



## Red Flag Alert

Last week, I talked about how the *Titanic Syndrome* is flashing warning signs that the market is in trouble.

Whether or not the major indexes hit the iceberg and sink to the abyss is anyone's guess.

However, following up on last week's theme of deteriorating conditions among stocks outside the handful of giant companies driving the market higher, I wanted to share another indicator.

The indicator is called the *Hi-Lo Logic Index*.

Like the *Titanic Syndrome*, the *Hi-Lo Logic Index* is new to me.

The index was created in 1979 by Norman Fosback. I remember having his book in our home library as a young kid, but I do not specifically recall the *Hi-Lo Logic Index*.

According to *SentimenTrader.com*, here's how the indicator is constructed.

*"Intended as a way to observe "split" market conditions, it looks for times when there are both a large number of 52-week highs AND 52-week lows among securities on the exchange. When there are a lot of both, the market is severely split between winners and losers, and it tends to be negative for stocks. When there is a very low number, then the market is heavily one-sided, which tends to be a positive for stocks. The indicator is traditionally interpreted over a longer time frame, so we suggest viewing it with a 10-day moving average."*

It's another way of measuring breadth.

There is no question that market breadth has diverged from higher index values.

This bearish divergence is a warning sign.

Our very own *Risk-O-Meter* is flashing the same red flag.

**What's concerning about the *Hi-Lo Logic Index* is that it's at the highest level in 20 years.**

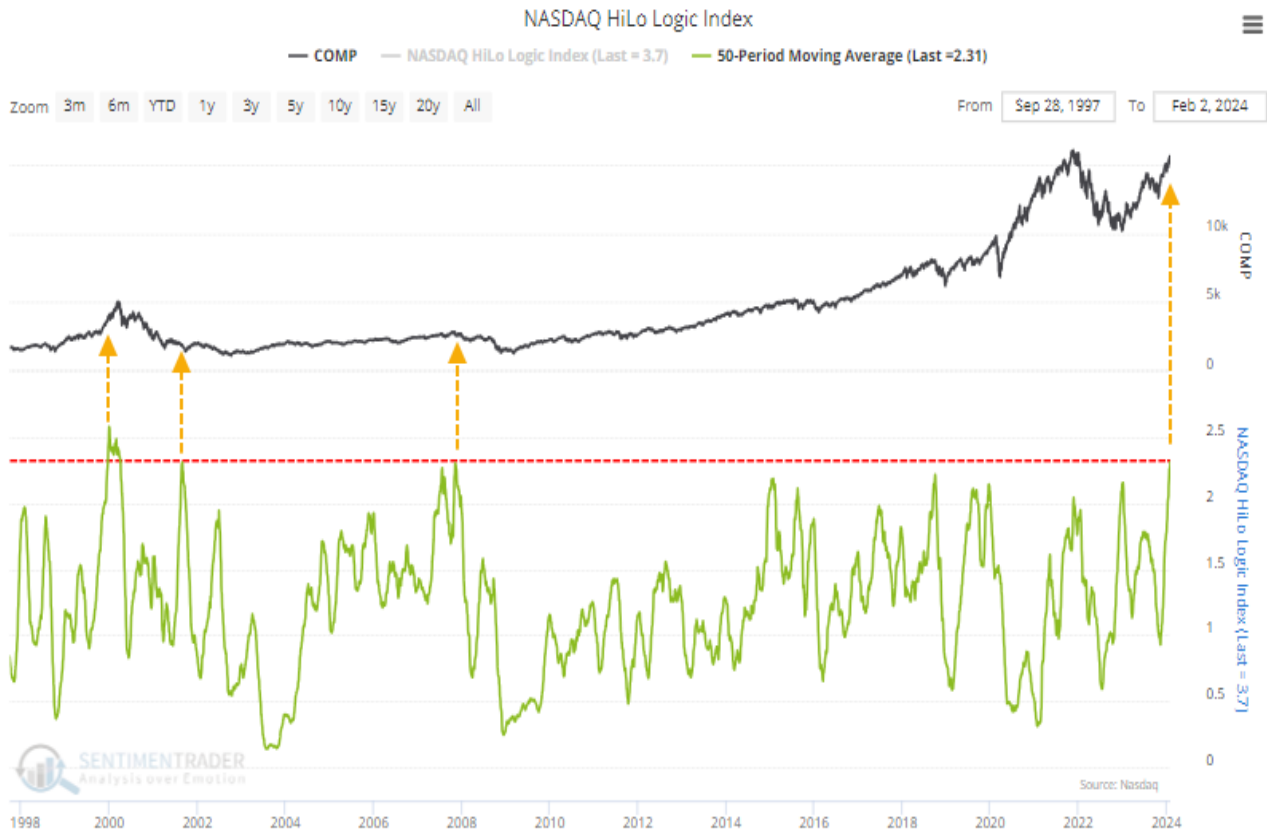
As a result, the indicator is screaming at the top of its lungs that market conditions are unhealthy despite the indexes near all-time highs.

