



## Staying Put

I discovered a fascinating chart I wanted to share with you this week.

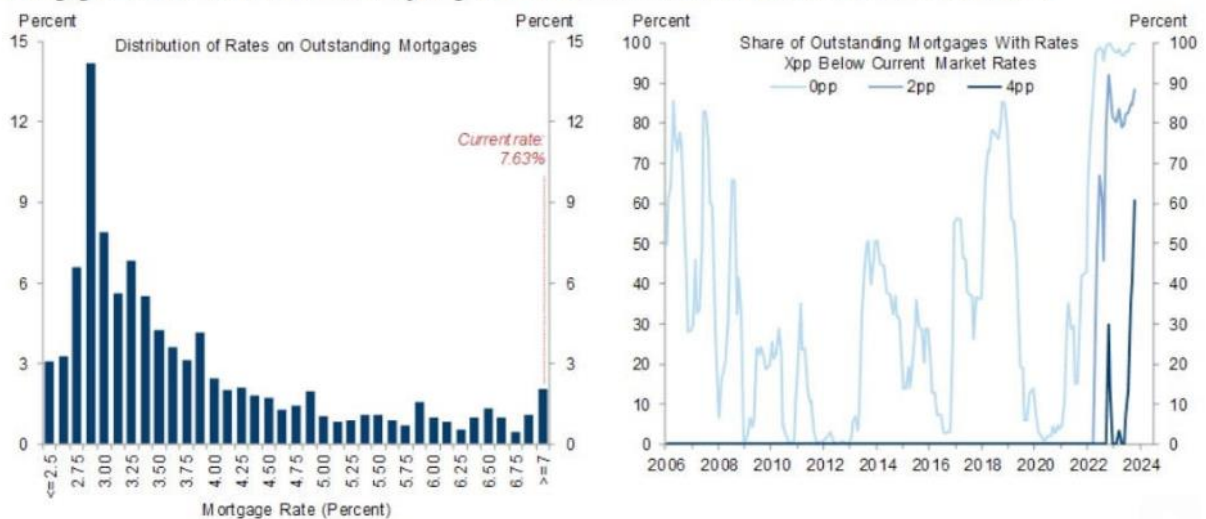
The chart below shows that nearly all borrowers have mortgage rates well below market prices.

Just eyeballing the chart on the left, about 34% of mortgages are 3% or below!

That's with current rates at 7.63% (as of November 7, 2023).

The chart on the right shows that about 60% of mortgages are 4% below current market rates.

**Exhibit 3: Essentially All Borrowers Have Mortgage Rates Well Below Current Market Rates, and Even a Sharp Decline in Mortgage Rates Would Leave a Historically Large Share of Homeowners With a Financial Disincentive to Move**



Source: eMBS, Goldman Sachs Global Investment Research

What does this mean?

It means there is little motivation for people to move!

Why sell your house when locked into a 3% mortgage only to get hit with a new 7.5% mortgage and other fees?

As a result, one might expect the real estate market should tank as sales come to a grinding halt.

So, is the real estate market about to crash?

I'm not so sure about that.

An article published in the *NY Post* discussed how the most recent data from the National Association of Realtors shows pending home sales hit an all-time low.



## **Spiraling** Pending US home sales fall to all-time low amid high interest rates

The housing market has never moved so little, according to a new report from the National Association of Realtors.

The market is stalled.

However...

As the saying goes, "What matters in real estate is location, location, location."  
Where I live, three developments are going on within about seven miles of my home.  
However, there's still a *massive* shortage of housing.  
Moreover, the new homes are expensive without a finish-out worthy of the price.  
No yard either.

Two months ago, I received an unsolicited letter from a "neighbor" to buy my house anytime within **the next several years**.

That's not even a rarity. I've had people knock on the door.

People drive through the neighborhood daily, looking for "for sale" signs to jump on a property before the masses.

The only reason to drive through here if you live here is because there's no exit from a main road.

So they are looky-loos.

Since I buy real estate about once every 15 years, I think little about it, but I've realized now these are cash buyers.

Mortgage rates don't matter to them.

