

INSIDE THIS ISSUE:

Stock Market Today
Say What?
Notable Numbers
Take a Chance on Me?

KEY TAKEAWAYS

- ⇒ *A lot of indecision about market direction is paralyzing investors*
- ⇒ *Investor sentiment polls illustrate the current situation but trends suggest they could turn bullish if they turn negative*
- ⇒ *Oil, which is a big driver of the market, is in a state of flux thanks to moves by Saudi Arabia and the Canadian wildfires*
- ⇒ *Our new pick is not without risk but looks dirt cheap. At \$1.50, it trades less than 4x this year's EPS estimate*

THE MAJOR INDICES

Index	Close	2016
DJIA	17,741	1.8%
S&P 500	2057	0.06%
NASDAQ	4736	-5.4%
Russell 2000	1115	-1.8%

(figures are rounded)

NO ONE WANTS TO DO THIS

Indecision. Confusion. Inertia. Analysis paralysis. Non-committal behavior. That's where we are right now.



Against the backdrop of slower economic growth, slowing employment figures, missteps of key NASDAQ players, mixed earnings reports, and dire warnings of a market collapse, investors are afraid to buy or sell. Volume is even off from a week ago. This inactivity has caused stocks to be range-bound, and based on a series of investor sentiment indicators, retail and institutional investors are decidedly neutral.

For example, the Intelligence Bull/Bear ratio has dropped by 15% in two weeks, to 1.85 Bulls/Bears. Interestingly, while the number of bulls dropped, bears stayed unchanged. That means that investors in the bullish and neutral categories are essentially the same. If we could see a drop in either bulls or neutrals to get us from the current 21.7% bearish sentiment category to close to the 40% for bulls and neutrals, that would be a bullish signal.

The only saving grace I see from the trend perspective is that the number of investors who believe a correction is in the cards jumped from 30.9% to 38.1% in 2 weeks. Another jump like this would also be a bullish move.

Although I am more skeptical on this score, the Hulbert NASDAQ Newsletter Sentiment Index has had a quick reversal, which may indicate that bulls may yet rule the day soon, based on current equity allocations. We believe that more pain has to be borne before these indicators point upward.

The Stock Market Today

U.S. Stock Market Index Performance 5/6/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Above 200-DMA
DJIA	17,741	18,351	15,370	5/19/15	8/24/15	3.3%	15.4%	3.7%
S&P 500	2,057	2,135	1,810	5/20/15	2/11/16	3.7%	13.6%	2.2%
NASDAQ	4,736	5,232	4,210	7/20/15	2/11/16	9.5%	12.5%	-2.0%
Russell 2000	1,115	1,296	943	6/23/15	2/11/16	14.0%	18.2%	-1.1%
Average						7.6%	15.0%	0.7%
Sources: www.BarChart.com, Goldman Small Cap Research								

Whoopi Goldberg once made a very salient point regarding Mother Nature: *“That’s the thing about Mother Nature, she doesn’t care what economic bracket you’re in.”*

I bring this up because oil prices could see some real volatility this week and serve as an external force on stocks. The wildfires in Alberta Canada have already impacted and destroyed some oil fields and based on the size and scope could burn for months with smoke a major issue in Alberta and even into Saskatchewan. Not exactly a positive for Canada and perhaps prompt a modest oil supply rise.

Of course this months-long event could be a drop in the bucket compared with what is happening in Saudi Arabia. Not only is the kingdom of the House of Saud planning to implement a \$2 trillion plan to wean itself off of the production, sale and use of oil, which was announced last month, but it just fired its oil minister. If the new minister maintains the same production policy, oil prices will remain in its current range. If he is inclined to limit production, prices will rise. Weighing this event against a potentially slowing economy around much of the world could be rough for us all.

The market needs signs, signals, and direction. In the absence of these tools, we will be range-bound to down for the interim. So where will these come from? We would not be surprised to see stock buybacks, and performance of companies in various stock conferences play a role for now. If there is no driving need to buy a stock today because earnings growth is back-end loaded, or buybacks are weak, look for more red ahead. As for groups, I think investors are falling asleep on cheap small cap consumer stocks.

Say What?



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

The New York Times

http://www.nytimes.com/2016/05/08/upshot/the-economy-is-rigged-and-other-presidential-campaign-myths.html?ref=business&_r=0

Quite excellent. Short and to the point. Written by Harvard prof.

Bloomberg

<http://www.bloomberg.com/features/2016-jared-kushner-trump-card/>

Fascinating.

The New York Post

<http://nypost.com/2016/05/07/democrats-admit-they-want-to-make-the-government-irritating/>

This is actually really funny.

Marketwatch

<http://www.marketwatch.com/story/big-drop-in-bullishness-for-us-stocks-could-actually-be-a-good-sign-2016-05-06>

Sounds familiar but we may not quite be there yet.

ZeroHedge

<http://www.zerohedge.com/news/2016-05-08/homeland-security-conduct-fake-bioterrorism-subway-terror-attack-new-york-city>

This event and the craziness on the DC Metro makes me think there is more to this (as in ISIS) than meets the eye.

Notable Numbers

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	22%	27%	39%
Neutral	47%	44%	31%
Bearish	30%	29%	30%



As we noted earlier, we are really in Neutral. Of all the surveys and polls, I am most encouraged by the AAll results. Bulls are far below the long term average and we could see a migration from Neutral to Bearish which would be very positive. Conversely, the Bears in the Ticker Sense poll are unchanged from a week ago but the Neutral group is on the rise again. Look, when big names like Apple (NASDAQ—AAPL) are not in favor, then indices like the NASDAQ Composite falls out of favor and that has an effect on all stocks, to some degree. Stock to your guns and don't overpay stock price momentum or valuation-wise and you can still generate solid returns. Note: Equity fund outflows, led largely by ETFs were \$11B a week ago, the largest in many weeks. More of this can lead to real buying opportunities later this month.



May 2 - 6, 2016



April 25 - 29, 2016

Take a Chance on Me?

After kicking butt for much of the past few months, we finally blew it. **Lionbridge Technologies (NASDAQ—LIOX—\$4.26—NR)** dropped by about 15% on results that did not meet expectations. Mea culpa.

Well, if you like to bottom fish and dip your toes in the water on something that might turn out to a big winner or continue to go south, I have got one for you.

On the surface, **Perion Network Ltd. (NASDAQ—\$1.50)** looks like it should be trading 3x its current price. Perion is a global technology company that delivers high-quality advertising solutions to brands and publishers, with an emphasis on mobile, video, monetization solutions, etc. PERI is no small company. For 2015, the Company generated \$218M in sales (down from 2014 due to a change in company focus), has been profitable for more than 10 years, and services 1300 advertisers and publishers. Moreover, 15 of the top 20 global advertisers use the Company's platform.

For 1Q16, historically the industry's weakest, Wall Street is looking for \$70M in revenue, a 34% rise from last year, with EPS of \$0.04, down from \$0.19, due to the change in business focus. For the year, projections call for top-line growth of over 50% to \$340M with EPS of \$0.41. We should note that the Company has beaten quarterly estimates four straight quarters.

At current levels, the stock trades at a stupid 3.7x this year's EPS, and .3x revenue. Granted, EPS comparisons are weak but the growth is there, aided in large part by tremendous acquisitions. Plus, the balance sheet remains strong. Results are due out on Tuesday May 10th, and the stock hit a new 52-week low last week. Still, it seems that there is a lot of value here and it could be a double in six months, if expectations are met. Otherwise, we could see a 20% drop. In my view, the risk/reward is in opportunistic and patient investors hands, who could still buy it cheap after the Q is released.





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