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KEY TAKEAWAYS

- ⇒ *Since 2010, stocks have kicked butt in February*
- ⇒ *Big week for economic news and earnings for key big caps and a boatload of small stocks*
- ⇒ *Data and news could serve as the market's Groundhog Day*
- ⇒ *Oil may be a good place to dip your toes in the water*
- ⇒ *Small stocks picked last month were mixed but the big cap names as a group did very well*
- ⇒ *Small stocks could enjoy biggest move this month*

THE MAJOR INDICES

<u>Index</u>	<u>Close</u>	<u>2016</u>
DJIA	16464	-5.5%
S&P 500	1940	-5.1%
NASDAQ	4614	-7.9%
Russell 2000	1035	-8.9%

(figures are rounded)

THE MARKET'S GROUNDHOG DAY

On Tuesday, February 2nd, we will "celebrate" Groundhog Day. As the legend tells us, if the groundhog sees its shadow it means 6 more weeks of winter. If not, then



spring comes early. We believe that this week is also a "Groundhog Day" of sorts for stocks, where we find out if the current stock market malaise continues or whether there is near term daylight ahead. (Hint: We are optimistic.)

Already investors should feel a little bit at ease given the better market returns of late as oil prices have stabilized and the Bank of Japan and even the European Central Bank have given us some cause for comfort.

Some market pundits believe the worst is yet to come and we agree that we do need more pain in order to really move ahead. We may get it via the amalgamation of events such as the current oil crisis, deflation in key markets, and the complete lack (as in zero) of IPOs thus far in 2016. Plus, the just-released news that South Korea imports hit a 7-year low with the most recent month dropping by a whopping 18.5% does not bode well.

In any event, if history is any guide, February could be a real good one for us. The S&P 500 Index has risen in February every year since 2010 and averaged a 3.45% monthly gain.



The Goldman Guide

“Stocks’ Groundhog Day”

A similar return could be determined this week, much like the Groundhog’s forecast, given this week’s key economic calendar highlights such as personal spending, crude oil inventories, construction spending, auto sales, and factory orders.

Throw in the expectation of favorable earnings for a ton of small cap, midcap and key large cap companies and this is an important week. In the first two days alone, the market will eagerly watch stocks like **Alphabet (NASDAQ—GOOG)**, **Aetna (NYSE—AET)**, **Chipotle (NYSE—CMG)**, **UPS (NYSE—UPS)**, and **Yahoo! (NASDAQ—YHOO)**, among others.

In addition to the stocks listed above, this week we will be profiling key small cap names as before and after reporting this week as we believe that many bargains exist out there. We expect that in the near term, this group could enjoy the greatest bounce as compared with large cap and midcap companies—as long as they derive the bulk of their revenue from domestic sources.

U.S. Stock Market Index Performance 1/29/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Below 200-DMA
DJIA	16,464	18,351	15,370	5/19/15	8/24/15	10.3%	7.1%	-5.5%
S&P 500	1,940	2,135	1,812	5/20/15	1/20/16	9.1%	7.1%	-5.4%
NASDAQ	4,614	5,232	4,292	7/20/15	8/24/15	11.8%	7.5%	-7.0%
Russell 2000	1,035	1,296	958	6/23/15	1/20/16	20.1%	8.0%	-13.1%
Average						12.8%	7.4%	-7.8%

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

Feeling Lucky?

It is difficult to ignore the impact the drop in oil has had on the markets as well. Have we reached a bottom? Everyone from T. Boone Pickens to Jed Clampett has an opinion on the matter. One thing is certain, whether it is two weeks, two months, or two years, oil WILL rebound eventually. Right now there are some bargain basement oil plays in the small cap space that would be ideal to add as a trade or investment, especially if you have not taken any losses in the space to date.

Going back to the relatively way back machine, we featured offshore driller **Hercules Offshore, Inc. (NASDAQ - HERO - \$0.98)** in the *Market Monitor* in July of 2013 at \$7.55. The Company filed for bankruptcy last August, but reorganized and is still viable. **HEROQ** is also trading at \$0.06 on the OTC markets as part of the melee. We cannot say that any of the standard metrics look decent, but this one might be worth watching for a while as a cheap oil play in the small cap space.

On the services side we featured both **Cypress Energy Partners, LP (NYSE – CELP - \$9.08)** and **CSI Compressco, LP (NASDAQ – CCLP - \$6.15)** about a year ago. Both had a great run for a few months going up a little over 50% in price on average, but have been clobbered since. Stocks like these will probably be the last ones to benefit from any recovery so options at much lower strike prices than the current stock prices is a good idea.

Finally, a new cheap pick that is primarily an exploration firm, but does offer services also is **Parker Drilling, Company (PKD – NYSE - \$1.37)**. The stock was up around the \$9.00 mark two years ago and has plummeted since. The Company has over \$100 million in cash on hand and \$500 million in debt. Not ideal figures, but not nearly as horrific as similar companies in the same space and market cap. Additionally, the short float technical indicator is under 4%, which is fantastic considering how awful it has been for oil recently. Look for **PKD** to double this year if oil prices move to the upside as an overall trend.