Recently, I sat on an airplane and chatted with a lady who handles the online marketing for a broker and she told me that cash buying up to about \$1.2 million is very healthy in the area.

Thus far, much higher rates haven't had an impact on demand.

Buried in that same *NY Post* article is a comment, "Home sales are rising in places where more inventory is available."

"Sales for properties priced above \$750,000 were higher than a year ago..."

I see that in my area, and I suspect it's this way in other areas as well.

Possibly, that will change.

Of course, the market could be entirely different somewhere else.

However, there's still a housing shortage overall.

When supply < demand, prices are going to remain firm.

It may take longer to sell a house.

More folks will likely sit tight.

People still change jobs.

People still move to new cities.

People still have babies.

Life goes on despite mortgage rates.

As a result, there may not be a crash.

A supply issue differs significantly from the housing bubble we saw 20 years ago.

Before the last real estate bubble, I tracked mortgage equity withdrawals.

I was able to pinpoint the approximate top where Joe Schmoe had sucked all the equity out of his house and blew it on Cadillac Escalades, flat panel TVs, and slice-correcting golf clubs.

As a result, I started a hedge fund to short the banks involved in the goofy loans.

That worked out nicely from 2007-2010.

The current situation in elevated housing prices and exploding mortgage rates doesn't strike me as an obvious bubble like in 2007.

The worst case is people are stuck in their homes.

It's too expensive to pull the equity out of the property.

It's not such a bad thing.

There's value to living in your home since you have to live somewhere!

We may end up with inertia and not a massive price implosion that causes homeowners to drop the keys off in the mailbox and run as far away as possible.

There's no edge to make a bet.

Either way, it's a fascinating situation.

We live in interesting times!

# The Risk-O-Meter

The *Risk-O-Meter* remains in the "green zone," and I favor small-cap stocks in my taxable account.

My main focus in recent months has been buying small cap stocks, specifically ticker: **SCHA** on dips and primarily when the market has been oversold.

It is much easier to sense when the market is oversold and it's an excellent time to buy than when it's overbought and a top is near. Investors can only sell so much before they run out of stuff to sell. They can buy forever (due to cash on the sidelines, using leverage, etc).

Waiting patiently works for me, and my equity is at an all-time high.

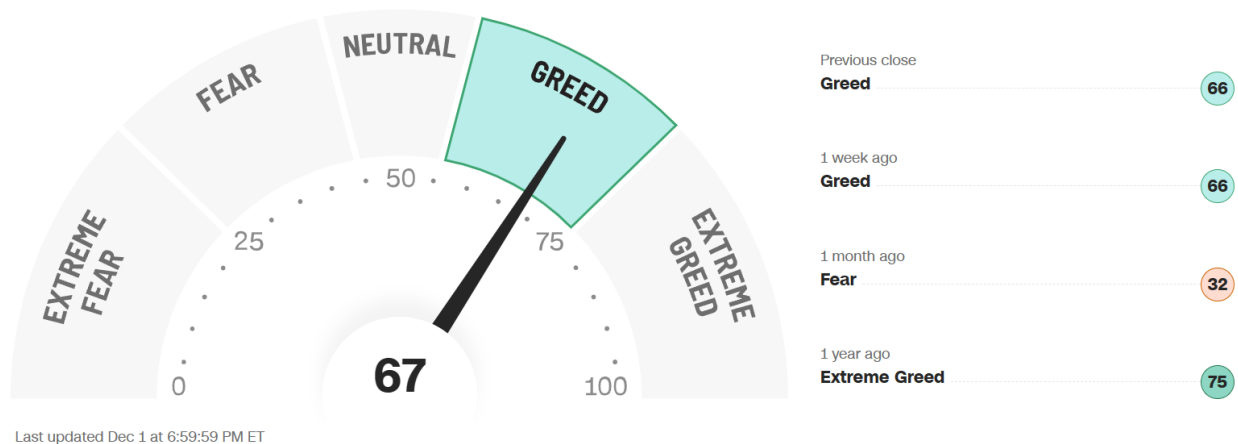
The market is overbought, and the sentiment is too bullish for my taste. Below is a chart of the *CNN Fear & Greed Index*. Based on the index, we are in the "greed" zone. Just last month, we were in deep "fear" territory.

