

INSIDE THIS ISSUE:

How Election Results Affect Us

KEY TAKEAWAYS

- ⇒ *Republicans beat the Democrats like the Globetrotters beat the Generals on national and localized levels*
- ⇒ *The Street is cheering and so should you.*
- ⇒ *History tells us the balance of the year and next year could be big return years*
- ⇒ *Pot stocks get a shot in the arm*
- ⇒ *Defense, health care, tech, and financials should get a real boost*
- ⇒ *Look for stocks to run for the next four months*

KEY STATISTICS

Index	Close	2014
DJIA	17384	4.9%
S&P 500	2012	8.9%
NASDAQ	4624	10.7%
Russell 2000	1165	0.0%

(figures are rounded)

CHANGE AGAIN, SIX YEARS LATER

Midterm elections are in the books and Americans overwhelmingly voted for change, much like they did six years ago when they voted in Barack Obama as President. This time around, however, disdain for our leader, who was called King Putt for his penchant for living on the golf course, was felt on a national and localized level. Not only do the Republicans control the House and the Senate, but so many blue states turned red in state and local elections (such as my home state of Maryland) that some are calling this event a referendum on ideology and the strong disagreement with the direction in which the country is headed.

While that may be true to a degree, we will leave it to the pundits to define this dramatic shift. Instead, we will define it from the investment perspective since it will have a clear impact on stocks, going forward. Here are the top 5 things you need to know about how stocks will perform:

1. **Wall Street is happy.** Wall Street leaders spent a lot of money on this election—mainly supporting Republican causes and races. A reduction in regulations, lower taxes, less onerous financial oversight, and related issues were just too much to bear.
2. **The Next 12-18 Months Could Be Big for Stocks.** According to the Stock Trader's Almanac, stocks make big moves to the upside after midterm elections and in the fifth year of decades, stocks tend to overwhelmingly enjoy their greatest performance with few down years.
3. **The Marijuana Lobby is Smoking.** Oregon, Washington DC and Alaska join Colorado and Washington as the next states to legalize pot on a recreational basis while a similar bill was defeated in Florida. These 3 states were no surprise and the Florida loss is a tough one and illustrates this segment has major legs but has to be played tactically.

How Will The Market React?

4. Don't Expect Compromises. This is not the Clinton Presidency. We do not expect much to change policy-wise over the next two years as gridlock will likely rule the day, which is not necessarily a good thing. Executive orders and backlash will be the norm, again, from both sides. That could mean real and consistent volatility returns.

5. Buy These Sectors. Defense, health care, financials, and tech. ETFs are a great way to play these segments. Once oil stabilizes in 2015, that will be a good sector in which to invest as well.

Since the summer, we have had two major contractions, which we thought would lead to corrections only to set the table for a big post-election, year-end run. The smart money must have sensed this election event early since stocks roared back from the mid-October lows.

Admittedly, the Halloween Indicator came two weeks early than we thought but its effect going forward is clear. With few exceptions, it is as if the market has collectively taken one gigantic Viagra or Cialis— meaning stocks will be generally vertical for an extended period of time. Of course if the market remains this way for more than four months, see your financial advisor or take some money off the table.



The Goldman Guide

1498 Reisterstown Road, Suite 286 Baltimore Maryland 21208 Phone: 410.609.7100

info@goldmanresearch.com www.goldmanresearch.com

Launched in May 2010, *The Goldman Guide* is a free weekly publication of Goldman Small Cap Research and is written by Founder Rob Goldman with contributions from the GSCR contributor team. This non-sponsored investment newsletter seeks to provide investors with market, economic, political and equity-specific insights via an action-oriented, straight to the point approach. No companies mentioned in this newsletter are current sponsored research clients of the Company or its parent, unless noted. With rare exceptions, all companies or investment ideas mentioned in this publication are publicly traded stocks listed either on the NYSE or the NASDAQ. Goldman Small Cap Research members and contributors' bios, certifications, and experience can be found on our website: www.goldmanresearch.com.

Disclaimer

This newsletter was prepared for informational purposes only. *Goldman Small Cap Research*, (a division of Two Triangle Consulting Group, LLC) produces non-sponsored and sponsored (paid) investment research. Goldman Small Cap Research is not affiliated in any way with Goldman Sachs & Co.

The Firm's non-sponsored research publications category, **Select Research**, reflects the Firm's internally generated stock ideas, along with economic, industry and market outlooks. In virtually all cases, stocks mentioned in **Select Research** offerings are listed on the NYSE or the NASDAQ. Publications in this category include the weekly newsletter *The Goldman Guide*, daily Market Monitor blogs, Special Reports, and premium products such as *The 30-30 Report*. Goldman Small Cap Research analysts are neither long nor short stocks mentioned in this newsletter.

Opportunity Research reports, updates and Microcap Hot Topics articles reflect sponsored (paid) research but can also include non-sponsored micro cap research ideas that typically carry greater risks than those stocks covered in Select Research category. It is important to note that while we may track performance separately, we utilize many of the same coverage criteria in determining coverage of all stocks in both research formats. Please view the company's individual disclosures for each engagement, which can be found in company-specific **Opportunity Research** reports, updates and articles.

Goldman Small Cap Research has not been compensated for any content in this issue.

All information contained in this newsletter and in our reports were provided by the companies mentioned via news releases, filings, and their websites or generated from our own due diligence. Economic, market data and charts are provided by a variety of sources and are cited upon publication. Stock performance data is derived from Yahoo! Finance. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence.

The information used and statements of fact made have been obtained from sources considered reliable but we neither guarantee nor represent the completeness or accuracy. *Goldman Small Cap Research* did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company, other firms, or other financial news outlets. *Goldman Small Cap Research* relied solely upon information provided by companies through filings, press releases, presentations, and through its own internal due diligence for accuracy and completeness. Such information and the opinions expressed are subject to change without notice. A *Goldman Small Cap Research* report, update, article, blog, note, or newsletter is not intended as an offering, recommendation, or a solicitation of an offer to buy or sell the securities mentioned or discussed. This newsletter does not take into account the investment objectives, financial situation, or particular needs of any particular person. This newsletter does not provide all information material to an investor's decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a complete discussion of the risks mentioned. Neither *Goldman Small Cap Research*, nor its parent, is registered as a securities broker-dealer or an investment adviser with the FINRA or with any state securities regulatory authority.

ALL INFORMATION IN THIS REPORT OR NEWSLETTER IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, *TWO TRIANGLE CONSULTING GROUP, LLC* WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS, RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY LAW, *TWO TRIANGLE CONSULTING GROUP, LLC* WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRES-