



Playing Blackjack

I hope everyone's year is off to a great start!

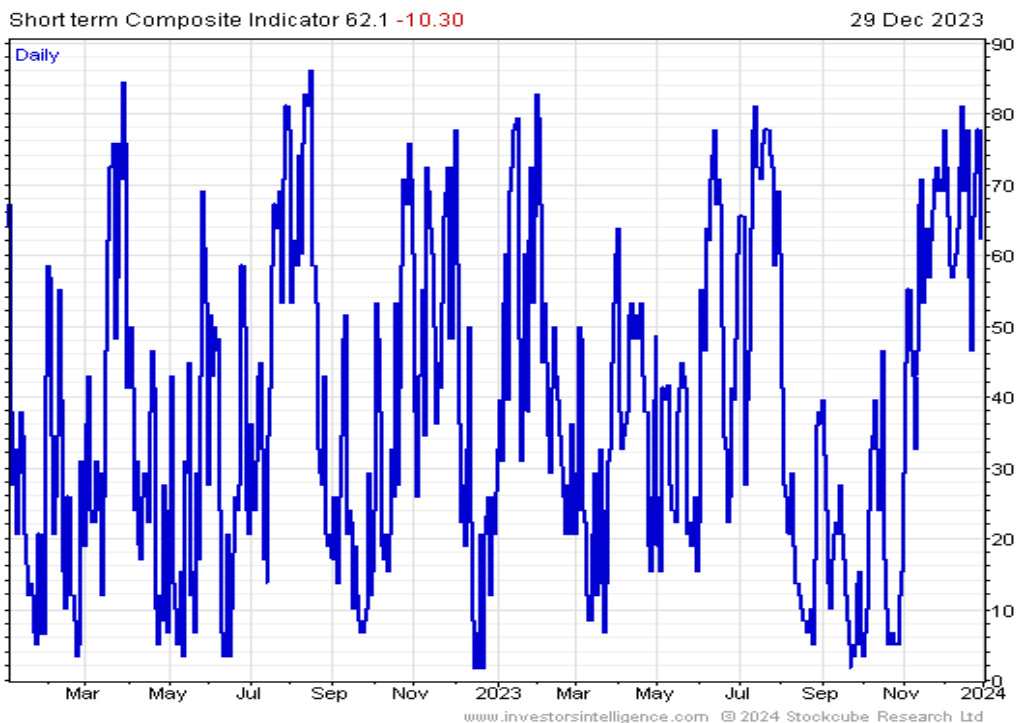
I made no New Year's resolutions this year.

After 48 years, I should be locked in and know what I should and shouldn't be doing.

So far, so good in 2024.

After a massive run in the last two months of the year, the market entered 2024 in the nosebleed section of the overbought/oversold spectrum.

Take a look at the *Short-Term Composite* from *Investors Intelligence*.



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The *Short-Term Composite* measures dozens of technical factors.

At *extremes*, I find it incredibly useful.

It's purely objective.

No feelings permitted.

As you can see, the indicator ended the year at 62.1.

But that's down 10 points from the prior day (many stocks were weak on the last day of the year).

More importantly, the index topped 80 in this most recent run.

In 2023, we did a study. When the *Short-Term Composite* exceeds 70, stock returns are negative.

That's right.

Negative.

Now, that's statistically speaking.

While anything can happen in the future, if you eyeball the chart, you can easily see that after hitting 70, the index swings around and gets crushed, finding itself below 10 (very oversold).

At 70, the odds of adding to stocks are not in your favor.

It's like the game of blackjack.

Let's say your two cards are a King and a Queen.

You have 20.

On 20 you must stay.

The dealer is showing an Ace.

Now, the dealer could have a picture card as his hole card and pull blackjack.

You lose.

However, if you have 20 every time and stay and the dealer has an Ace, *you will win over time* (the dealer will have a picture card only sometimes).

While you may lose a hand here or there, you must play the percentages correctly so that you come out ahead over time.

It's the same with stocks.

The *Short-Term Composite* hit 80.

That's tough to do!

The stock market kept going up.

Then the market went up some more.

However...

Over time, statistics suggest all of those gains will be given back, and then some.

The odds don't favor being aggressive when the indicator exceeds 70, regardless of what happens from there.

Blackjack.

The stock market.

It's the same thing.

