



The Goldman Guide

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Better Days Ahead

Even though the employment figures last week were rotten, growth is slowing in Asia, manufacturing is slowing in the U.S. and the IMF has lowered its global GDP forecast, it doesn't amount to a hill of beans.

Some of the numbers are actually amusing on the employment side. Not so long ago, the U.S. economy was producing twice as many jobs as it average during 2Q12. For June, more people signed up for disability than were hired in the private and public sectors. The Department of Labor's statistics are fascinating, especially when one takes into account public versus private hiring. Around 21 million people are employed by branches of federal and local governments in the U.S. and that number will grow incrementally, thanks to Obamacare.

That will bring total public hiring to around 11%, which compares with 8.2% unemployment and 14.9% total unemployed. Weird.

As historically bad as these figures are, there is light at the end of the tunnel. Restaurant hiring has outpaced most sectors this year. With low oil prices and greater hiring in this space, that portends a potential uptick in consumer spending in 2H12. This follows a quietly strong auto sales period in June.

With stabilization in Europe, an uptick in consumer spending, despite the unemployment figures, better commodities pricing, and realistic EPS forecasts, we are bullish. Remember, there are some cool technology products slated to be released in 2H12 which will provide a boost as well. All in all, the primary issue we see as a possible barrier to success is the geopolitical risk in the Middle East.

Key Takeaways

- ⇒ Unemployment is rotten.
- ⇒ Some sectors employment growth bode well.
- ⇒ Earnings season is here.
- ⇒ Watch for consumer spending figures to provide direction.
- ⇒ We are quoted in Forbes.com.

What's Up?

This week brings us the start of earnings season. In our view, the most important firms releasing results are Marriott International (NYSE—MAR) which will give investors a glimpse of consumer spending in the hospitality arena, and Wells Fargo (NYSE - WFC), which will provide a good barometer in the banking and finance space. The troubled J.P. Morgan (NYSE—JPM) also reports this week.

Economic reports should once again dominate, until next week's big earnings reporting crunch. At the end of the week, we will have the weekly jobless claims, followed by the Producer Price Index figures as well as the University of Michigan consumer sentiment survey.

With a likely choppy week following an abridged one last week, we expect weak volumes and favorable buying opportunities.

A Funny Thing Happened...

A crazy thing happened last week, as brought to our attention by one of our readers. We were quoted in a Forbes.com article on Implant Sciences (OTCBB – IMSC - \$1.60), a former sponsored research profiled stock. We were caught off guard as we have not written about the company in some time. As a result, we received a number of inquiries.

Rest assured, we will attempt to get back to the firm and look into the publication of an update. IMSC has done very well since our original profiles and is in an exciting space. The columnist's piece on IMSC can be viewed here:

<http://www.forbes.com/sites/genemarcial/2012/07/03/implant-sciences-little-known-pure-play-on-bomb-detection-systems-starting-to-attract-investor-attention/>

Key Statistics

<u>Index</u>	<u>Close</u>	<u>YTD</u>
DJIA	12,772	5.3%
S&P 500	1355	8.2%
NASDAQ	2937	12.8%
Russell 2K	807	7.9%

(figures are rounded)

1498 Reisterstown Road
Suite 286
Baltimore MD 21208

Contact Us:
410.609.7100
info@goldmanresearch.com
www.goldmanresearch.com

Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research (GSCR) in 2009. Rob has over 20 years of investment and research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, he was a senior member of Piper Jaffray's Technology team. Prior to joining Piper, Rob led Josephthal & Co.'s Emerging Growth Research Group. Rob has also served as Chief Investment Officer of two boutique investment management firms, where he managed Small Cap Growth and Balanced portfolios and *The Blue and White Fund*. As an investment manager, Rob's model portfolio was once ranked the 4th best small cap growth performer in the U.S. by *Money Manager Review*. In addition to his work at GSCR, Rob is the editor of Penny Stock Junction (www.pennystockjunction.com).

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