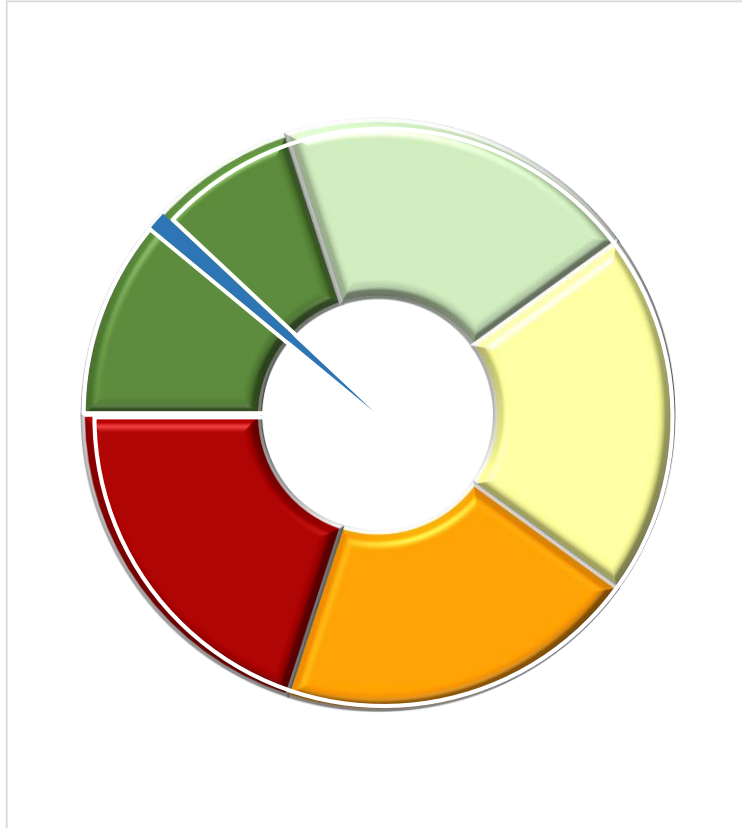
We have come very far, very fast.

The move up in stock prices in just a handful of weeks has been breathtaking.

We need a breather.

So, I will sit on my hands and wait for an opportunity with better risk/reward.





# 40X Fortunes

The Model is back into "risk on" mode from shorting the market/cash (if you cannot short the market). Cash was the better play, but it would be pure luck if it worked out that way.

The market had the best month in three years, and the Model was on the wrong side of it.

That happens.

Remember, this Model is *very* aggressive. It's a lottery ticket-type system. It only takes one trend every couple of years to fulfill its purpose.

Since 2020, the Model is up 313.5%.

Don't let one losing trade damage your psyche.

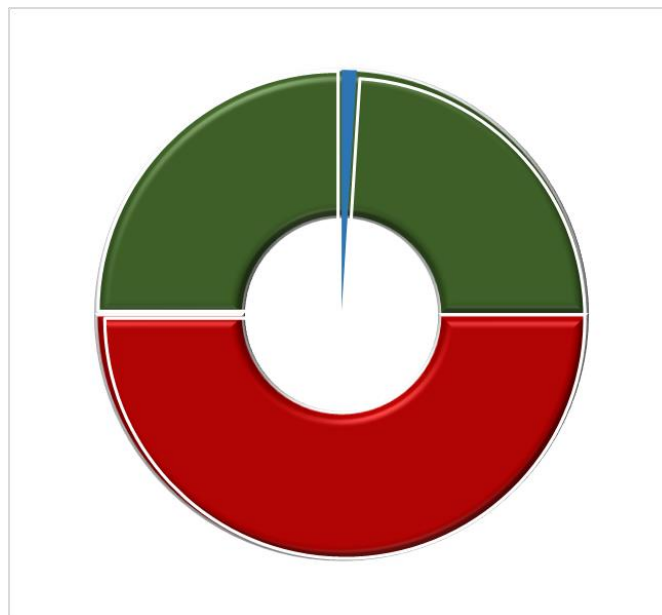
I won't.

