December 22, 2016

TOP 17 PREDICTIONS FOR 2017

Now that 2016 is coming to a close, it is time for our annual predictions for the upcoming year. We had a lot of good ones, and some misses too, of course. And who had Trump winning the election, right? Our small cap pick of the year, **Rovi/Tivo (NASDAQ – TIVO)** was up 42% and our microcap/low-priced stock pick of the year, **Hovnanian (NYSE – HOV)** rose 58%. And in just the past few months, our flagship premium newsletter *The 30-30 Report* has produced 4 winners averaging an increase of 59% in just a matter of weeks, including a 113% gainer!

The future looks bright ahead with *The January Effect* set to drive key stocks to new heights. There are multiple definitions associated with the January Effect and its related Santa Claus rally moniker. In a nutshell, the January Effect is an historical Wall Street moniker for the belief that small cap stocks outperform large caps from January through June, with the trigger based upon catalysts mentioned above. In fact, this event has occurred for 31 of the past 37 years, which is an 83% accuracy rate!

I have known some money managers and big-time traders that bought stocks in beginning in mid-late December during what is called the Santa Claus Rally, rode gains into the first half of the first quarter, sat on cash for a few months, and then started all over again.

The drivers of this phenomenon are easily understood. Now that we are in the last stretch of December, much of the year-end selling of stock losers has passed. As a result, many low-priced stocks are temporarily low prompting investors to begin buying stocks with an objective of a 2-6 month holding period, based upon the risk/reward associated with current prospects and valuation of these stocks. Therefore, investors and traders should start making their list and checking it twice. And we can help there via our publications and webinars.

Before we offer our top 17 predictions for 2017, let's review how we did this past year.

2016 Predictions

Prediction #1: The DJIA and S&P 500 Index will peak at 5% and 7%, respectively and the tail end of the year may be more difficult than in most election years. Until the election, we were pretty much on target. Of course these numbers have been blown away. The DJIA and S&P 500 Index peaked at over 14% and 11%, respectively.

Prediction #2: The NASDAQ Composite and Russell 2000 Index peak returns will be achieved twice, signalling volatility throughout the year. These returns will be 9% and 11, respectively. We were on target on the NASDAQ, as it peaked at 9.6% but the Russell had one of its best years ever, up 21%.

Prediction #3: Financials will enjoy resurgence and M&A activity will return, in spurts, especially in the lower end of the market. Again, we hit pay dirt as major ETFs rose by over 16%, despite scandals at the mega levels (i.e., Wells Fargo) and the lower segment just began M&A runs in Q4, when the move in the space occurred.

Prediction #4: Tech and health care will continue to find fans and deliver winners while consumer stocks hit a rough patch next year. Tech did have a solid but not spectacular performance, up about 15% but health care took it on the chin, down (especially biotech), after a few years of market leadership. We were on target with the consumer space as they eked out low single digit returns.

Prediction #5: Oil will start to turn just in time for American consumers to by lots of gas for the summer. Oil per barrel prices did turn, jumping 41% from the closing price in 2015, first reaching its peak in the summer of 2016 before busting through it recently.

Prediction #6: Slowing Asian growth hits stocks again in Q2/Q3. There was slower growth but it did not really impact stocks much this year.

Prediction #7: In the Hillary versus Donald steel cage match, Hillary wins as Americans go with their heads, suppressing their true feelings that are actually in sympathy with much of Trump's bluster. Wrong!

Prediction #8: The winner of the Super Bowl will be from the NFC (as it should have been last year.) Wrong again!

Prediction #9: Immigration and attacks here at home will continue to be firebrand issues. However, like everything else, we will become immune to them. This was accurate, I am sorry to say.

Prediction #10: A new revenue model to save media companies and those with a major online presence will be introduced and welcomed by all. Still waiting…may have been a year early.

Prediction #11: The sharing economy companies (Uber, Lyft, Airbnb, and the like) will peak after major funding and suffer losses in interest, trust issues, government interference, etc. I will give myself half-credit here as trust issues and other interventions are definitely becoming a factor.

Prediction #12: The NCAA gets their wish: Alabama/Oklahoma football national championship game, with Alabama winning. This ends up being the end of the run for the Crimson Tide. It was Alabama, but over Clemson.

Prediction #13: Next year's top movies are pure fiction, escapism, and fun. Drama and even comedies take a back seat to adventure. Again, at least half-credit here as animated and comic book movies dominated the box office.

Prediction #14: Long live the PC---political correctness that is which continues to spiral out of control where everyone under 40 is offended by everything and castigate the well-intentioned. Bingo, I am afraid but the Trump Presidency may put a halt to it.

Prediction #15: What the hell is a PC? Or even a tablet? Multi-functionality devices and services are the rage, even in the workplace. Too soon. Just wrong.

Prediction #16: Cannabis stocks get respect and major progress on the business and legal front lift industry risks. Yes and no. Not quite there yet.

2017 Predictions

Prediction #1: With these major moves in recent weeks, investors should expect more muted returns. The DJIA and S&P 500 Index will peak at 7% and 8%, respectively, with an up and down year ahead

Prediction #2: The NASDAQ Composite and Russell 2000 Index peak returns will be 12% and 9%, respectively.

Prediction #3: Financials of all sizes should perform well across the board. We expect double digit performances in the smaller end of the market.

Prediction #4: It is unclear which sector will perform best, tech or health care. We will go out on a limb and state that health care will generate slightly better returns than tech stocks.

Prediction #5: Speaking of health care, look for biotech to rally right from the start of the year.

Prediction #6: Oil could hit $75 but will end the year in the $65 - $70 range.

Prediction #7: Some emerging markets had great years. Still, dollars are going to continue to flow to the U.S. due to our growth rates, higher dollar, higher interest rates, and just plain better positioning.

Prediction #8: After a rotten 2016, IPOs come back and they are, on average, a tad more seasoned and larger in size than in recent years. They may not be the best performing group but the market is clamoring for this infusion.

Prediction #9: A Cowboys/Packers and Patriots/Steelers conference championships give fans classic NFL playoff games. The reviled coach (Belichick) beats the reviled owner (Jones) as the Pats beat the Cowboys to win the Super Bowl.

Prediction #10: Europe is the new terrorist playground with more alarming attacks there than even in the Middle East. Look for resurgence in the Pacific Rim as well.

Prediction #11: Our prayers are answered. Interest in anything Kardashian takes a dive. But do not fear, the era of the big behind remains.

Prediction #12: President Trump is a better steward than we could have hoped and the world does not come to an end. However, Putin is pissed and Trump tells at least one congressman and foreign leader to fuck off. Via Twitter.

Prediction #13: Sorry, Jim. Alabama wins over Clemson in a rematch of last year's college football national championship game. This time, special teams and the defense put up a bunch of points and dominate upfront.

Prediction #14: Ariel Winter is the next young actress to implode as stardom and a need for attention consumes her and prompts very poor choices.

Prediction #15: After lousy DC Comics movies they finally have not just a box office winner but a favorably reviewed film in Wonder Woman when released in mid-2017.

Prediction #16: Driverless cars and drones become as commonplace as Amazon delivering take-out food and other items to you.

Prediction #17: Robots make an appearance in the strangest of places here in the U.S.

Comment: Driverless cars, drone delivery, robots…are we destined to be like the obese people in Wall-E?
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