

The Stock Market Today
Investing Considerations
Our Performance Breakdown

INDICES & CATALYSTS

	<u>Close</u>	<u>2023 Perf</u>
DJIA	33,274	0.4%
S&P 500	4,109	7.0%
NASDAQ	12,222	16.8%
RUSS 2K	1,802	2.3%
VIX	\$18.70	-13.7%
BITCOIN	\$28,452	71.9%
OIL	\$75.70	-5.7%

KEY TAKEAWAYS

- ⇒ *Our performance for 1Q23 was spot on in most areas while our small cap stock ideas lagged*
- ⇒ *Stay positive, stay big, get exposure to ETFs, although non-NASDAQ*
- ⇒ *Small cap will have its day soon. So, good things will come to those who wait*

KEY FIGURES

	<u>Fwd P/E</u>	<u>RSI</u>
DJIA	17.4	59.0
S&P 500	18.2	62.9
NASDAQ 100	25.4	68.5
RUSS 2K	21.6	50.4

Our 1Q23 Performance: Strong!

I am super excited today. Today is the first day of the second quarter of trading and I am feeling pretty confident that this week will be a favorable one for investors. If it isn't, well, Sell in May and Go Away might come sooner. But I digress. I am proud to publish our performance ideas and guidance for 1Q23.

As our stock picks mostly focused on underfollowed small caps, we had some good moments early on, but, as the Russell 2000 performance can attest, small was not a good category. And our 5 small cap stock picks to date, well, were not the best.

However, our five trading picks and two mega cap picks were pretty good, particularly our trading picks. Moreover, we called, almost to the day, the top of the market and professed a winter was coming. We also elected to go in the other direction, also almost to the day stocks began their vast improvement. So, if you followed our podcasts, and data, you saw/heard that we did a more than fine job on accurately describing and projecting market conditions and flows.

More on this later.

The SOBs at OPEC decided to cut production Sunday evening. That puts a crimp on performance. Still, for the next couple of weeks, we feel that the S&P 500 Index remain good plays, while mega NASDAQ may start to lose some steam. Small caps which have had a lot of headwinds may start to break out soon and Bitcoin, which we are long, could have more upside if it can stay above \$30,000. More on all of these ideas and more inside. Have a good day!

The Market Today

U.S. Market Performance 3/31/2023									
Index	Close	Y/E 2022	YTD Perf	52-Wk Hi	52-Wk Low	% off Hi	% from Low	200 DMA	% Abv/Bel 200 DMA
DJIA	33,274	33,147	0.4%	35,492	28,661	-6.2%	16.1%	32,389	2.7%
S&P 500	4,109	3,839	7.0%	4,593	3,492	-10.5%	17.7%	3,936	4.4%
NASDAQ	12,222	10,466	16.8%	14,534	10,089	-15.9%	21.1%	11,401	7.2%
Russell 2000	1,802	1,761	2.3%	2,103	1,641	-14.3%	9.8%	1,822	-1.1%
Bitcoin	\$28,452	\$16,548	71.9%	\$47,313	\$15,599	-39.9%	82.4%	\$20,746	37.1%
Average						-17.4%	29.4%		10.1%
Avg w/o BTC						-11.8%	16.2%		3.3%

Source: Barchart.com, Yahoo!Finance, Goldman Small Cap Research

We are getting closer and closer to breaking above the 200 DMA for the Russell 2000. And the jump in RSI from 38 to 50 (rounded) gets us closer to Buy signal from Neutral. In fact, with a 50 DMA of 1864, the index is only about 3.5% away from the 50 DMA as well. Trading comfortably above these figures would be bullish—and still have around 10% upside to even sniff the 52-week high. Moreover, the forward P/E would not be at nosebleed levels. So, all in all, if we can get decent movement this week, I believe most of the quarter could be favorable for small caps as a rotation ensues from larger market cap NASDAQ stocks to their smaller, cheaper brethren.

Notable Numbers

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	23%	19%	38%
Neutral	42%	32%	32%
Bearish	46%	48%	31%



Getting closer each week to the right contrarian signals...

Equity Fund Flows	
Lipper	ETF.com
<u>3/29/2023</u>	<u>3/30/2023</u>
Outflows (-\$20.5B)	3 of top 5 inflows debt
Outflows Ex ETFs (-\$7.98B)	but low levels of inflows
A (-\$8.6B) weekly change	Sizable outflows
	Led by SPY, QQQ, IWM

Investing Considerations...

