

INSIDE THIS ISSUE:

Stock Market Today

Say What?

Notable Numbers

KEY TAKEAWAYS

- ⇒ *Lots of reasons to be Bearish but we find one big reason to be Bullish.*
- ⇒ *Election concerns have added to market volatility and expect it to continue until it completes its tiresome cycle.*
- ⇒ *Q3 should mark the end of the negative earnings comparisons*
- ⇒ *Small biotech look interesting*
- ⇒ *Consumer discretionary, especially casual dining may see a big boost ahead*

THE MAJOR INDICES

Index	Close	2016
DJIA	18,240	4.7%
S&P 500	2154	5.4%
NASDAQ	5292	5.7%
Russell 2000	1237	8.9%

(figures are rounded)

'TIS THE SEASON TO BE HAPPY

There are some Nervous Nellies out there and with good



reason. Stocks have been treading water for a couple of weeks now.

Plus, external factors and forces seem to be weighing on the market. What are they? Take your pick. Mass sell-off in precious metals, weak jobs report, talk of interest rate hikes, and a virtually non-existent IPO market. Oh, and this month is October, everyone's fearful month, with the commencement of Q3 earnings occurring this week. And, lest we forget that we are nearing election day where vote for the Dirty Old Thin-Skinned Man or The Lyin' Cheatin' Unethical Hag.

Can we have a duel at twenty paces instead?

Anyhoo...all of these proverbial arrows pointing downward may yet bode well for the market. Not to mention the end of the election season just weeks away. The trigger, however, is likely to be earnings. No, I am not talking about the 3Q16 earnings season. That is likely to be a bust, with another year-over-year decline, led by weak energy results.

Instead, investors could be heartened by the end of this multi-quarter earnings decline, beginning in Q4. We may yet have to deal with some volatility for a spell, but the light is at the end of the tunnel as we approach the end of the month and reporting companies comment or provide guidance on future periods. On the other hand, if Q4 is a repeat of Q3, that would put a short term hurt

The Stock Market Today

U.S. Stock Market Index Performance 10/7/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Above 200-DMA
DJIA	18,240	18,668	15,451	8/15/16	1/20/16	2.3%	18.1%	3.5%
S&P 500	2,154	2,194	1,810	8/15/16	2/11/16	1.8%	19.0%	4.2%
NASDAQ	5,292	5,343	4,210	9/22/16	2/11/16	1.0%	25.7%	8.1%
Russell 2000	1,237	1,264	943	9/22/16	2/11/16	2.1%	31.2%	8.8%
Average						1.8%	23.5%	6.1%
Sources: www.BarChart.com, Goldman Small Cap Research								

Random Thoughts

Small biotechs have had mixed activity in recent weeks in terms of performance and other factors. We have seen more coverage of microcap biotechs by middle market firms of late. Yet, we have seen steady (but not necessarily) large insider sales. There is no correlation but it could indicate a divide between those with solid prospects and those with catalysts further down the road.

Consumer discretionary (CD) stocks ran for most of the year, then sold off. The group, including the casual dining category appears to have weathered the storm and even with a poor jobs report, offer good value and upside. By the way, the CD segment may enjoy the biggest year over year increase in earnings, as polled by Factset.

When big names fall it can be ugly. The market is replete with examples every year. Aside from the spectacular Theranos disaster, **Twitter (NASDAQ—TWTR)** and **FitBit (NYSE—FIT)** just look bad.

Monday could be a nice up day for the market with the bond market closed for the Columbus Day holiday. At least it won't have a bond market-led economic overhang for a change.

Say What?



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

The New York Post

<http://nypost.com/2016/10/08/americas-working-class-is-falling-behind/>

Reasons for rebellion?

Marketwatch

<http://www.marketwatch.com/story/5-things-to-expect-this-earnings-season-2016-10-07>

The down and dirty

USA Today

<http://www.usatoday.com/story/money/2016/10/08/oil-prices-rally-production/91745462/>

Look like we will get a rest here.

Bloomberg

<https://www.bloomberg.com/news/articles/2016-10-08/twitter-sales-process-said-almost-dead-as-suitors-lose-interest>

What does the future hold?

ZeroHedge:

<http://www.zerohedge.com/news/2016-10-09/apprentice-producer-warns-there-are-far-worse-trump-tapes-come>

Oh my. Should be entertaining.

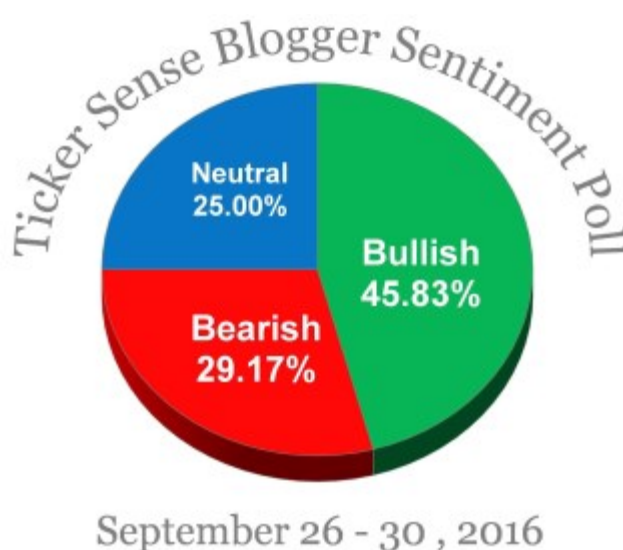
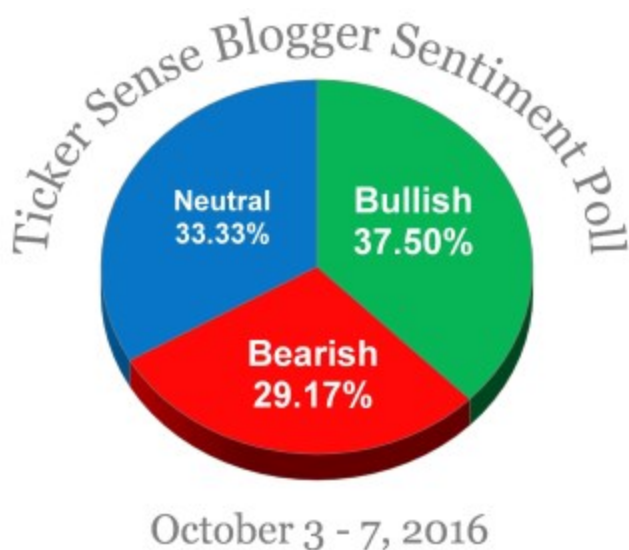
Notable Numbers

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	29%	24%	39%
Neutral	44%	39%	31%
Bearish	28%	37%	30%



Well, the Bearish camps for both polls are the same but the similarities end there. The pros are more bullish than the individuals and while I agree that they should be favorably opinionated, we see moves higher in the offing, rather than around the corner. Interestingly, the Investors Intelligence figures indicate a marked return to Bullish from just 2 weeks ago. With mutual fund outflows seemingly in check, or not getting worse, perhaps bright skies lie ahead.





The Goldman Guide

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