

INSIDE THIS ISSUE:

The Stock Market Today

Say What?

Feeling Lucky?

Profiled Stocks Performance

KEY TAKEAWAYS

- ⇒ *Since 2010, stocks have kicked butt in February*
- ⇒ *Big week for economic news and earnings for key big caps and a boatload of small stocks*
- ⇒ *Data and news could serve as the market's Groundhog Day*
- ⇒ *Oil may be a good place to dip your toes in the water*
- ⇒ *Small stocks picked last month were mixed but the big cap names as a group did very well*
- ⇒ *Small stocks could enjoy biggest move this month*

THE MAJOR INDICES

<u>Index</u>	<u>Close</u>	<u>2016</u>
DJIA	16464	-5.5%
S&P 500	1940	-5.1%
NASDAQ	4614	-7.9%
Russell 2000	1035	-8.9%

(figures are rounded)

THE MARKET'S GROUNDHOG DAY

On Tuesday, February 2nd, we will "celebrate" Groundhog Day. As the legend tells us, if the groundhog sees its shadow it means 6 more weeks of winter. If not, then



spring comes early. We believe that this week is also a "Groundhog Day" of sorts for stocks, where we find out if the current stock market malaise continues or whether there is near term daylight ahead. (Hint: We are optimistic.)

Already investors should feel a little bit at ease given the better market returns of late as oil prices have stabilized and the Bank of Japan and even the European Central Bank have given us some cause for comfort.

Some market pundits believe the worst is yet to come and we agree that we do need more pain in order to really move ahead. We may get it via the amalgamation of events such as the current oil crisis, deflation in key markets, and the complete lack (as in zero) of IPOs thus far in 2016. Plus, the just-released news that South Korea imports hit a 7-year low with the most recent month dropping by a whopping 18.5% does not bode well.

In any event, if history is any guide, February could be a real good one for us. The S&P 500 Index has risen in February every year since 2010 and averaged a 3.45% monthly gain.

“Stocks’ Groundhog Day”

A similar return could be determined this week, much like the Groundhog’s forecast, given this week’s key economic calendar highlights such as personal spending, crude oil inventories, construction spending, auto sales, and factory orders.

Throw in the expectation of favorable earnings for a ton of small cap, midcap and key large cap companies and this is an important week. In the first two days alone, the market will eagerly watch stocks like **Alphabet (NASDAQ—GOOG)**, **Aetna (NYSE—AET)**, **Chipotle (NYSE—CMG)**, **UPS (NYSE—UPS)**, and **Yahoo! (NASDAQ—YHOO)**, among others.

In addition to the stocks listed above, this week we will be profiling key small cap names as before and after reporting this week as we believe that many bargains exist out there. We expect that in the near term, this group could enjoy the greatest bounce as compared with large cap and midcap companies—as long as they derive the bulk of their revenue from domestic sources.

U.S. Stock Market Index Performance 1/29/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Below 200-DMA
DJIA	16,464	18,351	15,370	5/19/15	8/24/15	10.3%	7.1%	-5.5%
S&P 500	1,940	2,135	1,812	5/20/15	1/20/16	9.1%	7.1%	-5.4%
NASDAQ	4,614	5,232	4,292	7/20/15	8/24/15	11.8%	7.5%	-7.0%
Russell 2000	1,035	1,296	958	6/23/15	1/20/16	20.1%	8.0%	-13.1%
Average						12.8%	7.4%	-7.8%
Source: www.BarChart.com, Goldman Small Cap Research								

Feeling Lucky?

It is difficult to ignore the impact the drop in oil has had on the markets as well. Have we reached a bottom? Everyone from T. Boone Pickens to Jed Clampett has an opinion on the matter. One thing is certain, whether it is two weeks, two months, or two years, oil WILL rebound eventually. Right now there are some bargain basement oil plays in the small cap space that would be ideal to add as a trade or investment, especially if you have not taken any losses in the space to date.

Going back to the relatively way back machine, we featured offshore driller **Hercules Offshore, Inc. (NASDAQ - HERO - \$0.98)** in the *Market Monitor* in July of 2013 at \$7.55. The Company filed for bankruptcy last August, but reorganized and is still viable. **HEROQ** is also trading at \$0.06 on the OTC markets as part of the melee. We cannot say that any of the standard metrics look decent, but this one might be worth watching for a while as a cheap oil play in the small cap space.

On the services side we featured both **Cypress Energy Partners, LP (NYSE – CELP - \$9.08)** and **CSI Compressco, LP (NASDAQ – CCLP - \$6.15)** about a year ago. Both had a great run for a few months going up a little over 50% in price on average, but have been clobbered since. Stocks like these will probably be the last ones to benefit from any recovery so options at much lower strike prices than the current stock prices is a good idea.

Finally, a new cheap pick that is primarily an exploration firm, but does offer services also is **Parker Drilling, Company (PKD – NYSE - \$1.37)**. The stock was up around the \$9.00 mark two years ago and has plummeted since. The Company has over \$100 million in cash on hand and \$500 million in debt. Not ideal figures, but not nearly as horrific as similar companies in the same space and market cap. Additionally, the short float technical indicator is under 4%, which is fantastic considering how awful it has been for oil recently. Look for **PKD** to double this year if oil prices move to the upside as an overall trend.

