

INSIDE THIS ISSUE:

Play the Dips

Buy This Kind of Candy

KEY TAKEAWAYS

- ⇒ *Volatility is returning and that is a good thing for opportunistic investors and traders*
- ⇒ *Geopolitical issues are likely to drive big down days in stocks and big up days in oil*
- ⇒ *Buy on the big dips in stocks when volatility rears its head*
- ⇒ *Our Thanksgiving picks kicked but with some serious winners*
- ⇒ *This holdover from Thanksgiving is still a great buy and is the best kind of candy to buy today*

KEY STATISTICS

<u>Index</u>	<u>Close</u>	<u>2015</u>
DJIA	17713	-0.0%
S&P 500	2061	0.0%
NASDAQ	4891	3.3%
Russell 2000	1240	2.9%

(figures are rounded)

VOLATILITY IS GOOD

Volatility spooks investors and last week was no exception. In a span of four days the NASDAQ Composite dropped by over 4% from its new high. We haven't endured a lot of volatility for the most part this year and contrary to popular opinion, it is actually a good thing and we believe that we are entering a period of volatility where, if played right, can result in outsized gains.

Last week's drops can be attributed to combination economic issues, early jitters about lower corporate earnings, and big swings in oil due to geopolitical issues. Investors can expect these events to crop up on a regular basis as investors seem very uncertain regarding their market sentiment and expectations.

For example, the oft-quoted (in these pages) AAI Investor Sentiment Survey had another big swing last week. This time, there was a huge rise in the bullish category versus the big decline the week before. Moreover, intraday swings in oil prices due to the military incursions into Yemen indicates that speculators still like to play in this sector.

Given what we perceive as the continued weak and confused foreign policy of the Obama Administration, especially in the Middle East, we will still see short term swings in oil. Word of a new army comprised and led by 22 Arab League member illustrate the fears in the region by the area's big players and investors would be wise to use spikes in oil and a subsequent quick drop in stock prices as an entry point for opportunistic trades.

Play the Dips

Since we are talking about volatility it is a good idea to review the CBOE Volatility Index, or the **VIX**. The chart below illustrates the 10-year chart for the all-important indicator.

10 Year VIX Chart

(Source: [Google Finance](#))



It is fairly obvious that we are nowhere near the 2008 and 2009 'fear' levels and not even that close to a high number, which most experts say is a value over 30. However, we have ticked over 20 several times this year, which is another breakthrough number. This is important as we have had relatively low volatility over the last 2 years.

Why is higher implied volatility a 'good' thing? This may seem counter intuitive. Small caps are inherently more volatile than larger cap stocks, and during high periods of volatility can swing even more. This presents an excellent opportunity to make short term trades, as outlined earlier. With that in mind, it is wise to monitor the VIX as much as it is to monitor major indices. By the way, the VIX is just below its 200 DMA. A rise above it could be a key short term buy trigger.



The Goldman Guide

Buy This Kind of Candy

In late November, we published our 4th Annual Treats and Turkeys edition, where we profile 2 buys and 3 sells. We were curious to see how the stocks have performed and what we would recommend today.

As outlined in the table, two of our six picks kicked serious butt as did one of our pans. Our lone stinker had some risk to it, and as it happens, underperformed. All in all, we did pretty well and in our view, one stock in particular still has legs.

Stock	Pick/Pan	Orig Date	Orig Price	3/27/2015	Return
ALGT	Pick	11/25/2014	\$134.92	\$192.45	42.6%
BTU	Pick	11/25/2014	\$10.99	\$5.13	-53.3%
SKUL	Pick	11/25/2014	\$9.51	\$10.85	14.1%
DSPG	Pan	11/25/2014	\$11.21	\$11.80	5.3%
NTLS	Pan	11/25/2014	\$8.40	\$4.60	-45.2%
TCO	Pan	11/25/2014	\$79.00	\$76.75	-2.8%

Source: GSCR, Yahoo!Finance

Skullcandy Inc. (NASDAQ—SKUL—\$10.85) designs, markets, and distributes audio and gaming headphones, earbuds, speakers, and other accessories under the Skullcandy, Astro Gaming, and 2XL brands in the United States and internationally. The stock trades at a reasonable PEG ratio given the huge EPS growth projected from 2014—2016 (\$0.27 to \$0.40 to \$0.52) and trades 40x its 2014 EPS. The stock remains well above its key DMAs, is cash rich and debt free. Moreover, we believe that from the seasonal perspective, SKUL can rise 20-30% from current levels.

Have a great day!



The Goldman Guide

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