

INSIDE THIS ISSUE:

Stock Market Today

Say What?

Notable Numbers

KEY TAKEAWAYS

- ⇒ *There are 3 obvious winning sectors for investors going forward*
- ⇒ *Look for volume to start to decline and stocks to shed some points*
- ⇒ *Despite euphoria and big volume rise, some valuations are getting pricey*
- ⇒ *If Trump is successful in his primary endeavor, consumer discretionary stocks could really run*
- ⇒ *Defense and tech stocks are not really beneficiaries in this Trump-induced rally*

THE MAJOR INDICES

Index	Close	2016
DJIA	18846	8.2%
S&P 500	2164	5.9%
NASDAQ	5237	4.6%
Russell 2000	1282	12.9%

(figures are rounded)

THREE TRUMP WINNERS

Unless you have been living under a rock you know what happened last week in the election and subsequent reaction of the stock market. Without spending a lot of time on it, here are the only things you need to worry about if you are planning to go hog wild.



First, money was sitting on the sidelines and since investing is all about me-too, a ton of investors just piled in to try and eke out big gains after a sub-par few months. That is why volume was basically up 50% for 2 days, then dropped off on Friday. We expect things will normalize a bit going forward.

On the plus side, the more sedate Mr. Trump appears, the better the performance of the market. The more boisterous and acrimonious, performance will suffer. Still, now is the time to focus attention on what sectors will work and drill down from there. Some have made big moves and will continue to do so, in our view.

The big three sectors in our opinion are health care (with a special emphasis on pharma and biotech), banks (big one and investment firms), and infrastructure (anything where rollback of regulations is bound to occur.) Notice we did not put tech on this list. After the heart palpitations endured by tech uber-leaders subside, this space will be in play, of course. But, we think the big move there may start as a rotation out of somewhere else—a somewhere else that could be domestic or abroad. It is a little too early to call.

The Stock Market Today

U.S. Stock Market Index Performance 11/11/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Above 200-DMA
DJIA	18,846	18,874	15,451	11/10/16	1/20/16	0.1%	22.0%	5.7%
S&P 500	2,164	2,194	1,810	8/15/16	2/11/16	1.4%	19.6%	3.5%
NASDAQ	5,237	5,343	4,210	9/22/16	2/11/16	2.0%	24.4%	5.6%
Russell 2000	1,282	1,283	943	11/11/16	2/11/16	0.1%	35.9%	10.9%
Average						0.9%	25.5%	6.4%
Sources: www.BarChart.com, Goldman Small Cap Research								

It is probably heretical to say we could see stocks drop a bit but hey, I am going to say it. Not a big drop, mind you but the market doesn't always hoot up by 5% in a matter of days. And with a RSI of 72 on the Dow Jones Industrial Average and a similar RSI for the Russell 2000 Index, it could drift somewhat this week. This move is expected despite the pretty solid Q3 results and limited EPS reduced forecasts. It happens.

One area we did not highlight is real estate, which we think could also see an increase in value. There are direct and indirect ways to play it as you know. But, with a real estate mogul in office, you can bet your bottom dollar that the space will not be hurting, even in a rising interest rate environment. If you are trying to handicap what happens abroad, I am inclined to lay odds that England's market benefits from Trumpmania.

Sooner rather than later we see consumer discretionary stocks doing well and with some protectionist policy likely to remain, we could see some interesting shifts in domestic drilling and pumping of oil and gas but not much movement in defense stocks as we get the sense that the President-Elect is no military campaign fan/hawk.

If Trump can lessen the health care blow for middle America, look for the consumer to open up his wallet for good small and large, more \$ for recreation, and the creation of more jobs. If he fails, well, a low growth higher interest rate environment will not be fun.

Say What?



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

The New York Post

<http://nypost.com/2016/11/13/this-country-is-a-borrowing-fool/>

Hopefully we can reverse this...

USA Today

<http://www.usatoday.com/story/money/nation-now/2016/11/13/fake-apps-fraud-take-joy-out-holiday-shopping/93657840/>

How about a personal finance story for a change?

Marketwatch

<http://www.marketwatch.com/story/in-wake-of-trump-rally-tom-demark-calls-for-11-stock-market-decline-2016-11-11>

One guy's opinion.

Bloomberg

<http://www.bloomberg.com/news/articles/2016-11-14/trump-s-rise-may-save-banks-billions-by-disrupting-global-rules>

We think banks are big winners too.

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	39%	24%	39%
Neutral	32%	42%	31%
Bearish	29%	34%	30%



A freaking 15 point change in the AAll Sentiment Survey's Bullish sentiment actually takes the figure back to the long term average for the first time in what feels like forever. It is almost scary that all 3 figures are essentially exactly at the long term averages for all 3 sentiments. Who knows where the numbers go next week. We did not publish the Ticker Sense charts because their poll was published on the 7th of November, before the market went bananas. We also omitted the Investors Intelligence figures since they were published as of the 8th of November, election day. Speaking of bananas, while equity mutual fund outflows excluding ETFs were over \$9 billion, I bet we see some of the biggest inflows reported when the next round of figures are released in the middle of next week.

See what P/E valuations look like after big moves? This is why we are a tad cautious.

<u>11/11/2016</u>	<u>Trailing 12 mos.</u>	<u>Year ago</u>	<u>Forward 12 mos.</u>
Russell 2000	nil	141.90	18.25
Nasdaq 100	23.37	22.75	18.87
S&P 500	23.99	22.70	18.05



The Goldman Guide

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