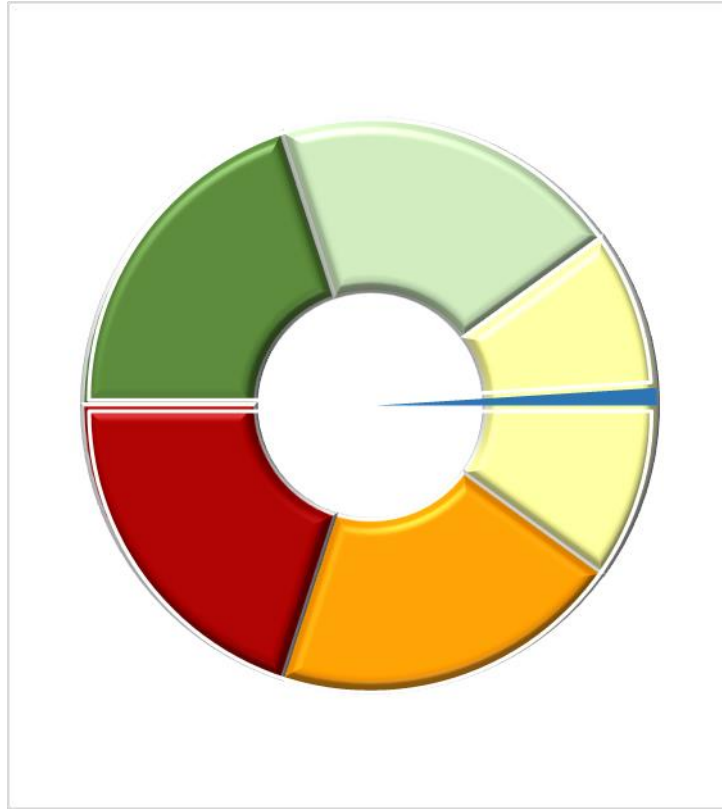
This century's three prior "sell" signals were all met with aggressive selling soon after that.

Again, anything can happen from here, and no one can predict with certainty what will happen in the market over the short term.

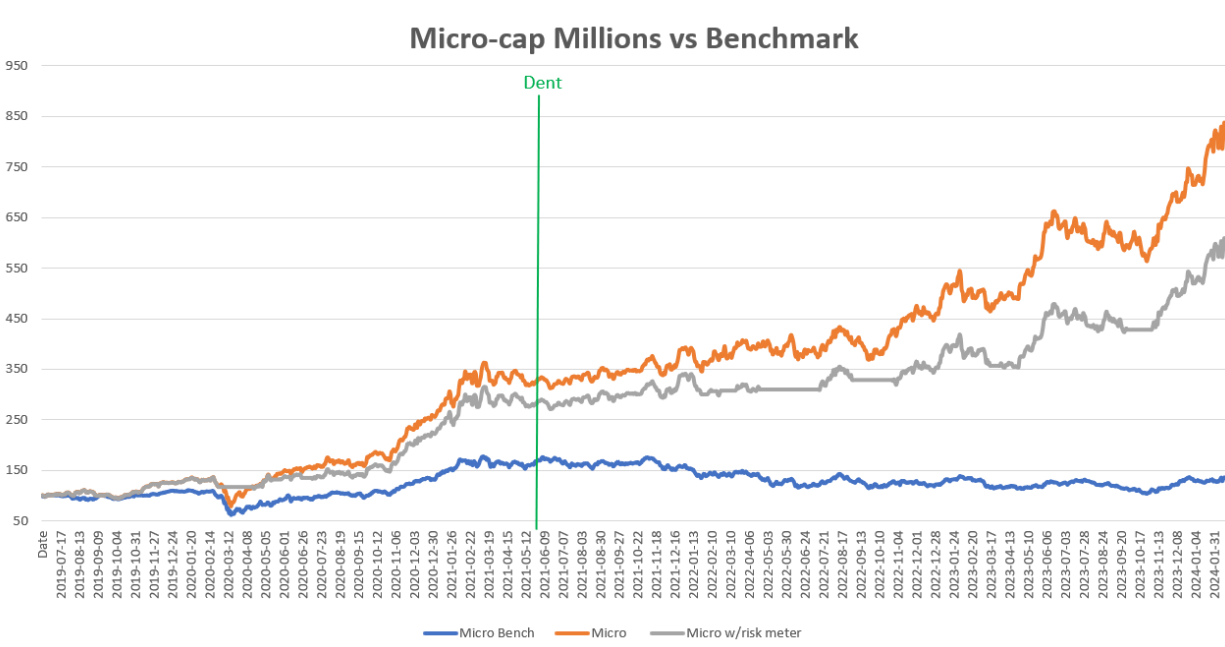
That said, it's worth noting that the underlying conditions of the market could be better.

