Goldman SMALL CAP RESEARCH

The Goldman Guide

VOLUME 4| ISSUE 25| OCTOBER 27, 2013

INSIDE THIS ISSUE:

KEY TAKEAWAYS

- ⇒ *Market is at high levels but we have more to go*
- ⇒ *Valuations nearing full value but tech and energy will move with Q3 earnings, followed by consumer stocks*
- ⇒ *This combo tech energy stock is a BarChart 100% Buy and is a long time favorite of ours that hit a new high on big volume*
- ⇒ *See what junior oil E&P company is doubling revenues and may do it again soon*
- ⇒ *Apple earnings direction key to stocks this week*

KEY STATISTICS

Index	Close	2013
DJIA	15570	18.8%
S&P 500	1760	23.4%
NASDAQ	3943	30.6%
Russell 2K	1118	31.7%

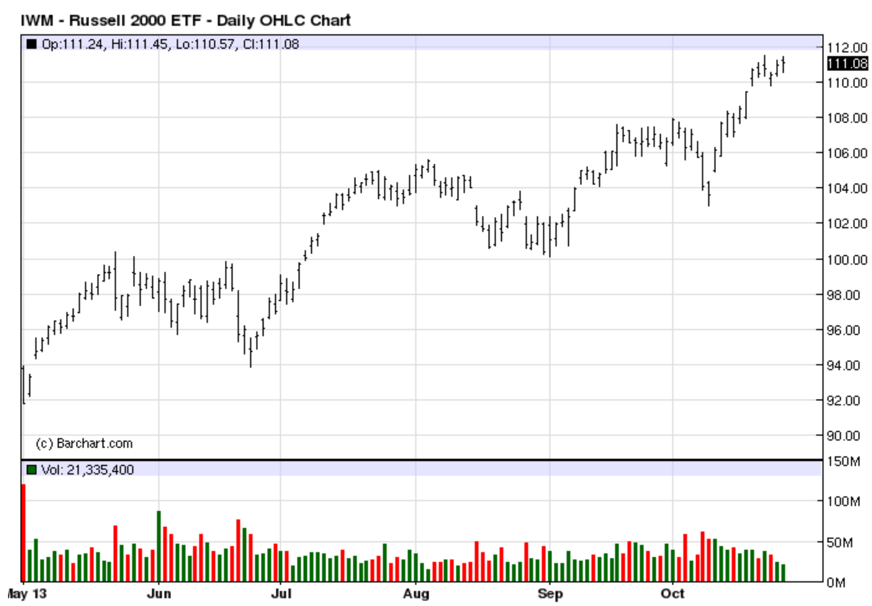
(figures are rounded)

I Love This Market

Now that we are at the end of October, I can start to breathe easier and I feel really good about stocks again. I mean really good, not just relieved. And you should be feeling pretty good too, because if you follow our lead, you could make more than a few bucks over the next few months.

I start to get nervous about valuation and trading activity each spring and for a bit in the summer too. That damn "Sell in May and Go Away" strategy stays in my head. Plus, we often see earnings estimates reduced in the spring which reverses upward momentum in stocks, making it hard to find big winners.

For those of you that have not been keeping score, the Sell in May strategy has been an absolute failure this year. In fact, since May 1st, the Russell 2000 Index is up roughly 21%. That would be an exemplary annual performance, yet alone one for six months. And the best is yet to come. It is no secret that the best gains in stocks each year tend to be generated November through April.



At this point, we have survived the fear of the taper, the government shutdown, delayed the budget impasse, and despite its absurdity, the country is largely resigned to accept Obamacare. We learn to cope as a nation and as individuals, and persevere after all. (cont'd)