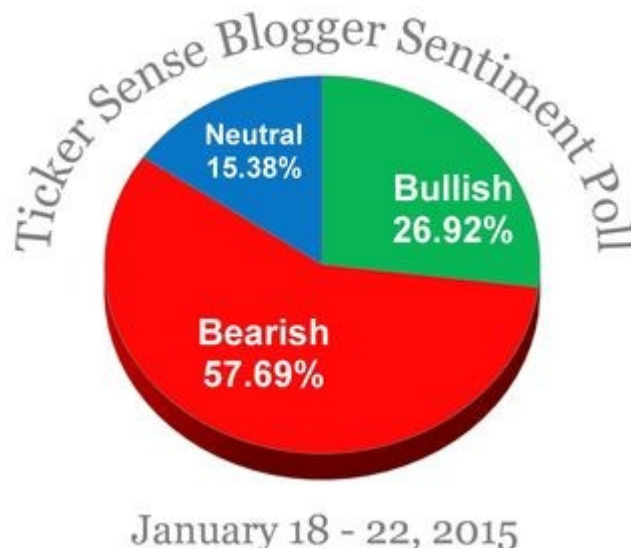
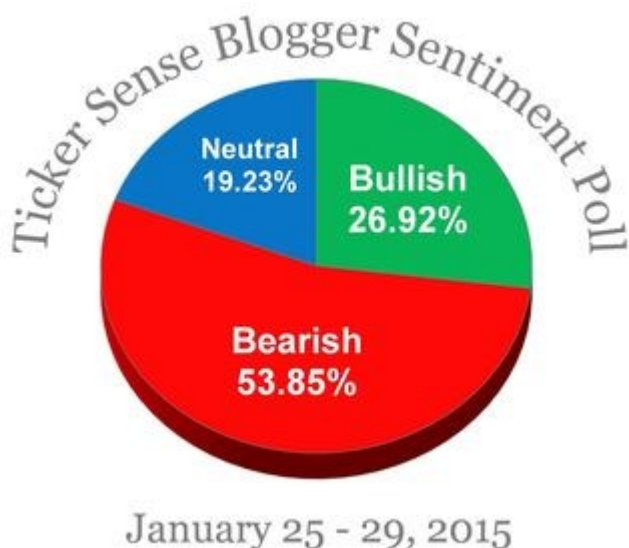
The Stock Market Today

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	29%	22%	39%
Neutral	30%	30%	31%
Bearish	40%	49%	30%



It is no surprise that a jump at week-end made investors feel a little better, and aided in ending the month on a somewhat of a high note, all things considered. The Ticker Sense poll is also indicating a light rise in the Bullish category, but the majority of respondents are still Bearish, which is understandable.



Profiled Stocks Performance

How did our early 2016 picks do? The answer is mixed due mainly to two stinkers but we are overall pleased, given the disaster it could have been. Of course it is a marathon and not a sprint. Our big cap picks soundly beat the S&P 500 but the small cap picks were clearly worse than the Russell 2000.

FIT, IMMR, and MBLY may be lost causes but the others have great potential, especially **ROVI** and **VCRA**.

GSCR 2016 Profiled Stocks*					
The Goldman Guide: Small Cap Picks					
Stock	Pick/Pan	Prof Date	Orig Price	1/29/16	Return
SWHC	Pick	1/3/16	\$21.98	\$21.56	-1.9%
FIT	Pick	1/3/16	\$29.59	\$16.60	-43.9%
IMMR	Pick	1/3/16	\$11.56	\$8.48	-26.6%
MBLY	Pick	1/3/16	\$42.28	\$27.13	-35.8%
ROVI	Pick	1/3/16	\$16.66	\$19.46	16.8%
HOV	Pick	1/3/16	\$1.81	\$1.54	-14.9%
NLS	Pick	01/08/16	\$19.36	\$19.48	0.6%
VCRA	Pick	1/22/16	\$13.76	\$14.39	4.6%
Average					-12.6%
Russell 2000			1136	1035	-8.9%
* all profiled stocks carry no rating					
Source: GSCR, Yahoo!Finance					

GSCR 2016 Profiled Stocks*					
The Goldman Guide: Big Cap Picks					
Stock	Pick/Pan	Prof Date	Orig Price	1/29/16	Return
DOD	Pick	1/3/16	\$15.51	\$15.13	-2.5%
VZ	Pick	1/3/16	\$46.22	\$49.97	8.1%
CVX	Pick	1/3/16	\$89.96	\$86.47	-3.9%
CAT	Pick	1/3/16	\$67.96	\$62.24	-8.4%
Average (excl div)					-1.7%
S&P 500 Index			2044	1940	-5.1%
* all profiled stocks carry no rating					
Source: GSCR, Yahoo!Finance					

As for the big ass group, I confess I am surprised that **CVX** outperformed **CAT**. Still, **DOD** and **VZ** seem to offer the greatest potential at this time.

