



# The Goldman Guide

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## KEY TAKEAWAYS

- ⇒ *The market is demonstrating it is in the 8th inning of its cycle and it will still move higher*
- ⇒ *We recommend a sector rotation strategy with tech and biotech the top near term targets followed by autos and housing*
- ⇒ *See how I screwed up a pick terribly and how not to make the same mistake*
- ⇒ *The Malaysian airliner tragedy could cause a spike in explosive detection system stocks—see which ones to buy for a trade*
- ⇒ *Beware Big Brother*

## KEY STATISTICS

Index	Close	2014
DJIA	16453	-0.7%
S&P 500	1878	1.6%
NASDAQ	4336	3.8%
Russell 2000	1203	3.4%

(figures are rounded)

## HOW TO SPRING FORWARD YOUR RETURNS

I am sure that you have noticed that the financial media has been awash in the glory of the stock market's new heights. It seems as if in the 21st century, the month of March holds real significance. The record high for the NASDAQ Composite north of the 5,000 level occurred in March of 2000. Recent lows of the previous bear market were reached in March of 2008. And, now, of course, the S&P 500 Index has gone to new highs.

We have been really cautious of late as we believe that we are in the 8th inning of this bull market game. A crazy transaction like the Facebook (NASDAQ—FB) deal, the success of the Coupons.com (NASDAQ—COUP) and the furry of M&A activity (Safeway/Albertson's and tech M&A deals) signal the bull market is still going strong.

Even the employment numbers have been favorable. Clearly, with bond yields and even junk bond yields so low, there is still no other place to put your money but equities. Investors would be wise to monitor the mutual fund inflows since individual investors are notorious for buying at or near the top of the market.

Much like the current daylight saving time maneuver, there are still some bargains out there to spring your portfolio forward.

We recommend engaging in a pre-set sector rotation strategy. This tactical ideology is based upon the continued accumulation of tech and biotech in the near term. When these sectors begin to show some weakness, we would shift to certain consumer plays such as those in the auto or housing sector. This strategy should result in near-term outperformance. We also have a great short term trading idea that is primed to see big gains early this week.

## ***Don't Screw Up Like I Did***

Have you ever felt that there are times when it seems as if you consistently make the wrong decision when buying stocks? It happens to all of us. We get caught up in a story and don't follow our gut. Of course when these mistakes cost us money it is a real issue that hurt us financially, psychologically and emotionally. Not to worry. Much like a shooter in basketball or a hitter in baseball, all we have to do is work on basics and mechanics to improve our success.

I talk a lot about how emotions drive stocks, but I almost never talk about how important our gut feeling is about equity transactions. Look, there are times when no matter what we do a stock is not going to work for us. However in general, slumps and mistakes occur when we do not follow our gut or get too caught up emotionally in a story. Slumps occur when we make the same mistake over and over in our assessment of a given situation or in listening to someone's ideas that are routinely wrong. Remember, Albert Einstein's definition of insanity is doing the same thing over and over and expecting different results.

I bet it is likely that your losing streak may have been due to a change in your approach at the time. Perhaps previous successes gave you a laissez faire attitude that you could do no wrong. Or, maybe you just forged ahead like a bull in a china shop. Go back to basics. Approach your next potential trade with no preconceived notions and follow your gut and your head rather than your emotions.

Here is an example of one of my own recent screw-ups. I was confident that a certain segment of the semiconductor space was going to enjoy stock accumulation. I was torn between recommending three stocks for The 30-30 Report, all of which had reached new highs recently. I could only choose one or maybe two. All 3 had other similar characteristics including single digit stock price, not much deviation from valuation, similar balance sheets, etc. All three stocks ran the gamut of market cap, however, and I while I was familiar with two of them, the third I did not know very well. I ended up selecting the stock I was most familiar with which was also the one with the market cap in the middle of pack.

So, 2 days later the one with which I was least familiar announced it was merging with a larger player and jumped big time. The other stock leaped 45% days later due to a business development relationship. The one I selected is up a paltry 10%. Ugh. I know you have been there.

On the surface it appears that I did nothing wrong. However, if I am true to myself, I know that even when I selected that stock, my gut wasn't entirely sold despite the fact the recommendation was a logical one based on fundamentals. I learned my lesson. Next time, if I am torn such as in the example above, I will pause, re-think and follow my head *and* my gut.

## ***Top Short Term Trade***

By now, most of you have heard the terrible news regarding the Malaysian airliner that disappeared over the weekend. It is believed that with some passengers carrying false passports on board it may have been the target of a terrorist attack, or perhaps was shot down by a missile.

I have followed security and bomb detection companies on and off for 20 years and anytime a perceived or real aviation attack occurs, explosive detection system companies rally for at least a couple of days. With that in mind, there are 3 stocks to buy:

*American Science and Engineering (NASDAQ - ASEI—\$67.79)*

*OSI Systems (NASDAQ — OSIS — \$64.84)*

If these two stocks are too high priced for your tastes, we covered *Implant Sciences (OTCQB - IMSC—\$0.78)*, a portable explosives detector, on a sponsored basis 4 years ago. It seems to always run higher on news such as the Malaysia tragedy.

## ***The Uncensored Sensibility***

After a brief hiatus, we return to another submission by our anonymous author of serious food for thought.

Sometimes technology can bring a society together for a good cause and if not a happy ending certainly one of relief. The prime example of this took place when an eleven year old girl was found with her father in South Carolina this week, days after her father killed her mother. The girl from Baltimore County, Maryland has a twin sister with serious medical issues...her father left her at home.

The Amber Alert system of course notifies the public of missing children. Thousands of people called local and state authorities with tips based on the Amber Alert, especially from the electronic signage placed atop our Interstate Highway System. These people called because information was disseminated to them which allowed them to help find the child and her father, and because these people cared about the well-being of the eleven year old girl.

This same system now includes Silver Alerts, which identify missing elderly people, particularly those who may be driving. These are wonderful applications of modern technology.

## ***The Uncensored Sensibility (cont'd)***

A far less important but interesting technology on the interstates is called E-Z Pass. This allows people to pay tolls without having to come to a complete stop. E-Z Pass has been in use for about a decade or more now. It is a great convenience item for millions of drivers. The pass cannot be purchased anonymously. After its brief initial success, E-Z Pass found a whole new group of people who found the system useful...Divorce Lawyers. They started accessing the driving records of soon to be ex-spouses to show that while the better half thought hubby was visiting a sick family member in the hospital, E-Z Pass showed a different path, perhaps one toward a local business whose three best employees were named Peaches, Creme, and Delicious.

Now, EZ-Pass records are accessed by state's attorneys and local police forces for indictments and trials. They will eventually become evidence in insurance cases, workers' comp cases, and other areas of dispute.

Sometimes these technologies take a life of their own. It will be interesting to track the Alert Systems and learn who they will be tracking next.

Have a great week!



# The Goldman Guide

1498 Reisterstown Road, Suite 286 Baltimore Maryland 21208 Phone: 410.609.7100

[info@goldmanresearch.com](mailto:info@goldmanresearch.com) [www.goldmanresearch.com](http://www.goldmanresearch.com)

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