In fact, given that the Model is still in a drawdown, I plan to up my allocation in January by 50%. That's on top of a 100% increase last month.

I'm slowly building up my stake. The Model is inconsequential to my overall portfolio due my slow build up. That said, the Model will become a more significant contributor to gains and losses over time.

Year-to-date, the Model is down 0.9% compared with a 10.5% gain for the 60/40 global benchmark.

**Trade 100% invested in QLD.**



# Simple Retirement System





Since inception, the Model is up 17.75% versus a loss of 4.9% for the 60/40 benchmark and a 1% loss for the S&P 500.

Year-to-date, the Model is up 25.6% compared with 10.5% for the global benchmark and 21.4% for the S&P 500.

Here is this month's portfolio:

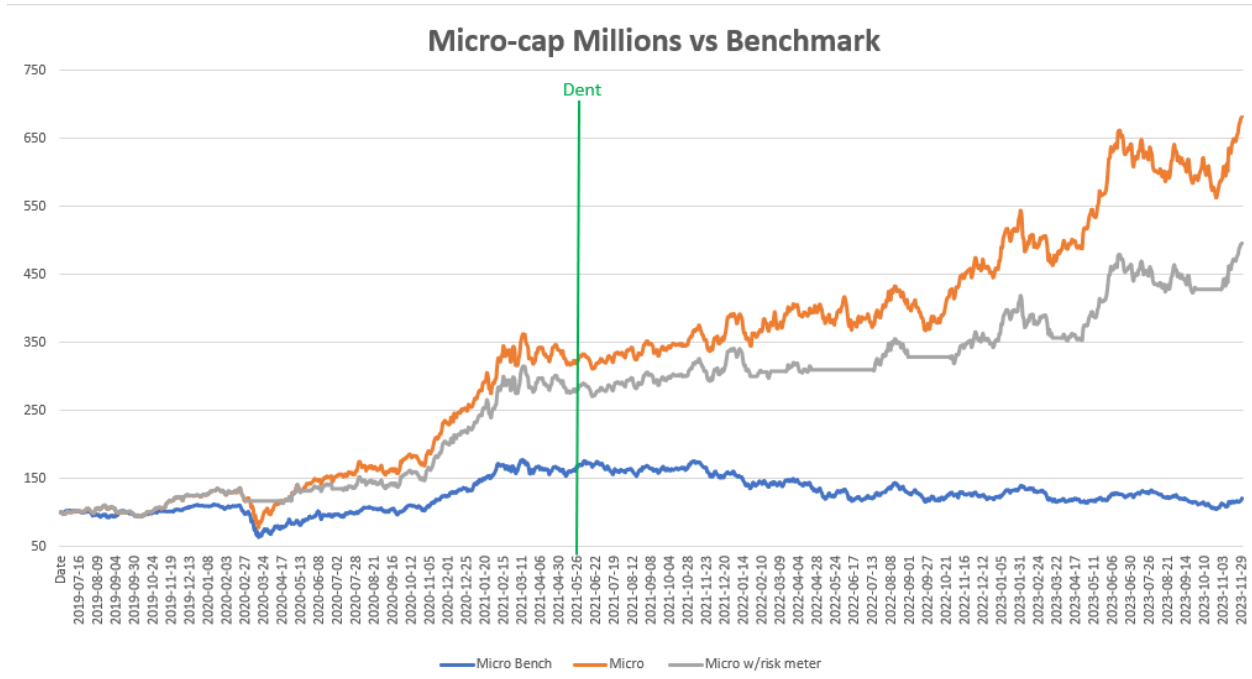
