

INSIDE THIS ISSUE:

Oil ETF Play

Biotechs to Move Higher

The Uncensored Sensibility

KEY TAKEAWAYS

- ⇒ *Big caps will continue to move higher while small will lag behind*
- ⇒ *Microcaps will soon start to outperform small caps brethren*
- ⇒ *Turmoil in the Middle East and summertime in the U.S. are 2 reasons why you should buy one of these oil ETFs*
- ⇒ *Last week's new sponsored report had monster gains*
- ⇒ *Latest Uncensored Sensibility is hilarious and on target*

KEY STATISTICS

<u>Index</u>	<u>Close</u>	<u>2014</u>
DJIA	16947	2.2%
S&P 500	1963	6.2%
NASDAQ	4368	4.6%
Russell 2000	1188	2.1%

(figures are rounded)

THE NEXT TOP PERFORMING GROUPS

We noted in last week's edition of *The Goldman Guide* that due to unrest in the Middle East oil stocks were likely to rise. And rise they did, to the tune of around 3% for E&P (exploration and production) players and a tad higher for refiners. As we near the end of the quarter and the start of a new one, we are thinking big, as in big stocks and big movers in two sectors.

Looking at the big picture, big cap stocks have been the best performers of late as the Dow Jones Industrial Average has reached new highs. Conversely, small caps, particularly microcaps, have had a tougher time. Before we highlight why we think big will still be the place to be for the next couple of weeks, here is why small caps may lag behind and microcaps perform better than small cap:

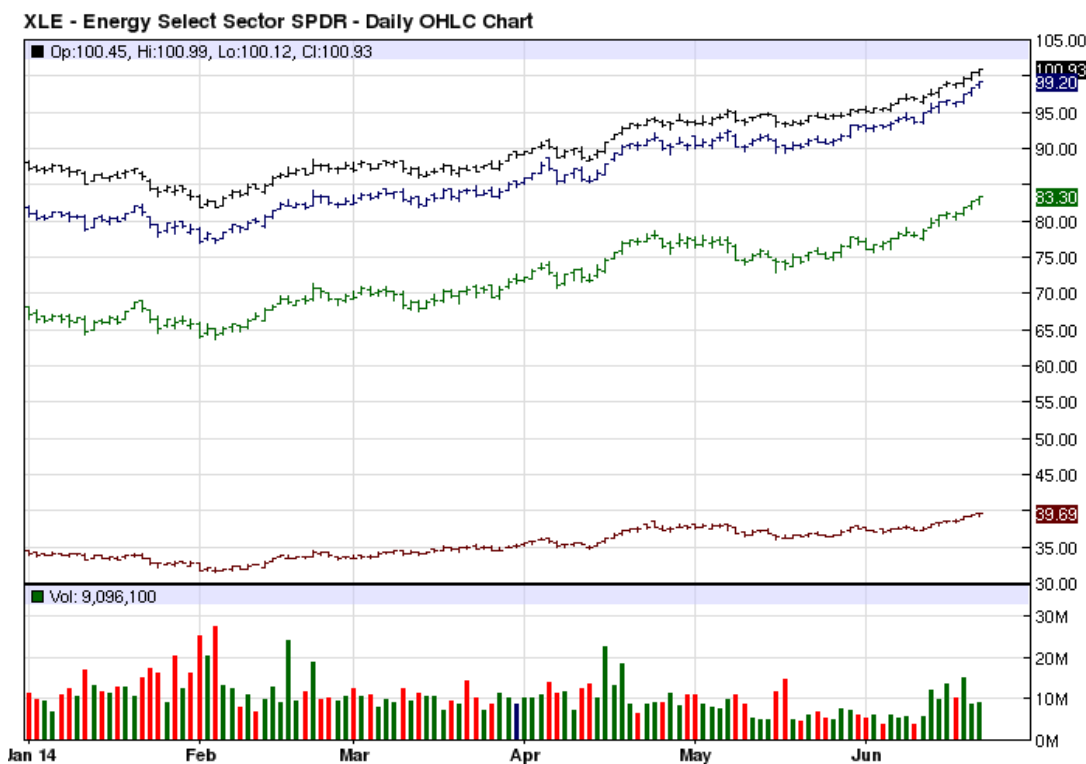
1. Investors remain in neutral. That means they are more risk averse and when they buy stocks they tend to be bigger, less risky companies.
2. Volumes are still lower than earlier in the year and there is no indication they will rise.
3. As we touched upon in the latest edition of *The 30-30 Report*, the wide variance in Wall Street analysts estimates makes it difficult to discern value and true growth potential.
4. At 20x estimated 12-month forward EPS, small is not cheap. However, microcaps valuations are lower and more attractive, helping to bump up this group.