At the very least, traders should consider tightening stops to protect profits.





# Micro-Cap Millions



There are two trades this week.

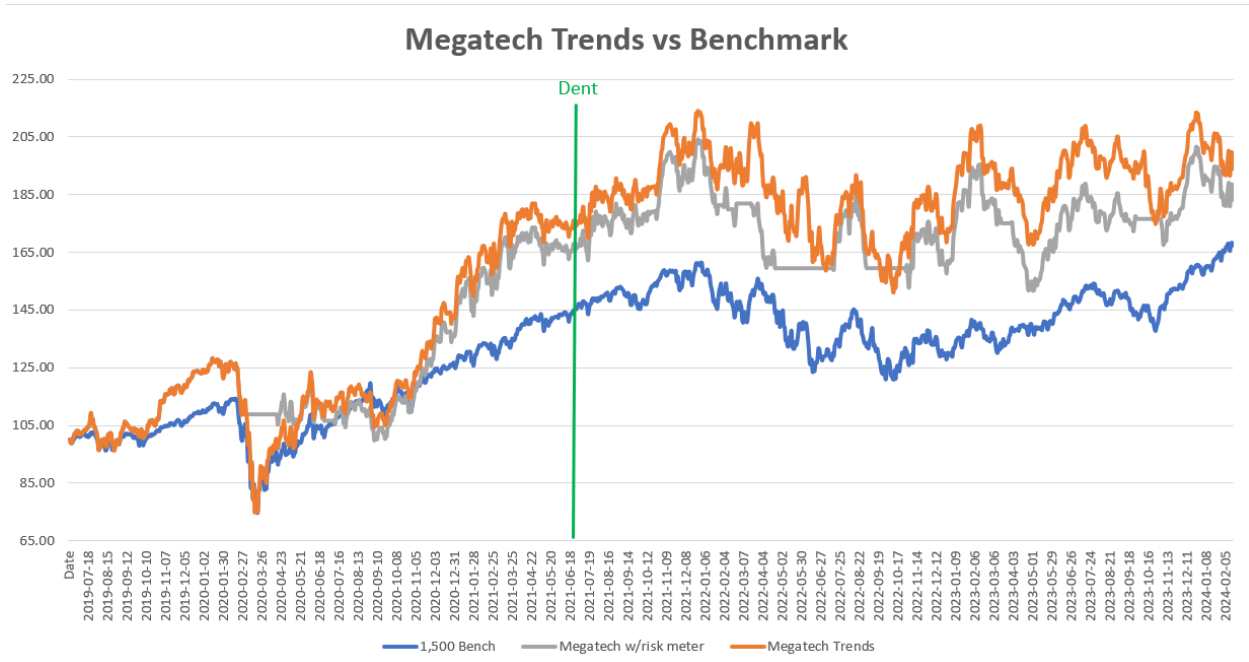
**Buy DoubleDown Interactive Co., Ltd. (Nasdaq: DDI) and Electromed, Inc. (NYSE: ELMD)**

**Sell Eltek Ltd. (Nasdaq: ELTK) and M-tron Industries (NYSE: MPTI)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
CLMB	Climb Global Solutions, Inc.	3.34%	4	Technology
CXDO	Crexendo, Inc.	116.91%	60	Technology
DDI	DoubleDown Interactive Co., Ltd.	0.00%	NEW	Technology
DSP	Viant Technology, Inc.	68.80%	109	Technology
DTST	Data Storage Corp.	41.42%	179	Technology
ELMD	Electromed, Inc.	0.00%	NEW	Healthcare
GILT	Gilat Satellite Networks Ltd.	14.61%	277	Technology
ITRN	Ituran Location & Control Ltd.	12.61%	256	Telecommunications
MTLS	Materialise NV	5.20%	95	Technology
NEPH	Nephros, Inc.	13.68%	52	Healthcare

# Mega-Tech Trends



There is one trade this week.

