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KEY TAKEAWAYS

- ⇒ Our humorous 2 cents on a Clinton or Trump election win for the economy
- ⇒ What type of trading to expect next week and in September
- ⇒ RSI's are dropping on major indices-even with new highs, indicating a lack of conviction
- ⇒ Investors are increasingly unsure about market direction
- ⇒ This stock may have a porn name but is a great value/growth play
- ⇒ Something brewing over here

THE MAJOR INDICES

Index	Close	2016
DJIA	18,395	5.6%
S&P 500	2184	6.1%
NASDAQ	5219	4.2%
Russell 2000	1238	9.0%

(figures are rounded)

THE DIRTY LAUNDRY ELECTION

It seems appropriate that just yesterday the singer Nickelback released his version of Don Henley's "Dirty Laundry." It seems that every day we

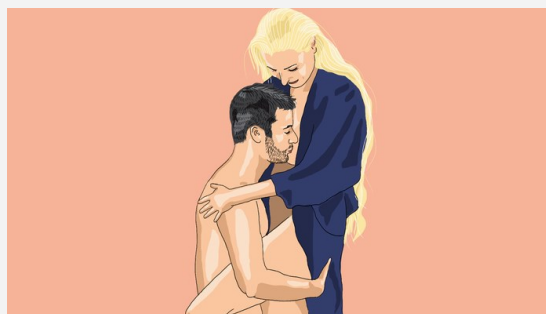


hear new crap about the two worst (paired) Presidential candidates in our short history. One candidate has no filter and the other uses filters to make a shitload of money. Check out some of these lyrics:

*I make my living off the evening news
Just give me something
Something I can use
People love it when you lose
They love dirty laundry*

A money manager asked me the other day what I thought the economy would look like under a Trump and under a Clinton Administration. I said I did not know about Trump because he changes his mind more than I change my drawers.

As to Clinton, well... the Nickelback story had a link to an insane story about the increasing popularity of adult breast-feeding! I wish I had seen this before I spoke to the money



manager. The image below is what I think the economy would look like under a Clinton Administration. The masses will be fed and led by "Mama Government."

The Stock Market Today

U.S. Stock Market Index Performance 8/26/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Above 200-DMA
DJIA	18,395	18,668	15,451	8/15/16	1/20/16	1.5%	19.1%	4.9%
S&P 500	2,169	2,194	1,810	8/15/16	2/11/16	1.1%	19.8%	5.7%
NASDAQ	5,219	5,276	4,210	8/23/16	2/11/16	1.1%	24.0%	7.3%
Russell 2000	1,238	1,251	943	8/23/16	2/11/16	1.0%	31.3%	10.0%
Average						1.2%	23.5%	7.0%
Sources: www.BarChart.com, Goldman Small Cap Research								

Random Thoughts

Even with new index highs, the RSI's on the major indices, especially the DJIA, are in a sharp decline, indicating a lack of buying conviction and uncertainty regarding the stock market's direction. That explains the increasing larger Neutral investor category.

The last week before Labor Day isn't a big volume week, unless macro issues crop up. Many analysts and strategists plot their course and release new ideas and approaches after Labor Day. In the meantime, according to Stock Trader's Almanac, this Monday is historically bullish while Tuesday is bearish. We shall see who wins the tug of war.

September is a lousy month for stocks. Since 2000, the S&P 500 Index has posted with an average return of (1.48%). With typical portfolio re-balancing, earnings pre-announcements and EPS changes for 2017, the month might be rough. I would not be surprised to see volatility return as well. We need a shake-out to get to the next level.

This time of year brings out "The Chasers: who go after the hottest name of the moment, "The Bottom-Fisher" thinking he has found a diamond in the rough and "The Side-line Stander," who watches and waits. Who succeeds? "The Prudent Speculator" who measures risk/reward with an appropriate time horizon.

Say What?



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

The New York Post

<http://nypost.com/2016/08/26/wall-street-not-sold-on-feds-potential-interest-rates-bump/>

Of course not. What are they thinking at the Fed?

Marketwatch

<http://www.marketwatch.com/story/americas-investment-in-its-own-future-is-in-a-depression-2016-08-26>

Very sound and important read.

The New York Times

http://mobile.nytimes.com/2016/08/28/magazine/inside-facebooks-totally-insane-unintentionally-gigantic-hyperpartisan-political-media-machine.html?_r=0

What a story. And I am sure there is more to it.

Bloomberg

<http://www.bloomberg.com/news/articles/2016-08-26/world-s-biggest-pension-fund-loses-52-billion-as-stocks-slump>

And you thought you had a bad day...

ZeroHedge:

<http://www.zerohedge.com/news/2016-08-27/recession-odds-spike-37-jpm-calculates-highest-yet-cycle>

Uh-oh.

