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## KEY TAKEAWAYS

- ⇒ *This is the worst time for stocks as we wait for the beginning of the next quarter*
- ⇒ *The financial press and analysts are sending mixed messages of doom, doom, and more gloom*
- ⇒ *Are institutional investors de-risking their portfolios? Apparently big outflows in bond funds, money market funds and small caps may portend rough water ahead*
- ⇒ *Our bank stock pick from 2 weeks ago hit a new high and could outperform market bears*

## THE MAJOR INDICES

<u>Index</u>	<u>Close</u>	<u>2016</u>
DJIA	17,737	1.8%
S&P 500	2066	1.1%
NASDAQ	4892	-2.3%
Russell 2000	1108	-2.5%

(figures are rounded)

## BULL MARKET COUNTDOWN?

All right, I concede that we were wrong last week when we talked about the waffling investors. Today, investors seem to feel



that like in basketball it's not how you start but how you finish. (See Villanova in the NCAA Championship game.) And as bad as the strat of Q1, it ended so strong, that it has to practically be a divine sign of things to come. Add in the fact that April is one of the strongest performing months of the year for the S&P 500 Index, and it is just ahead of the dreaded month of May that stocks rising this month are already a fait accompli.

I, too will throw my hat in the ring for the reasons above but I also am willing to take a different tack. We have railed for years that the unemployment number is complete bullshit due to the huge underemployed figure. If we are to believe that the Bureau of Labor Statistics figures are accurate, the U-6 number, which includes unemployed, part-time employed, and those who no longer seek employment has dropped from a high of 16.9% in 2010 to under 10% today. Anyway you slice it, that is progress. The problem for stocks is that "Sell in May and Go Away" is around the corner so the bullish environment may not be long-lasting.

## The Stock Market Today

U.S. Stock Market Index Performance 4/4/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Below 200-DMA
DJIA	17,737	18,351	15,370	5/19/15	8/24/15	3.3%	15.4%	3.6%
S&P 500	2,066	2,135	1,810	5/20/15	2/11/16	3.2%	14.1%	2.5%
NASDAQ	4,892	5,232	4,210	7/20/15	2/11/16	6.5%	16.2%	0.6%
Russell 2000	1,108	1,296	943	6/23/15	2/11/16	14.5%	17.5%	-2.8%
Average						6.9%	15.8%	1.0%
Source: www.BarChart.com, Goldman Small Cap Research								

So I guess you could say that I am cautiously optimistic. As you can see from the table above, since we are comfortably above the DMAs for big cap stocks, that is clearly a bullish sign and a long time coming. Small caps, as usual, have lagged, but there is still value in this space as we have expressed in these pages ad nauseam. So, we have improving employment and underemployment figures, improving technical features, and even improved confidence, as evidenced by results issued by The Conference Board.

Other interesting events of note include positive (albeit technical) comments from the great Ralph Campora regarding the bullish outlook for stocks. Furthermore, since Q1 was so crazy, the belief is that this time around the whole "Sell in May and Go Away" strategy may be pushed out a few weeks.

Since we have become accustomed to events turning on a dime, it may be useful to mention the IPO environment. The first quarter of 2016 was so poor...(how poor was it?)...well, it was so poor that we haven't had a slower IPO market since the last recession. To put it in perspective, only \$700M in 8 deals were raised and there are already filings for this quarter that dwarf that anemic figure. If I had to guess, I would say that investment bankers will work double time to get as many closed as possible by the end of the quarter. After all, the summer is not exactly known as IPO central. So, if you are a glass half full kind of investor, the next few weeks could be very rewarding.

## **Say What?**



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

### *Bloomberg*

<http://www.bloomberg.com/news/articles/2016-04-04/saudis-want-to-double-their-stock-market-for-a-post-oil-economy>

Brilliant and scary for the U.S.

### *The New York Post*

<http://nypost.com/2016/04/03/millennials-are-being-dot-conned-by-cult-like-tech-companies/>

This story is just too good not to read.

### *The Daily Mail*

<http://www.dailymail.co.uk/news/article-3523662/Walt-Disney-Company-s-line-CEO-announces-departure-entertainment-giant-throwing-line-succession-disarray.html>

A landmark hire?

### *Marketwatch*

<http://www.marketwatch.com/story/how-negative-interest-rates-could-lead-to-a-world-without-cash-2016-04-04>

Time for a negative story...

### *ZeroHedge*

<http://www.zerohedge.com/news/2016-04-04/was-there-run-bank-jpm-caps-some-atm-withdrawals>

Very suspicious...

## Notable Numbers

### AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	27%	34%	39%
Neutral	47%	43%	31%
Bearish	26%	24%	30%



This week we see that individual investors are really unsure of things. Nearly half of investors surveyed are Neutral and an equal number are Bullish or Bearish. Conversely, investment pros are decidedly bullish. Perhaps it has something to do with what we discussed in the earlier pages...

What is most interesting and what may be the fundamental “Sell in May” trigger is Q1 earnings decline. According to Factset, the average estimated earnings decline for 1Q16 is (-8.5%). That would be the first time we have experienced four consecutive earnings declines since 2008/2009. I would not be surprised to see Q2 have performance that is the opposite of Q1 (up big then down big).



April 4 - 8, 2016



March 28 - April 1, 2016

## ***Thumbs Up/Thumbs Down***

We hope you don't mind that we have elected to channel our inner Siskel and Ebert so this week we give you thumbs up/thumbs down for big name stocks.



Our thumbs-up play is **Tesla Motors, Inc. (NASDAQ – TSLA - \$237.59)**. The stock is up 65% since the middle of February. This past week the Company announced its new product the Model 3, targeted at a lower price point than its other models starting at around \$35,000. CEO Elon Musk announced Tesla has received an unprecedented 276,000 orders already. Sales of the new Model 3 should help Tesla meet or even exceed Wall Street revenue expectations of \$8.5 billion this year, 60% higher than 2015. On the technical side the momentum does not appear to be slowing, as the short, intermediate, and long term EMA all are giving a very bullish signal. Finally, the Company is sitting on \$1.2 billion in cash as of the end of 2015. This will be critical in funding new ventures this year. We believe the stock climbs back to the 52-week high of \$285 over the next six months.



Our thumbs-down is **Chipotle Mexican Grill (NYSE – CMG - \$464.81)**. The problems with E Coli are still popping up all over the country and the Company needs to get its house in order. In a purely blatant attempt to divert attention away from the ongoing issues, the Company announced a new 'better burger' concept. We believe this is merely a dog and pony trick designed to give the appearance that all is well and there are plenty of growth ideas being generated by management no matter how silly they appear to be. Seriously, when you crave a juicy hamburger is Chipotle where you are headed?

**CMG** is down 3% this year. This number could a lot worse given the E Coli drama. EPS for 4Q15 was down over 44% from 3Q15. As earnings season approaches, another bad report could be a further detriment and hammer the stock. A short float of 11.5% is another poor sign. We believe **CMG** should be avoided for now, with a possible buy-in at \$400.





# The Goldman Guide

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