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## KEY TAKEAWAYS

- ⇒ Job market has some amusing but disturbing figures
- ⇒ Energy and health care are key winning sectors going forward based on surprising factors
- ⇒ We are in an index winners market as stock pickers suffer
- ⇒ Pending big name IPOs bode well for the market later this year
- ⇒ Two back to school stocks should have a good Q

## KEY STATISTICS

Index	Close	2013
DJIA	15658	19.5%
S&P 500	1710	19.9%
NASDAQ	3690	22.2%
Russell 2K	1060	24.9%

(figures are rounded)

## Not Reading This Is Harmful To Your Wealth

I trust some of you were happy to get a reprieve and not have the latest issue of The Goldman Guide in your inbox. To those of you looking forward to it, I apologize. Both Aaron and I were traveling and we did not get an opportunity to release one in time. In any event, this issue is sure to make up for lost time.

For those of you on Twitter we recommend following @zerohedge. Of course be sure to follow us @GoldmanSmallCap as well. Anyway, Zero Hedge had a fantastically simplistic, hilarious, scary and accurate analysis of the jobs reports thus far in 2013 last week that really put our economic standing in perspective. Of the 950,000+ jobs created this year only 22% of them have been full-time jobs, while the overwhelming majority has been part-time jobs. As Zero Hedge eloquently put it, thus far in 2013, ten times more waitress and bartending jobs have been created than manufacturing jobs. Ouch.

Clearly, this does not bode well going forward. And as for news of higher real estate price sales? When one understands the fact that these comparisons include a prior higher composition of foreclosure and short sales, the number doesn't look nearly as favorable. A quick look at earnings thus far illustrate that companies and analysts are reducing their 2H13 and FY14 forecasts by around 2%, which isn't too bad, but the tide has to stem sooner rather than later. These metrics have got to turn for the unprecedented rally to continue and for it to stop being an alternative to bonds rally. Track these numbers carefully.

Two interesting notes that could pave the way for future rallies in the energy and health care sectors. First, when the world's largest producer of oil (Saudi Arabia) complains and says fracking in the U.S. could hurt OPEC it is a good thing and means we need to continue to invest in these firms as they should print money, even in a downward economy.

(cont'd)



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## ***Not Reading This Is Harmful To Your Wealth (cont'd)***

Second, (and I can't believe I am actually saying this) Obamacare may not be as bad as I thought it might be. This has nothing to do with the approach or structure itself which I believe are major problems. Instead, I point to the state regulators and give kudos to their Health Care Commissions for saving citizens hundreds of dollars per year but capping the health care premium increases to a (somewhat) reasonable figure. This is not kudos to all states, but will hopefully be followed by more. Make no mistake. The law will negatively impact consumer spending and reduce the quality of health care in too many cases.

Of course I love the irony that one of the Obamacare information call centers is employing only part time workers and will not be offering them health insurance. Still, the states may temper the negatives of the program which may save us a bundle and help buoy health care stocks through next year. Make sure you have exposure to this space!

Anybody look at mutual fund and ETF inflows lately? There is a reason why this has become an index winners market rather than a stock-picker's market. Moreover, some of the short positions in ETF seem to be declining, making the gains that much stronger despite negative economic news. We will be discussing ETF investing in greater detail and specificity later in the year, given the renewed performance and interest. It may be a little late now to get on the bandwagon, but later in the year could prove to be great.

If the stock market holds up, there are 3 big IPOs that may begin trading later this year which could be some huge winners. Without seeing any S-1's or deep understanding of business models, Dropbox, Spotify and Twitter are likely to get substantial interest. I confess I subscribe to all 3 and use them every day. For the initiated, Dropbox is a freemium file hosting and cloud storage and file sharing service while Spotify is a freemium commercial music streaming service. If you don't know what Twitter is, well shame on you as it is likely to have as much interest as Facebook (NASDAQ—FB) last year, but with likely fewer price swings. Seriously folks, any halting in IPOs is bad, and rises are usually a good sign.

We spent some time forecasting important events in the investment cycle for certain sectors, given their reliance and history of seasonality. As if on cue, the back-to-school season is upon us and it may not be as lucrative as we had originally hoped. Late last week the National Retail Foundation announced it was projecting a 7% decline in sales, due in part to more discounting by retailers. Given the job numbers we alluded to earlier, this is not a real big surprise.

Still, this does not mean that the back-to-school season is going to be terribly weak. Look, a number of companies already have guided toward only so-so comparisons from 2012. With greater discounting comes a higher volume of sales which will lower margins but hopefully result in decent overall results. With tax holidays on back-to-school items such as apparel in some states in the next couple of weeks, we may get a glimpse into the season's prospects rather early. Investors would be wise to take advantage of 2 stocks that may be rewarded from this seasonality. Which ones?

I am glad you asked.....



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## ***Back To School Specials***

Before we introduce our 2 back-to-school specials, a couple of notes are in order. First, we are pleased to report that our 2 large company/low-priced picks from two weeks ago, **Synovus Financial (NYSE—SNV)** and **Rite Aid (NYSE—RAD)** are both up 10% and hit new highs on Friday. We still like both stocks and believe that \$4.00 is achievable in the near term. They closed at \$3.46 and \$3.30, respectively.

Second, we introduced a cool teen and tween retailer last year that rose 40% and re-introduced it in our daily blogs. In case you missed it a few weeks ago, now is your chance to step in. I confess I was considering including it in the latest 30-30 but chose another stock instead that has dropped big time. I don't think that will happen here. I just happened to make a poor choice.

Enjoy.

**dELiA\*s, Inc. (NASDAQ – DLIA - \$1.40)** looks primed to make a run in the short term. For the uninitiated, dELiA\*s not only has a unique spelling, but a specific target demographic, teenage girls. The Company develops, markets, and sells apparel, dresses, swimwear, footwear, outerwear, and accessories through direct mail catalogs, the internet, and 104 retail stores in 33 states. DLIA raised roughly \$35M in stock and debt deals enhancing the financial position and this quarter is important to its growth. We deem it likely that it will be a good one, given the recent fund-raise. They certainly don't want to disappoint these new investors right out of the gate. In our view, \$2.00 is in the cards.

For those investors that like brands names, low prices, but high stock prices, **Kohl's (NYSE—KSS—\$53.56)** is a go-to low-cost, quality retailer with nearly 1200 stores across the country. Sales growth is not expected to be anything to write home about this quarter but this is a huge revenue quarter for the Company and sets the stage for 2H13. At current levels, the stock trades at a 12x P/E and we project a 20-25% rise by year-end.

Until next week...



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