

INSIDE THIS ISSUE:

Are You Feeling Lucky?

KEY TAKEAWAYS

- ⇒ *Market participants can't decide to be worried about a crash or are waiting for another big rise*
- ⇒ *Regardless, aggressive investors need to prepare to trade this ETF to take advantage of increased volatility*
- ⇒ *Could a stock that is down for seven straight trading sessions be a buy?*
- ⇒ *This cash rich, profitable software company reports next week and could jump on a good report.*

KEY STATISTICS

Index	Close	2014
DJIA	17100	3.2%
S&P 500	1978	7.0%
NASDAQ	4432	6.1%
Russell 2000	1152	-1.0%

(figures are rounded)

THE MOST TRADABLE ETF EVER

As I look back on the stock market's performance toward the end of the week, I find that words alone do not do it justice.

When the bottom fell out of the market Thursday, it reminded me of this character:



After the dust settled though, prognosticators made me think of R.E.M. hit "It's The End of the World" <http://www.youtube.com/watch?v=Z0GFRcFm-aY>, just to help us sleep at night.

Of course, bad stuff is happening out there in the world and valuations are high relative to what the economic situation considering the uphill GDP battle we have thanks to a poor Q1. But, since earnings reports have largely been pretty good, the one hit wonder "Don't Worry, Be Happy" seems to have really set in. <http://www.youtube.com/watch?v=d-diB65scQU>. In fact, with nearly 1/3 of the S&P 500 reporting this week, and the mockery of the selloff over, it is as if political correctness has set in thanks to the financial press. If you aren't bullish you must be a fool! And a bad person.

Look, big stocks are likely to still lead the charge for a spell, but don't count on it lasting. In fact, you would be wise to stick this trading idea in your back pocket for when stocks drop again and volatility sets in. If played right, you could make serious cash.

The Most Tradable ETF Ever (cont'd)

On July 8, we introduced an ETF that may be the best way to trade the market. In fact, it was a monstrous winner on Thursday, jumping 21% on huge volume in response to the market volatility. (Even I made money on it!) It is an awesome and simple way to directly trade in response to market volatility and we would recommend using it as the situation arises for an intra-day or 2-3 day trade only. If you missed it in our Market Monitor blog, here is the 411:

VelocityShares Daily VIX Short Term Exchange Traded Note [ETN] (TVIX - NYSE - \$2.78) is designed as a very short term contrarian bet on the stock market direction and volatility, like shorting the market. It is an ETF that is traded on the NYSE and can be bought and sold like a stock. The vehicle seeks to replicate the returns of twice (2x) the daily performance of the S&P 500 VIX Short-Term Futures index. The index itself was designed to provide investors with exposure to one or more maturities of futures contracts on the VIX, which reflects implied volatility of the S&P 500 Index at various points along the volatility forward curve. The ETNs are linked to a multiple (2x) of the daily return of the index and do not represent an investment in the VIX.

The unusual absence of any real volatility in the market, or the VIX, which measures volatility, has been the subject of many articles in recent months. However, as the market has dropped in the past 2 sessions, the VIX, and in turn TVIX is up as well and it appears as if it could continue in the short term.

I should note that it is not for the faint of heart due to its leveraged status and its own volatility. Therefore, investors planning to utilize this vehicle should have very short term time horizons of days, not weeks or months. In fact, the prospectus of the vehicle itself cautions that TVIX is only suitable for a brief investment horizon. After all, this product aims to deliver 200% of the daily return of the CBOE Volatility Index, making its losses or gains even more dramatic.

Therefore, for investors seeking to eke out 5-10% gains over a 3-5 day period by shorting the market, or taking advantage of increased volatility, this may be the vehicle for you. Just be wary of big swings and be prepared to pull the trigger should the price turn against you. Monitor it for a while before stepping in and be sure to set sell limit orders upon purchase.

Are You Feeling Lucky...?

This could be the week of the contrarian. For example, we were early in suggesting that energy, particularly oil, would have a good start to Q3. Well, it hasn't. But, that doesn't deter us from again saying it is imperative that you have some exposure to the black gold—especially if/when things go south in the market or in the geopolitical arena.

Speaking of being contrarian, if you are feeling lucky enough to trade a stock that just hit a 52-week low and has closed down for seven straight sessions we have a stock for you—but only after the company releases its Q2 results, given the risk.

Zix Corporation (NASDAQ—ZIXI—\$3.02) reports its results after the close on Tuesday. It appears as if all the bad news is already reflected in the stock and if it just meets estimates, the valuation is attractive enough to warrant attention.

Zix Corporation provides email encryption solutions in software as a service model in the United States. Its encryption service delivers information in a secure manner and enables the use of Internet-based email for sensitive information exchange primarily in the healthcare, financial services, insurance, and government sectors. It offers email encryption service, a secure messaging service that allows an enterprise to use policy-driven rules to determine which emails should be sent securely to comply with regulations or company-defined policies. The company also provides a solution, which analyzes and encrypts email communications. Its services allow users to send encrypted email to any email user at any email address by using the ZixCorp Best Method of Delivery protocol, which automatically determines the direct and appropriate means of delivery, based on the sender's and recipient's communications environment and preferences.

The Street is forecasting EPS of \$0.03 for the quarter and \$0.16 for the year on sales of \$53M, with EPS rising to \$0.21 next year on sales of \$62M. The company has \$0.37 per share in net cash, but it does trade over 3x this year's estimated revenue forecast.

If the numbers are solid and guidance is not reduced, it could be a nice pick-up on Wednesday. It is really out of favor and down 11% since the start of July. There is risk to be sure, but if the Q is okay, a 10-15% jump is definitely possible.

Have a profitable week!



The Goldman Guide

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