

INSIDE THIS ISSUE:

The Stock Market Today

Say What?

Notable Numbers

KEY TAKEAWAYS

- ⇒ *This is the worst time for stocks as we wait for the beginning of the next quarter*
- ⇒ *The financial press and analysts are sending mixed messages of doom, doom, and more gloom*
- ⇒ *Are institutional investors de-risking their portfolios? Apparently big outflows in bond funds, money market funds and small caps may portend rough water ahead*
- ⇒ *Our bank stock pick from 2 weeks ago hit a new high and could outperform market bears*

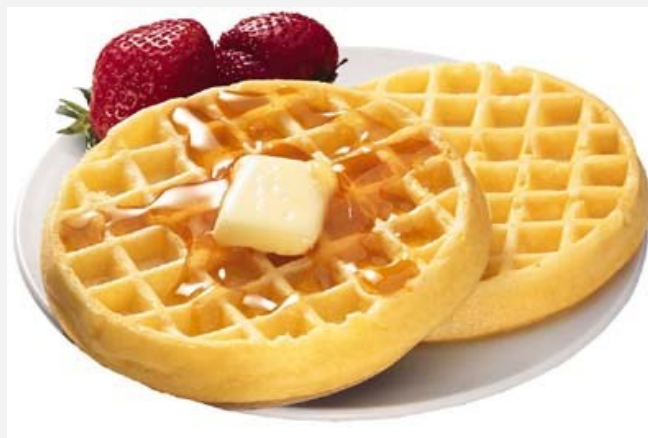
THE MAJOR INDICES

<u>Index</u>	<u>Close</u>	<u>2016</u>
DJIA	17535	0.6%
S&P 500	2037	-0.3%
NASDAQ	4767	-4.8%
Russell 2000	1080	-4.9%

(figures are rounded)

MAY THE WAFFLING BEGIN

As an investor, I just hate this time of year. No one wants to buy. People are afraid to sell. There is no material news about



anything save for the “economic calendar” and any nonsensical stuff going on with commodities that will either crush us or carry us forward. Not to mention the frailties of our trading partners abroad.

It’s all about the calendar, baby. We are at the end of the quarter so it is a quite period for companies. Frankly, and I apologize for the profanity but from what I’ve read financial reporters and analysts are just plain making shit up to have something out there. It’s kinda sad, actually.

So, we waffle. Stocks go up and we say the P/E on the S&P 500 Index is a bit higher than the 5 and 10 year averages so we better wait and see how the earnings come in. Or, stocks go down, and we say that portends bad things to come, but if it drops a lot it is a buying opportunity.

But which is it? I read a report that intended to scare investors by stressing that for the first time in 4 years net profit will reach a record low. Later it noted that it will be low because of the energy sector trouble. Well, duh!

The Stock Market Today

U.S. Stock Market Index Performance 3/28/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Below 200-DMA
DJIA	17,535	18,351	15,370	5/19/15	8/24/15	4.4%	14.1%	2.3%
S&P 500	2,037	2,135	1,810	5/20/15	2/11/16	4.6%	12.5%	0.9%
NASDAQ	4,766	5,232	4,210	7/20/15	2/11/16	8.9%	13.2%	-2.2%
Russell 2000	1,080	1,296	943	6/23/15	2/11/16	16.7%	14.5%	-5.9%
Average						8.7%	13.6%	-1.2%
Source: www.BarChart.com, Goldman Small Cap Research								

I gotta admit I am getting a little anxious. And it is not just because Virginia choked in the NCAA Tournament. Man, I loved that team. Instead, I am a bit nervous that after a few really good weeks, we have been given two signs that institutional investors may be de-risking their portfolios—and that is bad news for small caps, which have enjoyed such a nice run for a change. Bastards...why do they have to ruin a good thing?

The first sign I noticed is that investors are fleeing bond funds. Surely they can't be thinking that we have a rate hike ahead, can they? That would be premature to say the least. And the outflows are not just in lower grade/high yield funds. It was reported about 10 days ago that money market funds recorded outflows of over \$18 billion. While that number itself is not alarming, the combo of both outflows makes me wonder where the money is going, or will it go. It certainly has not gone to U.S. equities.

The second sign I noticed is the underperformance of small caps during last week's shortened trading sessions. Stocks that were showing great momentum and making or nearing new highs fell off on not so significant volume and for the most part seem to be drifting. This signals to me that now, more than ever, investors should stick with GARP and value, along with pure short term event-driven stocks for the interim. Perhaps we will see some daylight next week. Meanwhile get out the maple syrup and enjoy the waf-fling.

Say What?



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

Bloomberg

<http://www.bloomberg.com/news/articles/2016-03-29/barclays-warns-commodities-may-slump-on-a-rush-for-the-exits>

Seems like a Chicken Little forecast to me.

The New York Post

<http://nypost.com/2016/03/28/facebook-betting-on-vr-porn-to-boost-oculus-demand/>

Hello!!

The Daily Mail

<http://www.dailymail.co.uk/health/article-3512400/The-10-second-second-rule-dangerous-myth-actually-KILL-you.html>

Honestly, I don't know why I included this one.

Marketwatch

<http://www.marketwatch.com/story/volatility-is-back-for-the-sp-2016-03-28>

As my grandmother would say, " You know, dis is good!"

ZeroHedge

<http://www.zerohedge.com/news/2016-03-28/america-hits-rock-bottom-cities-are-paying-criminals-1000-month-not-kill>

I saw this a few weeks ago. SMH. Who is dumber? Politicians or voters. Will try to get in on this and will let you know if anything happens.

Notable Numbers

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	34%	30%	39%
Neutral	43%	43%	31%
Bearish	24%	27%	30%



What do the pros know that the retail guys don't? Is it the de-risking I discussed earlier? As illustrated on this page, the Bullish category of the AAll survey enjoyed growth directly from the reduction of respondents in the Bearish category. Conversely, 30% of the Bulls in the Ticker Sense Blogger Poll went Bearish. In both polls, the Neutrals remained Switzerland at the same level. What I find odd (but cool) is that Financials have been a poor performer for the past week, which dovetails with this change in sentiment. Still, our bank pick from 2 weeks ago has enjoyed a decent pop. If Banc of California (NASDAQ—BANC—\$18.69) can set a new high in this environment, we might be onto something here, even with a bad market. Here is a link to that piece: <http://www.goldmanresearch.com/201603141104/The-Goldman-Guide/march-madness-and-investing.html>



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The Goldman Guide

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