

## INSIDE THIS ISSUE:

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## KEY TAKEAWAYS

- ⇒ *Was last week's NASDAQ's move misleading?*
- ⇒ *Can Apple carry stocks ahead?*
- ⇒ *Election concerns have added to market volatility and expect it to continue.*
- ⇒ *The end of institutional window dressing means a focus on GARP stocks that can make a big post-election move.*
- ⇒ *We have identified the next market driver*
- ⇒ *This stock produces sweet products and could produce sweet returns*

## THE MAJOR INDICES

<u>Index</u>	<u>Close</u>	<u>2016</u>
DJIA	18,124	4.0%
S&P 500	2139	4.6%
NASDAQ	5245	4.8%
Russell 2000	1225	7.8%

(figures are rounded)

## APPLE KEEPS THE BEARS AWAY

We have seen this movie before. Granted, it's been a while. But, **Apple (NASDAQ— AAPL)** did something it hasn't done in ages. It carried the market. It faced the bear and it beat it. If not for Apple, we would not have seen the big up week from the NASDAQ



Composite. You can see it with the RSI which leaped ahead for the NASDAQ but only moved up incrementally for the rest of the major indices. What does this mean? Don't believe the market run.

Today we stand at the halfway point of the month, and the last 2 weeks of the quarter. Judging by some sector and market moves at the end of last week, institutional window dressing is all but complete and major investors are focused on finding GARP stocks that are diamonds in the rough, or stocks that will have a good Q4 and 2017.

Usually at this time of year, especially during a Presidential election year, investors start to gear up for buys of companies that reflect the prospective winner's policy. Well, a few weeks ago a Clinton Presidency was all but assured. Now that it is in doubt, it has added more uncertainty to the market. So, don't get caught in that trap, either. The good news is that we are 51 days from the election and as we get closer we will have a better sense of policy as well. Moreover, the near record institutional cash levels may actually be put to use instead of sitting on the sidelines. So, bulls, get ready!

## The Stock Market Today

U.S. Stock Market Index Performance 9/16/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Above 200-DMA
DJIA	18,124	18,668	15,451	8/15/16	1/20/16	2.9%	17.3%	3.1%
S&P 500	2,139	2,194	1,810	8/15/16	2/11/16	2.5%	18.2%	3.9%
NASDAQ	5,245	5,288	4,210	9/7/16	2/11/16	0.8%	24.6%	7.6%
Russell 2000	1,225	1,261	943	9/7/16	2/11/16	2.9%	29.9%	8.4%
Average						2.3%	22.5%	5.7%
Sources: www.BarChart.com, Goldman Small Cap Research								

I have often mentioned that I tend to be early on certain situations. This could be one of them. Still, I am sure you will agree that the thesis is sound. We are about 6 weeks away from Halloween and what better way to play (from the small cap perspective) than the **Rocky Mountain Chocolate Factory, Inc. (NASDAQ—RMCF—\$10.11—NR)**.

Headquartered in Durango, Colorado, RMCF is an international franchiser of gourmet chocolate, confection and self-serve frozen yogurt stores and a manufacturer of an extensive line of premium chocolates and other confectionery products. As of August 18, 2016 the Company, its subsidiaries and its franchisees operated 573 Rocky Mountain Chocolate Factory and self-serve frozen yogurt stores in 43 states and a number of countries abroad. For the fiscal 2016 year, RMCF recorded \$40.5M in sales with \$0.73 in EPS. Not too shabby. The 4 most recent quarters generated around \$3.5M in operating profit on \$39.5M in sales, a roughly 9% margin. That is healthy for the space, especially considering it included a seasonally weak quarter.

While there are no listed Wall Street analyst forecasts, we believe that the stock could enjoy a 20% gain from current levels, as the stock trades less than 14x last year's results, and 1.5 sales. The chart looks lousy and the shares appear weak, which we view as a good entry signal, as the stock has a history of big jumps following meaningful declines. RMCF also pays a 4.75% annual dividend, which is a nice bonus. With Halloween ahead, and results to be released before the 31st of October, we believe RMCF can bring investor sweet products and a sweet return.

## **Say What?**



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

### *The New York Post*

<http://nypost.com/2016/09/16/drones-will-soon-dominate-skies-feds-say/>

Are you ready for this?

### *Marketwatch*

<http://www.marketwatch.com/story/heres-why-defensive-stocks-could-lead-the-next-market-fall-2016-09-13>

An example of "late to the party." Some of them are buys now.

### *USA Today*

<http://www.usatoday.com/story/money/markets/2016/09/17/most-experts-see-oil-below-60-through-2017/90112056/>

Looking ahead...

### *Bloomberg*

<https://www.bloomberg.com/gadfly/articles/2016-09-16/solarcity-tesla-deal-spread-150-percent-return-no-takers>

You will either make a killing or it is a trap. Read and decide.

### *ZeroHedge:*

<http://www.zerohedge.com/news/2016-09-16/nassim-taleb-exposes-worlds-intellectual-yet-idiot-class>

A fantastic rant.

## Notable Numbers

### AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	28%	30%	39%
Neutral	36%	42%	31%
Bearish	36%	29%	30%



Boom! And just like that, Bears start to take over, with Neutrals and Bears at the same rate in the AAll survey and the percentage of Bears besting the Bulls in the Ticker Sense poll. That has not happened in a number of weeks. For the AAll survey, it has been almost exactly 90 days since we have seen this level of Bearish respondents. For that matter, I believe that since we began tracking the Investors Intelligence figures a few months ago, the percentage of bulls is under 50% for the first time. Moreover, the Bull/Bear ratio has dropped by 20% in the past 2 weeks alone. It is clear caution will dominate sentiment ahead.



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# The Goldman Guide

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