The *Risk-O-Meter* stays in the "green zone" this week. I'm still an aggressive buyer of small-cap stocks when the market gets oversold.

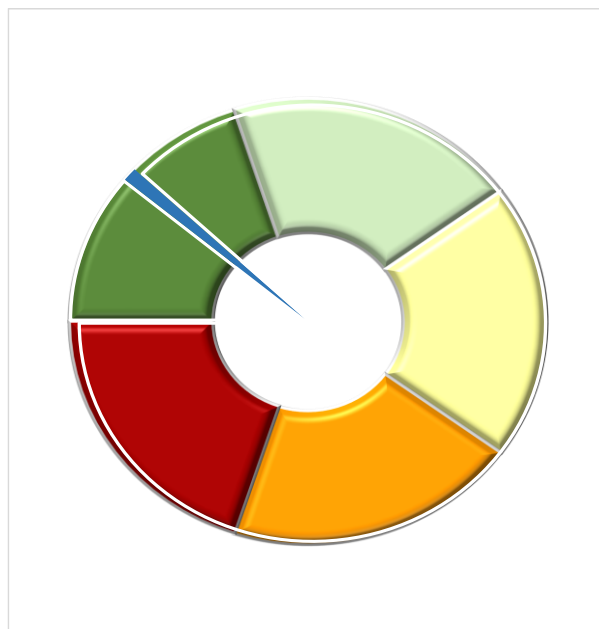
Interestingly, we enter this year on a piping hot market while we entered 2023 deeply oversold.

That turned out to be a great trade to start 2023.

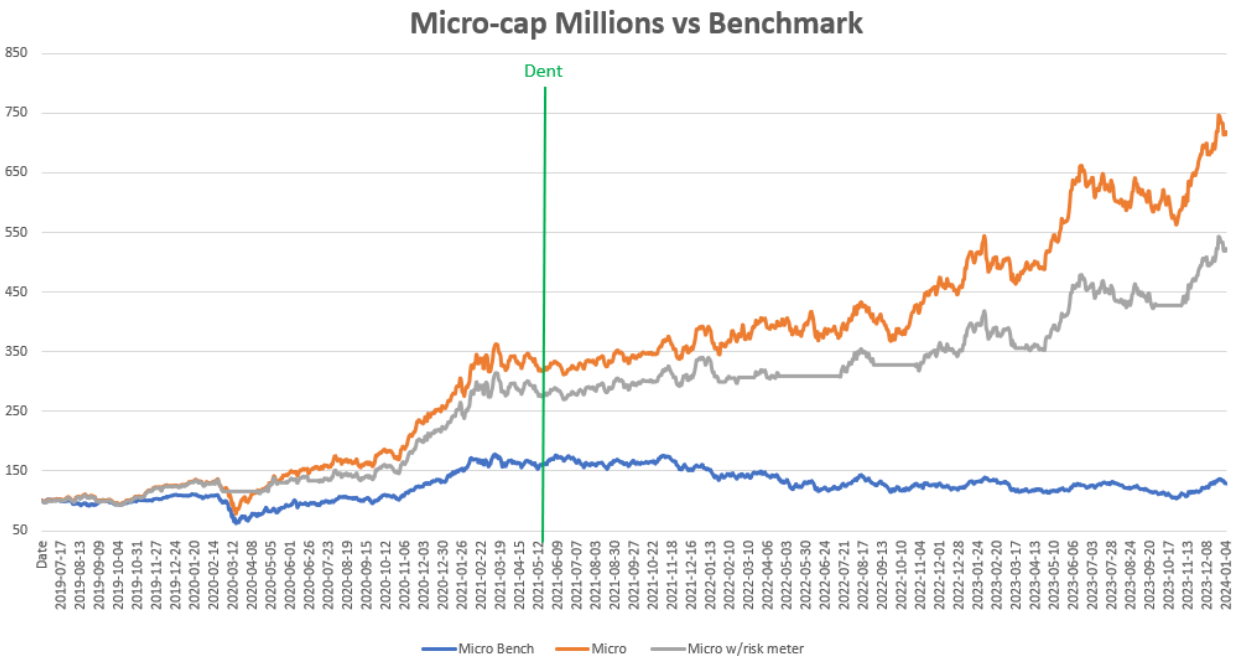
Let's see what sitting on our hands to start 2024 does.