Big stocks are the recipients of the big rise in mutual fund inflows as well as the "neutral" behavioral approach of investors. Interestingly, when the AAI weekly investor sentiment survey's Neutral category has a prolonged period at 40% or above, a big cap rally typically follows. With that in mind, here is why you need to buy oil stocks and biotechs.

Oil E&P Is The Place To Be

Four of the top 10 performing sectors of the past month are related to oil and gas in some way shape or form. Given the unrest in Iraq, and the current favorable valuations, despite the fact that some of companies are near year-highs, we believe that E&P stocks, which carry less risk than refiners, will build on the 3% rise last week. Plus, it is not uncommon that these stocks rise this time of year, anyway. As you might expect, we believe that ETFs may be the best way to play the trend. Below is a chart of four of the top oil and gas E&P ETFs. We think that **PowerShares Dynamic Energy Expl and Prod (NYSE—PXE—\$39.69)** is the best play, since it carries the lowest P/E of the group but offers higher upside. PXE is the led line at the bottom of the four stock chart comparison.

By the way, be on the lookout for a new blog dedicated to ETFs beginning on Tuesday.



Biotechs and More...

Two weeks ago we wrote extensively about the Russell index reconstitution and its effect on stocks. The preliminary list was published on June 13th, and the cutoff was the last day of May. Large block investors (Institutions/Money Managers) have been trying to get ahead of the event and make bets accordingly. It should be noted that Friday, June 27th is the date where the day where the final list is published and the reconstitution is final after the market close. The link below is the preliminary list from the Russell website.

<http://www.russell.com/indexes/americas/tools-resources/reconstitution/additions-deletions.page>

Upon further review, it appears as if biotechs, whose performance as a sector has been non-existent in recent months, dominates the Microcap Index's preliminary list. This factor dovetails with our sentiment that microcaps present attractive opportunities as compared to their small cap brethren. Moreover, with a number of U.S.-based health care trying to take over European companies in order to have more favorable tax rates due to the new domicile, large, profitable biotechs are also good bets in the near term. Of course news of a Celgene (NASDAQ—CELG—\$171.46) 2 for 1 stock split will keep these shares on the hot list.

In case you missed it, last week was a pretty good week for new GSCR research ideas.

On the sponsored research front, we initiated coverage of a small early stage e-cig company called **ML Capital Group Inc. (OTCQB - MLCG)** and it rose from just under \$0.02 to roughly \$0.06 in a matter of days before settling just under \$0.05.

<http://www.goldmanresearch.com/20140617787/Opportunity-Research/the-top-vapor-pen-opportunity.html>

Our Sin Stock picks in last week's *Guide* did well overall with **Craft Brew Alliance (NASDAQ—BREW—\$10.86)** up 5% for the week.

The Uncensored Sensibility

If you are familiar with the current Washington Redskins nickname controversy, then this commentary is for you. We are starting our own bandwagon and submit that the following sport nicknames are offensive:

The *Miami Hurricanes*, *Iowa State Cyclones*, *Tulsa Golden Hurricanes* all remind me of terrible tragedies and the names appear to glorify them. The *Carolina and Pittsburgh Panthers* stole their name from a certain racially-based organization of a similar name. The *New Jersey Devils*, *Duke Blue Devils*, *Arizona State Sun Devils*....how can we root for the Devil to win anything?

Los Angeles Angels of Anaheim. What about all of those atheists living in Los Angeles or Anaheim? I feel so bad for them.

Oregon State Beavers....let's skip this explanation...

University of South Florida Bulls...wouldn't that make the women's teams' players Cows??? Where is NOW on this one?

The *New Orleans Saints* is very offensive. I will not support the Catholic Church until it supports abortion rights, gay marriage, rights for women's priests and not call them priestesses. And the *Cleveland Browns*? I don't use UPS, I use FedEx so I don't want to have to care what Brown did for me. I am sickened by the fact that the *Purdue Boilermakers* carries a nickname that supports underage drinking. The *USC Trojans* name is undemocratic. It is unfair to support one company like Trojan instead of, say, *USC Lifestyles*. I am watching *Law and Order SVU* as I write this and I can't believe that the *Nashville Predators* get anyway with their nickname. How can anyone cheer or root for predators in this day and age? *Providence Friars* is a sad one. Everyone knows how obese we are getting and fried food is a major reason. The *Connecticut Huskies* (women's basketball team) is just embarrassing. Why not just call them BBWs?

Let's not forget the red-headed leprechaun that is offensive to non-Notre Dame fans that are Catholic.

This week's piece is not in response to the latest move by the PTO regarding the Redskins patent. In fact, it is in honor of the memory of L.J. Locklear. He was the biggest Washington Redskins' fan I ever knew. I cannot even remember what his hair looked like because I can only remember him wearing one of his Washington Redskins Baseball Caps.

By the way, L.J. Locklear was a 100 % Lumbee Indian.



The Goldman Guide

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