

INSIDE THIS ISSUE:

Hello Fall. Will Stocks Comply?

KEY TAKEAWAYS

- ⇒ *It is like déjà vu. Bog caps, especially health care and tech are up and small caps are down. Will this change soon?*
- ⇒ *Fall is here, portfolio reconstruction is over and the magic of Alibaba will pass. Watch out.*
- ⇒ *The best plays are a mix of big name, popular stocks with those in industries that are out of favor.*
- ⇒ *Look for the industries and stocks that typically have good fourth quarter performances or are economically sensitive.*

KEY STATISTICS

Index	Close	2014
DJIA	17280	4.2%
S&P 500	2010	8.8%
NASDAQ	4593	10.0%
Russell 2000	1147	-1.5%

(figures are rounded)

INVESTING TODAY FROM A TO Z

So, what does it mean when the NASDAQ Composite is up 10% for the year, the Dow Jones Industrial Average is up less than half that at 4.2% and the Russell 2000 is down nearly 2%? To put it simply, big cap tech and health care stocks are on fire, mega caps are looking good and small caps suck.

Investors today are like drug addicts or gamblers. Their appetite for stories spun by the likes of Apple (NASDAQ—AAPL) and Alibaba (NYSE—BABA) outweighs valuation concerns and fears that they miss the rise. Plus, with small caps in the toilet, where else to put your money but in the same place as the herd?

Sure, big caps may continue to be the place to be, but small caps will have their day, albeit not for another several weeks, by our estimation. Meanwhile, the autumnal equinox begins Tuesday (the beginning of the fall season), the Jewish New Year begins Wednesday evening (which means lighter volume Thursday) and quarterly portfolio reconstruction is complete. So, will stocks “fall with this seasonality”, especially since so many are at nosebleed levels? What do you do?

Here is our near term investing formula from A to Z.

A— Apple truly is a beast. Very hard to bet against it. Too pricey? Trade options.

B— As in BABA, Alibaba. This is the latest favorite son/craze. Pass, until research reports are released. There are skeletons here.

C— Car stocks. They aren’t very expensive and though people are not buying homes they are buying cars.

D— Don’t feel compelled to be fully invested. It is okay to sit on some cash. In fact, it may prove to be prudent.

Investing Today from A to Z...(cont'd)

E– As in **eBay (NASDAQ—EBAY)**. We still believe that a PayPal spin-off could be lucrative.

F– **Facebook (NASDAQ—FB)** is enjoying great mobile growth. Continue your postings but investing in it right now may not be best for your timeline.

G– Is there anything **Google (NASDAQ—GOOG)** doesn't want to do? It is getting scary. Still, it seems that it can overcome all barriers.

H– **Health care stocks** benefit from perceived safety in potentially down markets. Investors seem to have forgotten all about Obamacare and so should you. Until you should.

I– **iShares** remains the most popular family of **ETFs**. If you are going to stay fully invested, make sure ETFs represent the core of your portfolio.

J– **JC Penney (NYSE—JCP)** isn't going out of business like RadioShack (NYSE—RSH). But the stock isn't going up, either.

K– **Burger King (NYSE—BKW)** has made a black burger for the Japanese market. Either they are sly like a fox or they have lost their f**king minds. I think this move is in the red.

L– **Lockheed Martin (NYSE—LMT)** is the country's biggest aerospace/defense company. If the Scarecrow from The Wizard of Oz was President, he would not stand for this ISIS crap, or the nonsense China, North Korea, and the fly-bys in which Russia has engaged recently. Regardless, this is the go-to defense stock, if you believe we will fight them with something more potent than putting the NFL's domestic violence abusers on the front line.

M– You know **McDonald's (NYSE—MCD)** is in trouble when they admit that their former spin-off, **Chipotle (NYSE—CMG)** understands the fast-casual market while they endure declining sales. Higher beef prices can't help and the fast-casual dining space in general looks tasty.

A to Z....

N– Nanotechnology was a huge buzzword about 10 years ago. What happened? It is a stark reminder that the next big industry is usually just the next big PR play and while the stocks in the space move markedly higher, it only lasts for a little while.

O– Oil stocks have had a rough go of it. Has the U.S. leadership story played itself out? Don't count out this group just yet—especially given the current volatile and fragile geopolitical environment.

P– Pandora (NYSE—P), Pfizer (NYSE—PFE), Priceline.com (NASDAQ—PCLN), Hewlett-Packard (NYSE—HPQ). Is it me or does America just love these stocks?

Q– The “**triple Q’s**” have been great so far. Just like baseball season, there are more games to play, but the season will come to a close in late October.

R– “Reefer stocks” have been woefully out of favor after the insane run early in the season. Those who understand the correlation between policy, politics, and business will see how the outcome of the midterm elections state ballots can rejuvenate the space.

S– Small stocks typically rule in the fourth quarter. It may be too early to start buying. However, its time will come again, sooner than you think.

T– Tesla Motors’ (NASDAQ—TSLA) CEO made unusual comments regarding his stock’s lofty valuation. I commend him for that. We think this popular stock, along with its options, are also attractive only on dips.

U– United Parcel Service (NYSE—UPS) will be strong again in Q4 as online holiday sales are synonymous with UPS shipping.

V– Aside from its moves in August, Vick’s Cough Syrup has gotten more action than the **VIX**. **Volume** was big last week for a change but we need both to help the broader market, not just the major holdings in key indices.

A to Z....

W– Wells Fargo (NYSE—WFC) is a maligned bank but appears to be well-positioned to benefit from the economy and **Bank of America’s (NYSE—BAC)** issues.

X– If you are a believer in the economy, particularly in basic industries, **U.S. Steel (NYSE—X)** is an oldie but a goodie.

Y– Alibaba may be getting all the love but there is another foreign technology company not to be overlooked called **Yandex (NASDAQ—YNDX)**.

Z– Zoe’s Kitchen (NASDAQ—ZOES) might be a great chain enjoying a major growth phase but the valuation seems pricey.

Have a great week!



The Goldman Guide

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