

## INSIDE THIS ISSUE:

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## KEY TAKEAWAYS

- ⇒ *I goofed on Brexit fallout*
- ⇒ *Brexit isn't just an historic event, it is an evolutionary event with far-reaching impact*
- ⇒ *Up, down, all around—we predict market movement this week and preview next week*
- ⇒ *See what to avoid and what to buy*
- ⇒ *You will enjoy our top 10 things to know in order to succeed this week and beyond*

## THE MAJOR INDICES

Index	Close	2016
DJIA	17,401	-0.01%
S&P 500	2037	-0.03%
NASDAQ	4708	-6.0%
Russell 2000	1128	-0.7%

(figures are rounded)

## WHAT GOES DOWN, WILL GO UP

I am man enough to admit when I have made a huge mistake. In last week's Guide, I stated: **Brexit does not mean a mass stock exit.**

I could not have been more wrong, as we now know. I figured a) it would not happen or b) if it did, stocks would drop ahead of the news and then just endure a small sell-off.

But, when the odds the Brexit a day before were 70% that England's voters would pull "*Remain*," it caught everyone off guard, and well, the rest is history. And by that I really mean historical.

In hindsight, we really should not have been surprised by the vote result. The British have a long history of sparking change in some way shape or form, and in the leadership sense. After all, history repeats itself.

The British gave the world the Magna Carta in 1215, spawned colonialism in North America, Australia, and India. That didn't end up being too shabby...of course these colonies became independent nations.

Let's not forget about China and Hong Kong, and what happened there pre and post the 150 year British rule. Major roles in establishing key elements of our banking system, along with certain aspects of various democratic political structures.

Of course Britain gave us The Beatles, The Stones, The Who, Adele, classic literature, and Harry Potter.

Look, this pioneering vote is a spark for the ages.



## ***Before and After***

The Brexit story is page one stuff and has been covered by everyone, especially given the broad and deep sell-offs in markets around the globe. Instead of performing detailed analysis with colorful prose meant to elicit an emotional response like the rest of the publishing world, we have instead elected to give you an adulterated account of what we led to Brexit, what is happening now, and what the future portends.

### Before

Founded over 22 years ago, the EU was designed to stop the marginalization of the European states by combining them into one massive market. Although a founding member, the Brits, on some level, knew it was a bureaucratic scam from the outset which is why they refused to tie their fortunes to the euro and instead stayed with the pound. While to some degree it helped foster GDP growth (even for the U.S.) in the 1990's, it has done a lot of harm. It eroded nationalism, added fees and layers which stunted real revenue growth and entrepreneurship, transferred power to puppets and leaders in Berlin and Paris, and engendered counter-productive policies like immigration and varied from having real power over member states to wielding none, given the loose yet curt nature of the confederate structure. Power and bureaucracy in small hands and people revolted? Where have we heard this before...

### After

England is not moving from EU membership to a situation where it can't trade with anyone. With petitions in hand (3 million signatures), Scotland premier trying to worm her way back in, talk of a union between Ireland and Northern Ireland, there is a minority opinion that loopholes can stop Brexit in its tracks. Unlikely. Big drop in the pound, oil, a 2 year break-up from the EU, GDP declines, years of new specific agreements with current trading partners, and EU leadership with their "ass on their back" and giving the British ass cheeks to kiss, are all in the cards.

Wait till the other shoes drop. Other nations contemplating referendums. Fractured government in the U.K. and the EU, with changes in the EU on the come in an attempt to stave off more of the same with other members. In the end, the 5th largest economy will be a major player on the board and the way business is conducted, led by financial firms and governments will be forever changed . Check back in 2019-2020.

