



## Chinese Takeout

Is China imploding?

I've written before that China has stopped providing economic data on thousands of series.

A lack of transparency is never a good thing.

I have always been skeptical that the world economy would shift to China as the reserve currency.

One guy runs the whole place.

Sure, they make Barbie Dolls and cheap T-shirts.

But, the Chinese need to improve intellectual capital production.

They're great at stealing other people's ideas.

However, that's not a sustainable business model that instills confidence globally.

Recent economic data out of China is alarming.

First, the country stopped reporting youth employment.

### **China Halts Youth Jobs Data, Stoking Transparency Concerns**

- A fifth of young people in China were out of work in June
- Omission of July rate comes amid concerns about opaque data

Source: @economics [Read full article](#)

The Chinese just *cut* interest rates in a surprise move.

Consumer prices are nosediving into negative territory.

As I noted previously, in the United States, the powers to be would pull out all stops to prevent deflation.

Meanwhile, real interest rates have been climbing in China.

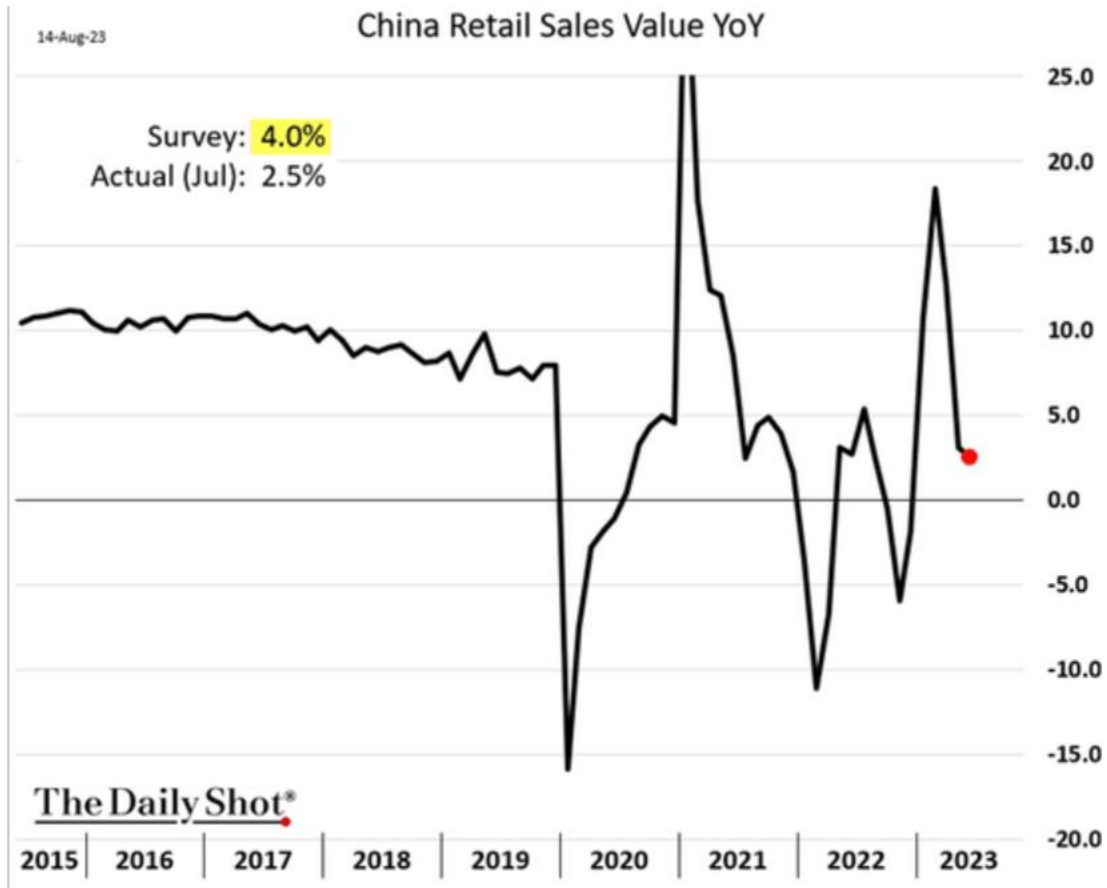
The chart below illustrates a powerful divergence between consumer prices and real interest rates.