**100% invested in QQQ.**

**As a result, sell the 25% in JNK from last month and allocate to QQQ.**

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



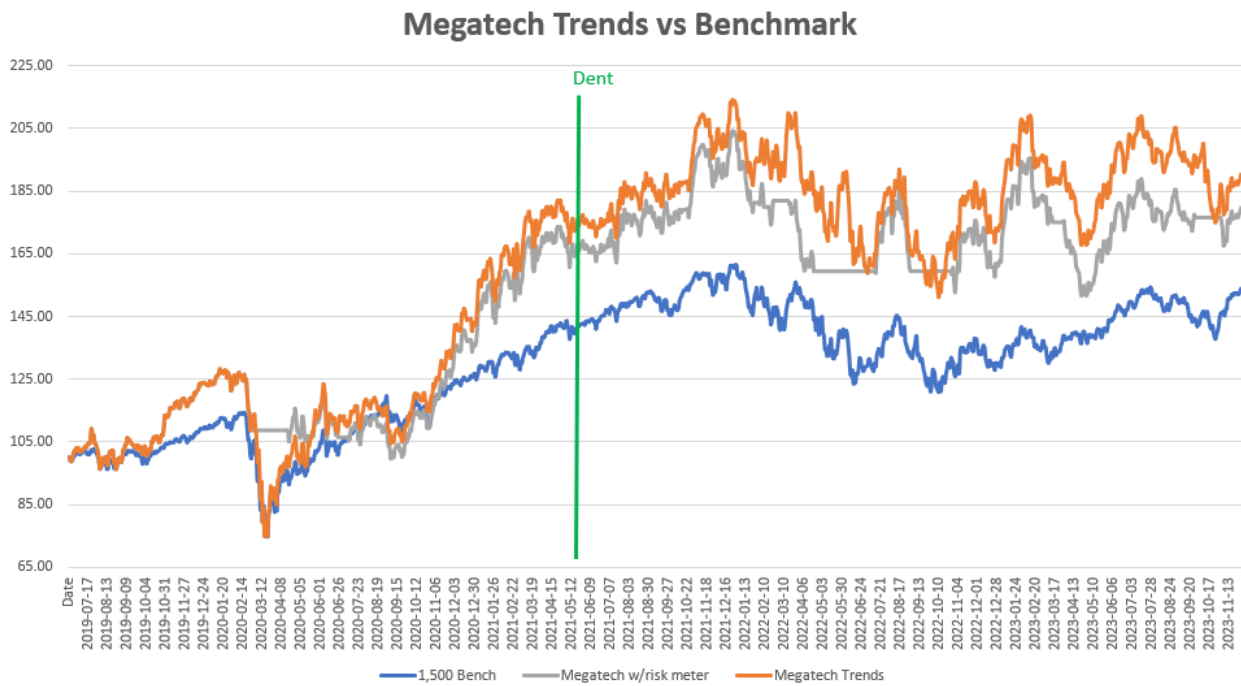
# Micro-Cap Millions



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

Ticker	Name	Return	Days Held	Sector
DSP	Viant Technology, Inc.	27.83%	32	Technology
DTST	Data Storage Corp.	17.54%	102	Technology
EGAN	eGain Corp.	14.46%	18	Technology
FEIM	Frequency Electronics, Inc.	46.37%	46	Technology
GILT	Gilat Satellite Networks Ltd.	15.25%	200	Technology
ITRN	Ituran Location & Control Ltd.	14.87%	179	Telecommunications
MIXT	MiX Telematics Ltd.	28.24%	18	Technology
MPTI	M-tron Industries, Inc.	-12.03%	11	Technology
MTLS	Materialise NV	14.16%	18	Technology
RCMT	RCM Technologies, Inc.	9.91%	11	Technology

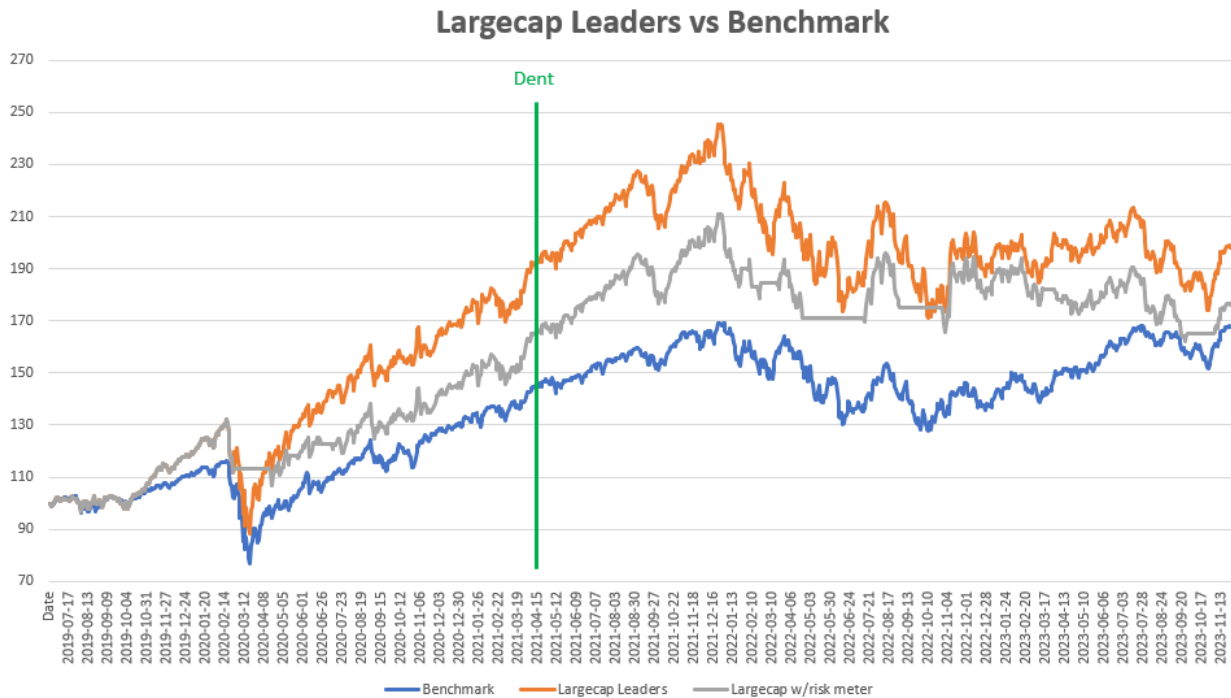
# Mega-Tech Trends



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

Ticker	Name	Return	Days Held	Sector
CALX	Calix, Inc.	11.21%	25	Technology
CDW	CDW Corp.	0.42%	18	Technology
CNXN	PC Connection, Inc.	0.42%	25	Technology
DFIN	Donnelley Financial Solutions, Inc.	5.92%	25	Technology
FN	Fabrinet	-3.64%	11	Technology
GDDY	GoDaddy, Inc.	7.73%	4	Technology
INTC	Intel Corp.	23.07%	32	Technology
PLUS	ePlus, Inc.	31.52%	185	Technology
RAMP	LiveRamp Holdings, Inc.	17.56%	46	Technology
XRX	Xerox Holdings Corp.	-0.98%	46	Technology

# Large Cap Leaders



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

Ticker	Name	Return	Days Held	Sector
ANET	Arista Networks, Inc.	1.95%	25	Technology
APH	Amphenol Corp.	16.35%	32	Technology
CDW	CDW Corp.	-1.91%	4	Technology
EA	Electronic Arts, Inc.	6.30%	25	Technology
MSFT	Microsoft Corp.	18.14%	67	Technology
MSI	Motorola Solutions, Inc.	2.22%	11	Technology
NOW	ServiceNow, Inc.	24.69%	32	Technology
ROP	Roper Technologies, Inc.	13.67%	32	Technology
SNPS	Synopsys, Inc.	15.36%	56	Technology
TEL	TE Connectivity Ltd.	14.28%	32	Technology

# The Forensic Accounting Stock Tracker™ (FAST)

Below are the top and bottom 50 stocks in the FAST Model for **December 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 stocks, 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 50<sup>th</sup> stock was the lowest-ranked stock in the Model, but some subscribers needed clarification with the 1-50 rank.



