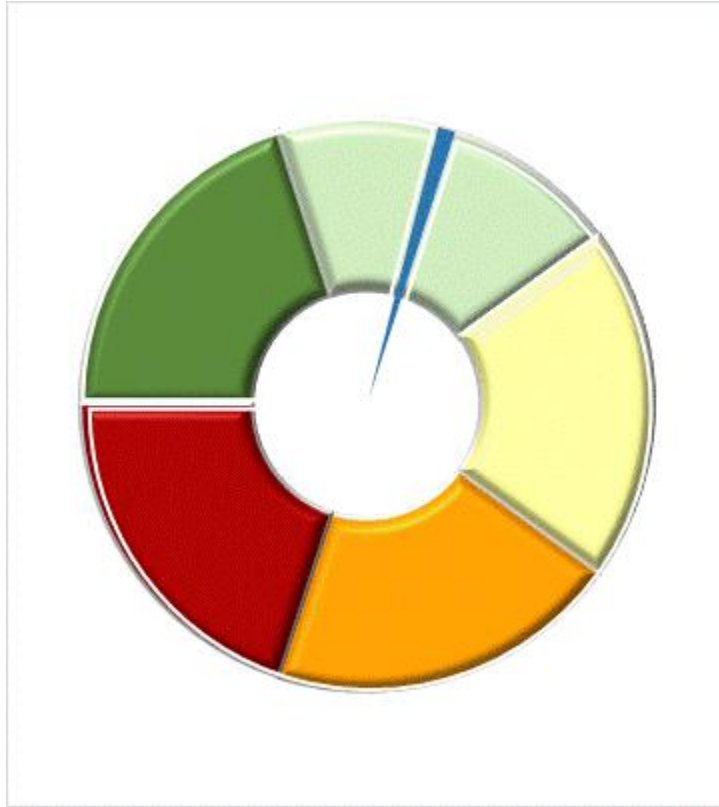
Inflation hurts poor people.

This will set up an amazing buying opportunity.

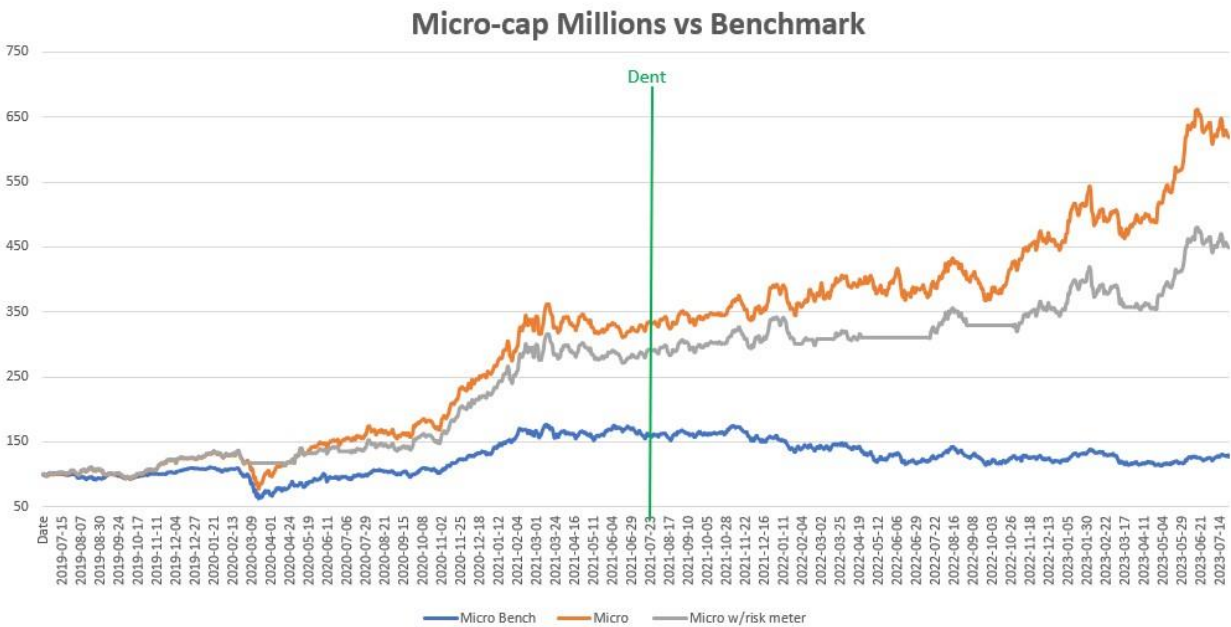
As things heat back up, speculation will again ramp in risk assets, leading to considerable rallies in everything from stocks and cryptocurrencies to hard assets like real estate (whoever can swoop in and buy this stuff during the shit storm will make insane fortunes) and collectibles like art, watches, wine, and whisky.

