

January 20, 2016

MARKET COMMENTARY

Today's futures for the Dow and NASDAQ 100 indices suggest that these large cap indicators will follow the S&P 500, biotech and energy lower and break through their August 24 lows.

This is not the end of the world. Nor is it a bear market. It just means that the correction that started late last May will go a bit deeper.

The causes are unimportant at this time because the selling is begetting more selling. You can rationalize it any way you want. In the Dow today, IBM will be the catalyst of the day. Just remember, 14680 is the bear market threshold. The Dow will open about 1,000 points above that mark.

The NASDAQ Futures being quoted on the television are for the NASDAQ 100 – not the full Composite index. A bear market for that index starts at about 3750. The futures are quoted now about 300 points above that mark.

The NASDAQ Composite bear market level is about 4190. Because it includes a lot of small cap energy, financials and biotech, this index is in the greatest danger of reaching a bear market.

The S&P 500 needs to drop to 1708 before it is a bear market.

Semiconductors have been in a bear market since August.

The underlying economic news remains fairly good for the U.S. Thus, stocks like **Skyworks (SWKS)** or **Avago (AVGO)** that are trading below their earnings multiples offer bargains. But, since this has now become an emotional event, the end of the decline is difficult to forecast. All I can say at this time is that markets will be oversold on an intermediate term basis after today's action.

Thus, a little nibbling at certain stocks may be warranted. But I would not buy any large blocks of shares in any stock in which the company has not reported earnings and given guidance for 1Q-16.

So, buy a little bit of these stocks. Also, look at **INTC** and **LLTC**. Both companies have guided in a positive manner. Both stocks yield 3% or more. And don't be afraid to buy a little **MLNX** in these market conditions. **EZCH** will be accretive immediately to its income statement.

Just don't go all-in today. Be patient. Be disciplined.

Rick Neaton

rick@rivershorecapital.com

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As of the date of this publication, I am long AVGO, INTC, LLTC, MLNX, SWKS.

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