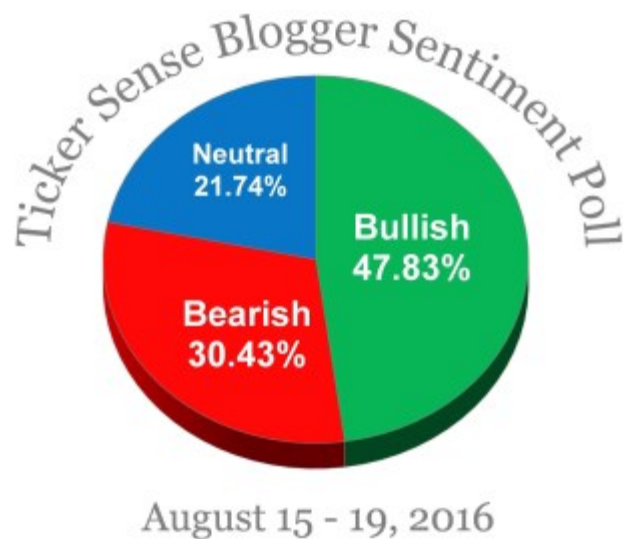
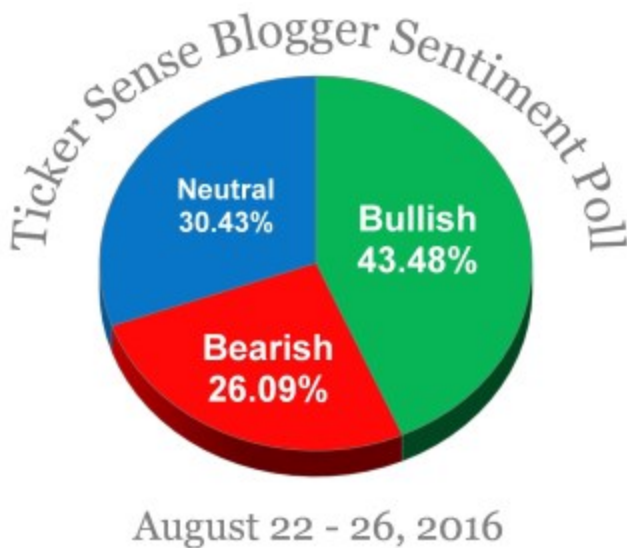
Notable Numbers

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	29%	36%	39%
Neutral	41%	38%	31%
Bearish	30%	27%	30%



Now these numbers make sense. The Bearish corner of the AAll survey is at the long term average and equivalent to Bulls camp. Importantly, the Neutrals are the biggest group. It is similar with the pros, with the biggest jump in Neutrals, although Bulls are kinda high, if you ask me. Even the Investors Intelligence figures are basically unchanged from last wee, while we are back to multi-billion dollar equity fund outflows again. I suspect we will see even bigger and more consistent outflows after Labor Day. That is good because it means there is more money on the sidelines to take stocks higher, later.



Sounds Like Porn But With Better Happy Ending

I assume that this week's featured stock is a company named after two founders' last names. If not, they must have been in porn. Otherwise, why in the world would you name your company **Babcock & Wilcox Enterprises, Inc. (NYSE—BW—\$16.71—NR)?**



As you can see from the image, Babcock & Wilcox must make giant phallic symbols, right?

Established way back in 1867, the Company is a global leader in energy and environmental technologies and services for the power and industrial markets, with operations, subsidiaries and joint ventures worldwide. Ok, I admit that tells you

nothing. Specifically, BW is known as the pioneers and kings of boilers and many other large-scale, industrial power generation units, including hundreds of units that convert waste (like biomass) into thermal energy.

Here is why it is being profiled today. The Company had a rotten Q2 and the stock became flaccid as a result. Still, management reiterated EPS guidance for the year, noted they have been selected for an “abnormally high number of projects”, which indicates good biz ahead. Plus, BW will apparently complete the remaining \$18M share buyback this Q and authorized another \$100M buyback, although that may take a backseat to prospective acquisitions such as the recent SPIG deal which will have a huge impact on financials in 2H17. By the way, the Company has no long-term debt which is unusual for this industry, and illustrates why BW celebrates its 150 year anniversary next year.

At current levels, the stock trades 22.9x this year's \$0.73 EPS forecast and 11.4 the \$1.47 consensus estimate for next year. Believe it or not, the recent estimates are on the rise, and BW has bounced off of its low as a result. With a strong 61 RSI, and the stock trading above its 20 and 50 DMAs, it looks like the worst is behind it—and buybacks will help buoy the shares along with new business. Our target is \$22, or 15x the 2017 EPS consensus forecast.

Something Brewing Over Here

How many beer drinkers do we have out there? For those that are, you know that micro beers and breweries are all the trend. There are literally dozens of private equity companies that specialize in bringing your local IPA with the funny name (or whatever type of specialty you prefer) to an IPO or buyout by one of the major distillers. Some would say that 'snob' beers are definitely en vogue.

Why do we bring this up? Three and a half years ago we featured **Craft Brew Alliance, Inc. (NASDAQ – BREW - \$19.90)** at \$7.45. The stock has had some highs and lows over that time but is up a nice 167% over that time. This week we are sure that the C-level leadership rolled out the barrels as the Company and Anheuser-Busch (AB) announced a series of new commercial agreements that expand and strengthen Crafts' long-term relationship and create new growth opportunities for both Companies.

The stock popped 30% by the end of trading Friday! We say keep the party going if you own **BREW**, as there both basic technical and fundamental pluses. The short, intermediate, and long term EMA are all a very bullish signal. The trailing P/E is 369 versus the forward of 49 as Wall Street analysts adjust their revenue growth estimates which currently at 7% over the next year, but are surely to go higher with the deal.

After this pop, you may want to let the foam come off the top before taking a swig, but we expect more than just pint-size gains over the next 12 months or so. Look for \$25 sometime next year.



The Goldman Guide

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