

INSIDE THIS ISSUE:

Financials, Tech, and Small
What the Pros Are Doing

KEY TAKEAWAYS

- ⇒ *These 6 stocks could change the course of the market, beginning this week—a scary thought*
- ⇒ *Financials are at risk for a sell-off and Google better give us good guidance*
- ⇒ *Microcaps are still better value than small caps but won't start to move until volume and volatility increase*
- ⇒ *The pros are actually focused on trading volatility and waiting to buy retail ahead of back to school season*
- ⇒ *Our sin stocks have strongly outperformed in the past month and these two should rock July*

KEY STATISTICS

Index	Close	2014
DJIA	16944	2.2%
S&P 500	1968	6.5%
NASDAQ	4415	5.7%
Russell 2000	1160	-0.03%

(figures are rounded)

DON'T FALL ASLEEP ON THE MARKET

Nearly everyone hates uncertainty and investors are no different. Needless to say, even investment pros are skittish as evidenced by the big jump in volatility and sharp swings lower last week. We all want some semblance of guidance and we may well get it by week's end.

A great piece on www.MarketWatch.com citing a FactSet report illustrates that this week, 6 companies representing nearly one-fifth of the S&P 500 Index's tech and financials sectors will report 2Q14 results. That means that these 6 companies represent a whopping 6+% of the 500 company index. So, as these stocks report their results, stock market direction hangs in the balance.

Therefore, you don't want to be asleep at the switch. These 6 catalytic companies are:

- Citigroup (NYSE—C) for Monday
- JPMorgan (NYSE—JPM) and Intel (NASDAQ—INTC) for Tuesday
- Bank of America (NYSE—BAC) for Wednesday
- Google (NASDAQ—GOOG) and IBM (NYSE—IBM) for Thursday

Investors have reason for concern. Financials are shaky. If investment banking revenue from the huge number of IPOs and M&A activity can offset the low equity trading volume, results may end up as adequate. I have my doubts but it could be a wash, despite the fact that ETFs were bought in billion dollar bunches in Q2. However, if low trading activity continues, without the benefit of high corporate finance business, a profitability driver will be removed, and guidance will reflect it, prompting the stock drops.

Financials, Tech, Big, Small, and Microcap

Wells Fargo (NYSE—WFC) wasn't particularly great last week and Bank of America seems to be the most at risk of the three financials reporting this week.

New school meets new school when IBM and Intel report during the same week as Google. As with financials, guidance is key. Still, the market really needs good numbers and guidance from Google to give investors comfort. Without it, even with solid results from the two old school tech titans, we could see a real catalyst for across the board selling since slower growth does not go well with the current high valuations.

We wrote two weeks ago that big tech was in danger and last week, the NASDAQ Composite dropped by nearly 5% at its trough before rising at week's end. While scared investors overreacted in really selling off microcaps, the better valuations and upside exists in the small space.

Index name	07/10/2014	MTD	Last 3 Months	YTD	1 Year
Large-cap indexes					
Russell 1000® Index	-0.41	0.07	5.23	7.34	21.77
Small-cap indexes					
Russell 2000® Index	-1.02	-2.59	0.51	0.52	15.35
Russell Microcap® Index	-1.19	-3.09	-3.00	-1.58	15.58

The table above, generated via the www.Russell.com site, shows how through Thursday, microcaps are lagging far behind the large cap market and even small caps on a month-to-date and a year-to-date basis. The oddity is that the Russell 2000 Index carries a 15% higher P/E than the microcap index, despite a lower projected growth rate. It seems that the lower trading and skittishness despite the lack of volatility has prompted this scenario. Don't expect it to last too long.



The Goldman Guide

What the Pros Are Doing

It is no secret that the pros are wringing their hands over earnings season, as noted earlier. Good numbers and good guidance can mean some semblance of buying. Still, despite the compass that the big caps may provide the pros, they are really looking a few steps ahead.

For starters, they are taking some money off the table and considering trading on current volatility, such as our out-of-the-box TVIX idea last week, which performed admirably, or health care stocks. Pros are also waiting with baited breath on the latest retail report. Retail stocks have been out of favor and they likely will remain so for a spell. As we noted last week, July and August tend to be rough on stocks and investors, which doesn't help. However, once the first big earnings week concludes, it is actually time to start considering buying retail and tech stocks that will outperform the rest of the group due to the "Back to School season."

Just like the pros, you should engage in as much due diligence and research as possible on the topic. A strong back to school season does not mean that all consumer sectors or companies will outperform. However, the prepared investor can discern what apparel, technology, or department stocks appear to have the greatest upside and will use some of that cash for these purchases.

