The Goldman Guide

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INSIDE THIS ISSUE:

KEY TAKEAWAYS

- ⇒ *January was a bad month but that seems to have been a recent trend*
- ⇒ *In the past 10 years, poor January returns usually results in an up year for stocks*
- ⇒ *The Patriots Super Bowl win could mean single digit market returns*
- ⇒ *Stock picker's environment remains in this range bound market*
- ⇒ *FLWS delivers goods, results, and strong returns during this time of year*

KEY STATISTICS

Index	Close	2015
DJIA	17166	-3.7%
S&P 500	1995	-3.1%
NASDAQ	4635	-2.1%
Russell 2000	1165	-3.3%

(figures are rounded)

WILL FEBRUARY BE BETTER FOR STOCKS?

Yes, January was a terrible start to the year and the problems, as outlined below, are solvable with positive (albeit muted) returns still likely in the offing, despite doom and gloom fear-mongers. Before we get into the specifics, let's lift the hood on the numbers.

The S&P 500 Index January performance wasn't just bad relative to typical expectations but awful going back to 1950. There have been only 26 down periods in January, as compared with 39 up periods, with an average return of a positive 0.94%.

As for returns over the last 5 years, this is the second consecutive down month for the index in January and the third drop since 2010 when it declined by 3.82%. Believe it or not that was worse than the 3.7% drop in 2015, and the 3.4% fall in 2014, but paled in comparison to the 2008-2009 debacles..

Does a down January portend a bad year? Not if recent history is any guide. Check out these figures:

2014: January decline of (3.4%), year ended up 13.8%
2010: January decline of (3.8%), year ended up 14.8%
2009: January decline of (8.5%), year ended up 27.1%
2008: January decline of (6.1%), year ended down 37.2%
2005: January decline of (2.5%), year ended up 4.8%

For those of you that follow the Super Bowl Indicator, which states that the market performs better when non-AFL related teams win, you might be a bit nervous after yesterday's game, since the Patriots were originally an AFL team.

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Stock Delivers Returns

The reality is that in the previous three New England Patriots Super Bowl wins, the market returns were mixed. In 2002, the S&P 500 dropped by 23.4%, in 2004 and 2005 the index rose by 9% and 3%, respectively. We will give 2002 a pass considering it was the post-9/11 year and go back to our thesis since late 2014 that 2015 will be an up year but with single digit returns. In the near term, it appears that the major indices are range-bound, as earnings growth, GDP growth, valuation, and issues abroad led by oil and currency changes will remain front and center. Still, there are some real deals to be had for stock pickers, let alone opportunities to play the ranges for those inclined to trade on a short term basis.

A stock we have had success with timing in the past is **1-800 Flowers, Inc. (NASDAQ—FLWS—$7.89)**. 1-800-FLOWERS.COM, Inc. operates a florist and gift shop in the United States. The company operates in three segments: Consumer Floral, Gourmet Food and Gift Baskets, and BloomNet Wire Service. It offers various products, such as fresh-cut flowers, floral and fruit arrangements and plants, gifts, popcorn, gourmet foods and gift baskets, cookies, chocolates, candies, wine, candles, balloons, and plush stuffed animals. As of June 29, 2014, the company operates one floral retail store in New York and eight floral retail stores in the Mid-West. In addition, it has 196 floral franchised stores located in the United States. The company was founded in 1976.

For the past three years, the stock has enjoyed a nice run from the time it releases its Q2 fiscal results in Jan/Feb through April, with solid accumulation occurring just before the important Valentine's Day holiday. Well, here we are again. Early this morning, FLWS released results slightly ahead of expectations with the reiteration of previous guidance, going forward, despite a devastating factory fire in November. Results can be found here: http://finance.yahoo.com/news/1-800-flowers-com-inc-120000481.html

Trading current Wall Street EPS estimates, FLWS appears primed to approach the $10 level, in our view. Moreover, with lower gas prices, its delivery costs may enjoy a reduction this quarter. Given the strong Q2 performance, solid guidance ahead, historical performance this time of year and the lower costs, FLWS could be a great short term play.

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