

INSIDE THIS ISSUE:

Stock Market Today
Where Were You?
Say What?
Notable Numbers

KEY TAKEAWAYS

- ⇒ *Another shoes could drop if you are watching technicals*
- ⇒ *Could another drop actually be a bullish sign?*
- ⇒ *Rising interest rates means financials are in play—and rotation into the sector is already occurring*
- ⇒ *This small cap play has a huge following and offers big upside due to its positioning, high growth rate, and low valuation*
- ⇒ *Our thoughts on the 15th anniversary of 9/11*

THE MAJOR INDICES

Index	Close	2016
DJIA	18,085	3.8%
S&P 500	2128	4.1%
NASDAQ	5126	2.4%
Russell 2000	1219	7.3%

(figures are rounded)

THE OTHER SHOE IS ABOUT TO DROP

Brace yourself. If you tend to get seasick take some Dramamine and wait it out.



We have preaching about a September swoon for a few weeks now, we were alarmed at interest rate hike

talk, poor labor market, valuation, slow growth, etc. That is why we also have subtly recommended keeping an eye out on the VIX and investee ETFs. Still, I never thought that stocks would crumble 2 days after hitting a new 52-week high. The **VelocityShares Daily 2X VIX ST ETN (NYSE—TVIX)** was up 31% in a day!

Quick Analysis:

Buying has been drying up and new highs have been on less than stellar volume. We have seen it in the RSIs. And the valuation/interest rate/economic stuff finally reared their heads. Sellers were waiting to sell and buyers are re-thinking strategy.

What's Next:

There is a reason we follow RSI and DMA closely. RSIs of the major indices have been dropping. They could soon signal a short term bottom as all but the Russell are in the 32-39 range. Anything below 30 is an oversold signal. Meanwhile, all but the Russell are below their 50 DMA. Not good. Another 3% loss and goodbye 200 DMA. That would trigger an oversold signal and may give us a short-lived bounce.

The Stock Market Today

U.S. Stock Market Index Performance 9/9/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Above 200-DMA
DJIA	18,085	18,668	15,451	8/15/16	1/20/16	3.1%	17.0%	3.0%
S&P 500	2,128	2,194	1,810	8/15/16	2/11/16	3.0%	17.6%	3.5%
NASDAQ	5,126	5,288	4,210	9/7/16	2/11/16	3.1%	21.8%	5.2%
Russell 2000	1,219	1,261	943	9/7/16	2/11/16	3.3%	29.3%	8.0%
Average						3.1%	21.4%	4.9%
Sources: www.BarChart.com, Goldman Small Cap Research								

Would it surprise me if we bounce back on Monday? No. Would it surprise me if it had legs? Yes. The deck is just stacked against us and we need this corrective phase. Not a correction, mind you (10% drop from high), but a 6-9% decline from the high will give us fuel to charge ahead.

Looking to deploy funds that are not related to a TVIX or similar play? Step right up to financials, which enjoyed the greatest ETF sector rotation in August, according to Factset. It makes sense. A rising interest rate environment helps financials, after all. One small cap play in the financial space that could enjoy a big move higher is **OnDeck Capital, Inc (NASDAQ—ONDK—\$6.07)**. Founded in 2007, OnDeck is the leader in online small business lending. OnDeck's proprietary credit scoring system – the OnDeck Score® – leverages advanced analytics, enabling OnDeck to make real-time lending decisions and deliver capital to small businesses in as little as 24 hours. **ONDK** deployed over \$5 billion to more than 50,000 customers in 700 different industries.

Consensus revenue forecast of 18 analysts (huge right?) calls for sales to grow 33% (\$288M to \$383M) from 2016 to 2017. The stock trades 1.5x 2016 sales which is very cheap considering the growth expectations which could be conservative. Rising interest rates hurt small firms' abilities to raise money from typical sources, which plays into **ONDK's** hands. The RSI is solid, as is the 50DMA. Our target is \$8 and the stock could get a bounce when **ONDK** presents at the Deutsche Bank Tech Conference this week.

Where Were You?



Terror's victims on this day 15 years ago were faceless. The terrorists did not know and did not care about the victims' skin color, religion, ethnicity, or station in life. The objective that day was to strike at a symbol (or symbols) of America, symbols of our freedom and ideals.

I remember everything about that day. Where were you on 9/11/16?

I was late to work that morning because I ran into an old friend at Starbucks and we talked for a while. By the time I got to the office, both planes had hit the twin towers. As I looked at the headlines on my computer I could not believe it. I turned on the radio. The announcers swore that it was one plane they saw on TV not two incidents—they must have been running a loop.

The stock market did not open. We were allowed to go home and be with our families. As I drove to my twins' school I could not believe what I was hearing. The World Trade Center. The Pentagon. Reports of another plane in PA. When I picked the kids' up it was surreal. Everything was orderly but there was a major police presence. My wife (at the time) was pregnant with our 3rd child and due in a few weeks. As if on cue, she went into early labor. When we got to the hospital every pregnant woman in Baltimore that was watching the news seemed to be there in labor. The hospital was preparing a wing for the huge maternity crowd and any overflow that might come from the Pentagon, 50 miles away. Thankfully, my wife did not give birth then, but many did, early.

That day and the ensuing days changed this country forever. We had not been that unified since WWII. Fifteen years later, we are more fractured than ever and social justice problems run unabated. And there is plenty of blame to go around. Ironical that the terrorists respected symbols of our freedom and values so much so that they sought to destroy them and thousands of our citizens along with them. Today, some are engaging in protests against the very symbols our enemies tried to destroy and we proudly waved. It is their right, although it may not be right, and we will fight to defend it. On this day, our thoughts and prayers go out to the 9/11 victims' families and friends, and to all U.S. citizens. It may not be perfect but the U.S. of A. is the greatest country on earth.

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/pokemon-go-explains-why-economic-growth-is-so-slow/>

Really??

Marketwatch

<http://www.marketwatch.com/story/3-basic-financial-questions-that-surprisingly-stump-most-americans-2016-05-18>

An amusing diversion.

The New York Times

http://www.nytimes.com/2016/09/11/your-money/the-bull-is-still-running-so-why-are-investors-tiptoeing.html?ref=business&_r=0

A good read.

Bloomberg

<http://www.bloomberg.com/news/articles/2016-09-09/google-s-ai-brainiacs-achieve-speech-generation-breakthrough>

Way cool!

ZeroHedge:

<http://www.zerohedge.com/news/2016-09-10/deutsche-bank-us-may-now-be-recession>

The sky is falling.

Notable Numbers

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	30%	29%	39%
Neutral	42%	40%	31%
Bearish	29%	32%	30%



How often are we going to experience big down days on Fridays? It really affects these sentiment figures. Anyway, for the second straight week we have little change—but these surveys were taken before the bug Friday plunge. Two bits says Bears rise next week. The Investors Intelligence figures finally saw a fairly meaningful drop in bulls and moves to the bearish side. If we drop again Monday, pros that follow the technicals may really move to the negative side of the coin. Meanwhile, we will look to see if outflows actually rise for the first time in 5 weeks.



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The Goldman Guide

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