



## Opinions are like Assholes...

Everyone has one...

It's especially true that (nearly) everyone has an opinion regarding the future direction of interest rates.

Except me.

I have no clue. I don't need to have a clue.

No one can predict where rates will go. Heck, the folks at the Federal Reserve who vote on the level of rates have no idea where rates are going.

Last week, Jamie Dimon, the CEO of JP Morgan, warned that we should be prepared for 7% interest rates.

The market is betting that the end of rate hikes is near. The market is factoring in rate *cuts* in 2024 amid a "soft landing" scenario for the economy (there's never a soft landing).

When will those rates be cut?

Here's a sampling of "expert" opinions from *Insider*.

- As soon as year end according to Bob Michele, the CIO of JP Morgan Asset Management
- February, 2024 according to Preston Caldwell, a Morningstar Senior US economist.
- Not before April, 2024 according to David Einhorn, a well known hedge fund manager.
- May, 2024 according to KPMG chief U.S. economist, Diane Swonk.
- Between April and June, 2024 according to the consensus of a Reuters poll.
- Second quarter, 2024 according to Goldman Sachs chief U.S. economist David Mericle

- Between May and end of 2024 according to Simona Mocuts, the chief economist of State Street Global Advisors.
- Second half of 2024 according to Vanguard's global economics and markets team.

Reading through the list of predictions above is downright exhausting.

In reality, *no one knows*.

The great thing is *we don't need to know* where rates are going.

Instead, we can *react* to rate changes. When interest rates get cut, there will be *plenty of time* to respond.

At first, it will seem like there is *no* time to react. However, just like how Rome wasn't built in a day, neither are bear or bull markets.

There will be a lot of volatility when the direction of interest rates changes.

However, the Federal Reserve does not cut rates in one meeting only to raise them the next.

That's *not* going to happen.

Therefore, a new trend will form in interest rates and the financial markets.

All we have to do is be patient enough to sit back and *let* it happen.

Meanwhile, you can save yourself a lot of stress by ignoring all the bloviating and predictions about interest rates because their guess is as good as yours.

More concerning about where rates are going is the level of freaking out at the *current* level of interest rates.

Interest rates are at roughly normal levels. It's not like we are at 15%!

*Artificially low interest rates* for years created many imbalances that will lead to significant ass-kickings.

First, trillions of dollars in commercial real estate debt are set to roll.

It's going to be a bloodbath.

Commercial property owners may leave the keys in the mailbox and let the lenders deal with the shit show.

The equity markets might be in for a good thumping because *the* key driver of stock returns since the financial crisis 15 years ago has been stock buybacks.

Companies aggressively issued debt to buy back stock. This financial engineering scheme boosted earnings per share while removing stock from the market.

Demand > Supply = Stock goes up

That game is over.

Companies can no longer issue cheap debt to buy back stock.

Meanwhile, profit margins can only expand so much.

As profit margins revert to the mean in a more challenging economic environment and there are fewer financial levers to pull to generate earnings per share, the equation looks like this:

Supply > Demand = Stock goes down

There are zillions of dollars of capital dependent on artificially low interest rates.

Now things might get painful as the economy and markets adjust.

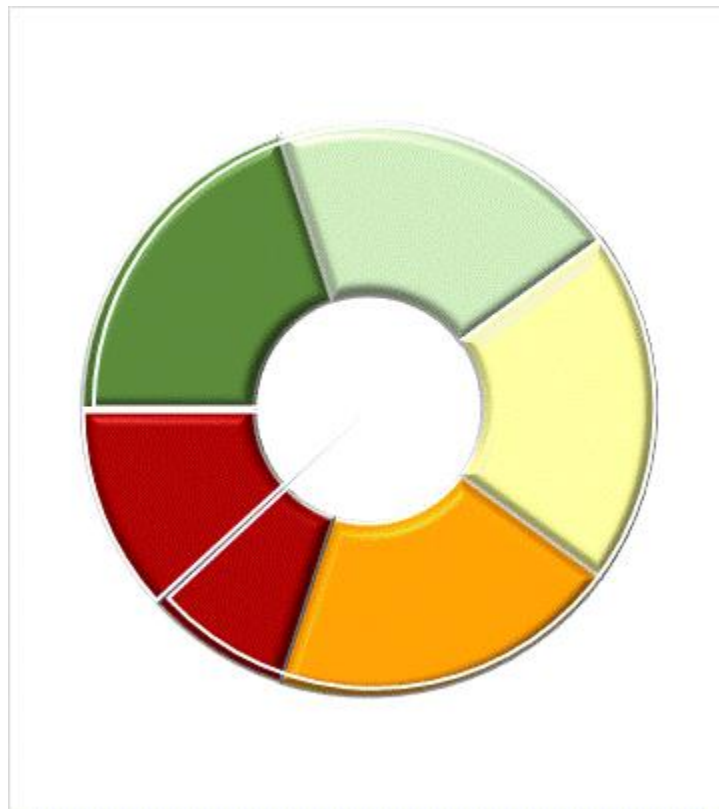
The pain felt wouldn't be so bad if that capital weren't levered up the wazoo.