With a dearth of earnings reports for a spell, could oil price jumps and jobs reports derail upward momentum?

Are prospective bank failures “a thing”, or “a media thing”?

Will we start to see a return to a real IPO market this quarter?

What will the catalysts be to drive retail back to its old form?

Have crypto investors become non-plussed about negative news, even as the SEC seems to want to crush all but the few, top coins?

Our 1Q23 Performance

Forgive me if I go a little overboard on specificity. I find it is important, especially when espousing performance data. We divided the ten featured securities into three categories: Small Cap, Trading, and Mega Cap, and provided data on all three. First, a quick overview of what we view as the key indices and securities.

The Goldman Guide: 1Q23 Index/Bellwether Performance									
Index/Sec	Y/E 2022 Price	3/31/23 Price	YTD Return	Peak Price	Peak Date	Peak Return	YTD Low Price	YTD Low Date	Peak to Low Return
DJIA	33,147	33,274	0.4%	34,342	1/13/23	3.6%	31,430	3/10/23	-8.48%
S&P 500	3,839	4,109	7.0%	4,195	2/2/23	9.3%	3,809	3/15/23	-9.20%
NASDAQ Comp	10,466	12,222	16.8%	12,270	2/2/23	17.2%	10,983	3/13/23	-10.49%
Russell 2000	1,761	1,802	2.3%	2,007	2/2/23	14.0%	1,695	3/24/23	-15.55%
Bitcoin^	\$16,548	\$28,452	71.9%	\$29,160	3/30/23	76.2%	\$16,521	1/1/23	-0.16%
VIX^	\$21.67	\$18.70	-13.7%	\$30.81	3/10/23	42.2%	17.06	2/2/23	-21.27%
Average*			6.6%			11%			-11%
*average excludes BTC and VIX									
^ denotes last return figure is Y/E to Low									
Sources: www.Yahoo!Finance.com, Goldman Small Cap Research									

The table above shows core data performance-wise, excluding valuation information, which we try to provide via a snapshot on page 1 of *The Goldman Guide*. What are the key takeaways here?

First, the average quarterly return was 6.6% for equities. Although the NASDAQ Composite (and the NASDAQ 100) had their best quarterly performance since 2020, NASDAQ is on shaky ground in our view, as we mentioned earlier. Second, despite a fierce rally following the SVB and related bank debacle, most equity indices peaked 2 months ago. So, you can draw a line almost straight downward from early February through late March---a roughly six week correction. (In some cases an actual one, in others merely a big drop.) I really want to get positive on the Russell but we are not quite there yet. But you will know.

A quick note on Bitcoin and VIX. Bitcoin was, I believe, the best single performer. Be wary that it probably won't happen again, but can enjoy fund flows to it this quarter. We were positive on VIX and its related plays such as iPath S&P 500 VIX ETN, which we recommended in late January. It dropped to a low in conjunction with the peak for the major indices (it is a pure S&P 500 Index contrarian after all). VIX also enjoyed a peak level just around SVB and the related rally.

Note: GSCR does not guarantee the accuracy of its performance data published in The Goldman Guide 1Q23 Performance Report dated April 2, 2023. as the source of the data may not be properly updated or properly calculated.

The Goldman Guide: 1Q23 Performance (Small Cap)								
Stock	Symbol	Report Price	Report Date	3/31/23 Price	Return from Report	Peak Price	Peak Date	Peak from Report
Inspired Ent	INSE	\$13.80	1/22/23	\$12.79	-7.3%	\$16.44	3/7/23	19.1%
Magic Soft	MGIC	\$16.10	1/29/23	\$13.63	-15.3%	\$17.50	2/2/23	8.7%
Vanda	VNDA	\$7.65	2/5/23	\$6.79	-11.2%	\$8.15	2/9/23	6.5%
Leonardo DRS	DRS	\$13.52	2/12/23	\$12.97	-4.1%	\$13.85	3/13/23	2.4%
Omniq	OMQS	\$6.10	3/7/23	\$4.85	-20.5%	\$6.20	3/15/23	1.6%
Average					-11.7%			8%
Sources: www.Yahoo!Finance.com, Goldman Small Cap Research								

Okay, our returns kinda sucked. These five stocks did do well from the peak return perspective, especially INSE, averaging 8%. But from the feature date through the end of the quarter, being down (11.7%) is not ideal. Still, as there was no real issue with the underlying companies themselves, we believe this performance is more a function of bad timing. Most of the picks were made around the peak period for NASDAQ. Still, OMQS is the real stinker of the group and we believe this low valuation play will do well this year, as it leverages its AI approach.

