

INSIDE THIS ISSUE:

A Sneak Peek p.3

KEY TAKEAWAYS

- ⇒ *Sell-off too occur but disaster not in the offing*
- ⇒ *Valuation and external factors likely drivers*
- ⇒ *Options are the way to play the market for outsized returns*
- ⇒ *Buy low valuation/high growth stocks like this one...*
- ⇒ *Daily blogs doing well, and a surprise looms for readers*
- ⇒ *Avoid these stocks and consider these ETFs*

KEY STATISTICS

<u>Index</u>	<u>Close</u>	<u>2013</u>
DJIA	14579	11.3%
S&P 500	1569	10.0%
NASDAQ	3268	8.2%
Russell 2K	952	12.1%

(figures are rounded)

Two Steps to Survive Q2

Today is April 1st, which means:

- A) It is April Fools' Day or All Fools' Day
- B) The beginning of the second quarter
- C) The period that experiences a modest stock market selloff
- D) A day named after me for some of my boneheaded picks
- E) All of the above

The obvious answer is E.

There are many signs that a series of down days is in the offing. For example, the steady and overdue return of the retail investors usually signals that the market top is near. This far in 2013, \$33B worth of investment dollars have been poured into mutual funds after nearly half a trillion dollars left from 2007 through 2012.

Still, let us be clear. While I am in agreement with the market bears that a stock market decline is in the offing, I do not agree with some of the assessments, including the possibility that a real bear market will ensue. Rather, I am of the opinion that a drop will commence due to profit-taking, valuation and prudence with respect to global economic and geopolitical issues such as the issues in Cyprus and the noise from North Korea.

In fact, I take offense to what I believe are scare tactics by some bears. For example, late last week it was announced that GDP for 4Q12 was an anemic 0.4% and how that is more akin to growth during recessionary periods, it portends slow growth, economic calamity, etc. Ridiculous. Are they for real? We are starting the second quarter of 2013 and these guys are ripping apart the results for the fourth quarter of 2012?

I remember as a child, someone asked: why are our eyes in the front of our heads and not somewhere else?

(cont'd)

Two Steps to Survive Q2 (cont'd)

The answer is, as physical beings, we move forward rather than backward. Therefore, in order to look ahead, our eyes are in front. It is the same thing with stocks. Stocks and the market in general are valued not on what happened in the past but what is happening now and what is expected to occur in the future. Looking directly behind us for movement or future direction is not the best way to properly measure progress.

Yes, 4Q12 GDP was rotten. But, it looks like 1Q13 is solid and one of the major poorly performing sectors, real estate, has come back to life. Too many market players have run the market higher by throwing caution to the wind regarding valuation and a return to higher growth rates and ignoring the bad symptoms plaguing the domestic and global economies. When these players pause and take stock with valuations, prospects and concerns, we may start to see the limited sell-off so many have waited for these past few weeks.

A continuously bull market is unsustainable and people will only pay up so much, so often. Therefore, near term returns remain muted, in our view, as will the sell-off.

With the market at its highs, there are both conservative and risky actions in which investors can engage.

For example, the easy answer is selling covered calls. Given the typically accurate sell in May and go away axiom, selling late May calls is probably a sound strategy. While we think 1Q13 financials will be solid, they will not be spectacular, and therefore could be a trigger for a sell-off due to pricey valuations. For those willing to take more risk but potentially enjoy greater reward, *we recommend buying May 2013 put on the **S&P 500 Index SPDR ETF (NYSE—SPY—\$156.67.)** We like the options that trade with a strike price from \$140—\$145. Most trade with good volume and trade in the \$0.30—\$0.50 range.*

Is this a gamble? Yes, as you could lose your entire investment. But, if the market does decline, returns could be quite good and you could likely sell it at a profit before it even reaches the strike price.

Separately, now is the time to start putting your money in stocks with reasonable valuations relative to their growth rates. Pricey stocks will be sold to buy these as fund managers migrate holdings. We are not advocating value stocks, merely growth at a reasonable price. For example, as part of our Opportunity Research, we released a very detailed report on what will probably be one of the biggest winners of the year, **FAB Universal (NYSE—FU—\$3.84)**. Go to www.goldmanresearch.com and read the report and disclosures. It is incredibly compelling and will be attracting a new cadre of Investors that will take the stock much higher this year. *We don't think you can go wrong with a stock trading at an \$80M market cap that will earn \$20M in net income, for a P/E of 4x 2013 earnings. Our target is \$9.00. Buy it, leave it alone, and prepare to take some profits by selling into strength in the next few months.*

A Sneak Peek

Make sure you visit our website today and read today's blog. The stock picks for 1Q13 were phenomenal, with 30 up, 8 down, and huge returns for our top 5 picks. Also in this blog, we have some allusions to a new stock pick that will release at 2:30PM EST on Monday. You may be able to figure it out through our hints in the AM blog...consider it our April Fools' Day surprise.

I hate those "... " types of columns, but I have so much to discuss today that it would go far beyond these pages. So, I am throwing in the towel and bringing you thoughts, opinions, forecasts, along with money-making ideas.



In the latest issue of Barron's, the prevailing opinion of featured investment pros is that the going private price for **Dell (NASDAQ—DELL)** by Michael Dell & Co. is way too cheap and that the proof is in the pudding based upon bids from LBO and private equity firms. Could the deal be priced at \$24 versus the \$13.65 stated offer? I doubt it. Still, I smell a rat. In fact, I smell 2 rats. Dell and his partners want the company on the cheap. We think that other players merely want to do what they can to get the price higher, even if it is an incremental change. Our take? No one gets rich and the price is \$15 or slightly higher. Don't

play this. It is out of your league and out of our element.

Also in this week's Barron's is a story about a potential turnaround at **Ruby Tuesday (NYSE—RT.)** We have followed it for years. The chain is always changing its menu and it really sucks. Hell, the food sucks, the stock sucks and don't get sucked in.

Finally, if commodities continue their direction, and the stock market heads south, it may not be a bad idea to buy some commodity-based ETFs. Another ETF to consider is the **Powershares Dynamic Food & Beverage (NYSE—PBJ)** ETF. You won't get rich on this, but based on the strength of the underlying packaged goods holdings, it could see a 10% gain this quarter. Note that it will be reconstituted and re-balanced next month.

NCAA Nat'l Championship Game Pick: Louisville vs. Michigan

Until next week...



The Goldman Guide

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1498 Reisterstown Road, Suite 286
Baltimore Maryland 21208
Phone: 410.609.7100
info@goldmanresearch.com
www.goldmanresearch.com

Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009. Rob 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*. As an investment manager, Rob's model portfolio was once ranked the 4th best small cap growth performer in the U.S. by *Money Manager Review*. In addition to his work at GSCR, Rob is the editor of The Stock Junction (www.TheStockJunction.com.)

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