Leverage works until it doesn't. Then the piper's gotta get paid!

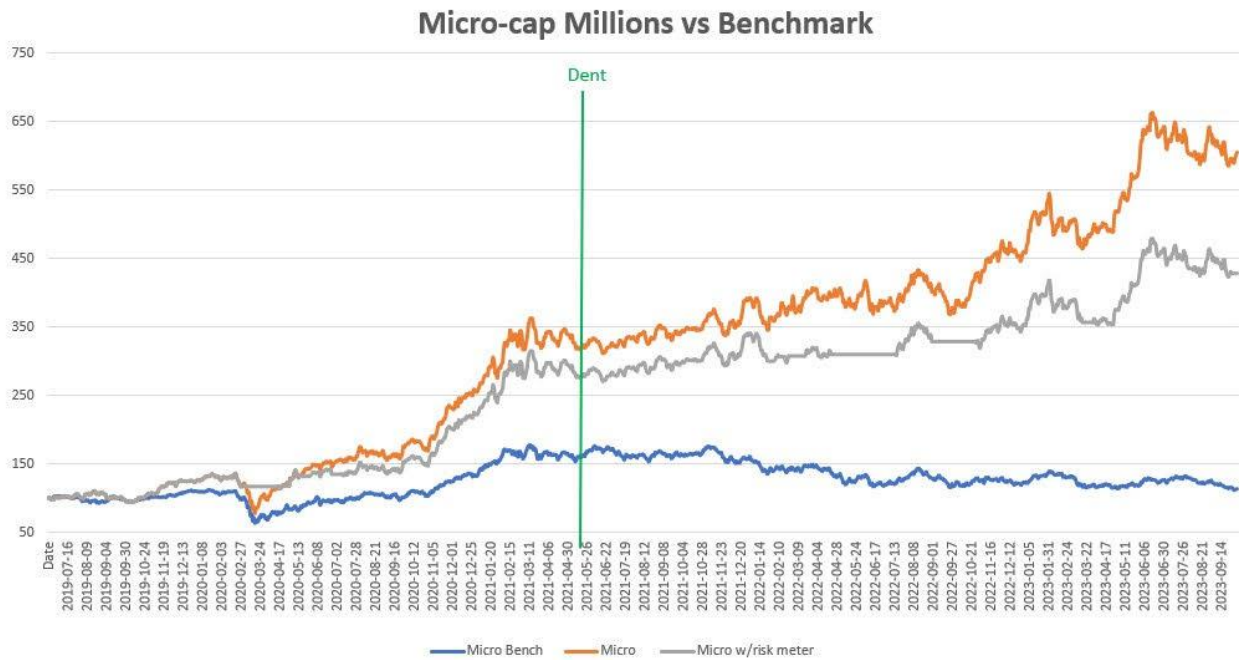
The *Risk-O-Meter* stays in the "red zone" this week, so I am sitting on my hands.

However, I continue to favor small-cap stocks in my taxable account.

I do not see that changing any time soon.



