

INSIDE THIS ISSUE:

Stock Market Today

Say What?

Notable Numbers

KEY TAKEAWAYS

- ⇒ *August is a bad month for stocks and this month could be the same after the strong July*
- ⇒ *Stock picking has become increasingly difficult given new highs and fact that small cap index is best performer YTD*
- ⇒ *May be better to buy fallen angels destined for a turn such as our weekly profiled sub-\$5 stock*
- ⇒ *Investor sentiment starting to turn negative and equity outflows on the rise.*

THE MAJOR INDICES

Index	Close	2016
DJIA	18,432	5.8%
S&P 500	2174	6.4%
NASDAQ	5162	3.1%
Russell 2000	1220	7.4%

(figures are rounded)

AUGUST: STOCKS' HORROR MOVIE

The month of August scares the hell out of me. It's like a freakin' horror movie. Since 2000, the index has risen 10 times and dropped 6



times. But the declines have been brutal while the gains have been tame. In fact, excluding the big 2000 August rise, the month has averaged only 1.7% when it lean to the positive side. It is even uglier if you go back 20 years, where the average decline is 5.5% and the gains average just 2.2%. And the monthly declines range from 5% - 14%!!

I can't explain it but bad shit just seems to happen politically, economically, etc. in the month of August. Moreover, we tend to have a dearth of market-related news to carry stocks ahead, too. Europe essentially shuts down in the second half of the month. After August 15th, we don't really have much of an earnings season left so companies that have been buoyed by earnings will see that momentum deteriorate.

Reviewing statistics going back 20 years is also very instructive, especially since we are coming off a tremendous July performance. Not only did the S&P 500 Index rise by 3.5% but the Russell 2000 Index jumped by 6%! It is now (as we have been hammering home for months) the best performing of the key indices, on a year-to-date basis. This is all well and good. However, there is a slight negative bias in the month of August following a strong July, whereby the market has experienced a decline of 3-6%. This is our concern.

The Stock Market Today

U.S. Stock Market Index Performance 7/29/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Above 200-DMA
DJIA	18,432	18,557	15,370	7/20/16	8/24/15	0.7%	19.9%	5.9%
S&P 500	2,174	2,177	1,810	7/29/16	2/11/16	0.1%	20.1%	6.7%
NASDAQ	5,162	5,177	4,210	12/2/15	2/11/16	0.3%	22.6%	6.7%
Russell 2000	1,220	1,245	943	7/31/15	2/11/16	2.0%	29.4%	9.1%
Average						0.8%	23.0%	7.1%
Sources: www.BarChart.com, Goldman Small Cap Research								

Perhaps a big drop of this magnitude is not in the cards. Still, we proffer that stocks are more likely to decline than rise this month. They just need a little breather, as we head into the wacky September/October period.

I must confess that for the past week or so I have had a lot of difficulty picking new stocks. So many, especially in the small cap and microcap arenas have made big moves from those recent, post-Brexit June lows. Granted, they look great technically, but do you really want to buy something *after* it has made a big move to the upside? In fact, that is one of the reasons why we played it safe and different in the latest 30-30 Report by profiling stocks that are beaten down but are due to make a move.

One stock that could make such a move is **Marchex (NASDAQ—MCHX—\$3.17—NR.)** Here's what you need to know about this mobile provider of call analytics and display analytics for marketers and small businesses, along with local leads. The stock is down almost 19% year-to-date and somehow has broken above its 20-DMA as of last week. Its second quarter results will be released on August 9th, and we believe that the stock, over 70%-owned by institutions, could bounce ahead of and following the results. Given our less than sanguine view of stocks later this month, we approach this profile as a trade only, and caution that doing so ahead of earnings carries considerable risk along with major reward, if the Q and outlook are solid.

Say What?



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

The New York Post

<http://nypost.com/2016/07/31/why-millennials-are-forgoing-college-for-blue-collar-jobs/>

As Mr. Spock would say, fascinating

Marketwatch

<http://www.marketwatch.com/story/heres-how-aging-bull-market-can-grind-out-more-all-time-highs-2016-07-30>

Yes but what about after...

USA Today

<http://www.usatoday.com/story/tech/2016/07/31/retailers-look-high-tech-hook-store-visitors/87887352/>

It's a new age out there, folks.

Bloomberg

<http://www.bloomberg.com/features/2016-facebook-virtual-reality/>

A helluva cover story.

ZeroHedge

<http://www.zerohedge.com/news/2016-07-31/why-irs-probing-clinton-foundation-clinton-cash-author-explains>

We all know the corruption here. But, will it actually impact anything is the question.

Notable Numbers

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	31%	35%	39%
Neutral	40%	38%	31%
Bearish	28%	27%	30%



Can you feel the enthusiasm being tempered even as we hit new highs in key indices? Interestingly, while we have incrementally more Neutrals and Bears we also have more folks in the correction camp by a smidgen—according to Investors Intelligence. Four out of the last five weeks have witnessed equity outflows (according to Lipper) including the past 2 weeks. Could be a tell...



July 25 - 29, 2016



July 18 - 22, 2016



The Goldman Guide

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