**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+	A-	A+	A	A
2	29	MCK	McKesson Corp.	A+	A-	A-	A+	A+
3	11	AVGO	Broadcom Inc.	A+	B-	A	A	A+
4	89	BDC	Belden, Inc.	A+	A-	A-	A-	A-
5	-3	HCA	HCA Healthcare, Inc.	A+	A	A-	B	A
6	-2	WIRE	Encore Wire Corp. (Delaware)	A+	A+	A-	A	B
7	-2	EME	EMCOR Group, Inc.	A+	C+	A	A+	A+
8	55	GE	General Electric Co.	A+	B+	B+	A	A-
9	2	RS	Reliance Steel & Aluminum Co.	A+	B-	B+	A	A+
10	-2	VRSK	Verisk Analytics, Inc.	A+	A	A+	B	B
11	47	LIN	Linde Plc	A+	B-	A+	A-	A
12	6	TJX	The TJX Cos., Inc.	A+	B-	B+	A	A+
13	-6	LOPE	Grand Canyon Education, Inc.	A+	B	B-	A	A+
14	-5	CDNS	Cadence Design Systems, Inc.	A+	C+	A+	A	A+
15	61	LMT	Lockheed Martin Corp.	A+	A	B	A-	A
16	38	ROST	Ross Stores, Inc.	A+	B	B+	A	A+
17	39	EPAC	Enerpac Tool Group Corp.	A+	B+	B-	A+	A+
18	16	DD	DuPont de Nemours, Inc.	A+	A+	B-	A-	A
19	59	NOC	Northrop Grumman Corp.	A+	B	A	B+	A
20	-8	SLB	Schlumberger NV	A+	D+	A+	A+	A+
21	8	CW	Curtiss-Wright Corp.	A+	C-	A+	A	A+
22	23	SAIC	Science Applications International Corp.	A+	B+	A-	B+	B+
23	139	MSI	Motorola Solutions, Inc.	A+	C+	A	B+	A+
24	19	FI	Fiserv, Inc.	A+	A-	B+	B	A-
25	-8	SNPS	Synopsys, Inc.	A+	C+	A-	A	A
26	-6	HLT	Hilton Worldwide Holdings, Inc.	A+	A-	A	B	B
27	24	MEDP	Medpace Holdings, Inc.	A+	B-	B+	A	A-
28	-2	MA	Mastercard, Inc.	A+	B	A-	B	A+
29	-6	ATGE	Adtalem Global Education, Inc.	A+	A	C+	A+	B
30	-20	MANH	Manhattan Associates, Inc.	A+	B-	A+	B+	B+
31	5	PRI	Primerica, Inc.	A+	B+	C+	A	A
32	17	CMG	Chipotle Mexican Grill, Inc.	A+	C+	A	B+	A
33	0	VRSN	VeriSign, Inc.	A+	B+	A	C+	A
34	35	PGTI	PGT Innovations, Inc.	A+	B+	B-	A	B+
35	-20	ODFL	Old Dominion Freight Line, Inc.	A+	B-	A+	A-	B
36	36	TT	Trane Technologies plc	A+	B-	A-	B+	A
37	33	CI	The Cigna Group	A+	B+	C	A	A+
38	63	STE	STERIS Plc (Ireland)	A+	C+	A	B	A
39	36	NMIH	NMI Holdings, Inc.	A+	B	B-	A	A-
40	2	CTS	CTS Corp.	A+	B	A+	B-	B+
41	20	NXPI	NXP Semiconductors NV	A+	B-	A+	B-	A
42	15	ITT	ITT, Inc.	A+	C	A	B	A+
43	3	ADBE	Adobe, Inc.	A+	B-	A	B-	A
44	140	TXT	Textron, Inc.	A+	A	B+	B	B-
45	275	CDW	CDW Corp.	A+	B-	A-	B	A
46	240	TBBK	The Bancorp, Inc. (Delaware)	A+	B+	C-	A	A-
47	97	ACLS	Axcelis Technologies, Inc.	A+	C+	B-	A+	A
48	-27	LW	Lamb Weston Holdings, Inc.	A+	C	A	A	B
49	115	AMP	Ameriprise Financial, Inc.	A+	A	B-	B+	B
50	10	AZO	AutoZone, Inc.	A+	A	B+	B+	C+