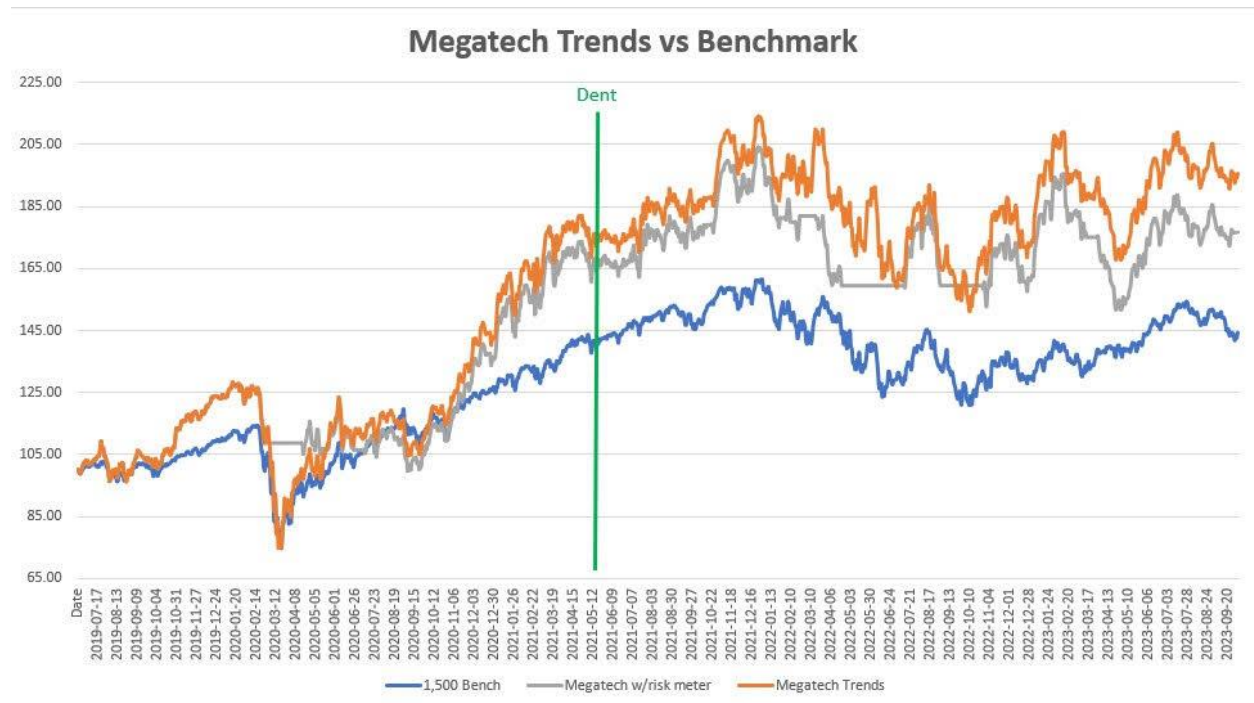
# Micro-Cap Millions



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

Ticker	Name	Return	Days Held	Sector
CXDO	Crexendo, Inc.	-9.05%	18	Technology
DPSI	DecisionPoint Systems, Inc.	-13.51%	39	Technology
DTST	Data Storage Corp.	28.73%	46	Technology
ELTK	Eltek Ltd.	66.70%	137	Technology
GILT	Gilat Satellite Networks Ltd.	15.61%	144	Technology
ISDR	Issuer Direct Corp.	-18.49%	56	Technology
ITRN	Ituran Location & Control Ltd.	25.04%	123	Telecommunications
SMLR	Semler Scientific, Inc.	6.34%	46	Healthcare
SPOK	Spok Holdings, Inc.	57.96%	221	Telecommunications
UTMD	Utah Medical Products, Inc.	-0.45%	221	Healthcare

# Mega-Tech Trends



There are three trades this week.