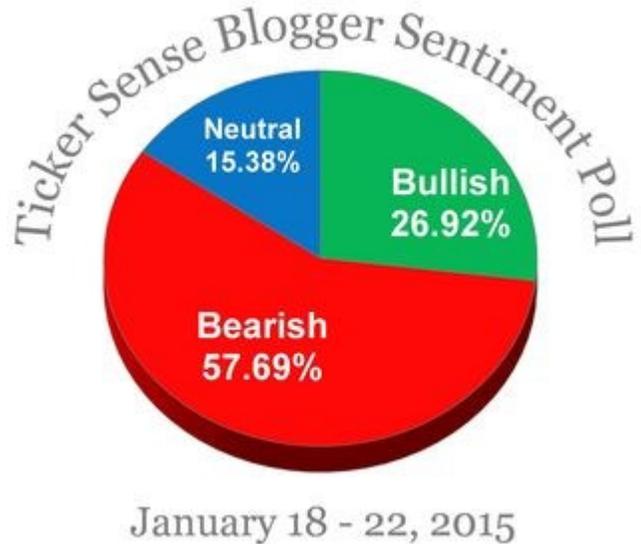
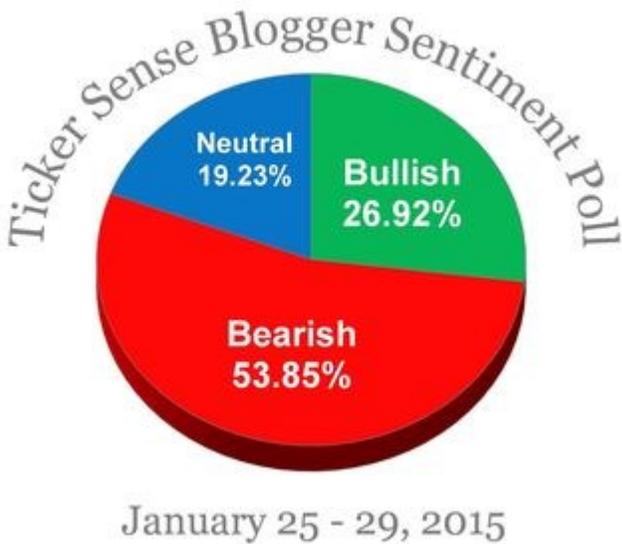
The Stock Market Today

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	29%	22%	39%
Neutral	30%	30%	31%
Bearish	40%	49%	30%



It is no surprise that a jump at week-end made investors feel a little better, and aided in ending the month on a somewhat of a high note, all things considered. The Ticker Sense poll is also indicating a light rise in the Bullish category, but the majority of respondents are still Bearish, which is understandable.



Profiled Stocks Performance

How did our early 2016 picks do? The answer is mixed due mainly to two stinkers but we are overall pleased, given the disaster it could have been. Of course it is a marathon and not a sprint. Our big cap picks soundly beat the S&P 500 but the small cap picks were clearly worse than the Russell 2000.

FIT, IMMR, and MBLY may be lost causes but the others have great potential, especially **ROVI** and **VCRA**.

GSCR 2016 Profiled Stocks*					
<i>The Goldman Guide: Small Cap Picks</i>					
Stock	Pick/Pan	Prof Date	Orig Price	1/29/16	Return
SWHC	Pick	1/3/16	\$21.98	\$21.56	-1.9%
FIT	Pick	1/3/16	\$29.59	\$16.60	-43.9%
IMMR	Pick	1/3/16	\$11.56	\$8.48	-26.6%
MBLY	Pick	1/3/16	\$42.28	\$27.13	-35.8%
ROVI	Pick	1/3/16	\$16.66	\$19.46	16.8%
HOV	Pick	1/3/16	\$1.81	\$1.54	-14.9%
NLS	Pick	01/08/16	\$19.36	\$19.48	0.6%
VCRA	Pick	1/22/16	\$13.76	\$14.39	4.6%
<i>Average</i>					-12.6%
Russell 2000			1136	1035	-8.9%
* all profiled stocks carry no rating					
Source: GSCR, Yahoo!Finance					

GSCR 2016 Profiled Stocks*					
<i>The Goldman Guide: Big Cap Picks</i>					
Stock	Pick/Pan	Prof Date	Orig Price	1/29/16	Return
DOD	Pick	1/3/16	\$15.51	\$15.13	-2.5%
VZ	Pick	1/3/16	\$46.22	\$49.97	8.1%
CVX	Pick	1/3/16	\$89.96	\$86.47	-3.9%
CAT	Pick	1/3/16	\$67.96	\$62.24	-8.4%
<i>Average (excl div)</i>					-1.7%
S&P 500 Index			2044	1940	-5.1%
* all profiled stocks carry no rating					
Source: GSCR, Yahoo!Finance					

As for the big ass group, I confess I am surprised that **CVX** outperformed **CAT**. Still, **DOD** and **VZ** seem to offer the greatest potential at this time.

Say What?



Great info, insights, and hard-hitting stories make up this week's *Say What?* feature...

Investor's Business Daily

<http://www.investors.com/news/economy/consumers-housing-bright-spots-for-16-despite-weak-q4/>

The answer to this question will tell us how stocks will perform.

The Smoking Gun

<http://www.thesmokinggun.com/buster/car-crash/pantless-man-in-fatal-crash-639205>

Something tells me there will be more of these...and that's both funny and sad.

The New York Post

<http://nypost.com/2016/01/31/trader-exposes-the-disgusting-sexism-plaguing-wall-street/>

Those were the days...

Marketwatch

<http://www.marketwatch.com/story/42-of-democrats-are-in-favor-of-socialism-2016-01-31>

A frightening proposition.

ZeroHedge

<http://www.zerohedge.com/news/2016-01-31/global-trade-collapsed-january-bellwether-south-korea-exports-crash-most-lehman>

A true warning sign.



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