

January 2, 2020

## TOP 20 PREDICTIONS FOR 2020

*Today, A Sea of Red*

Now that 2019 has come to a close, it is time for our (nearly) annual predictions for the beginning of the third decade of the 21<sup>st</sup> century. This missive is usually the most popular piece we release. Feel free to mock our previous and current projections.

Coming off a wild finish to the year (especially in the NASDAQ) and the fact that we are in an election year gives us a little pause. Suffice it to say that our expectation is a very modest increase in the market, although if we were down double digits we would not be surprised. The Fed pumps more often than I pump gas in my car and that is a concern. The effect of Brexit and geopolitical concerns also weigh on the market.

Our hope and belief are that for traders with short term horizons, The *January Effect* may return in the small cap and microcap world. At the least, traders may find an absence of selling in this segment, which can help to foster profits in trading certain rangebound stocks to eke out gains beginning this week, and leading into the middle of January.

Before we offer our new predictions, let's see how we did.

### 2017 Predictions

Prediction #1: With these major moves in recent weeks, investors should expect more muted returns. The DJIA and S&P 500 Index will peak at 7% and 8%, respectively, with an up and down year ahead. Our year-end targets are 25,680 and 2710, respectively. **We were far too conservative, with the key indices ending the year much higher.**

Prediction #2: The NASDAQ Composite and Russell 2000 Index peak returns will be 12% and 10%, respectively. Our targets here are 7425 and 1485. **Ditto.**

Prediction #3: I am going to go out on a limb and say that the Cannabis sector starts to mature and M&A, investments in the US will help drive adoption and trading of the stocks in the space. We expect strong double-digit performances in the smaller end of the market--but there will be a lot of volatility along the way. **We did have maturity, M&A and other activity but the stocks largely faltered, thanks in part to FDA comments. We remain bullish, however.**

Prediction #4: The appetite for life sciences is strong in the private sector and we believe that will carry over to the public markets. It is, our favorite sector. **Spot on.**

Prediction #5: Speaking of health care, look for medical devices to rally right from the start of the year. **Pretty well pegged again, especially in IPOs. M&A in the private and public sector.**

Prediction #6: Oil could hit \$62 but will end the year in the \$55-60 range. It ended the year around \$61 so we were in the ballpark.

Prediction #7: Our trade war with China has us unnerved a bit but believe that India could somehow benefit—and their market appears on the verge of decent performance. Had record inflows but mixed performance. So, it was decent---not great but decent.

Prediction #8: Aside from unicorns and life sciences companies, we think it could be a tough year for tech and consumer companies. And forget about commercial real estate. Mixed predictions here.

Prediction #9: Los Angeles Chargers/Pittsburgh Steelers rematch in the AFC championship will be a thriller and the NFL will look dumb with the Chargers making it to the Super Bowl. In the NFC, the Bears will play a tough game at the New Orleans Saints. Drew Brees rides off into the sunset or so we think until the Chargers come back at the end for their first Super Bowl victory. Ugh. Way off.

Prediction #10: Europe is the new terrorist playground with more alarming attacks while the Middle East builds for a strong terror infrastructure in late 2019. The US military leaving Syria? An epic fail. Perhaps we were early on this because we were wrong in 2019.

Prediction #11: The Real Housewives franchise is no more, and no one notices. Ok, wishful thinking.

Prediction #12: President Trump's Twitter account is "hacked", and it is hilarious. See above.

Prediction #13: Clemson wins over Alabama in yet another rematch for the ages. The Saban domination era is over. Oh, the \$ we could have made.

Prediction #14: The word "hectic", to mean crazy, off the chain, etc. take hold. And it pisses off dinosaurs like me. What was I thinking...?

Prediction #15: The only movies to make money are based on comic books. And horror movies of course. Pretty darn accurate.

Prediction #16: Driverless cars and drones become as commonplace as Amazon delivering take-out food and other items to you. Again, a year early on this prediction in its totality.

Prediction #17: Duke men's basketball lose in ugly fashion in the Final Four while Gonzaga wins its first NCAA Championship. Duke did lose but in the Elite Eight and Gonzaga did not win.

Prediction #18: Robots make an appearance in the strangest of places here in the U.S. The early curse strikes again...

Prediction #19: My Orioles will not lose 115 games again. Just 110 losses this time. O's actually lost 108.

### Top 20 Predictions for 2020

Prediction #1: The DJIA and S&P 500 Index will peak at 5% and 6%, respectively, with an up and down year ahead, ending up 2% for both.

Prediction #2: The NASDAQ Composite and Russell 2000 Index peak returns will be 8% and 6%, respectively and this will be reached around year end.

Prediction #3: The integration and adoption of mobile financial technologies and apps accelerates as does confidence in cryptocurrencies---although it may be under another name and varied approach.

Prediction #4: Money flows will be a bit erratic in all sectors but life sciences which will dominate the IPO market in 2020.

Prediction #5: Yes, the CBD space was dealt a blow in late 2019 but 2020 will be a return to growth as the leaders lead and laggards lag or disappear. FDA can't put the genie back in the bottle and consumers want these products while companies want guidance. Everyone gets their wish. Investors will win too.

Prediction #6: Oil could hit \$80 as geopolitical concerns unnerve the energy markets.

Prediction #7: UK's Brexit and the lumpy European market will make for an interesting if not volatile GDP growth for the region.

Prediction #8: A return to energy stock growth gives Latin America and its stocks a shot in the arm but not enough to fix the underlying issues.

Prediction #9: My Ravens beat the 49ers in a rematch of the 2013 (after the 2012 season) Super Bowl. Another hard fight but the kicking game wins out.

Prediction #10: While mass (murder, attempted murder) attacks have occurred in large numbers by what is perceived as the right, the left leads the charge in 2020. And no one knows how to react. The fabric of our racial and social relationships takes a sharp nosedive, heightened by the election year and politicians from both sides of the aisle.

Prediction #11: Jeffrey Epstein's madam disappears---permanently. But by whose hand?

Prediction #12: The 2020 year brings us a series of class action lawsuits in the education sector related to admissions, financial aid, paying athletes, HBCU funding and anti-competitive policies. Meanwhile we forget that as standardized scores drop, more schools elect not to take them into account, and our children can't put two words together.

Prediction #13: LSU crushes Clemson to win the NCAA Football National Championship.

Prediction #14: Hockey becomes popular momentarily in the spring as sports fans remember that the sport exists.

Prediction #15: The public is so confused by streaming services, original content, pricing, and tiers they almost yearn for the days when cable dominated. Someone comes up with a bundle that makes content and pricing-sense and a new company with a strange name is born.

Prediction #16: AR/VR takes a big, big leap, led by early adopters but what was not ready for prime time is hitting the market in time for the holiday season.

Prediction #17: Kansas wins the NCAA Men's Basketball Championship. The NCAA loses its file on the school which it has been investigating for months for a bunch of recruiting violations.

Prediction #18: Brooks Koepka has top three top 5 finishes in the four majors in golf---without a win.

Prediction #19: My Orioles will turn into the Browns and fire everyone after a season where they win only 40 games.

Prediction #20: Pop up restaurants that rent kitchens for delivery only and the companies that own the properties and equipment will be the next big thing to draw money from crowdfunders and small IPOs. Brands in fast food and fast casual become important for lunch and breakfast but dinner is dominated by the new craze.

### **Senior Analyst: Robert Goldman**

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

### **Analyst Certification**

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