And before then? Stick with the sin stocks we highlighted a month ago. This Gang of Five has soundly beaten the market in the past month. ISSC and BREW seem poised to be the best of the bunch for the rest of the summer. Click here to see the original post: <http://www.goldmanresearch.com/20140616786/The-Goldman-Guide/buy-these-sin-stocks-now.html>

GSCR Sin Stocks (6/16/14 - 7/13/14)					
Ticker	Profile Price	Peak Price	Recent Close	Peak Return	Total Return
ISSC	\$6.97	\$7.91	\$6.78	13.5%	-2.7%
FLIR	\$35.76	\$36.01	\$33.95	0.7%	-5.1%
PNK	\$25.30	\$26.01	\$26.18	2.8%	3.5%
MPEL	\$33.29	\$37.00	\$32.99	11.1%	-0.9%
BREW	\$10.34	\$11.68	\$11.17	13.0%	8.0%
Average				8.2%	0.6%
Russell 2000	1168	1203	1160	3.0%	-0.7%



The Goldman Guide

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

info@goldmanresearch.com www.goldmanresearch.com

Launched in May 2010, *The Goldman Guide* is a free weekly publication of Goldman Small Cap Research and is written by Founder Rob Goldman with contributions from the GSCR contributor team. This non-sponsored investment newsletter seeks to provide investors with market, economic, political and equity-specific insights via an action-oriented, straight to the point approach. No companies mentioned in this newsletter are current sponsored research clients of the Company or its parent, unless noted. With rare exceptions, all companies or investment ideas mentioned in this publication are publicly traded stocks listed either on the NYSE or the NASDAQ. Goldman Small Cap Research members and contributors' bios, certifications, and experience can be found on our website: www.goldmanresearch.com.

Disclaimer

This newsletter was prepared for informational purposes only. *Goldman Small Cap Research*, (a division of Two Triangle Consulting Group, LLC) produces non-sponsored and sponsored (paid) investment research. Goldman Small Cap Research is not affiliated in any way with Goldman Sachs & Co.

The Firm's non-sponsored research publications category, **Select Research**, reflects the Firm's internally generated stock ideas, along with economic, industry and market outlooks. In virtually all cases, stocks mentioned in **Select Research** offerings are listed on the NYSE or the NASDAQ. Publications in this category include the weekly newsletter *The Goldman Guide*, daily Market Monitor blogs, Special Reports, and premium products such as *The 30-30 Report*. Goldman Small Cap Research analysts are neither long nor short stocks mentioned in this newsletter.

Opportunity Research reports, updates and Microcap Hot Topics articles reflect sponsored (paid) research but can also include non-sponsored micro cap research ideas that typically carry greater risks than those stocks covered in Select Research category. It is important to note that while we may track performance separately, we utilize many of the same coverage criteria in determining coverage of all stocks in both research formats. Please view the company's individual disclosures for each engagement, which can be found in company-specific **Opportunity Research** reports, updates and articles.

Goldman Small Cap Research has not been compensated for any content in this issue.

All information contained in this newsletter and in our reports were provided by the companies mentioned via news releases, filings, and their websites or generated from our own due diligence. Economic, market data and charts are provided by a variety of sources and are cited upon publication. Stock performance data is derived from Yahoo! Finance. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence.

The information used and statements of fact made have been obtained from sources considered reliable but we neither guarantee nor represent the completeness or accuracy. *Goldman Small Cap Research* did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company, other firms, or other financial news outlets. *Goldman Small Cap Research* relied solely upon information provided by companies through filings, press releases, presentations, and through its own internal due diligence for accuracy and completeness. Such information and the opinions expressed are subject to change without notice. A *Goldman Small Cap Research* report, update, article, blog, note, or newsletter is not intended as an offering, recommendation, or a solicitation of an offer to buy or sell the securities mentioned or discussed. This newsletter does not take into account the investment objectives, financial situation, or particular needs of any particular person. This newsletter does not provide all information material to an investor's decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a complete discussion of the risks mentioned. Neither *Goldman Small Cap Research*, nor its parent, is registered as a securities broker-dealer or an investment adviser with the FINRA or with any state securities regulatory authority.

ALL INFORMATION IN THIS REPORT OR NEWSLETTER IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, *TWO TRIANGLE CONSULTING GROUP, LLC* WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS, RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY LAW, *TWO TRIANGLE CONSULTING GROUP, LLC* WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRES-