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KEY TAKEAWAYS

- ⇒ *Six predictions for June include market direction, segment forecasts, and keen insight into a danger zone*
- ⇒ *Small caps are up more than bog caps from their lows. See why upside exists more for them than big caps*
- ⇒ *Could Europe offer the greatest upside?*
- ⇒ *This low valuation casual dining stock is growing top-line by 50% yet trades .6x sales. Good time lie ahead as valuation turns*

THE MAJOR INDICES

Index	Close	2016
DJIA	17,873	2.6%
S&P 500	2099	2.7%
NASDAQ	4934	-1.5%
Russell 2000	1150	1.2%

(figures are rounded)

6 PREDICTIONS FOR JUNE

First, a heartfelt thanks to those who gave their lives in defense of our freedom along with those who have served or serve in America's armed forces today. All gave some, and some gave all. Thank you.



We have been following sentiment very closely and had a sense that we were nearing a point where stocks could make a move to the upside, following growing bearishness. While that sentiment is still there, who in the world predicted that the NASDAQ Composite and Russell 2000 Index would jump by 3.4% last week?

I guess it helps to have **Berkshire Hathaway (NYSE—BRK-B)** invest in **Apple (NASDAQ—AAPL)** and for Janet Yellen not to stick her foot in her mouth. Oh, and by the way, somehow Europe is generating top-line growth for key companies. And, let us not forget that oil prices spiked ahead of the Memorial Day weekend (as we predicted months ago.)

A cursory review of a number of reports and websites during this holiday weekend has unearthed more optimism downright bullish forecasts, at least for the near term. We are generally not seeing a great deal of concrete sentiment regarding the 3rd quarter just yet.

Anyway, with June essentially upon us and a mix of tailwinds behind us and headwinds ahead, I reckon it is a good time to enter 6 predictions for the month of June.

6 Predictions for June (cont'd)

Crude Oil (petroleum) - Monthly Price

Month	Price	Change
Oct-15	46.96	-
Nov-15	43.13	-8.16%
Dec-15	36.56	-15.23%
Jan-16	29.92	-18.16%
Feb-16	31.05	3.78%
Mar-16	37.34	20.26%
Apr-16	40.75	9.13%

1. **Oil has peaked.** With crude oil just under \$50 a barrel as of Friday's close, we just don't see much upside at this juncture. So, if you believe that stocks need continued crude price increases, you are barking up the wrong tree. Granted, we have already experienced big swings this year, but I believe that the move this month may be the greatest.

2. **Behold biotech boosts.** The American Society for Clinical Oncology (ASCO) conference

runs from June 3-7 and always features firms releasing new data and info. As a result, biotechs, particularly cancer stocks, get a boost before and during the event.

3. **The annual sprint to the IPO finish line is in earnest.** Based on #2 I am sure it will come as no surprise that the 4 IPOs slated to go this week are in the biotech space. Regardless of industry, if the IPOs do well that bodes well for stocks for the month. Investment bankers want to push through while things are hot—still don't chase them. They could come back down to earth in the summer.
4. **Low RSI stocks are your best bet.** Stocks that trade with a RSI under 30 are a good bet—favorable risk/reward. There are quite a few, but avoid problem stories.
5. **Volatility is ahead.** The end of Q2 is a month away and institutions will start their portfolio re-balancing and window dressing, based in some small part on the Russell indices' re-balancing, mid-month. Perhaps a play on the VIX from the middle of the month on is not a bad play. Given that consumer/retail stocks are some of these low RSI plays, and shifts are on the horizon, a risk-taker could take positions in select small company consumer discretionary stocks.
6. **Europe could become en vogue.** Somehow, the economy, in certain circles, are becoming attractive, and our high-priced dollars give you buying power. If England stays in the EU that will give the region a boost. Plus, economists seem to like the ECB's moves. With indexes here near highs, a little exposure across the pond may not be a bad move.

The Stock Market Today

U.S. Stock Market Index Performance 5/27/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Above 200-DMA
DJIA	17,873	18,189	15,370	6/23/15	8/24/15	1.7%	16.3%	4.4%
S&P 500	2,099	2,124	1,810	7/20/15	2/11/16	1.2%	16.0%	4.4%
NASDAQ	4,934	5,232	4,210	7/20/15	2/11/16	5.7%	17.2%	2.5%
Russell 2000	1,150	1,296	943	6/23/15	2/11/16	11.3%	22.0%	3.1%
Average						5.0%	17.9%	3.6%
Sources: www.BarChart.com, Goldman Small Cap Research								

Vindication!

