

**INSIDE THIS ISSUE:**

Deflated Expectations?

Ely, Ely, Oh!

**KEY TAKEAWAYS**

- ⇒ *Big week again for megacaps and the marketing as reporting season is in earnest*
- ⇒ *New policy ideas introduced by Obama could do more harm than good, if Europe is any indication*
- ⇒ *Market looking a bit better but unemployment issue loom ahead*
- ⇒ *Stock picker's environment could be fruitful to those that hit a hole in one*
- ⇒ *Golf industry could have a good start to the year and ELY is the bellwether*

**KEY STATISTICS**

Index	Close	2015
DJIA	17673	-0.8%
S&P 500	2052	-0.3%
NASDAQ	4758	0.5%
Russell 2000	1189	-1.3%

(figures are rounded)

**DEFLATED EXPECTATIONS?**

OK, we recognize that by now you are sick of the deflate-gate story and puns, but we had to get at least one jab in. But, sometimes these 'scandals' seem contrived with the purpose of hyping up an upcoming event, i.e. the Super Bowl. This may be the situation here. In any case, this ties into the market and the economy in general as expectations for 2015 seem to be waning or deflating, if you will.

In case you missed it, the market has had a relatively rough go of late with the big mega banks missing on 4Q14 financial results, and lowering expectations for the 2015. As we mentioned in last Friday's *Market Monitor*, there might be some market calming this week with **The Proctor & Gamble Company (NYSE – PG)** reporting 3QFY15 January 27<sup>th</sup>. It is a big week for a few other mega caps across the key sectors of technology and healthcare as well. **Apple Inc. (NASDAQ – AAPL)**, **Facebook, Inc. (NASDAQ – FB)**, **Google, Inc. (NASDAQ – GOOGL)**, **Microsoft Corporation (NASDAQ – MSFT)** and **Pfizer, Inc. (NYSE – PFE)** all report this week. Beating or exceeding expectations will be important, but not nearly as crucial as the guidance these firms give going forward. The direction of the economy is difficult to understand, but good news from these big boys could really help the outlook.

While most experts believe low gas prices are a positive for the economy, there is no doubt that there have been some associated side effects for the oil and gas producers as lay-offs have already begun in earnest. As we have been cautioning since late December, this scenario could have a ripple effect to suppliers, contractors, and other services.

## ***Deflated Expectations? (cont'd)***

With a labor participation rate that has remained close to 63%, a 35-year low, and stagnant wages, more layoffs could offset gains made from low gas prices---a point some politicians just do not seem to understand.

If you watched the President's State of the Union on Tuesday you would think we were living in the early 60's, mid 80's, or late 90's, or some other boom time in American history. The President seems to be undeterred by the latest mid-term election results and is doubling down on his big government programs and other progressive ideas like the raising the minimum wage above the market value. No doubt there is always some overdoing it as far as touting how great things are no matter who is president, but this is bordering on the ridiculous. In the minds of a lot of Americans, this drives home the point that we now have to lower expectations and except these big government programs. Are we becoming Europe?

The EU unemployment rate has been perpetually over 10% for a couple decades and solidly around 24% for those under 25 years old for many years. The correlation is that most of Europe has these large government programs and social safety nets in place. The one European country that 'gets it' is Switzerland as far as economic freedom and limited government programs go and just decoupled from the Euro as well. Is it a coincidence that its unemployment rate for the Swiss Miss nation is just 3.4%? The only thing we can hope for is that we get the cheap gas bounce and more of these programs that actually do more harm than good go nowhere over the next two years.

Doom and gloom aside, the market bounced back nicely last week as we predicted, and this week could be even better as Super Bowl week is upon us. Meanwhile, picking the right stock in a pure stock picker's environment could reap a hole in one while being on the wrong side is a surefire bet to land a bogey.

## ELY, ELY, Oh!

With that in mind, one industry that seems ready for some change is golf. We have featured **Callaway Golf Company (NYSE – ELY - \$7.92)** over the last two years or so after initially highlighting the stock in the *Market Monitor* in early 2013, and we believe the stock is primed for the green.

### 2-Year Chart and 200-day EMA for ELY

(Source: [www.otcmartets.com](http://www.otcmartets.com))



The chart above illustrates that **ELY** is now trading above the 200-day EMA. The Company will report 4Q14 and annual results this week (January 29<sup>th</sup>) as well. The outlook for 2015 will be the important factor here. On a side note, Tiger Woods returns to the PGA next week in Phoenix. Talk about deflated expectations! No one expects the 14-time major winner to contend which is a serious problem for the sport and for golf related companies like Callaway. Filling the star power void is almost just as imperative for the sport as low gas prices for good growth for **ELY** in 2015. It may be time to pile in if results are good for the Company this week and Tiger resorts to at least a shell of his former self.



# The Goldman Guide

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