Meanwhile, retail sales were reported well below the consensus view.

As the chart on the next page shows, retail sales came in at 2.5% in July versus a 4.0% estimate.

That's a big miss.



Lastly, China could have an emerging banking crisis on its hands.

As Scooby Doo once famously said, "Ruh Roh!"

As we know, a banking crisis can take down the entire house of cards.

There's untold leverage in the system.

**China Finance Giant's Missed Payments Alarm Regulators, Markets**

- Several firms saw overdue payments on Zhongzhi-linked products
- Property crisis has spread to \$2.9 trillion trust industry

Source: @markets [Read full article](#)

What's it all mean?

Well, I don't know for sure.

However, if this situation is dire, I wonder how aggressively China will act toward others.

For example, could the Chinese start a war in Taiwan to distract from their problems at home?

What to do with the unemployed youth?

What to do with all the single men in their society?

The options don't look good.

If China's market implodes, how much of the world goes with it?

Probably a lot.

China is not isolated.

Everyone will suffer.

However, that could set up an incredible opportunity for U.S. stocks.

I noted a couple of weeks ago that the commercial real estate market in the U.S. could be the critical factor in taking the market from its wall of worry to the slope of hope.

The rebound, though, will be a generational buying opportunity.

The same thing could happen if China takes the market to its knees.

The U.S. is incredibly well positioned despite the domestic issues we face.

We have fossil fuels up the wazoo.

We have water.

We have food.

We have natural resources.

We have innovation.

We have capital formation.

We have a Constitution.

All of these factors are key in positioning in the U.S. favorably.

These days we hear a lot about globalization. However, could that trend reverse, especially if China's house of cards comes crashing down?

There's an interesting chap on YouTube that thinks so.

He is called Peter Zeihan.

I first saw Zeihan on a clip from the Joe Rogan podcast.

Now, Zeihan could be full of nonsense. Checking him out and drawing your conclusions is worth your time.

I'm an amateur at best on demographic trends.

That's Harry and Rodney's domain at Dent.

That said, Zeihan makes a lot of great points about how the demographic trends in China (and other countries) are concerning.

Meanwhile, the U.S. is well positioned.

After all, we have a shitload of people coming into the country.

Whether they are coming in legally or illegally, they are coming in.

The massive influx of people will likely prevent poor demographic trends in the U.S. from eating us alive.

One issue with all the migration is that there's a roll of red tape to get people working.

If we could get people working...

Nonetheless, the relative trends make me extremely bullish on the U.S. over time.

As I have noted before, the next giant ass-kicking could create a colossal setup for buying U.S. stocks hand over fist.

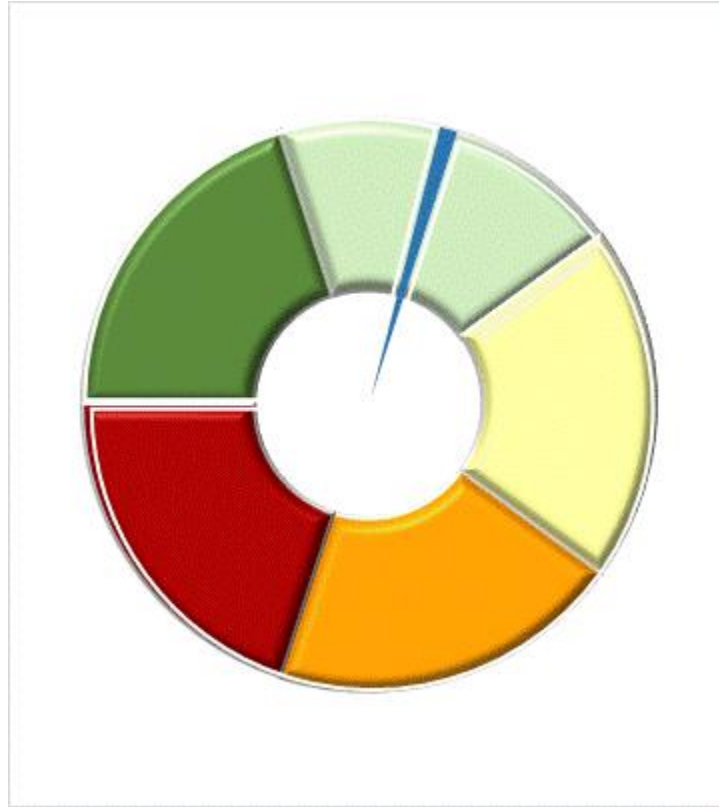
All of this is making me rethink my investments in emerging markets.

