The Goldman Guide

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INSIDE THIS ISSUE:

KEY TAKEAWAYS

- ⇒ *The Fed's move means uncertainty rules the day for the interim*
- ⇒ *The NASDAQ 100 is now just 2% below its 200 DMA and if it rises above it, that would serve as a key trading signal*
- ⇒ *Should you start thinking about buying bank stocks or ETFs?*
- ⇒ *3Q15 EPS growth is better than you think, if you look hard enough*
- ⇒ *This good looking midcap reports on 9/24/15 and could rise*

THE MAJOR INDICES

Index	Close	2015
DJIA	16383	-8.1%
S&P 500	1958	-4.9%
NASDAQ	4827	1.9%
Russell 2000	1163	-3.5%

(figures are rounded)

DAMMIT, JANET!

With all due apologies to The Rocky Horror Picture Show fans, you'd think by now that Janet Yellen would know better.

The thing the market hates more than anything are indecisiveness and uncertainty. So, what does she do? Nothing. Absolutely nothing. No raise in rates. Just more gobbledygook comments.

There has been and will be a lot written about the lack of movement as a positive and a negative. Moreover, speculation will rule the day regarding timing of even a quarter-point rise in rates. Will it be October? December? Early 2016?

These unanswered questions, and seasonal stock trepidation this time of year means that we are flat to down for the interim. By the way, did you notice that the indices barely registered a move last week? It was the first time in a while that we really didn't have much volatility in stocks.

If you can endure uncertainty and act like a contrarian, you will likely do well over the next six weeks. A lot investors tend to lose sight of the real market movers while they wait impatiently to see what the Fed will do and when. The great thing about being a contrarian now versus say a month ago, is that the risk is mitigated a great deal. So, it all comes down to stock-picking and timing, especially with this overlooked sector. .

The Stock Market Today

U.S. Stock Market Index Performance as of 9/18/15									
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	Bounce*	% Below 200-DMA
DJIA	16,383	18,351	15,370	5/19/15	8/24/15	10.7%	6.6%	16.2%	-7.4%
S&P 500	1,958	2,135	1,821	5/20/15	10/15/14	8.3%	7.5%	12.6%	-5.4%
NASDAQ	4,827	5,232	4,118	7/20/15	10/15/14	7.7%	17.2%	18.0%	-1.9%
Russell 2000	1,163	1,296	1,040	6/23/15	10/15/14	10.3%	11.8%	14.8%	-4.8%
Average						9.3%	10.8%	15.4%	-6.4%

* denotes the percentage index is up from recent low

Source: www.StockCharts.com, Goldman Small Cap Research

After all of our consternations and the market's hand-wringing over interest rates, stocks barely moved. While debate rages on as to what happens next, the NASDAQ 100 and the NASDAQ Composite are quietly 1.5% - 2.0% below their 200 DMA. If and when these levels are reached, it would prove to be a modest bullish signal despite our valuation concerns. And it certainly could happen pretty quickly. Got some courage? An option bet on the NASDAQ 100 might be in order—but only on a down day to lessen the risk a tad. This is a trade idea only and is not for the faint of heart.

One group that clearly sold off in response to the Fed's reluctance to raise rates was the banking sector, which sold off by about 5% during the latter part of the week. It has come to light that 3 of the 17 voting Fed members are ready to raise rates. Frankly, this minority is growing in size and voice. Do yourself a favor. Start thinking about this overlooked sector bank stock and bank ETFs, as some banks are ripe for takeover. The space is going to likely be out of favor but can turn on a dime if rate sentiment changes next month, or later in the year. The leveraged ETFs carry greater risk and volatility but can be a pretty good trade as well. A bullish leveraged ETF in this sector to consider is Direxion Daily Regional Banks Bull 3X ETF (NYSE—DPST). This ETF has a very low level of AUM (assets under management) so risk and liquidity could be an issue. Check out this list of potential ideas we culled and screened from ETF.com.

http://www.etf.com/etfanalytics/etf-finder

Say What?

I confess that although I am a regular reader of the venerable publication, I am not a fan of *The New York Times*. Still, this weekend's edition has some real gems. Plus, we included great cartoons and a "cartoonish" but painful story from The Smoking Gun.