Take it as it comes.

You never know.



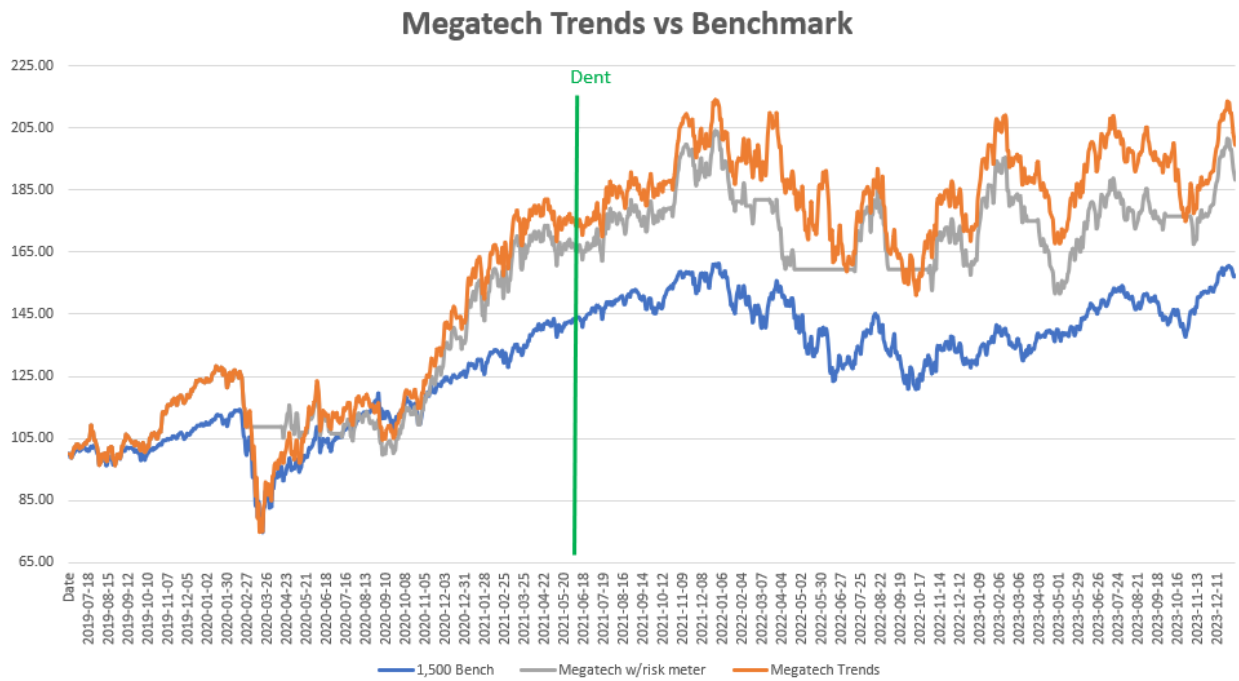
Micro-Cap Millions



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

Ticker	Name	Return	Days Held	Sector
CXDO	Crexendo, Inc.	39.76%	18	Technology
DSP	Viant Technology, Inc.	35.59%	67	Technology
DTST	Data Storage Corp.	7.84%	137	Technology
EGAN	eGain Corp.	20.55%	53	Technology
ELTK	Eltek Ltd.	-3.87%	18	Technology
GILT	Gilat Satellite Networks Ltd.	8.53%	235	Technology
ITRN	Ituran Location & Control Ltd.	12.91%	214	Telecommunications
MIXT	MiX Telematics Ltd.	64.90%	53	Technology
MTLS	Materialise NV	8.78%	53	Technology
NEPH	Nephros	10.36%	10	Healthcare

