

INSIDE THIS ISSUE:

Three Themes to Consider
Say What?
The Stock Market Today

KEY TAKEAWAYS

- ⇒ *We may have hit bottom in the stock market even though risk is still very real*
- ⇒ *With oil prices rising, and ECBs shifting strategy, this week could make investors feel better*
- ⇒ *We encourage investing in short term and thematically only, unless you find cheap stocks that have a history of beating estimates*
- ⇒ *INO is a great play on the Zika virus; so are oil and gas and tech; FB could be big boost*
- ⇒ *Pros and novice investors may be reaching a consensus which is bullish*

THE MAJOR INDICES

<u>Index</u>	<u>Close</u>	<u>2016</u>
DJIA	15974	-8.3%
S&P 500	1865	-8.8%
NASDAQ	4338	-13.4%
Russell 2000	972	-14.4%

(figures are rounded)

DID WE JUST HIT BOTTOM?

We may look back at the hit we took on Thursday and say that was the market bottom. After all, stocks rocked the next day, driven largely by a massive increase in oil prices. Of course, we sensed we were getting close to bottom as featured in our lead story in last week's edition of *The Goldman Guide*.



Now, the market is indicating a big up day after tremendous rises in Japan, Asian emerging markets and Europe. Plus, **Facebook (NASDAQ—FB)** results this week could prolong this short term boost. Unfortunately, I fear that we can still drop another 10% from last Friday's close.

Still, in the grand scheme of things, stocks seem inexpensive (notice I did not say attractive per se). However, when we hit last week's new low, it was only on a marginally higher increase in volume. Clearly, there are some market watchers who would feel more comfortable sounding the "all-clear" signal if we had a capitulation event. Or, at the least, a drop of that magnitude on bigger volume.

With all of the turmoil around us, there are stocks rising. In fact, our most recent *The 30-30 Report* picks are up an average of 8% in the past few weeks while stocks are down 8%. While they still appear attractive, there are other plays too.

Top Three Short Term Investing Themes

U.S. Stock Market Index Performance 2/12/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Below 200-DMA
DJIA	15,974	18,351	15,370	5/19/15	8/24/15	13.0%	3.9%	-7.6%
S&P 500	1,865	2,135	1,810	5/20/15	2/11/16	12.6%	3.0%	-8.3%
NASDAQ	4,338	5,232	4,210	7/20/15	2/11/16	17.1%	3.0%	-11.8%
Russell 2000	972	1,296	943	6/23/15	2/11/16	25.0%	3.1%	-16.9%
Average						16.9%	3.3%	-11.2%

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

For example, our 30-30 picks have been successful due to the fact that they are cheap on a P/E basis, have some seasonality to them, and are riding key themes. The way to play stocks that are represented by an index (Russell 2000) that is down 25% from its year high is to think short term and to leverage themes. After all, there is no conviction yet in equities so you don't want to get caught with your pants down.

One theme has already been played a bit but is primed to stay with us for a while: The Zika Virus. On page 3 we have a link to a great story on the opportunities here stock-wise. The bottom line is that investors can ride the coattails of stocks like vaccine maker **Inovio Pharma (NYSE—INO—\$6.27)**. This controversial company has a lot going for it beyond the early Zika vaccine testing potential and is at least worth a look.

Got courage? Small cap and micro cap oil and gas plays (non-fracking exploration and production) could see some more gains if we are right that oil will approach \$40 in the next few months.

Finally, stick with consumer (retail) and tech stocks that have a history of beating estimates. Since tech stocks typically have headwinds beginning in May/June, this is the best time to buy, with the intent to sell during mid-late Q2. Prefer longer term holdings? Dividend-paying stocks that yield more than 2.5% annually are gaining momentum.

Say What?



Great info, insights, and hard-hitting stories make up this week's *Say What?* feature...

Bloomberg

<http://www.bloomberg.com/news/articles/2016-02-15/zika-fears-spur-pharmaceutical-gold-rush-amid-vaccine-vacuum>

More on this later. Got legs don't you think?

USA Today

<http://www.usatoday.com/story/money/nation-now/2016/02/15/millennials-drink-nearly-half-all-wine-us/80420746/>

Something to sock away for future investing reference.

The New York Times

<http://www.nytimes.com/2016/02/16/business/dealbook/in-a-turbulent-market-hedge-fund-managers-spot-an-opportunity.html?ref=dealbook>

What the smart money is doing...

Marketwatch

<http://www.marketwatch.com/story/what-would-bernie-sanders-wall-st-tax-look-like-2016-02-14>

With Clinton slumping, good to know...

ZeroHedge

<http://www.zerohedge.com/news/2016-02-14/dont-panic-experts-agree-not-2008>

A calming influence?

The Stock Market Today

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	19%	28%	39%
Neutral	32%	38%	31%
Bearish	49%	35%	30%



Believe it or not, the survey results for Bulls and Bears are just a tad above the recent highs achieved in January. Perhaps another drop would represent the “throw in the towel” sentiment. Unfortunately, with the way the week is shaping up, these figures are more likely to climb then descend.

Meanwhile, how funny is it that the Bulls and Neutrals flip-flopped! I feel a consensus among individuals and pros building and that is a good sign.



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The Goldman Guide

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