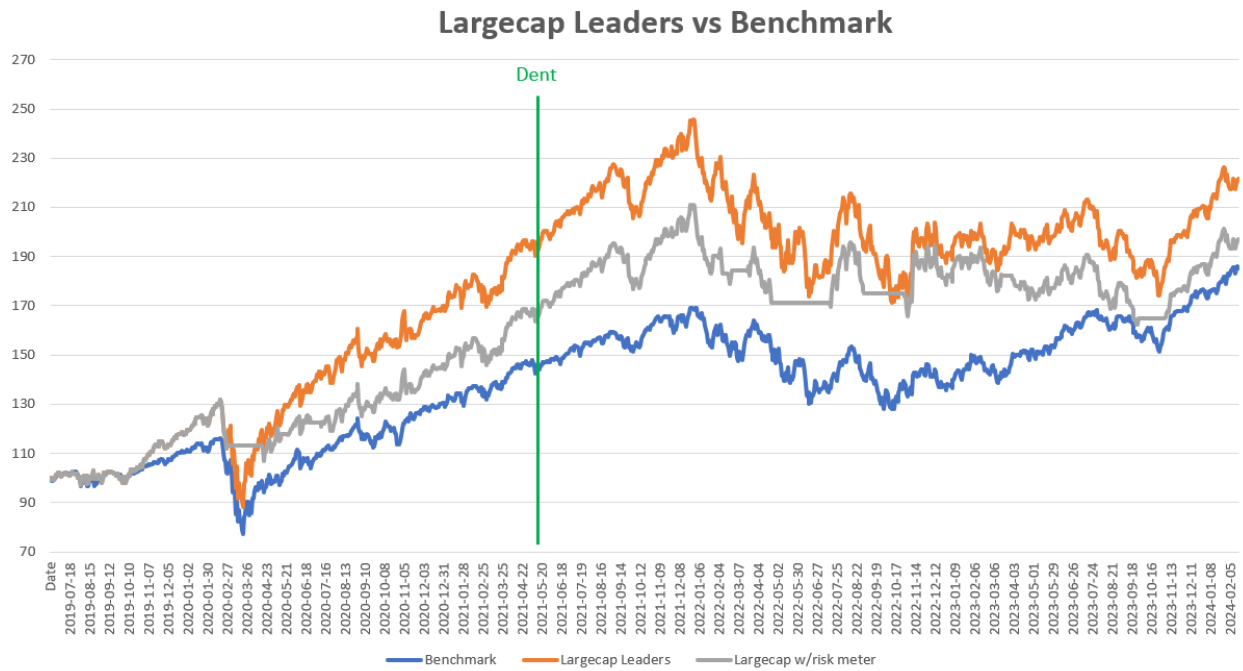
**Buy Dropbox, Inc. (Nasdaq: DBX)**

**Sell PC Connection, Inc. (Nasdaq: CNXN)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
BMY	Bristol Myers Squibb Co.	-0.50%	25	Healthcare
COLL	Collegium Pharmaceutical, Inc.	-1.24%	25	Healthcare
DBX	Dropbox, Inc.	0.00%	NEW	Technology
DXC	DXC Technology Co.	0.23%	11	Technology
OSUR	OraSure Technologies, Inc.	-11.07%	18	Healthcare
SCSC	ScanSource, Inc.	6.27%	18	Technology
SWKS	Skyworks Solutions, Inc.	-0.80%	18	Technology
THRY	Thryv Holdings, Inc.	1.04%	18	Technology
XRX	Xerox Holdings Corp.	-2.41%	18	Technology
YELP	Yelp, Inc.	-14.77%	11	Technology

# Large Cap Leaders



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

Ticker	Name	Return	Days Held	Sector
ABBV	AbbVie, Inc.	5.23%	11	Healthcare
ACN	Accenture PLC	1.53%	25	Technology
AMAT	Applied Materials, Inc.	18.83%	25	Technology
APH	Amphenol Corp.	33.05%	109	Technology
BMY	Bristol Myers Squibb Co.	0.32%	18	Healthcare
CHTR	Charter Communications, Inc.	-22.30%	18	Telecommunications
CMCSA	Comcast Corp.	-4.87%	25	Telecommunications
FFIV	F5, Inc.	1.25%	25	Technology
MSFT	Microsoft Corp.	27.46%	144	Technology
TEL	TE Connectivity Ltd.	-1.44%	18	Technology

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