The Goldman Guide: 1Q23 Performance Mega Cap											
Stock	Symbol	Report Price	Report Date	3/31/23 Price	Return from Report	Peak Price	Peak Date	Peak from Report	Low from Report	Low Date	Report to Low
Meta	META	\$186.53	2/5/23	\$211.94	13.6%	\$212.17	3/31/23	13.7%	\$167.66	2/24/23	-10%
Amazon	AMZN	\$103.39	2/5/23	\$103.29	-0.1%	\$103.49	3/31/23	0.1%	\$88.12	3/13/23	-15%
Average					6.8%			7%			-12%
Sources: www.Yahoo!Finance.com, Goldman Small Cap Research											

This was an interesting exercise. In early February, right around the NASDAQ peak, we elected to do a deep dive on the former FAANG stocks. Following this review, we stated that if we were to buy any of them, these two had the “sharpest teeth”. Meta definitely did well while Amazon was flat, reflecting the difficult retail environment and its continued layoffs. What is interesting is that when we chose these mega caps, the Composite had just hit its year high, and as of 3/31/23, it is down less than 1% from that peak. So, while Amazon nearly matches that performance, Meta has crushed it. All in all, with both averaging a 6.8% return, it’s not too shabby. And we remain positive on both.

The Goldman Guide: 1Q23 Performance (Trading)											
Stock	Symbol	Report Price	Report Date	3/31/23 Price	Return from Report	Peak Price	Peak Date	Peak from Report	Low from Report	Low Date	Report to Low
iPath S&P 500 VIX*	VXX	\$45.20	1/29/23	\$44.91	-0.6%	\$60.38	3/15/23	33.6%	\$42.24	3/7/23	-6.55%
Under Armour#	UA	\$9.31	2/19/23	\$8.53	-8.4%	\$9.20	2/21/23	-1.2%	\$7.02	3/15/23	-24.6%
Chewy	CHWY	\$39.56	2/27/23	\$37.38	-5.5%	\$42.13	3/7/23	6.5%	\$32.94	3/24/23	-16.7%
Average					-4.8%			13%			-16%
Sources: www.Yahoo!Finance.com, Goldman Small Cap Research											

These three are very different from what we did with the other 7, which was essentially hey, consider buying here, etc. With these three, we leveraged our market sentiment, which we nailed regarding calling peaks, when to sell, and when to buy again.

The VXX, as noted above, is a direct way to play the VIX, and is designed for short term holdings. The VXX had a reverse split of around 1:4 so the figures here are bigger than in our podcast. Nonetheless, the peak return of VXX from our initial mention and recommendation, through the peak date of 3/15/23, was 33.6%. This period was around but not the exact date for when we suggested getting out of VXX. Still, we were off by just a matter of days, due to the weekend period, etc. If one would have held it through quarter-end it declined by less than half of a percent. Given that we are favorable toward the market for the time being, we would not play VXX for now.

Under Armour was a situation where we felt downside existed in the stock and that it was overvalued. We did not specifically recommend shorting it or buying puts, selling calls. We just identified what we felt was a risky near term situation for shareholders. Sure enough, the stock is down (-8.4%) since then and had a low return of (-24.6%) just a week earlier. We would avoid UA for now, although it still carries risk, in our view.

Chewy was a most interesting situation. On 2/27/23, we opined that the stock had downside to around the \$34 level but that each time it had dropped to that area, it came back strongly. Thus, we recommended watching it for such a move and buying the stock, if it reached that point. Sure enough, it dropped from \$39.56 to \$32.94 a month later. While the stock is still down (-5.5%) from the original high price we identified, it reached a peak return of 16.1% from the \$32.94 level on 3/24/23, to a week later, hitting the \$38.25 mark.

So, we are very pleased with these three trading ideas. VXX provided a peak return of 33.6%, UA a peak drop of (24.6%) and CHWY a jump from its targeted low of 16.1% through intra-day 3/31/23. That is an average peak return of 24.8%!

Thoughts on our ideas? Shoot me an email: rob@goldmanresearch.com.



The Goldman Guide

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