We harped week after week that small caps would make the biggest and greatest bounce off of the February 2016 lows. Sure enough, the Russell 2000 Index is up 22% since then and more upside exists versus the other indices. Even with this rise, small caps are still roughly 12% from their highs, while the big cap stocks are a hair below the their respective 52-week highs. So, expect small to continue to roll.

One of my favorite segments, and one where I had a ton of success as a money manager, was casual dining. Thus far this year, a few big cap stocks in the space have had some success while others have lagged. The segment's small cap constituents, however, have really taken it on the chin with few winners and a ton of double digit losers.

This has led to very low price/sales ratios and oversold RSI signals or at close to it. They have been out of favor and there seems no reason for this to change. Therefore, I am confident it will. I am not as keen on apparel companies but this group may even enjoy a bigger boost.

Investors can expect June to be a roller-coaster—up then down. This month has a history of crappy performance since 2000 and we expect a modest retraction. Not the 1.31% average drop the past 15 years, but any decline could put investors in a bad mood for summer. Hopefully this week's economic calendar doesn't put a damper on things before we even get started.

Say What?



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

The Wall Street Journal

<http://blogs.wsj.com/briefly/2016/05/27/5-things-to-watch-on-the-economic-calendar-117/>

The compass for stocks next week.

USA Today

<http://www.usatoday.com/story/money/2016/05/28/cities-proposing-taxes-sugary-soft-drinks/85038284/>

Are sugar drinks the new tobacco?

Bizjournals

<http://www.bizjournals.com/bizjournals/how-to/marketing/2016/05/your-8-seconds-are-almost-up-how-to-market-to.html>

Valuable for us older types that have yet to master this demographic.

The New York Post

<http://nypost.com/2016/05/28/americas-recovery-is-baloney-were-actually-broke/>

Ain't that the truth.

ZeroHedge

<http://www.zerohedge.com/news/2016-05-28/greed-fear-are-great-teachers-black-swan-author-tells-graduates-always-have-skin-gam>

Independent thought.

Notable Numbers

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	18%	19%	39%
Neutral	53%	47%	31%
Bearish	29%	34%	30%



Well, we may have generally hit the near-term low water mark in terms of the Bullish figures for both the AAll and Ticker Sense polls last week. After all, stocks rallied, and rallied hard! Interestingly, investors may not believe the hype. The AAll poll results indicate a drop in Bulls and big jump in Neutrals. In the Ticker Sense poll, Neutrals also took a big jump, at the expense of Bears—just like in the AAll survey. Unless a rise in the market is accompanied by improving fundamentals, or at least fewer economic concerns, given the heavy economic calendar this week, Neutrals could stay high for a while.



May 23 - 27, 2016



May 16 - 20, 2016

Buy This For Good Times

We remain on a pretty good streak of stock picks in the Guide. Last week's profile, **TTM Technologies, Inc.** (NASDAQ—TTMI—\$7.64—NR) was up over 9% for the week.

It doesn't take a rocket scientist to figure out that we would profile a small cap casual dining stock trading at a low price/sales ratio. We had a few to choose from and elected to go with a stock featured in these pages before,

Good Times Restaurant

(NASDAQ—GTIM—\$3.22 – NR). If you are looking for a little history on Good Times, click the link: <https://www.youtube.com/watch?v=s6gNo4-1r6k>.



GTIM operates Good Times Burgers & Frozen Custard, a regional chain of quick service restaurants located primarily in Colorado, in its wholly owned subsidiary, Good Times Drive Thru Inc. Good Times provides a menu of high quality all natural hamburgers, 100% all natural chicken tenderloins, fresh frozen custard, natural cut fries, fresh lemonades and other unique offerings. Good Times currently operates and franchises a total of 37 restaurants. GTIM owns, operates, franchises and licenses 18 Bad Daddy's Burger Bar restaurants through its wholly-owned subsidiaries. Bad Daddy's Burger Bar is a full service, upscale, concept featuring gourmet signature burgers, with a full bar and a focus on a selection of craft microbrew beers.

GTIM's 2Q16 results were strong with a 92% jump in adjusted operating profit and great prospects ahead. Revenue for the current fiscal year is expected to leap 50% to \$66M. At current levels, the stock trades .6x sales despite the forecasted growth rate and a solid (but not oversold or overbought) RSI of 46. The stock is down 32% year-to-date and does not look good technically, but a little buying could take it above the 20 and 50DMA. We look for \$4 or more by the end of the summer.



The Goldman Guide

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