Mega-Tech Trends



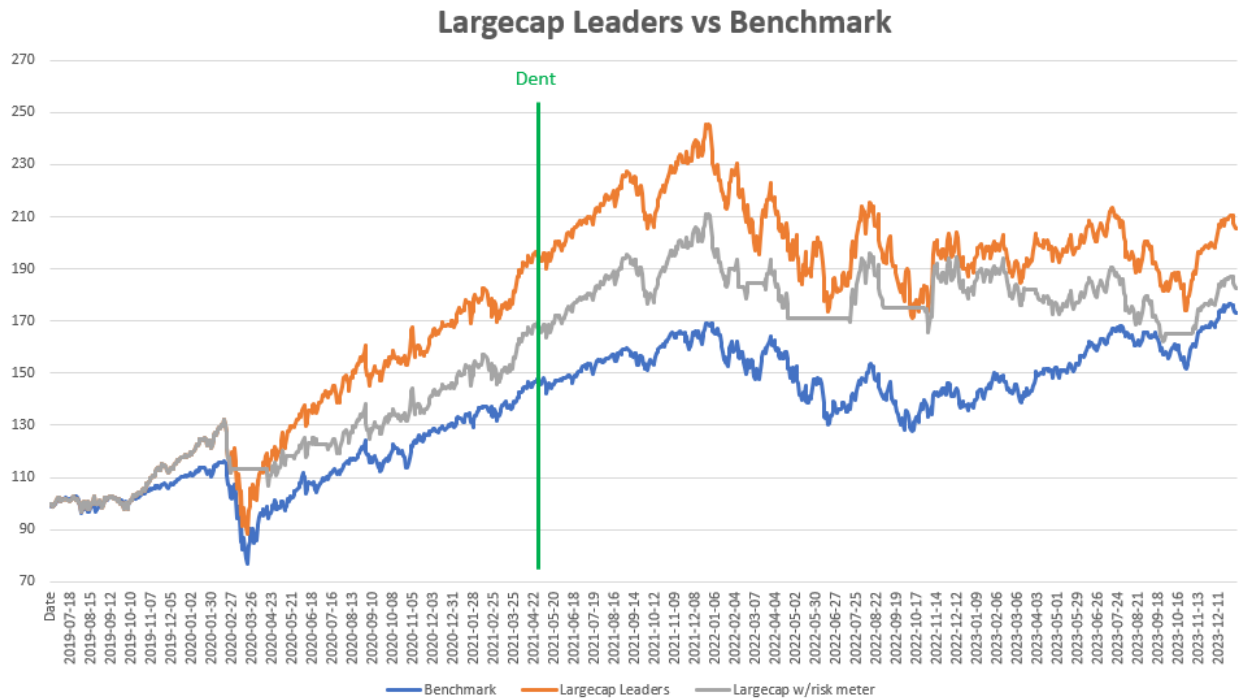
There is one trade this week. Here is the current portfolio:

Buy Enovis Corp. (NYSE: ENOV)

Sell Avnet, Inc. (Nasdaq: AVT)

Ticker	Name	Return	Days Held	Sector
AMKR	Amkor Technology, Inc.	-9.91%	10	Technology
BHE	Benchmark Electronics, Inc.	-5.56%	10	Technology
CALX	Calix, Inc.	21.38%	60	Technology
CNXN	PC Connection, Inc.	6.57%	60	Technology
DFIN	Donnelley Financial Solutions, Inc.	7.99%	60	Technology
ENOV	Enovis Corp.	0.00%	NEW	Healthcare
FN	Fabrinet	7.63%	46	Technology
PLAB	Photronics, Inc.	-7.93%	10	Technology
PLUS	ePlus, Inc.	51.01%	220	Technology
PLXS	Plexus Corp.	2.87%	25	Technology

Large Cap Leaders



There are three trades this week. Here is the current portfolio:

Buy Applied Materials (Nasdaq: AMAT), Meta (Nasdaq: META), and Motorola Solutions (NYSE: MSI)

Sell Roper Technologies (NYSE: ROP), ServiceNow (NYSE: NOW), and TE Connectivity (NYSE: TEL)

Ticker	Name	Return	Days Held	Sector
AMAT	Applied Materials, Inc.	0.00%	NEW	Technology
ANET	Arista Networks, Inc.	8.67%	60	Technology
APH	Amphenol Corp.	19.10%	67	Technology
BSX	Boston Scientific Corp.	5.84%	25	Healthcare
CRM	Salesforce, Inc.	0.12%	25	Technology
FTNT	Fortinet, Inc.	11.85%	25	Technology
META	Meta Platforms, Inc.	0.00%	NEW	Technology
MSFT	Microsoft Corp.	16.01%	102	Technology
MSI	Motorola Solutions, Inc.	0.00%	NEW	Technology
REGN	Regeneron Pharmaceuticals, Inc.	7.85%	10	Healthcare

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