## The Stock Market Today

U.S. Stock Market Index Performance 6/26/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Above 200-DMA
DJIA	17,401	18,168	15,370	4/20/16	8/24/15	4.2%	13.2%	1.0%
S&P 500	2,037	2,133	1,810	7/20/15	2/11/16	4.5%	12.5%	0.8%
NASDAQ	4,708	5,232	4,210	7/20/15	2/11/16	10.0%	11.8%	-2.3%
Russell 2000	1,128	1,287	943	6/25/15	2/11/16	12.4%	19.6%	1.2%
Average						7.8%	14.3%	0.1%
Sources: www.BarChart.com, Goldman Small Cap Research								

Truth be told, we did note that Thursday and Friday would be volatile, but ...wow. So where does this leave us?

### The Market

Look for a mixed day on Monday. Could end up or down, and be all over the map. Nothing would surprise me. Still, the mid-week trading should at the least provide a small bounce as the panic subsides when everyone realizes that it will not have a major impact on the U.S., as we outlined last week. With the July 4th holiday on Monday, this is really a four day week as many market participants will be gone Friday. Look for a down day at week's end as traders will not want too many long positions heading into a holiday weekend. So, down early, up middle, down in the end.

### What to Avoid

Avoid Europe, especially U.K. stocks, American companies with major exposure to the country, oil, and financials.

### What to Buy

I feel like a broken record...stocks with no exposure across the pond, small stocks, technology, and for the interim—gold.

## **Say What?**



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

### *The New York Post*

<http://nypost.com/2016/06/25/us-wont-tank-from-brex-hit/>

Nice to read no doom and gloom for a change.

### *Marketwatch*

<http://www.marketwatch.com/story/brexit-sparked-volatility-will-continue-to-weigh-on-us-stock-market-2016-06-25>

And, then the other side.

### *24/7 Wall Street*

<http://247wallst.com/consumer-products/2016/06/26/marijuana-news-roundup-democrats-add-pot-law-reform-to-platform/>

Very interesting...

### *The New York Times*

[http://www.nytimes.com/2016/06/26/business/dealbook/what-is-private-equity.html?ref=dealbook&\\_r=0](http://www.nytimes.com/2016/06/26/business/dealbook/what-is-private-equity.html?ref=dealbook&_r=0)

Nice cover-lifting story.

### *ZeroHedge*

<http://www.zerohedge.com/news/2016-06-26/jpm-head-quant-expect-300-billion-program-selling-5-10-near-term-downside-sp500>

Let's hope not...

## ***Notable Numbers***

Since the Brexit news came out on Friday and sentiment numbers are earlier in the week, there is no traditional Notable Numbers section in this issue, as the figures are now totally irrelevant. Instead, here is a list of 10 things to know in order to grow your portfolio during this period.



1. **Flight to safety.** When the going gets tough, the smart buy gold,
2. **Flight to safety, II.** When the going gets tough, the practical go to cash.
3. **Flight to safety, III.** When the going gets tough, the big players buy the dollar, and put their money in America.
4. **Power play, Russia.** With Europe in chaos and an election year in the U.S., the world's savviest leader asserts himself.
5. **Thumbs down.** All of the major indices are down for the year but that won't be for long.
6. **RSI's could be key.** RSI's of major indices are in upper 30's to low 40's. If they get close to 30, a buy signal could occur.
7. **Brexit now, earnings later.** Brexit and all of the fallout will be front page for a long time, and a key cog in market direction for the foreseeable future. Market players will turn to earnings season next week.
8. **Interest rate changes a non-issue.** Thanks to Brexit, no changes in the U.S. for about a year. That is a double edged sword, but more positive than negative.
9. **Barely budged.** Our latest 30-30 picks are down an average of .05% in the past 8 days. Small cap tech, consumer discretionary, and health care are top targets.
10. **Cash, oil, VIX.** Investors moving to cash, oil price drops, VIX rises are up ahead now and will turn in the coming months, driving values higher.



# The Goldman Guide

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

[info@goldmanresearch.com](mailto:info@goldmanresearch.com) [www.goldmanresearch.com](http://www.goldmanresearch.com)

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[info@goldmanresearch.com](mailto:info@goldmanresearch.com) [www.goldmanresearch.com](http://www.goldmanresearch.com)

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