We just need to survive the slope of hope so that we can benefit handsomely from the next wall of worry.

# The Risk-O-Meter



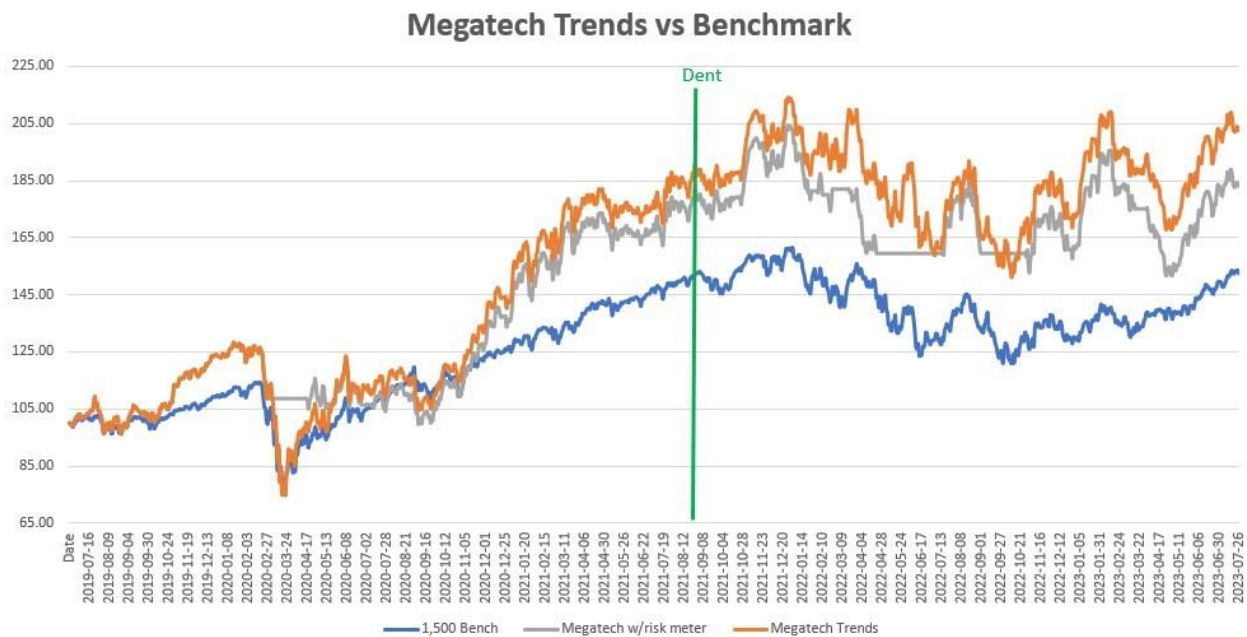
# Micro-Cap Millions



No trades this week. Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ALOT	AstroNova, Inc.	-7.17%	45	Technology
BELFB	Bel Fuse, Inc.	104.73%	339	Technology
CINT	CI&T, Inc. (Brazil)	-9.64%	31	Technology
ELTK	Eltek Ltd.	24.65%	66	Technology
GILT	Gilat Satellite Networks Ltd.	9.07%	73	Technology
ITRN	Ituran Location & Control Ltd.	18.59%	52	Telecommunications
OOMA	Ooma, Inc.	12.83%	58	Technology
SPOK	Spok Holdings, Inc.	43.55%	150	Telecommunications
TCMD	Tactile Systems Technology, Inc.	13.34%	58	Healthcare
UTMD	Utah Medical Products, Inc.	8.27%	150	Healthcare

# Mega-Tech Trends



There are three "buys" this week and one "sell." As a result, the portfolio now has ten positions.

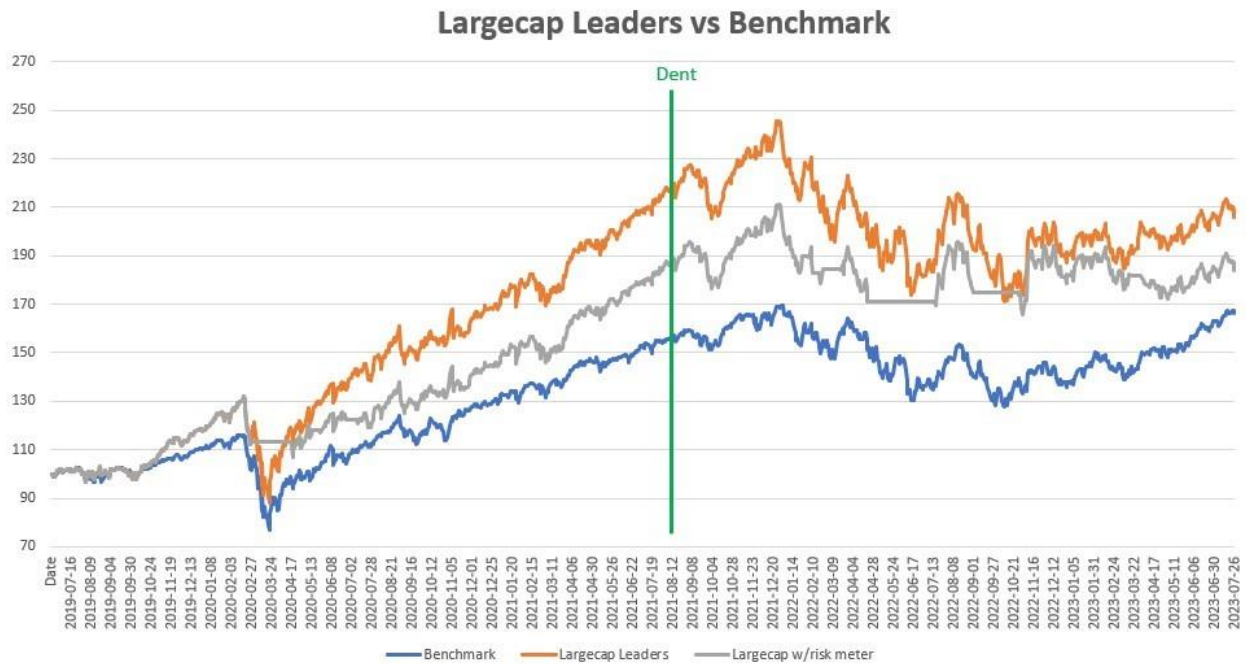
**Buy ANI Pharmaceuticals, Inc. (ANIP), NetScout Systems, Inc. (NTCT), and Vanda Pharmaceuticals, Inc. (VNDA)**

**Sell Alarm.com Holdings, Inc. (ALRM)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ANIP	ANI Pharmaceuticals, Inc.	0.00%	NEW	Healthcare
BDC	Belden, Inc.	0.71%	3	Technology
CALX	Calix, Inc.	-7.32%	17	Technology
DIOD	Diodes, Inc.	4.65%	136	Technology
LFUS	Littelfuse, Inc.	15.91%	80	Technology
NTCT	NetScout Systems, Inc.	0.00%	NEW	Technology
OSIS	OSI Systems, Inc.	-1.40%	10	Technology
PLAB	Photronics, Inc.	-1.62%	10	Technology
PLUS	ePlus, Inc.	15.82%	58	Technology
VNDA	Vanda Pharmaceuticals, Inc.	0.00%	NEW	Healthcare

# Large Cap Leaders



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

Ticker	Name	Return	Days Held	Sector
ADBE	Adobe, Inc.	5.91%	17	Technology
BSX	Boston Scientific Corp.	1.00%	87	Healthcare
CRM	Salesforce, Inc.	30.01%	136	Technology
FTNT	Fortinet, Inc.	-2.02%	3	Technology
KEYS	Keysight Technologies, Inc.	2.75%	58	Technology
NFLX	Netflix, Inc.	-3.35%	3	Technology
PANW	Palo Alto Networks, Inc.	1.67%	10	Technology
SPGI	S&P Global, Inc.	0.62%	17	Technology
SYK	Stryker Corp.	-4.19%	37	Healthcare
ZBH	Zimmer Biomet Holdings, Inc.	-0.71%	17	Healthcare



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