

INSIDE THIS ISSUE:

Top Predictions for Next Year

KEY TAKEAWAYS

- ⇒ *Market will roar for the early part of the year and the end but most of the year will be terribly depressing*
- ⇒ *Gold tanks and oil stays flat*
- ⇒ *M&A will be in full force early on especially financials*
- ⇒ *Seahawks win the Super Bowl and NY/NJ stave off weather disaster*
- ⇒ *Medical marijuana gains ardent and big rise in supporters*
- ⇒ *The Spotify IPO sounds good and performs well as does Duck Dynasty ratings*

KEY STATISTICS

Index	Close	2013
DJIA	16221	23.8%
S&P 500	1818	27.5%
NASDAQ	4105	35.9%
Russell 2000	1146	35.0%

(figures are rounded)

TOP 14 PREDICTIONS FOR 2014

Each year since 2010, we review our top predictions from the previous year and make bold (or bizarre) prognostications for the coming year.

Generally speaking, as we have alluded to in recent weeks, we are bullish about the stock market heading into 2014. The 3Q13 GDP upward revision to 4.1% certainly doesn't hurt as we have noted that GDP growth and a reduction in unemployment would be key drivers, along with valuation. Moreover, we would not be surprised to see key indices such as the Dow and S&P 500 reach 18,000 and 2000, respectively. But, more on that in a moment. First, let's see how we did on our 13 predictions last year.

Prediction #1: The Dow and S&P 500 will rise by 7%. *As of midday on December 20th, the DJIA and S&P 500 are up 24% and 27%, respectively. Oops. What a year. But you already knew that...*

Prediction #2: The NASDAQ and Russell will rise by 9 and 11%, respectively. *We were right that the NASDAQ and Russell would bounce back and perform much better than the other indices. We never dreamed that the actual performance would be in the mid 30% range.*

Prediction #3: Oil will end 2013 at \$95.00 per barrel. *Oil is around \$98 right now so we could be pretty close by year-end. (Finally.)*

Prediction #4: Gold will rise by at least 6% and could approach 10% intra-year. *Mixed results here. Gold was up earlier in the year for a very short time and has dropped ever since. Now, however, it appears as if gold will end the year down to flat, although it did make its run early in the year.*

Prediction #5: The best sectors will be financials, home builders and technology. Health care will start off strong but end weak. *Not too far off, although consumer discretionary was the best overall sector performer. Still, financials and technology were very strong and health care, which was stronger earlier in the year, has tapered off of late.*

(cont'd)

Our Top 14 Predictions for 2014 (cont'd)

Prediction #6: Americans will continue to freak out about health care. **The understatement of the year.**

Prediction #7: The ticking time bomb that is the Middle East finally goes off. **A little early here but the current Iran situation is very fragile.**

Prediction #8: Europe is back in favor as evidenced by the performance of its bourses. However, domestic policy decisions across the pond baffle us. **Nailed it.**

Prediction #9: Twitter goes public and does very well. Facebook's mobile initiatives remain brisk but a new form of web communication or app that takes us by storm. **Twitter (NYSE – TWTR) did well from the pricing perspective but not so great in terms of post-IPO performance. Facebook (NASDAQ – FB) is making waves and with the help of Vines and others, new communications tools are becoming extremely popular.**

Prediction #10: In a western showdown, it is the Broncos vs. the 49ers in the Super Bowl. Manning shines in a win. **How interesting that my Ravens beat both of these teams in the playoffs...**

Prediction #11: Political correctness eats away at the fabric of society as causes driven by tragedy and fear crop up repeatedly. We are viewed as pariahs if we do not support all of them. Bills for tighter gun control laws are proposed and pass. Easily. **Yup.**

Prediction #12: Tablets are as ubiquitous as mobile phones. Manufacturers try to meld the 2 together. What in the world is a PC? **Ditto.**

Prediction #13: Television ratings, including reality shows and news channels plummet. We choose to get our info and entertainment how we want it, where we want it, and when we want it. **Mixed as reality shows on cable rather than broadcast TV soared. The second half was spot on.**

Bonus: It is a longshot but we predict a sex scandal in the White House. **Whiffed on that.**

And now for 2014...

Our Top 14 Predictions for 2014 (cont'd)

Prediction #1: The Dow Jones and S&P 500 will end the year 6% and 7%, respectively but reach 18,000 and 2,000 early in the year only to begin a decline in March in conjunction with a new budget battle.

Prediction #2: The NASDAQ Composite and Russell 2000 Index will rise 8% and 4%, but first approach 4500 and 1300.

Prediction #3: Unlike 2013, the Sell in May and Go Away mantra will be spot on and could start earlier if GDP growth falls flat. It will be a volatile and mostly depressing year, with the exception of the very beginning and the very end.

Prediction #4: More freak-outs over health care occur in the latter third of the year throwing stocks into another tizzy before recovering strongly at year-end.

Prediction #5: Oil will be virtually unchanged year-over-year.

Prediction #6: Gold will drop by another 5% or more during the year and end down 2%.

Prediction #7: Bitcoin starts to get traction and volatility declines as more vendors accept the online currency. Other, competing currencies emerge but do not have similar traction. (Bonus: The value rises 20% for the year.)

Prediction #8: The Seahawks finally win the Super Bowl, defeating the Broncos in typical but not terrible weather for New Jersey in February.

Prediction #9: Medical marijuana enjoys considerable positive press and a broader following and edges closer to losing that Class 1 felony status.

Prediction #10: Vladimir Putin finds a new pastime: mocking the U.S. on a regular basis.

Prediction #11: Residential phone lines are dinosaurs. Real-time offerings and archived entertainment via over the top television smack cable and satellite hard—except for Duck Dynasty.

Prediction #12: The popularity of the life and times of the Kardashians and the Real Housewives series are displaced—by even more vile programming.

Prediction #13: The Spotify IPO sounds good and performs better than Twitter and Facebook, comparatively speaking.

Prediction #14: The market may see a flurry of M&A early on, especially in financials which have been relatively quiet the past few years.

Have a great week!



The Goldman Guide

1498 Reisterstown Road, Suite 286 Baltimore Maryland 21208 Phone: 410.609.7100

info@goldmanresearch.com www.goldmanresearch.com

Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009. Rob 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*. As an investment manager, Rob's model portfolio was once ranked the 4th best small cap growth performer in the U.S. by *Money Manager Review*. In addition to his work at GSCR, Rob is the editor of The Stock Junction (www.TheStockJunction.com.)

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