

## INSIDE THIS ISSUE:

One Buy and One Sell  
The Uncensored Sensibility

## KEY TAKEAWAYS

- ⇒ *Terrible start to the year could portend a decline for the year*
- ⇒ *Emerging markets still a trouble spot but not a cause for alarm*
- ⇒ *Tech and medical marijuana seem to be the best place to invest*
- ⇒ *Eyeglass stocks may see some of the best returns this year due to new trends*
- ⇒ *Catastrophic drought in California could mean you need to sell or short California wine*
- ⇒ *The Department of Homeland Security to the rescue*

## KEY STATISTICS

<u>Index</u>	<u>Close</u>	<u>2014</u>
DJIA	15699	-5.3%
S&P 500	1783	-3.5%
NASDAQ	4104	-1.7%
Russell 2000	1131	-2.8%

(figures are rounded)

## MOVING TWO STEPS AHEAD

**W**ell, now that January 2014 is in the books, commentaries and outlooks are all over the map. Yes, we just completed the worst January in years with the Dow Jones Industrial Average down a frightening 5.3% while the other indices also fared poorly.

Investors are spooked for a few reasons, not the least of which is the pure fact that the prevailing theory is that “so goes January so goes the market” for the balance of the year. Ugh. At least one view of The Super Bowl Indicator may give us a little comfort. In 2003, the one and only other time an expansion team won (The Tampa Bay Buccaneers), the S&P 500 declined by just under 3%. Could be worse, right?

Clearly, emerging markets issues on the economic and market fronts are the drivers of the cracks in stocks these past few weeks. After all, the economic numbers were pretty solid last week and for that matter earnings have not been bad at all. We still believe that more pain is in store but a stabilization abroad will coincide with favorable valuations here. Again, this is not the same Asian Contagion from 1997. Growth might be slowing, and foreign stock markets are reeling, but there is no broad and sustained currency panic like we had at that time. To be sure, emerging markets should still be avoided in the near term, but even in places such as China, real values will emerge.

Interestingly, there are some real secular trends that offer some interesting plays on the long and short side. On the long side, technology and medical marijuana remain the place to be, as does the eyeglasses business (see below). Interestingly, California wineries may be the best sales and shorts for a spell.

## ***New Trends Means One Buy, One Sell***

Our stock picks of late have been on fire. Despite the market drop last week, our 1-800-Flowers pick (NASDAQ—FLWS) was up last week and Plandai (OTCQB—PLPL) an Opportunity Research pick, may be the best performer of the year, hitting the \$2.99 mark after ending 2013 in the \$0.50 range.

Separately, a story over the weekend reported that children and their parents are flocking in droves to opticians to buy eyeglasses. Apparently, the hours of time young kids are spending in front of small electronic devices such as tablets and phones are impairing their vision. Thus, kids are being prescribed glasses at younger ages. Plus, with the aging in place trends, the older set is buying new glasses as their vision also declines.

**As far as we can tell, there are two ways to play this trend. One is to buy bellwether Luxottica (NYSE—LUX—\$52.57)**, which dominates the market with \$10 billion in sales and is growing EPS at 20% annually. The Company is a leader in premium, luxury and sports eyewear with approximately 7,000 optical and sun retail stores and a strong, well-balanced brand portfolio. House brands include Ray-Ban, Oakley, Vogue Eyewear, and REVO, while licensed brands include Giorgio Armani, Bulgari, Burberry, Chanel, Coach, Dolce & Gabbana, Donna Karan, Polo Ralph Lauren, Prada, and others. In addition to a global wholesale network involving 130 different countries, the Group manages leading retail chains in major markets, including LensCrafters, Pearle Vision and ILORI, OPSM and Laubman & Pank in Asia-Pacific, , GMO in Latin America and Sunglass Hut worldwide. Perhaps a cheap way to play it is to buy LEAPs (options with a longer term horizon.)

Another way to play this vision trend is **Coastal Contacts, Inc. (NASDAQ—COA—\$7.51)**. Coastal.com is the leading manufacturer and online retailer of eyewear products offered through a family of websites, incusing 1-800-Contacts. Established in 2000, the Coastal.com family of brands offers an extensive, in stock selection of prescription eyewear, contact lenses and sunglasses. The Company just announced its fiscal 2013 financial results and the revenue growth, particularly in eyeglasses was very strong. COA is a small firm (\$250M market cap) that is losing money but prospects are very bright.

Have you heard of the drought in California? It is approaching catastrophic levels and no industry there could be hurt more than the wineries. Sell or consider buying puts on **Willamette Valley Vineyards (NASDAQ—WVVI—\$6.18)**.

## ***The Uncensored Sensibility***

Everyone in America can go to bed feeling safe and secure courtesy of the Department Of Homeland Security. Those evil, threatening, counterfeit NFL jerseys have been intercepted by team DHS and 21 million dollars worth of them will never be sold to an endangered public. Who knew that part of the Department Of Homeland Security's job was to spend months investigating phony-labeled sports jerseys?

Fraudulent merchandise shipped to America undercuts our economy, there is no denying this. However, if THIS is what the Department Of Homeland Security does with its time, then team DHS needs a new head coach with better time management skills!

Everyone knows that success is dependent on the health of a good team, so to add INSULT to INJURY, here is the statement, the reason, team DHS spent so much of its resources on this endeavor: "Our agents are committed to combatting the criminal enterprises selling counterfeit products which undermine our economy, and take away jobs from Americans," so sayeth interim ICE Head Coach John Sandweg. Pardon my incredulous disbelief, but nothing takes away more jobs from American citizens than illegal immigration, not to mention its undercutting of wages, and it seems that Coach Sandweg, and his GM Jeh Johnson and Owner Barack Obama along with the other members of Team Government have absolutely no intention of protecting Americans or their jobs from the threat of illegal immigration to the job force or its more serious personal health and security risks it poses.

*Have a great week!*



# The Goldman Guide

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