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**KEY TAKEAWAYS**

- ⇒ *This strategist has perfectly called stock performance this year and is bullish on stocks this quarter*
- ⇒ *Volatility related to Q3 earnings, economy, interest rates will dissipate by month end*
- ⇒ *There are many bullish fundamental and technical signals*
- ⇒ *This Halloween microcap stock is profitable, pays a dividend, and is in the midst of a hefty buyback program*

**THE MAJOR INDICES**

<u>Index</u>	<u>Close</u>	<u>2015</u>
DJIA	16472	-7.6%
S&P 500	1951	-5.2%
NASDAQ	4708	-0.06%
Russell 2000	1115	-7.5%

(figures are rounded)

**NEARLY FLAWLESS PREDICTIONS**

Here are two things you don't know. One, it has taken me about 10 hours to write this week's edition. Two, I could have written it in four hours if I had bothered to look at the past. Let me explain.

We are at the three-quarter pole in the market, with 3 months (or one quarter) to go. Let's not mince words. It's been a bitch these past few months, and it seems as if no one could have predicted the kind of market returns we've had this year. Or, so I thought. In fact, if the year ended as of Friday, October 2, 2015, one analyst/strategist would have almost pegged the returns EXACTLY.

On December 15, 2015, this analyst predicted the following: *"The Dow Jones and S&P 500 will reach a peak return of 4% and 5%, respectively but we expect a lot of pain throughout the year and could even end the year down. The NASDAQ Composite and Russell 2000 Index will peak at an increase of 8% and 10%, respectively."*

Well, the DJIA peaked at 3% and the S&P reached a 4% gain—nearly the exact figures. We indeed have had pain, and we are down YTD, and could be down for the year. NASDAQ peaked at 10%, the Russell reached a 8%. If these returns were reversed, the forecasts would have been on the money.

Who made these predictions?

Yours truly.

**ANY BELIEVABLE  
PREDICTION  
OF THE FUTURE  
WILL BE WRONG.**

**ANY CORRECT  
PREDICTION  
OF THE FUTURE  
WILL BE  
UNBELIEVABLE**

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# The Goldman Guide

## The Stock Market Today

Now, that you have digested this information and can't believe it, here is a link to the original prediction nearly a year ago....

(<http://www.goldmanresearch.com/Special-Reports/top-15-predictions-for-2015.html>)

...which brings us to the stock market today. We are really feeling good about stocks

U.S. Stock Market Index Performance as 10/2/15									
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	Bounce*	% Below 200-DMA
DJIA	16,472	18,351	15,370	5/19/15	8/24/15	10.2%	7.2%	16.2%	-6.5%
S&P 500	1,951	2,135	1,821	5/20/15	10/15/14	8.6%	7.1%	12.6%	-5.4%
NASDAQ	4,708	5,232	4,118	7/20/15	10/15/14	10.0%	14.3%	18.0%	-4.3%
Russell 2000	1,115	1,296	1,040	6/23/15	10/15/14	14.0%	7.2%	14.8%	-8.5%
Average						10.7%	9.0%	15.4%	-6.0%

\* denotes the percentage index is up from recent low

Source: www.StockCharts.com, Goldman Small Cap Research

this quarter for a multitude of reasons and you should too.

We just have to hold out and ride the volatility a little longer his month. That volatility will be subject to:

- Q3 Earnings Results. Will the Asian slowdown and currency translation have a modest, negligible, or no impact on S&P 500 Index earnings?
- Concerns that the poor labor market is a sign of economic weakness.
- The recent upward Q2 GDP revision signal that the economy is growing briskly.
- Interest rates. To raise or not to raise, that is the question.

## ***The Stock Market Today (cont'd)***

We see a scenario where the Asian slowdown and currency translation issues have a negligible effect on stocks, especially relative to updated forecasts, aiding a rise. We see a different economy than most which we will discuss in detail next week. Suffice it to say a rate rise is a good thing whenever it comes because growth may not be as strong as in Q2 but the recent, poor labor numbers mask other structural positives.

### What's to Like:

- The S&P 500 Index has had two consecutive down quarters, with Q3 down 6.9%.
- The S&P 500 and the NASDAQ Composite are now above their 50DMA, a modestly bullish signal.
- After dropping sharply following the poor job numbers, stocks rallied sharply. It's nice to be out of the third quarter.
- Margin debt is on the decline.
- According to Factset, the downward revision to S&P 500 Index quarterly earnings was 3.5%, lower than the bottoms-up downward revisions for the past 10 years.
- A recent NY Post article indicated that investors are taking retirement cash out of the market—a good contrarian indicator.
- Most market strategists are bullish about near-intermediate returns for stocks.
- As we noted a few weeks ago, stocks don't retreat in an election year (2016).

