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KEY TAKEAWAYS

- ⇒ *Taper will only have limited, short-term negative effect*
- ⇒ *Start buying turnaround stocks generating big EPS growth next year*
- ⇒ *Follow and invest based on themes*
- ⇒ *eBay is very strong and there are 2 well known retail chains that could have a bad holiday season*
- ⇒ *See out top pick for the end of the year—it is strong thematically, fundamentally and technically*

KEY STATISTICS

<u>Index</u>	<u>Close</u>	<u>2013</u>
DJIA	15755	20.2%
S&P 500	1775	24.5%
NASDAQ	4001	32.5%
Russell 2000	1107	30.4%

(figures are rounded)

OUR TOP YEAR-END PLAY

You may not know this, but this may be the second most important week of the year for stocks. It is the last full week of the year and everyone in the industry is scrambling. They are scrambling to put out new ideas, reiterate old ones, adjust the portfolio for optimum performance through year-end, and engaging in due diligence so that they know what to buy at year-end or upon their return after the new year.

Let's face it. With Christmas and New Year's falling on Wednesdays this year, not a whole lot may be happening. But, if you snooze you lose and that is why this week you must prepare because opportunities will abound between now and the end of the year, and you want to be able to take advantage. Don't buy yourself something this year. Treat yourself to a great trading opportunity instead.

Let us look at the big picture first. All this taper talk is now yielding diminishing returns—for short sellers. Much like we all freaked out over high gas prices, we ended up getting accustomed to them. This is human nature. We adapt. Moreover, even if all this taper talk led to the start of the actions beginning this week, will not do anything worse than stall the upward momentum for a couple of days—not crush it.

We note that turnaround stocks or those expected to eke out big EPS gains next year tend to start to make their run during this time of year, ahead of the pack. This is especially the case with cyclical stocks.

Separately, this is a good time to invest based on themes that will come into play next year as timely, thematic stocks tend not to just make big runs initially, but have sustained moves higher as word of the theme/trend takes on a life of its own. This is especially the case for stocks that are not high on major investors' radar screens. They seek "alpha" and can get it by buying the stocks just below the perceived major winners of a theme or event.

Our Top Year-End Play (cont'd)

ForceField Technologies, Inc. (NASDAQ—FNRG—\$5.89—Speculative Buy)

ForceField should be a name familiar to most of our readers. Originally a sponsored research stock pick, we have marveled at management's ability to modify its business model and put the company in the position to be a huge performer in 2014. FNRG is a great way to play the ban on the manufacture and bringing in of new 60W and 40W incandescent light bulbs, beginning January 1, 2014. The same has already occurred for 75W and 100W bulbs and the replacement market over the next few years, particularly for the corporate and municipal market in the U.S. and around the world will be dominated by LED lights.



They can last for 25,000 hours and consume around 15% of the energy of traditional bulbs, making them highly efficient. FNRG is an exclusive distributor for one of the primary producers of these bulbs and already has a pipeline of \$125M worth of contracts and LOIs. The company has a unique business model which enables customer financing and little to no out of pocket expenses which will lead to major revenue share with the customers on multi-year basis. FNRG has impressive wins we expect the real inflection point in the market that is forecast to grow from under \$900M to as much as \$2.7B market in the next several years.

The stock has been trending higher on increasing volume and it appears that once it gets through the \$6.00 mark the next resistance is \$6.50, and then huge daylight from there. The

Random Thoughts

1. Looking for an out of the box although pricey holiday gift for someone close to you? I wonder if buying a Bitcoin is a good idea? Do they still sell U.S. savings bonds?
2. It may sound like a broken record but it seems as if the #1 requested gift has the brand name Apple in front of it.
3. Ebay seems to be on fire right now. I would not be surprised to find out that their sales volume had a big sales increase this season. It sure seems like buyers are spending like drunken sailors, paying more than they should and more than they did for the same items just a few weeks ago.
4. We have mentioned this before but it seems more pronounced than ever. The secondary market for gift cards is a great indicator of what is selling and what is not. Big discounts to face value are the norm for companies like Ann Taylor and Pacific Sunwear, among others.
5. Volumes have been markedly down with the exception of market maker-based trading, in the OTC market. I wonder if the technical glitches of the past few weeks, which caused lengthy stoppages is having an impact.
6. Are some small-cap and micro cap big gainers having difficulty sustaining rallies? It seems like the underlying stories may not be as strong as they appear.
7. I was never a fan of the e-cigarette industry but now that a court in France ruled that they qualify as tobacco and must halt their advertisements could spread across Europe and into the U.S. Some of the stocks have done quite well. Now may be the time to sell.
8. I am a fan of guns and I am not alone but maybe the part is over for stocks like Smith & Wesson, where growth is expected to be practically nil next fiscal year.
9. Whatever happened to that company that tried to sell the public some weird ownership stakes in pro athletes? It smelled fishy and sounded hokey.
10. Next week we provide out top 14 predictions for 2014 and review last year's forecasts.

Have a great week!



The Goldman Guide

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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