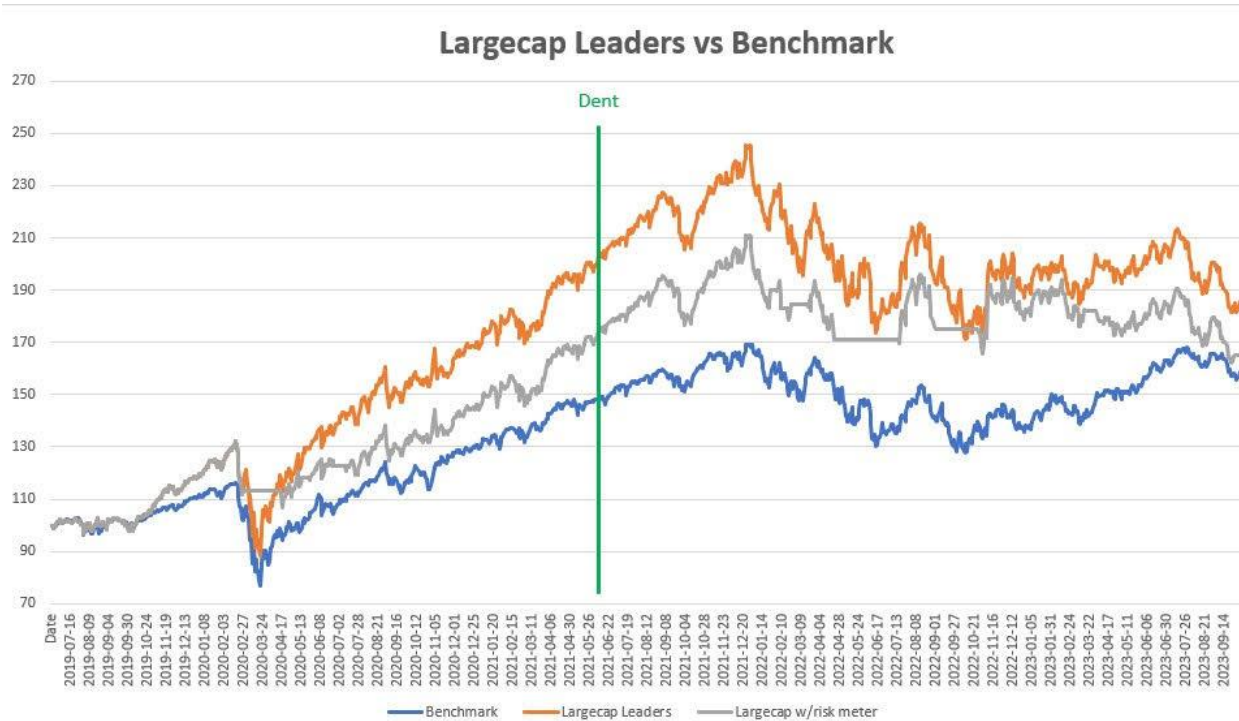
**Buy Ciena Corp. (NYSE: CIEN), Fabrinet (NYSE: FN), and TE Connectivity Ltd. (NYSE: TEL)**

**Sell Avnet, Inc. (Nasdaq: AVT), PC Connection, Inc. (Nasdaq: CNXN), and ScanSource, Inc. (Nasdaq: SCSC)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ALRM	Alarm.com Holdings, Inc.	1.01%	31	Technology
ANIP	ANI Pharmaceuticals, Inc.	13.29%	70	Healthcare
BDC	Belden, Inc.	0.40%	31	Technology
CIEN	Ciena Corp.	0.00%	0	Technology
CSGS	CSG Systems International, Inc.	-6.01%	31	Telecommunications
FN	Fabrinet	0.00%	0	Technology
PLUS	ePlus, Inc.	28.68%	129	Technology
PLXS	Plexus Corp.	1.70%	25	Technology
TEL	TE Connectivity Ltd.	0.00%	0	Technology
TRMB	Trimble, Inc.	2.23%	11	Technology

# Large Cap Leaders



There is one trade this week.

**Buy Synopsys, Inc. (Nasdaq: SNPS)**

**Sell Align Technology, Inc. (Nasdaq: ALGN)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ADBE	Adobe, Inc.	8.53%	88	Technology
AMGN	Amgen, Inc.	-0.09%	11	Healthcare
ANET	Arista Networks, Inc.	10.91%	56	Technology
BSX	Boston Scientific Corp.	3.85%	46	Healthcare
CRM	Salesforce, Inc.	-1.01%	39	Technology
MSFT	Microsoft Corp.	3.23%	11	Technology
MSI	Motorola Solutions, Inc.	-0.55%	46	Technology
NFLX	Netflix, Inc.	-13.27%	31	Technology
SNPS	Synopsys, Inc.	0.00%	0	Technology
TRMB	Trimble, Inc.	2.23%	11	Technology

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