### What's Not to Like:

- Company revenue growth has been anemic and it does not seem likely to change.
- Currency translation could smack big, multinational stocks.
- Consumer confidence is down.
- Unemployment is not getting better.
- No one really knows what the impact/timing of the Fed's move will have on stocks.
- There is no buy conviction in the market.
- Commodity prices are in the toilet.
- Geo-political issues abroad and uncertainty at home are not a good thing.

## Say What?



If you are going to read any of these stories, the last three are the most important. The touch policy, big picture and real trading issues.

### Marketwatch

<http://www.marketwatch.com/story/those-who-sold-in-may-are-looking-to-return-to-stock-market-2015-10-02>

I am fan of the article and concept, but it is a bit early in the cycle.

### Zero Hedge

<http://www.zerohedge.com/news/2015-10-03/stock-market-reaches-key-post-crash-milestone>

What occurred last week as noted here, and the forecast are in lockstep with what we published last week. Keep it in mind...

### CNBC

<http://www.cnbc.com/2015/10/02/meet-etf-public-enemy-no-1-in-this-crazy-market.html>

If you have ever traded in or thought about trading leveraged ETFs, read this.

### The New York Times

[http://www.nytimes.com/2015/10/03/your-money/a-tax-to-curb-excessive-trading-could-be-a-boon-to-returns.html?\\_r=0](http://www.nytimes.com/2015/10/03/your-money/a-tax-to-curb-excessive-trading-could-be-a-boon-to-returns.html?_r=0)

All investors/traders should read this. The proposal is dumb, would not impact trading. This is progressive? More like repressive.

### Bloomberg

<http://www.bloomberg.com/news/articles/2015-10-03/gulf-widens-between-fed-forecasts-and-signal-from-futures-market>

## Just the Stats

### AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	28%	32%	39%
Neutral	32%	39%	31%
Bearish	40%	29%	30%



Stocks turned positive by week's end and once again, it seems as if on cue that the individual investors are late to the party or on the wrong side. For the AAll survey, the long term average for bulls and bears is the opposite of current sentiment. That is bullish, as is the shift in the bloggers in the Tickersense poll below. As we alluded to earlier, the cash leaving retirement accounts is also a tangentially bullish signal.



September 28 - October 2, 2015



September 21 - 25, 2015

## A Halloween Stock That Is Sweet



Each year, published reports tout how much chocolate and candy are consumed during the Halloween season. While buying a stock in October can be scary for some investors, this stock could satisfy your sweet tooth and your portfolio.

**Rocky Mountain Chocolate Factory, Inc. (NASDAQ—RMCF—\$11.77)**, headquartered in Durango, Colorado, is an international franchiser of gourmet chocolate and confection stores and a manufacturer of an extensive line of premium chocolates and other confectionery products. The Company's controlled subsidiary, U-Swirl, Inc., (OTC: SWRL) also franchises and operates self-serve frozen yogurt cafes. As of August 20, 2015 the Company, its subsidiaries, licensees and its franchisees operated 597 Rocky Mountain Chocolate Factory and self-serve frozen yogurt stores in 43 states, Canada, Japan, South Korea, the United Arab Emirates, Dubai, Turkey, and Pakistan.

With a current market cap of around \$69M, the stock trades roughly 1.6x revenue and under 20x non-GAAP EPS. Revenue in its most recent quarter, announced in July, reached \$10.4M, with non-GAAP EBITDA of \$2.1M and non-GAAP EPS of \$0.15. The Company recorded its 4th straight quarter of Rocky Mountain store sales growth and declared its 49th consecutive quarterly dividend in September. The current dividend is \$0.48 with a yield of 4%, which is a great bonus for investors. Plus, management has been authorized to purchase up to \$3M worth of stock in the open marketplace.

The next quarterly results will likely be released in the next two weeks and we believe that the repurchase program will re-commence shortly thereafter, since the pre-quarterly release quiet period will be over, thus giving the stock a boost.

The bottom line? RMCF is a way to play Halloween (and Christmas) via a very profitable microcap company that trades at a reasonable valuation, with a healthy dividend and a stock buyback program. Although it only trades about 10,000 shares a day, we believe the stock could approach its \$15.60 year high in the next 3-4 months, which is a 32% rise from current levels.

Have a great week!



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