



The Goldman Guide

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Chicken Little Never Made Money

The hardest thing to do in the market is learning to become emotionally detached from anything and everything that is occurring around you and the effect they have on your stock and portfolio.

Make no mistake. Friday was a bloodbath. Five stocks were down for every 1 up. Fully eighty percent of stocks are now below their 50-day moving averages. We have a perfect storm of slowing employment rolls, slower car sales, the nearly 1000 days of the European mess, and slowing China growth. Plus, the S&P 500 Index is now below its 200-day moving average and the Dow is now down for the year.

Forgive my chastising, but I am sick of reading from pundits saying the sky is falling and it is 2008 all over again. Look, I said for months stocks would be down. I also said that we will be going up soon. Hell, I am not only happy this happened, because it means the magnitude of the rise will be better, but I scoff at these no-balls pundits. How hard is it to lay it on with the negative waves after a day like we just had? How about some real predictions and ideas of what to do?

Since they won't do it, I will. Folks, we needed this to happen. We needed the capitulation. I just wish it was with greater volume. Investors are shell-shocked and that is good. I can't wait to see the next AAIL investment survey. Depending upon what happens early this week, the bearish segment could approach 50%, which is huge.

It looks like there is absolutely no reason to invest right now. Moreover, nothing looks like it can withstand the onslaught. (cont'd)

Key Takeaways

- ⇒ **Market sucks but don't be afraid**
- ⇒ **We show you how to make money**
- ⇒ **The market will be up for the year from current levels**
- ⇒ **Though market was bad the weekly performance of our 30-30 stock picks was off the hook**
- ⇒ **Here are 2 trades for the week**

Chicken Little Never Made Money (cont'd)



The sky is not falling. Just be smart, courageous and emotionally detached and you can make money in this market.

Don't be scared. It is the courageous, the smart, and the emotionally detached that take advantage of these situations.

I'd be lying to you if I said I know which way the market will head next week. Watch it and see the trends. My guess is we test and drop below the 1250 mark on the S&P 500. So, we could drop another 3-5%. We are likely to see the biggest drops early in the week and early in the trading sessions. Prepare for that.

What will weigh on the market is how all of this economic noise will affect earnings. Right now, the average year-end target for the S&P 500 is 1480, which is 16% higher than where we are right now. We noted (or mocked) in these pages that Laszlo Birinyi predicted 1700 on the Index, 3 months ago. Not looking too promising.

Look, there are always outliers on the bull and bear side but I think that a good year-end target range is 1380-1400, which, while down 5% from previous forecasts is still 8-10% from here. Moreover, the projected EPS will likely drop from \$103.00 to \$98.00, making the valuation 12-14x, based on our target range. That P/E range is still within historical levels.

So what to do and what to buy?

Do not buy early Monday. The fear and panic is still there. Maybe wait until midday. I am not buying the bounce in gold beyond some short term trades but that could be an option. Stay away from anything European and be wary of Asia. Buy stocks that are above or near their 20-day or 50-day moving averages or have some catalysts. Stagger your positions. If the stock is potentially economically sensitive, think twice. If you are really daring buy some near term S&P 500 Index call options early in the week.

What to Buy

For specific ideas, keep this shameless plug in mind. We released our new premium offering, *The 30-30 Report* last week. One stock rose 22% and hit a new 52-week high in 3 days before dropping. Another hit a 52-week high and was UP on Friday. What strength. That one in particular could be a great buy. Speaking of buy, subscribe (only \$59 for a year.) At \$59, you can't go wrong. You will probably make it up and then some, in just one trade. (cont'd)

Key Statistics

<u>Index</u>	<u>Close</u>	<u>YTD</u>
DJIA	12,119	(0.8%)
S&P 500	1278	1.6%
NASDAQ	2747	5.5%
Russell 2K	737	(0.5%)

(figures are rounded)



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If you are looking for a good trade this week, check out Vocus (NASDAQ - VOCS—\$15.72). We wrote this up on Friday and the blog is below. Denny's (NASDAQ—DENN—\$4.20), our feature in these pages last week, was up for the week and jumped 5% at one point. The stock still looks attractive. Check out last week's Goldman Guide for more info.

Insiders Are All Over This Stock

The ugly market creates an opportunity to buy a stock that could have a strong performance next week. Vocus Inc. (NASDAQ – VOCS - \$15.39) Vocus is a leading provider of cloud marketing software that helps businesses reach and influence buyers across social networks, online and through media. The Company offers an integrated suite that combines social marketing, search marketing, email marketing and publicity into a comprehensive solution to help businesses attract, engage and retain customers. Vocus software is used by more than 120,000 organizations worldwide.

Since the company is tangentially in the social media space, the lousy Facebook (NASDAQ – FB) IPO didn't do it any favors. Nonetheless, the Company has had an interesting May and next week could provide investors with a quick pop. FBR raised its rating and target on the stock to Outperform and the \$18-20 range. Plus, four insiders, including the Chairman/CEO, COO, CFO, and a Director all bought stock at these prices. In fact the Chairman spent nearly \$1 million on his purchases.

This scale does not happen often, but the stock had slid down in recent months, and has really based nicely. Next week (June 6th) the Company is hosting an Analyst Day and its annual User's Conference which usually means a lot of buzz will be coming from this thing.

There is virtually no debt and the Company is very profitable and throwing off a good deal of cash. But, since the valuation is just okay, not great, we view it as good for a trade. Remember, if four senior people are buying stock, that can't be a bad thing.

Until next week...



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