

INSIDE THIS ISSUE:

Stock Market Today

Say What?

Notable Numbers

KEY TAKEAWAYS

- ⇒ *Look for the 9 day losing streak to end soon, thanks in part to recent events*
- ⇒ *History gives us guidance that next year should be a solid year for equities, especially consumer discretionary stocks*
- ⇒ *Recent technical weakness may be viewed as a buy signal*
- ⇒ *EPS estimate reductions for 4Q are the lowest in 2 years which bodes well for stock performance*
- ⇒ *Sentiment and fund inflows/outflows should soon give off favorable signals*

THE MAJOR INDICES

<u>Index</u>	<u>Close</u>	<u>2016</u>
DJIA	17888	2.7%
S&P 500	2085	2.0%
NASDAQ	5046	0.7%
Russell 2000	1163	2.4%

(figures are rounded)

HISTORY TELLS US STOCKS WILL ROCK

The bellwether stock index has declined for 9 days in a row, the first time it has done that since 1980. Scandals and nonsense and a lack of clarity in this election cycle have caused this latest stock drift. Doomsayers are warning us to brace for impact. We think otherwise, and history is on our side.

Let's look at the situation in 2 ways: Near term and intermediate term.

Something has to break with this losing streak and I am pretty sure I read somewhere that the day before Election Day is almost always an up day for stocks. With Democratic nominee Hillary Clinton now cleared of all charges by the FBI (shocker), that should lift the gray cloud overhang on stocks. Even with some ambiguity on how things will shake out Tuesday night (and we don't think it really is that close), the low RSIs on the S&P 500 Index and NASDAQ Composite (both at 28) will serve as a buy signal for some traders.

Courtesy of Factset, check out these stats:

For you Clinton supporters...when the a Democrat replaces a Democrat in office, the market has risen by 9.8% in the first year in office. When a Republican follows a Democrat...stocks dropped by 10.2%. Ouch.

Going back to 1992, the S&P 500 has risen in all Election Years (plus one), with consumer discretionary stocks rising an average of 19.9% and all sectors have averaged a 13.5% gain.



The Stock Market Today

U.S. Stock Market Index Performance 11/4/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Above 200-DMA
DJIA	17,888	18,668	15,451	8/15/16	1/20/16	4.2%	15.8%	0.7%
S&P 500	2,085	2,194	1,810	8/15/16	2/11/16	5.0%	15.2%	0.1%
NASDAQ	5,046	5,343	4,210	9/22/16	2/11/16	5.6%	19.9%	2.1%
Russell 2000	1,163	1,263	943	9/22/16	2/11/16	7.9%	23.3%	1.1%
Average						5.7%	18.5%	1.0%
Sources: www.BarChart.com, Goldman Small Cap Research								

After spending time with friends celebrating their 69th wedding anniversary, it made me nostalgic. With all of the fractures and consternation in this election season, I thought it would be an opportune time to serve as a reminder we still look out for one another.

A group of drunken bachelor party participants left their hotel in the middle of the night to get food across the street. On the way back they noticed a guest trying to commit suicide. As drunk as they were they alerted hotel management and security. Just as he was about to jump security burst into the room, ran onto the balcony and saved his life.

An immigrant to this country was so moved by the plight of our veterans that she volunteered twice a week at a local VA hospital. She built a friendship with a Korean War veteran who later passed away. The family was so grateful that the woman likely extended the man's life because of her friendship that they bought her a car. You see, in order to get to the VA she had to take 2 buses and travel 90 minutes each way in cold, rain, snow, heat. One of her children proudly serves in the military today.

A Filipino woman answered an ad and took a housekeeping job in a foreign country. After she was picked up at the airport and brought into the home her passport and all of her belongings were taken. She was a slave for months. No pay, no escape, a hovel for living quarters and scraps for food. One day the man of the house left a laptop open in the kitchen. The woman took a chance, contacted a friend on Facebook and arrangements were made to whisk her out of the country and back to the Philippines.

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/2016/11/07/business/media/ads-focus-on-relief-from-the-presidential-campaign.html?ref=business&_r=0

Much needed comic relief.

The New York Post

<http://nypost.com/2016/11/06/wall-street-eyes-election-results-for-measure-of-future-stability/>

I know you know this, but thought you should know. Ya know?

24/7 Wall Street

<http://247wallst.com/special-report/2016/11/04/5-states-voting-to-legalize-marijuana/>

There isn't just a vote for President in some states this year.

Bloomberg

<http://www.bloomberg.com/news/articles/2016-11-06/obama-s-successor-inherits-a-bond-market-at-epic-turning-point>

We don't talk about it much but investors can no longer avoid the inevitable.

ZeroHedge:

<http://www.zerohedge.com/news/2016-11-06/election-has-disgraced-entire-profession-journalism>

A new take on an old whipping boy.

Notable Numbers

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	24%	25%	39%
Neutral	42%	41%	31%
Bearish	34%	34%	30%



Clearly, individual investors did not know what to make of all the craziness last week and it was evidenced by an almost negligible difference in the week to week survey results. On the pro side, the Investors Intelligence Bull-to-Bear ratio took one of the biggest weekly hits we have seen in months. The ratio, which had been fairly consistent for months with limited exceptions, dropped by 15% last week, as compared with the prior results as investment pros must have been wringing their hands and pulling out their hair.

Regular readers may have noticed that we have paid particular attention to the weekly Lipper Fund Flows data as the figures have been off kilter of late. For example, a week ago, equity fund outflows, excluding ETFs, jumped \$20.2 billion—many times more than the recent weekly average. This week, taxable bond fund outflows were \$7.7 billion. This decline follows 2 consecutive weeks of inflows which were preceded by only nominal outflows. Obviously investors are concerned about inflation and yield and these outflows also have probably impacted the recent market drops.

Speaking of market drops, last week's declines were most noteworthy with respect to share volume, which for a few days were slightly higher than normal. Not a good sign,, but as we mentioned earlier, we view it as a short term situation with positive turns right around the corner. Considering that Q4 reductions in EPS estimates by Wall Street analysts were the lowest in 2 years, we could have a pretty decent quarter—especially with the expectation that many companies could enjoy favorable comparisons with 4Q15 results.



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