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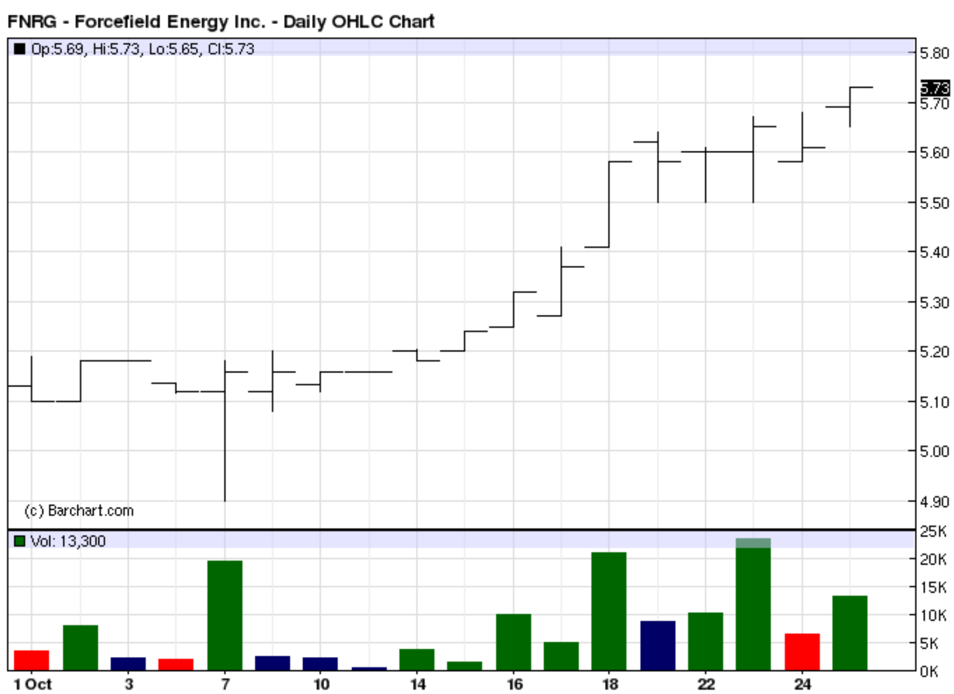
I Love This Market (cont'd)

We maintain our stance that the biggest obstacle in the economy and to stocks remains the employment situation, which is only exacerbated by Obamacare. An alarming statistic was released last week that illustrated a frightening phenomenon. As of about a year ago, there were more Americans receiving some sort of government assistance than there were full-time workers. To be sure this is an untenable situation and must get rectified because these chickens will come home to roost and it will be ugly. Even the most strident bulls realize this. Nonetheless, this legacy overhang on the stock market has been anything but an overhang as we have somehow weathered the storm month and after month, and quarter after quarter. Still, this situation will have an impact on the consumer discretionary sector and we will be monitoring and recommending those stocks accordingly, especially given that we are entering the annual holiday season.

For now, attention will remain on technology and some segments of energy, in our view, with consumer discretionary stocks a tad behind only to charge forward, ahead of the holiday season. For the next 2 weeks, beginning with Monday's Apple (NASDAQ—AAPL) quarterly report, and ending with the Twitter IPO, all eyes will be on the tech sector and the forward valuation of the market, which seems to be edging toward near-term full value status. At current levels, the S&P 500 Index trades 15.9x FY14E earnings and the Russell 2000 is trading 22.5x FY14E EPS.



Speaking of technology and energy, ForceField Energy (NASDAQ—FNRG—$5.73) one of our Select stock picks, has had a nice run and looks poised to move higher after hitting yet another 52-week high on Friday as it operates in both sectors. In fact, since up-listing to NASDAQ on October 17th, the stock's average daily volume, which is modest, has risen by 4x for the past 7 trading sessions, as compared with the 7 sessions prior to the up-listing. The adjacent chart from BarChart.com for the month of October clearly bears this out. **By the way, BarChart lists FNRG as a 100% Buy!**

We agree and believe that the upward trend continues along with the volume as the company's LED business, which is a fast-growing segment of technology, is primed for future wins and pending bid announcements, on top of the already tens of millions in multi-year contracts awarded in 2013.

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In Case You Missed It...

Our Market Monitor daily blogs, which largely leverages themes highlighted in The Goldman Guide has had some prescient picks of late. Aaron Schweitzer in particular has made some great calls and if you are seeking a solid short term trade, we urge you to view our website daily for new ideas. Here are just a sampling of 3 great calls.

On April 10th, Aaron recommended purchase of Renewable Energy (NASDAQ—REGI) at $9.27, despite its sharp rise early in the year. Our target was $12.00 and on Wednesday October 23rd, Aaron recommended to take profits at $12.95 for a 40% trip. The stock dropped 15% the next day on a Stifel downgrade and is at $11.34 today. Talk about timing!

Leveraging our Guide 3 weeks ago, we recommended Calloway Golf (NYSE—ELY) at $7.12. After blowout earnings last week, ELY closed at a new high of $8.70, a quick 22% gain. At this rate it could go up *FORE-TEE* percent.

On the Opportunity Research side, we have had some hits and some misses. Interestingly, in this business when we really pound the table and express ourselves in the strongest terms few people buy the stock, whereas in other instances a large swath of investors hop on board. That seems to have been the case with Daybreak Oil and Gas (OTCQB—DBRM) which has gone up more than 160% to a new high since our initiation of coverage in July. The rise has been in response to amazing drilling and production results that may prompt a doubling in revenue—and it my happen yet again. So, the stock has a lot of room to move higher. The 3 month chart is wild as news has been a major driver.

Before you make your list and check it twice be sure to stop by www.GoldmanResearch first.

Until next week....

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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.)

Analyst Certification

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