



The Goldman Guide

January 2, 2011

Volume 2, Number 32

In This Issue

It Is Right Nine Out of Ten Times

January Effect Picks

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I know it sounds crazy but football is the key to success of the stock market in 2012. And the odds are heavily in our favor. At Goldman Small Cap Research we have pored over 45 years of data and have come to the conclusion that the *Super Bowl Indicator* may be the most accurate investing predictor we have come across.

To put it in perspective, this indicator has been right 85% of the time since 1967!

The *Super Bowl Indicator* is a prediction tool that purports to accurately forecast whether or not the market will rise or fall, based upon the winner of the current year's Super Bowl. If the winner of the Super Bowl traces its roots to the old National Football League (pre-NFL-AFL merger), it is a sign that the market will rise. If the winner traces its roots to the AFL, it is a sign that the market will likely decline.

There have been 45 Super Bowls since 1967 and teams that trace their roots to the old NFL have won 32 times. The market has risen in 27 of those 32 years.

On the other hand, teams that trace their roots to the old AFL have won 12 times, with the market rising only 6 out of those 12 times. (We exclude the Tampa Bay Super Bowl win as it joined the league post the merger.)

But, it is so much more than just being right 27 out of 32 times. It is the magnitude of the wins and losses.

Super Bowl Indicator Results	
Category	S&P 500 Change
AFL Team Win: Avg Mkt Return	-3.6%
NFL Team Win: Avg Mkt Return	11.4%
Avg Mkt Increase in NFL Wins	13.2%
<i>Avg Mkt Decrease in AFL Wins</i>	<i>-15.3%</i>

As illustrated above, when NFL-based teams have won, and the market has risen (which has happened 27 out of 32 times), the S&P 500 Index has jumped an average of 13.2%. Conversely, in the six declines measured by the AFL-led winning teams, the Index dropped an average of over 15%.

Armed with these historical performance statistics, it is clear we should root for traditional NFL teams to win the Super Bowl on February 5, 2012. A quick glance at the 12 teams in the playoff hunt for the football trophy illustrates that the odds are in our favor.

Eight of the twelve teams, including all of the NFC-based teams, trace their roots to the old NFL. Three AFC teams, the New England Patriots, Denver Broncos, and Cincinnati Bengals were all originally AFL teams. The Houston Texans are a recent expansion team, with no ties to either side.

Four of the 12 (including 2 non-NFL teams) have not won a Super Bowl before, so we should probably not root for these teams. If history is our guide, we should hope for a Packers, 49ers, or Steelers win, as these teams have won a combined 15 Super Bowls (one-third of all of them) and the market has risen an average of nearly 20% in each of those years.

We should root against the AFL-based Patriots, one of the favorites, and the only real threat to the indicator this year, as the market has dropped an average of 4% in the years of each of their wins. Alas, the market dropped 13% the year my Ravens won, but that was 2001, and I would think we should throw that out and stick them in with the 3 Super Bowl kingpins.

So, come February 6th, we could be feeling pretty good about our prospects. In the meantime...

January Effect Picks

...we are big believers in *The January Effect* and expect that small caps will have a strong 2011, led by the start of this new year. QC Holdings (NASDAQ - \$4.02 – QCCO), Spark Networks, (NYSE:AMEX - \$3.80 -LOV), and SunSi Energies, (OTC:QB - \$3.80 – SSIE) are our top 3 *January Effect* recommendations.

We originally recommended SSIE at a price of \$3.10, QCCO at a price of \$3.80, and LOV at \$3.30.

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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