New York Times

http://nyti.ms/1O5ECky

The real, and evolving middle class labor economy. So on point. A must read.

http://nyti.ms/1OmJJQk

The trend of running a successful business, old-school-style.

Zero Hedge

http://bit.ly/1ipzwoV

Great table and cartoon. Says it all… Something to surely share.

CNBC

http://cnb.cx/1Lq0fNM

Sound like our earnings season theme of 2 weeks ago.

Washington Post

http://wapo.st/1ipDcXG

Important article about retirement savings for those 50 and older.

The Smoking Gun

http://bit.ly/1NBIM6p

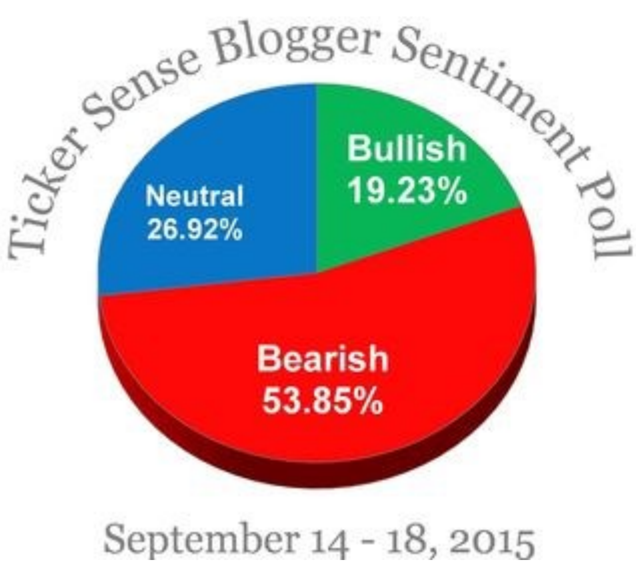
This testicle attack story is just...*nuts*!

Just the Stats

AAII Sentiment Survey (figures rounded)

	Current	Last Week	*Long Term Avg*
Bullish	33%	35%	*39%*
Neutral	38%	30%	*31%*
Bearish	29%	35%	*30%*

The big move in the Neutral category of the AAII survey reflects the Fed's head-scratcher. Still, Factset released cool stats that reaffirm our thesis that the best performers are those with most of its sales exposure to the U.S. The estimated earnings decline for all S&P 500 companies for 3Q15 may be -4.4%, but it is a positive 3.1% for companies with 50%+ of its sales in the U.S. Taking energy out is even more meaningful to the statistics. The estimated earnings growth rate for the S&P 500 (ex-Energy) for Q3 2015 is 3.0%, but it rises to 8.8% for companies with 50%+ of its sales in the U.S. This confirms our belief that the Fed's initial move(s) will be incremental. Looking ahead, domestic-centric companies are the place



Stock is a "Steel"

Some risk-averse stock investors only invest in blue chip stocks or large caps. Others prefer the high-growth, albeit riskier opportunities that small caps offer.

That has led to the unloved, forgotten asset class: The MidCap Stock. Regular readers of *The Goldman Guide* will recognize that our primary focus is on the small cap space but we tend to sprinkle in an ETF here and there, along with mega-caps, and large caps. Yet we, like many others, have largely ignored the midcap space. And we shouldn't. After all, **Skechers USA (NYSE—SKX)** was one of our biggest winners of the year. (It was more than a double before we removed it from our list due to valuation last month.)

With that in mind, we have warmed up to **Steelcase, Inc. (NYSE—SCS—$18.35)**, a 100 year old provider of furniture, furnishings, and other products for the commercial and government and education sectors, despite its bizarre method of describing its business "augmenting human interaction…" For crying out loud, it's furniture…

If you are not familiar with the Steelcase brand you are surely familiar with **Herman Miller (NASDAQ—MLHR)** one its key competitors. And without going into grand detail on its business model in these pages, which is to a degree self-explanatory, here are key metrics that we like about Steelcase's stock.

Valuation: It trades 21x, 17x, and 13.7x FY15, FY16E, and FY17E EPS, despite its projected 20%+ EPS growth rate, higher than peers such as MLHR. Plus, the Street's EPS forecast for SCS are in a tight range while MLHR is all over the map—a red flag.