Emerging markets are cheap.

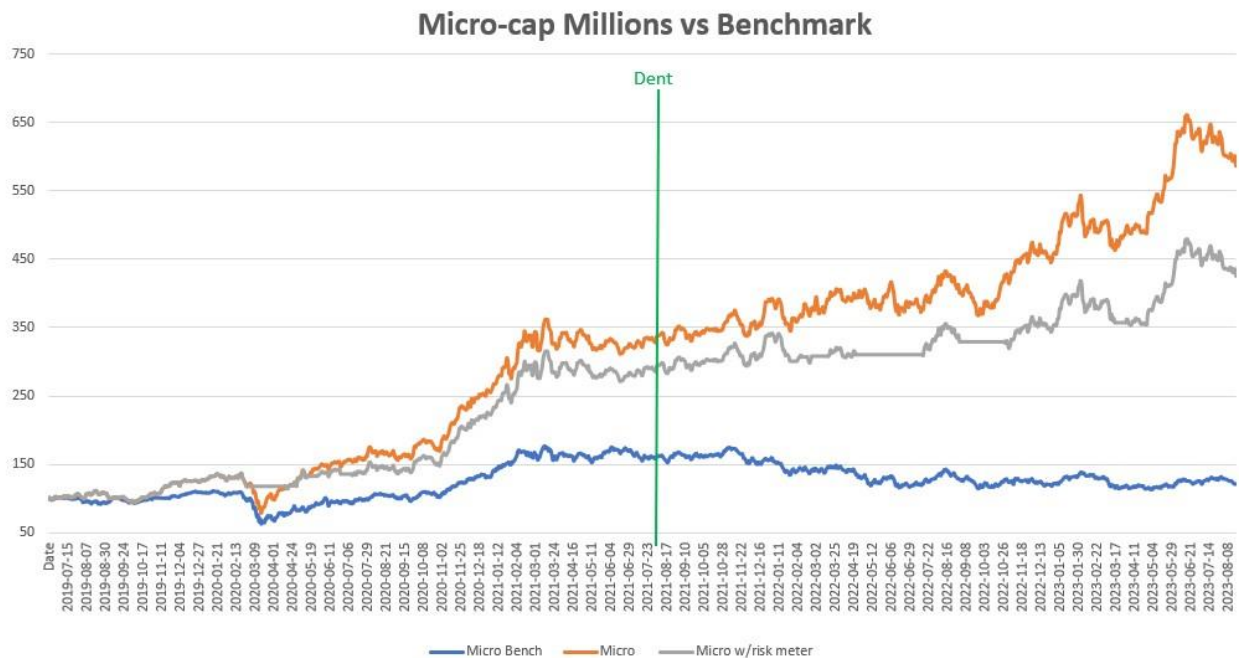
However, I do not see emerging markets benefitting from deglobalization.

The U.S. wins big-time in that scenario.

# The Risk-O-Meter



# Micro-Cap Millions



There are two trades this week.

