



The Goldman Guide

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INSIDE THIS ISSUE:

- Seasonal Trends Galore
- CES Could Rock Tech
- AAPL Dropping?

KEY TAKEAWAYS

- ⇒ *Dogs of the Dow is a viable and historically sound strategy*
- ⇒ *One can buy a ETF or individual stocks that comprise the top 10 dividend yielding stocks*
- ⇒ *We prefer VZ above all due to the combination of yield and fundamentals*
- ⇒ *January Effect and CES commencement are a great combo for tech stocks in early January*
- ⇒ *Apple flashing sell signal but that could mean it is a strong buy once support returns*

KEY STATISTICS

Index	Close	2015
DJIA	17833	0.06%
S&P 500	2058	0.03%
NASDAQ	4727	-0.20%
Russell 2000	1199	-0.49%

(figures are rounded)

BEST BETS FOR EARLY 2015

The tallies for the 2014 year are in and we all know that it was a pretty darn good year, even if small caps lagged behind by a considerable percentage. Today, we enter a trader's delight period with specific historical and seasonal strategies and trends ready to kick off.

Arguably the most famous of these strategies is known as *The Dogs of the Dow*. This approach, which traces its roots to 1991, purports that the best performing Dow Jones Industrial Average stocks for a given year tend to be the 10 highest dividend yielding stocks as of the last trading day of the year prior.

There are trading vehicles like closed end funds and a Dogs of the Dow ETF **ELEMENTS Dogs of the Dow DJ HY Sel 10 TR ETN (NYSE—DOD—\$15.35)**, for those interested in playing this strategy. It rose by more than 10% last year.

Wondering what these dogs are? For 2015, **AT&T (NYSE—T—\$33.87)**, **Verizon (NYSE—VZ—\$46.96)** and **Chevron (NYSE—CVX—\$112.58)** are the top 3 dividend yielding stocks, currently. Their respective yields are 5.43%, 4.68%, and 3.8%. These yields compare very favorably with the yield on the 10-Year Note of 2.17%.

While buying a basket like the ETN above may make the most sense, if we had to choose just one of the 10 stocks, VZ seems to be the best play. It is projected to enjoy the second-highest EPS growth rate while some of these stocks are forecasted to endure lower EPS (such as CVX and **ExxonMobil (NYSE—XOM)**). With a yield of 4.68% and trading at a PEG ratio of 1, we could see a total return of 15% this year, with little volatility.

Strategies and Trends (cont'd)

The January Effect, as outlined in recent editions, appears poised to deliver once again this year. In fact, the roughly 0.5% drop in the Russell 2000 Index on a light trading day on Friday means that small cap and microcaps, particularly those sold off late last year, are even more attractive. We recommend establishing trading positions in “tech”, be they technology or biotechnology, given the big sell-offs in so many small names in these sectors, despite strength in the bigger names.

CES

One of the drivers of tech stocks and tech trends is the annual International Consumer Electronics Show in Las Vegas, which begins today. In years past, the CES show would showcase, highlight, and foreshadow the latest and upcoming trends in technology for the consumer and small business world. This year, the CES buzz has not only started earlier, but after a couple of years of only so-so attendance and exhibition numbers, the 2015 show seems hot, hot, hot!

Oftentimes, the introduction of new technologies, products and applications prompts a rise in small stocks with exposure to these hot spaces. By most accounts, virtual reality, wearable devices (on your body or clothing) drone technology, automotive technology and cybersecurity are the key topics and trends of interest.

Truth be told, some of these technologies are promoted by big tech names out in front or behind the scenes. Do yourself a favor. Keep an eye out on CES news and buy stocks of some of the profiled companies. There should be no shortage of news. A link to the CES show is here: <http://www.cesweb.org/>

Stock Watch

Apple (NASDAQ—AAPL—\$109.33) broke through a support level and technically, the stock looks like a sell. History teaches us that buying AAPL on dips is a wise move. Keep it on your watch list and consider it closer to \$103. With a current yield of 1.7% and trading 12x this year's EPS, we target \$125-130.

Happy New Year!



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