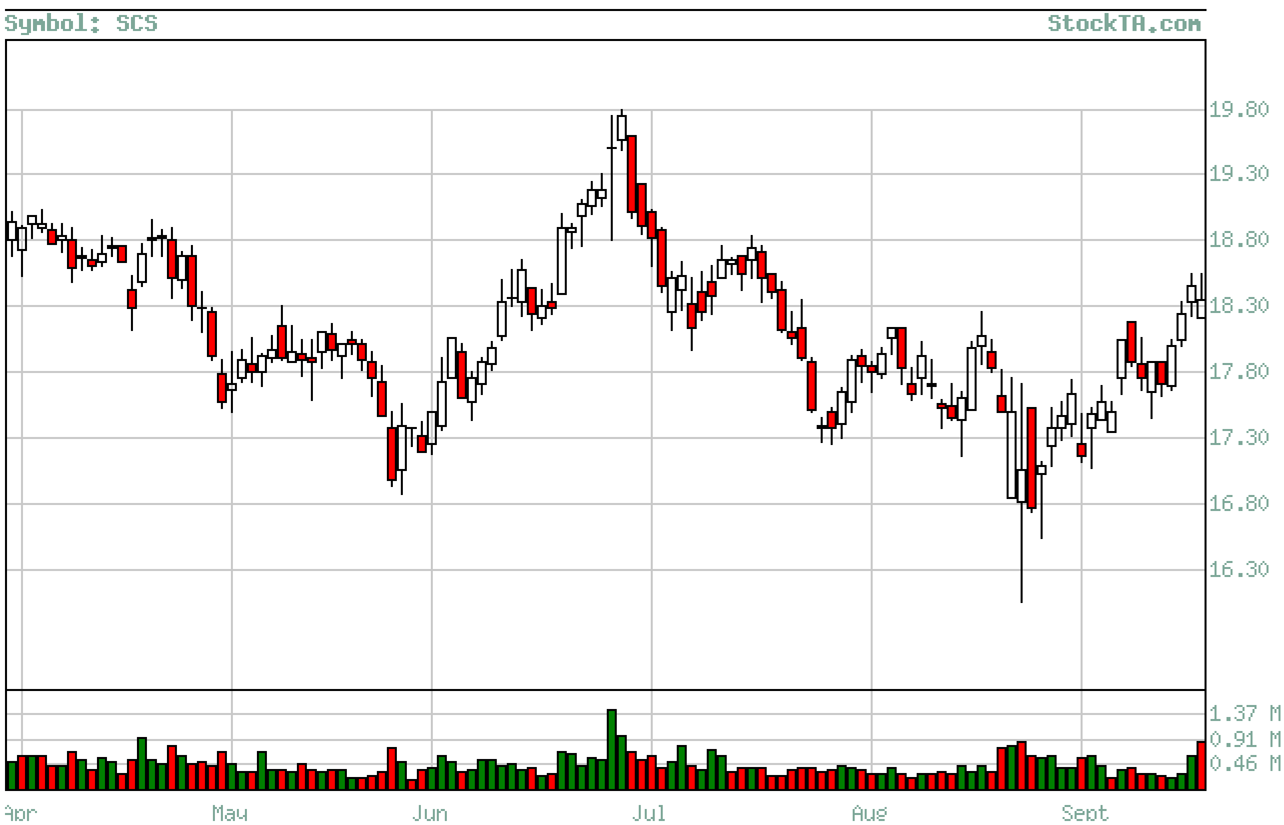
Surprises: SCS is slated to report 3Q15 EPS on 9/24/15 and has surprised on the upside for the past four quarters. The Street is looking for $0.32 versus $0.27 in 3Q14.

Trading: SCS trades above its 20, 50, and 200DMA and sports a reasonable 59 RSI.

Margins: SCS boasts a 31% gross margin, and 7% operating margin, which is slightly below MLHR , but with less variability on an historical basis.

A Pick as Strong as Steel (cont'd)

For traders, we believe that if SCS beats estimates on the 24th, it could approach its 52-week high, which is 11% higher than its current share price. Longer term, these shares could trade to the $23 level by spring 2016. At $23, SCS would be valued at around 21x the Feb 2016 EPS estimate of $1.07, in-line with SCS's historical trailing twelve month P/E multiple. This target price reflects a 20-25% return. By the way, SCS pays an annual 2.45% dividend. Investors should view this dividend as a bonus and another check in the "buy column."



(Chart courtesy of www.StockTA.com)

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