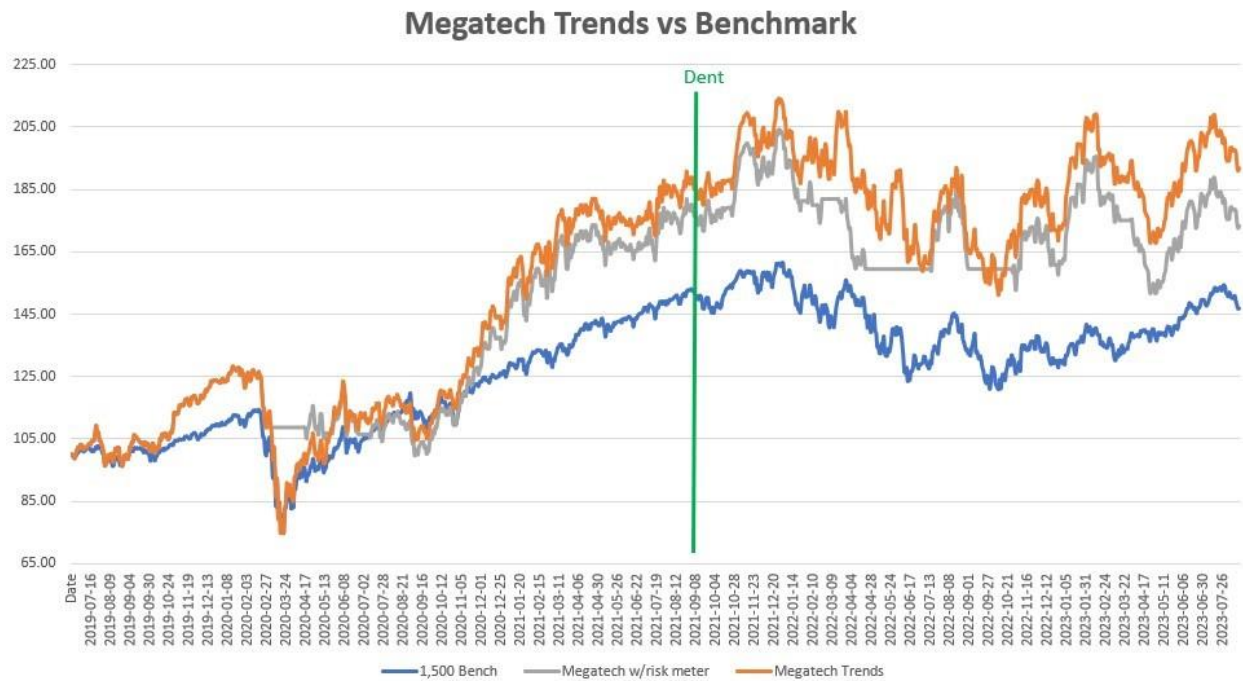
**Buy Data Storage Corp. (Nasdaq: DTST) and Semler Scientific, Inc. (Nasdaq: SMLR)**

**Sell CI&T, Inc.- Brazil (NYSE: CINT) and Universal Security Instruments (NYSE: UUU)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ALOT	AstroNova, Inc.	-7.82%	67	Technology
DTST	Data Storage Corp.	0.00%	NEW	Technology
ELTK	Eltek Ltd.	20.86%	88	Technology
GILT	Gilat Satellite Networks Ltd.	21.51%	95	Technology
ISDR	Issuer Direct Corp.	0.18%	7	Technology
ITRN	Ituran Location & Control Ltd.	25.09%	74	Telecommunications
OOMA	Ooma, Inc.	11.67%	80	Technology
SMLR	Semler Scientific, Inc.	0.00%	NEW	Healthcare
SPOK	Spok Holdings, Inc.	40.65%	172	Telecommunications
UTMD	Utah Medical Products, Inc.	5.70%	172	Healthcare

# Mega-Tech Trends



There are two “buys” and one “sell” this week.

**Buy Omnicell, Inc. (Nasdaq: OMCL) and Xperi, Inc. (NYSE: XPER)**

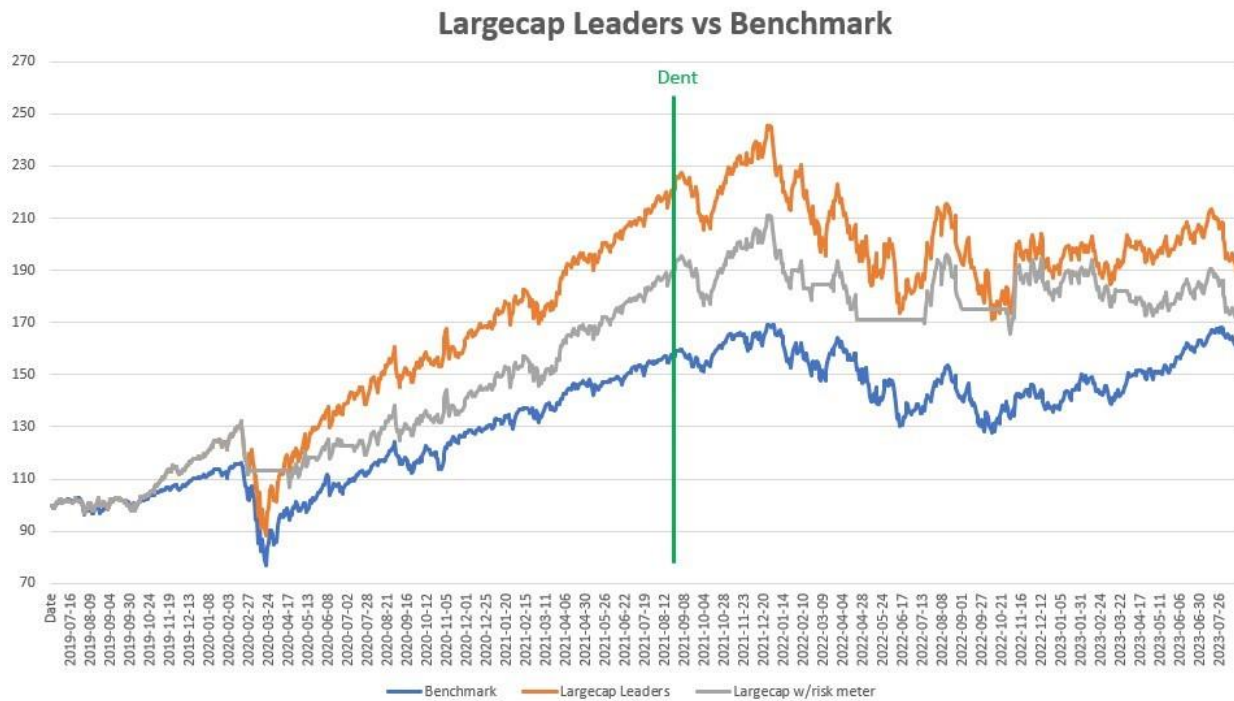
**Sell Calix, Inc. (NYSE: CALX)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ANIP	ANI Pharmaceuticals, Inc.	15.81%	21	Healthcare
EPAM	EPAM Systems, Inc.	0.27%	7	Technology
INTC	Intel Corp.	-6.80%	11	Technology
OMCL	Omnicell, Inc.	0.00%	NEW	Healthcare
OSIS	OSI Systems, Inc.	-2.62%	32	Technology
PLAB	Photronics, Inc.	-14.27%	32	Technology
PLUS	ePlus, Inc.	24.39%	80	Technology
VECO	Veeco Instruments, Inc.	-5.77%	7	Technology
XPER	Xperi, Inc.	0.00%	NEW	Technology



# Large Cap Leaders



There are three trades this week.

**Buy Boston Scientific (NYSE: BSX), EPAM Systems (NYSE: EPAM), and Motorola Solutions (NYSE: MSI)**

**Sell Keysight Technologies (NYSE: KEYS), Netflix (Nasdaq: NFLX), and Palo Alto Networks (Nasdaq: PANW)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ADBE	Adobe, Inc.	4.71%	39	Technology
ANET	Arista Networks, Inc.	3.20%	7	Technology
BSX	Boston Scientific Corp.	0.00%	NEW	Healthcare
CMCSA	Comcast Corp.	2.05%	11	Telecommunications
EPAM	EPAM Systems, Inc.	0.00%	NEW	Technology
FTNT	Fortinet, Inc.	-26.87%	25	Technology
GOOGL	Alphabet, Inc.	-0.51%	11	Technology
MSI	Motorola Solutions, Inc.	0.00%	NEW	Technology
NOW	ServiceNow, Inc.	-1.84%	11	Technology
SYK	Stryker Corp.	-5.59%	59	Healthcare

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