Goldman SMALL CAP RESEARCH

# The Goldman Guide

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**INSIDE THIS ISSUE:**



### *KEY TAKEAWAYS*

- ⇒ *NASDAQ is on fire, NYSE is not. Margin debt is at an all time high*
- ⇒ *Sell in May and go away is upon us but not before AAPL releases its latest results*
- ⇒ *Stocks could take a small swoon soon*
- ⇒ *We highlight how to protect yourself against a market drop*
- ⇒ *We update sell targets and performance of select stocks profiled in the Guide, including a 20% gainer in 6 weeks*

### *KEY STATISTICS*

| Index | Close | 2015 |
|---|---|---|
| DJIA | 18080 | 1.4% |
| S&P 500 | 2118 | 2.9% |
| NASDAQ | 5092 | 7.5% |
| Russell 2000 | 1268 | 5.2% |

(figures are rounded)

## THE LAST BIG RUN FOR A WHILE?

Sell in May and go away. Until November, that is. With Friday being May Day and the first day of the month, the old adage is likely to get a lot of play this week. This is especially the case on the heels of major NASDAQ returns last week and Apple slated to release results Monday, after the close.

Look, I would not be surprised if stocks did take a bit of a swoon beginning in early-mid May. Everyone seems to be waiting for it. Look at the NASDAQ Composite versus the NYSE. NASDAQ is up over 7% while the NYSE is up less than 2%? Something has to give here. So, I expect a short run followed by profit-taking. There I said it. Here are some practical reasons why.

I wonder how much new IRA deposit money had to do with the rise in mutual fund money inflows for the week ending April 22nd. The figure was around $3.4 billion, according to Lipper, and followed three straight weeks of redemptions, including a $30 billion whopper of a redemption period the week before. For that matter, I wonder how much money is sitting on the sidelines (and I am not referring to foreign money looking to be put to work here.) I suspect not a whole lot...which means we may be nearing a capitulation point. For that matter, margin debt as of March 2015 is at a scary all-time high. If we break down, it could get ugly, especially for big stocks.

While big caps are nearing the halfway point for 1Q15 reporting, small stocks are just starting to make their move. I suspect the numbers will be solid, fueling the continued rise in small caps and microcaps—-at least for a little while, margin or no margin.

## *Thank You*

We are pleased to announce that we had great feedback to last week's survey both in terms of the total response and the responses to our queries. The feedback confirmed a great deal for us but some of the responses have prompted us to re-think our approach to a degree. All in all, the survey was a success and we will endeavor to initiate as many of the requests and ideas as possible going forward.

And some of these changes are around the corner. The next issue of *The Goldman Guide* marks our fifth anniversary and we are pulling out the stops. The *Guide* will retain much of its look but include specific features and topics each week in order to provide you with information and insights in a consistent format. All that you need to know for the week ahead, the overview of the week behind, and a bird's eye view of a stock with a favorable valuation or timing, will be introduced.

One of the comments we received from the survey was related to "when to sell." We have taken this to heart and endeavor to find the most proactive and expedient method of doing so in each issue of the Guide and other ways. To that end, there is no time like the present…

As noted on the front page of this issue, we are concerned (and we were last week too) that a short selloff is in the offing. Call it the sell in May strategy, seasonality, valuation, overheated market, etc. It doesn't matter. The question is: What should you do?

The first step is to set sell triggers 10-12% below current prices for at least a portion of the current position in question. Some stocks may still be moving higher before the slight swoon so you would be wise to follow the trading closely and sell, in halves or thirds, into strength if possible over the next week.

The following page highlights our sentiments for some of the recently profiled stocks in *The Goldman Guide* during 1Q15.

# *Three Stock Reviews Plus One*

On 1/16/15 we profiled **Zix Inc. (NASDAQ—ZIXI—$4.55)** at a price of $3.93. It reached $4.62 last week-a new high-following very solid financial results earlier in the week. It seems to still have some momentum and value but we would set sell triggers just a hair below $5 and around $5.30-$5.50. I suspect downside is limited to around $4.

**inTEST (NASDAQ—INTT—$4.66)** is slated to release 1Q15 results on 4/29/15 after the close. The stock is up 12% since our February 20th profile. Volume has tapered off during this rise but we are optimistic that another 20% is in the stock. I would target the md-$5 area as a sell trigger.

On the higher priced front, **Skechers (NYSE—SKX—$89.66)** has been a huge winner for us in just 6 weeks. Since March 6th, SKX has risen 30%, reaching a new year high. I would set a sell target 20% above its current price for up to half of the position as it has legs to go higher based on valuation and current business trends. Too high priced? Consider intermediate term calls just out of the money, if you are feeling lucky. Fundamentally, even at current prices SKX trades 19x FY15E EPS, far below the multiple of **Nike (NYSE—NKE)** and **Under Armour (NYSE –UA)**. SKX could rise 20% or more from here but the easy money has already been made.

On a separate note, we are pleased to announce that **Sportsman's Warehouse (NASDAQ—SPWH)** recently joined the 30% club, which is the third one this year (excluding SKX). As it reached our target we would sell at current prices, even though another 10% is possible.

Have a great week!

# The Goldman Guide

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