Say What?



Great info, insights, and hard-hitting stories make up this week's *Say What?* feature...

Investor's Business Daily

<http://www.investors.com/news/economy/consumers-housing-bright-spots-for-16-despite-weak-q4/>

The answer to this question will tell us how stocks will perform.

The Smoking Gun

<http://www.thesmokinggun.com/buster/car-crash/pantless-man-in-fatal-crash-639205>

Something tells me there will be more of these...and that's both funny and sad.

The New York Post

<http://nypost.com/2016/01/31/trader-exposes-the-disgusting-sexism-plaguing-wall-street/>

Those were the days...

Marketwatch

<http://www.marketwatch.com/story/42-of-democrats-are-in-favor-of-socialism-2016-01-31>

A frightening proposition.

ZeroHedge

<http://www.zerohedge.com/news/2016-01-31/global-trade-collapsed-january-bellwether-south-korea-exports-crash-most-lehman>

A true warning sign.



The Goldman Guide

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

info@goldmanresearch.com www.goldmanresearch.com

Launched in May 2010, *The Goldman Guide* is a free weekly publication of Goldman Small Cap Research and is written by Founder Rob Goldman with contributions from the GSCR contributor team. This non-sponsored investment newsletter seeks to provide investors with market, economic, political and equity-specific insights via an action-oriented, straight to the point approach. No companies mentioned in this newsletter are current sponsored research clients of the Company or its parent, unless noted. With some exceptions, all companies or investment ideas mentioned in this publication are publicly traded stocks listed either on the NYSE or the NASDAQ. Goldman Small Cap Research members and contributors' bios, certifications, and experience can be found on our website: www.goldmanresearch.com.

Disclaimer

This newsletter was prepared for informational purposes only. *Goldman Small Cap Research*, (a division of Two Triangle Consulting Group, LLC) produces non-sponsored and sponsored (paid) investment research. Goldman Small Cap Research is not affiliated in any way with Goldman Sachs & Co.

The Firm's non-sponsored research publications category, **Select Research**, reflects the Firm's internally generated stock ideas, along with economic, industry and market outlooks. In virtually all cases, stocks mentioned in **Select Research** offerings are listed on the NYSE or the NASDAQ. Publications in this category include the weekly newsletter *The Goldman Guide*, Market Monitor blogs, Special Reports, and premium products such as *The 30-30 Report*. Goldman Small Cap Research analysts are neither long nor short stocks mentioned in this newsletter.

Opportunity Research reports, updates and Microcap Hot Topics articles reflect sponsored (paid) research but can also include non-sponsored microcap research ideas that typically carry greater risks than those stocks covered in Select Research category. It is important to note that while we may track performance separately, we utilize many of the same coverage criteria in determining coverage of all stocks in both research formats. Please view the company's individual disclosures for each engagement, which can be found in company-specific **Opportunity Research** reports, updates and articles.

Goldman Small Cap Research has not been compensated for any content in this issue.

All information contained in this newsletter and in our reports were provided by the companies mentioned via news releases, filings, and their websites or generated from our own due diligence. Economic, market data and charts are provided by a variety of sources and are cited upon publication. Stock performance data and information are derived from Yahoo! Finance and other websites or sources, as noted. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence.

The information used and statements of fact made have been obtained from sources considered reliable but we neither guarantee nor represent the completeness or accuracy. *Goldman Small Cap Research* did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company, other firms, or other financial news outlets. *Goldman Small Cap Research* relied solely upon information provided by companies through filings, press releases, presentations, and through its own internal due diligence for accuracy and completeness. Such information and the opinions expressed are subject to change without notice. A *Goldman Small Cap Research* report, update, article, blog, note, or newsletter is not intended as an offering, recommendation, or a solicitation of an offer to buy or sell the securities mentioned or discussed. This newsletter does not take into account the investment objectives, financial situation, or particular needs of any particular person. This newsletter does not provide all information material to an investor's decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a complete discussion of the risks mentioned. Neither *Goldman Small Cap Research*, nor its parent, is registered as a securities broker-dealer or an investment adviser with the FINRA or with any state securities regulatory authority. Statements herein may contain forward-looking statements and are subject to significant risks and uncertainties affecting results.



The Goldman Guide

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

info@goldmanresearch.com www.goldmanresearch.com

Separate from the factual content of our articles about the company featured in this newsletter, we may from time to time include our own opinions about the companies profiled herein, their businesses, markets and opportunities. Any opinions we may offer about the companies are solely our own, and are made in reliance upon our rights under the First Amendment to the U.S. Constitution, and are provided solely for the general opinionated discussion of our readers. Our opinions should not be considered to be complete, precise, accurate, or current investment advice. Such information and the opinions expressed are subject to change without notice.

ALL INFORMATION IN THIS REPORT IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, TWO TRIANGLE CONSULTING GROUP, LLC WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS, RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY LAW, TWO TRIANGLE CONSULTING GROUP, LLC WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRESENTATION OF INFORMATION.

For more information, visit our Disclaimer: www.goldmanresearch.com