

INSIDE THIS ISSUE:

5 Words to Describe the Market

Say What?

The Stock Market Today

KEY TAKEAWAYS

- ⇒ *We now know that oil prices are nearing a bottom, courtesy of President Obama*
- ⇒ *We think that oil start to stabilize in the next 90 days or so*
- ⇒ *Investors seem to have ignored the fact that small caps have taken a beating*
- ⇒ *Better run away from stocks that even hint of cracking*
- ⇒ *Capitulation stage is on the horizon and the sooner it happens the better for us all*

THE MAJOR INDICES

<u>Index</u>	<u>Close</u>	<u>2016</u>
DJIA	16205	-5.5%
S&P 500	1880	-5.1%
NASDAQ	4363	-7.9%
Russell 2000	986	-8.9%

(figures are rounded)

THE SIGN OIL IS NEAR ITS BOTTOM

If it is any comfort, we have been given the gift of foresight with respect to the future of oil prices, courtesy of President Obama.



Our fearless leader is apparently going to propose a \$10/barrel tax increase on imported oil. Typical. Just when you get complacent and think we are in good shape with low costs on a big part of our economy and a politician comes a long to ruin the party. Does he not realize that the damn thing will be back over \$50 before you know it? Why? Such a poor decision.

(Hint:. I think we could see it approach \$40 by Memorial Day.) The only thing worse than the proposal is if it passes and puts more pressure on the consumer. Gee whiz. I know it is supposed to be “phased in” but based on current prices it works out to a 30% increase on a barrel of oil based on current prices.

I know that Iran’s plans to flood the market with oil which will have a near term effect in keeping prices low. Still, with seasonal demand likely to rise this summer and the potential of spikes in prices due more to geopolitical issues and events, I don’t think that the big supply reports will last as long as some industry watchers forecast.

The sad truth is that until we have some clarity, oil prices will continue to weigh on stocks and ultimately impact direction.

Five Words to Describe This Market

Scary: The Russell 2000 Index dropped by more than 5% last week but all people seemed to concern themselves with was LinkedIn (NASDAQ—LNKD) and the jobs report. Do not small caps exist? Did no one notice the Russell dropped over 5% last week?

Knee-Jerk: Speaking of LinkedIn, that damn stock sold off like mad as it became the poster-child for a high growth tech stock that is now just a lower valued plain old growth tech stock. Investors are selling (and shorting) in waves at the slightest whiff of bad news.

Opportunistic: If you can be like Jack, and be nimble and quick with how you buy stocks and pull the trigger on the few names that are working, there is some money to be made. Other ways include buying puts on names mired in its own mess and the over-all market until we see some daylight.

Conviction-less: No one seems to be willing to make even intermediate term bets!

Hopeful: We have not yet hit the capitulation stage and we are all waiting for some real semblance that the worst is behind us. While it appears to still be a ways off, it may be sooner than you think, and certain small stocks may start the turn.

U.S. Stock Market Index Performance 2/7/2016								
Index	Close	52-Wk Hi	52-Wk Low	Hi Date	Low Date	% off High	% from Low	% Below 200-DMA
DJIA	16,205	18,351	15,370	5/19/15	8/24/15	11.7%	5.4%	-6.5%
S&P 500	1,880	2,135	1,812	5/20/15	1/20/16	11.9%	3.8%	-7.9%
NASDAQ	4,363	5,232	4,292	7/20/15	8/24/15	16.6%	1.7%	-11.6%
Russell 2000	986	1,296	958	6/23/15	1/20/16	23.9%	2.9%	-16.3%
Average						16.0%	3.4%	-10.6%
Source: www.BarChart.com, Goldman Small Cap Research								

Say What?



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

Bloomberg

<http://www.bloomberg.com/news/articles/2016-02-07/bull-fortress-cracking-on-s-p-500-as-strategist-cuts-multiply>

Oy vey...capitulation coming soon, please?

USA Today

<http://www.usatoday.com/story/money/markets/2016/02/05/bond-markets-throw-investors-loop/79841116/>

The story just keeps getting worse, huh?

The New York Times

http://www.nytimes.com/2016/02/06/your-money/why-your-portfolio-needs-plenty-of-stocks-whatever-your-age.html?ref=business&_r=0

So true...

Marketwatch

<http://www.marketwatch.com/story/jeremy-grantham-says-this-isnt-the-big-bear-market-2016-02-06>

Words of comfort from a well-known bear?

ZeroHedge

<http://www.zerohedge.com/news/2016-02-07/2016-eps-estimates-slashed-50-just-one-month-year>

I confess this is not good news from FactSet but this is now a lagging indicator.

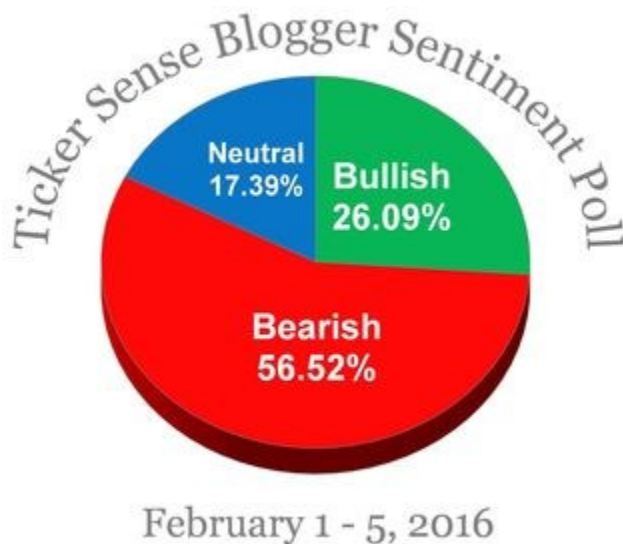
The Stock Market Today

AAll Sentiment Survey (figures rounded)

	<u>Current</u>	<u>Last Week</u>	<u>Long Term Avg</u>
Bullish	28%	29%	39%
Neutral	38%	30%	31%
Bearish	35%	40%	30%



Amazing that there is really no change in sentiment from week-to-week. Things are just terrible, I guess. Perhaps after we get through the earnings season and Iran dumping oil on the market to raise money things will stabilize. Still, no one can really point to a triggering event for the blood-letting to subside. However, you will know when it happens and don't want to be on the sidelines when it does.





The Goldman Guide

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