Goldman
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Motion Sickness

I am one of 33% of people that suffer from motion sickness. I am also probably one of 100% of investors that felt the market's roller coaster last week. How remarkable was it? At the low point of the week, the Dow was down 8% from the August 5th close. Yet, it declined by only 1.6% for the week! That is a drop of less than 200 points.

Last week I mentioned that if I was still managing money, I would not buy the dips until after we see some bounces and support. Doing so beforehand is akin to stepping into a falling knife.

Although there was clearly support and there were bounces by week's end, fear remains pervasive making it tough to invest with a great deal of conviction. Typically, the end of August is a period of lower volumes and varying trading ranges. This is followed by a usual September – October where the market is historically at its most vulnerable and with frequent weak performances.

It will be interesting to see how it all shakes out, given the August rollercoaster. I suspect investors remain unsettled and policy and politics will continue to have a big impact on stock market direction.

On the plus side, there has been a nice increase in insider purchases recently. And, at some point investors will capitulate and be forced to implement a larger concentration in equities given few, solid alternative options and opportunities.

Of course the fear factor last week prompted huge outflows from stock funds last week with levels not reached in nearly 3 years.

For now, we believe that we are in a classic trader's market, although some opportunities in the large cap arena, particularly high dividend yielding stocks, exist. Trading opportunities in specific sectors and market cap sizes could represent leaders in market outperformance over the next 2-3 months. This leads right into the November deficit reduction negotiations and what is likely to be more favorable economic news.

At this time, near term moves are likely to be somewhat erratic, with policy and economic news expected to be choppy. Nonetheless, we forecast that we will see index increases from current levels by year-end, with the most nimble traders generating the best returns in various asset classes.

Going forward, we will investigate some potential bargains in these various asset classes, given the current environment, and provide some new ideas.

Until next week….

Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

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