**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
1443	-93	DEA	Easterly Government Properties, Inc.	D-	F	D	D-	D
1444	-204	PRAA	PRA Group, Inc.	F	D	F	F	D
1445	-137	HASI	Hannon Armstrong Sustainable Infrastructure Ca	F	F	C-	D-	D-
1446	12	GME	GameStop Corp.	F	D	D-	D-	F
1447	-12	KMX	CarMax, Inc.	F	D-	D-	D-	D-
1448	26	PINC	Premier, Inc.	F	D-	D+	D-	D-
1449	-27	IRT	Independence Realty Trust, Inc.	F	D-	D+	D-	D-
1450	-47	WD	Walker & Dunlop, Inc.	F	C	F	F	D-
1451	-132	CLFD	Clearfield, Inc.	F	F	D+	D-	F
1452	15	PEAK	Healthpeak Properties, Inc.	F	D-	D-	D-	D-
1453	9	RWT	Redwood Trust, Inc.	F	F	F	C	D-
1454	19	VIR	Vir Biotechnology, Inc.	F	D-	D	D-	D-
1455	-9	PCRX	Pacira Biosciences, Inc.	F	D-	D-	D-	D-
1456	-49	C	Citigroup, Inc.	F	D-	D-	D-	D
1457	-186	GTLS	Chart Industries, Inc.	F	F	D	D-	D-
1458	5	VFC	VF Corp.	F	D+	D-	D-	D-
1459	-212	VREX	Varex Imaging Corp.	F	D-	D	D-	D-
1460	0	WBD	Warner Bros. Discovery, Inc.	F	D	D-	D-	F
1461	-6	OMCL	Omicell, Inc.	F	D-	D-	D-	D-
1462	-1	SSP	The E.W. Scripps Co.	F	D	D-	F	D-
1463	-13	HOUS	Anywhere Real Estate, Inc.	F	D	F	D-	D-
1464	-24	WWW	Wolverine World Wide, Inc.	F	D-	D-	D-	F
1465	0	SAFE	Safehold, Inc.	F	F	D-	F	D
1466	-38	HZO	MarineMax, Inc.	F	D-	F	D-	D-
1467	2	HIW	Highwoods Properties, Inc.	F	D-	D-	D-	F
1468	-87	THRY	Thryv Holdings, Inc.	F	D-	D-	D-	D-
1469	21	FL	Foot Locker, Inc.	F	D-	D-	D	F
1470	-276	VTLE	Vital Energy, Inc.	F	F	D-	D	D-
1471	-40	HPP	Hudson Pacific Properties, Inc.	F	D+	D-	F	F
1472	14	ARE	Alexandria Real Estate Equities, Inc.	F	F	D-	D-	D-
1473	-84	VSAT	ViaSat, Inc.	F	D-	F	D-	D-
1474	19	TNDM	Tandem Diabetes Care, Inc.	F	D-	D-	F	D-
1475	-277	D	Dominion Energy, Inc.	F	D-	D-	F	D-
1476	-181	ARR	ARMOUR Residential REIT, Inc.	F	F	D	D-	F
1477	15	RGNX	REGENXBIO, Inc.	F	D-	D	F	D-
1478	-44	APPS	Digital Turbine, Inc.	F	D-	D-	D-	D-
1479	12	LUV	Southwest Airlines Co.	F	D-	D-	D-	D-
1480	8	JWN	Nordstrom, Inc.	F	D-	F	D-	D-
1481	14	TGI	Triumph Group, Inc.	F	F	D-	D-	D-
1482	12	BGS	B&G Foods, Inc.	F	F	D-	D-	D-
1483	-41	UNIT	Uniti Group, Inc.	F	D-	F	D-	D-
1484	1	ADTN	ADTRAN Holdings, Inc.	F	D-	F	D-	D-
1485	-70	RUN	SunRun, Inc.	F	D-	D-	D-	D-
1486	-15	OFIX	Orthofix Medical, Inc.	F	D-	D-	D-	D-
1487	-7	XPER	Xperi, Inc.	F	D-	D-	F	D-
1488	-49	TWO	Two Harbors Investment Corp.	F	F	F	D-	D-
1489	-17	JBLU	JetBlue Airways Corp.	F	D-	D-	D-	F
1490	-13	LNC	Lincoln National Corp.	F	F	D-	F	D-
1491	-27	IVR	Invesco Mortgage Capital, Inc.	F	F	D-	D-	F
1492	-3	DISH	DISH Network Corp.	F	D-	F	D-	F

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