August 2016 Vol. 2 Issue 8

Investors Alley
Blue Chip Gems

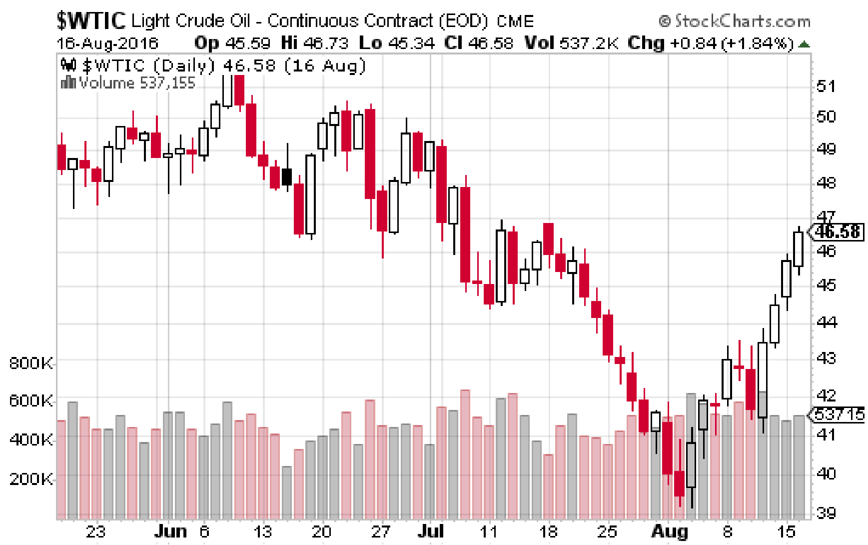
The Trend is Our Friend

The markets continued to grind higher despite equities being locked in a "profit recession" since early in 2015. The Dow, the S&P 500 and NASDAQ have hit all-time highs on the same day twice over the past week. This is the first time this has occurred since the last day of the 20th century. That was just prior to the Internet Bust. We will hope this occurrence will be more auspicious for the equity markets.

In This Issue

Oil has made a decent recovery over the past few weeks after falling to $40 a barrel. This has been a positive for the energy sector. After three quarters of around one percent GDP growth, we should get between 2.5% to 3.5% GDP growth in the third quarter. We have also seen very strong jobs reports in the last two months.

It also appears that "Brexit" might be further away than the markets anticipated when the unexpected U.K. referendum blindsided the global currency and equity markets in late June. The new government in England seems in no hurry to invoke "Article 50" which would start the divorce proceedings. It appears that it will not do so until the first half of 2017 at the earliest. This has stabilized worries about this event and the impacts on both the U.K. and Europe.



One bright side for the domestic economy continues to be housing. Housing starts in July, buoyed by multi-family, had its second highest monthly reading since the financial crisis. Retail is starting to recover a bit as well as all the department stores like **Macy's (NYSE: M)** and **Nordstrom (NYSE: JWN)** reported better than expected numbers last week. **Dick's Sporting Goods (NYSE: DKS)** provided an upside surprise this week as well.

Tapering the optimism, a significant uptick in GDP as well as continued strong job growth should mean a rate hike by the of the year. This could make a good news is bad news scenario likely as the market is getting overbought here. In addition, with the European and Central banks engaged in negative interest policies; a hike here domestically would strengthen the dollar further. This would be a headwind to commodities, oil, emerging markets and a good part of the S&P 500 that gets a large portion of their overall revenues from overseas.

Now that second quarter earnings season is over, macro events will tend to move the market with August, September and October historically not being all that kind to investors. The upcoming election bears are watching although it is looking more and more like Mrs. Clinton will lose. A resurgence by Mr. Trump or any indication that the Democrats will also take the House and Senate could cause at least a hiccup in the market. Until then, it seems the trend is our friend at the moment.

Bret Jensen
Editor
Bret Jensen's Blue Chip Gems

P.S. Finding biotech stocks with upcoming catalysts for explosive growth is a key component of my comprehensive strategy for massive profits in my newsletter, Biotech Gems.

And while I spend hours researching biotech stocks every week, I select only those meeting my stringent 6 point criteria developed over my decades-long successful biotech investing career.

Relypsa was a Biotech Gems portfolio holdings before it was bought out for a 60% premium. Many of my subscribers were able to book even bigger gains than that too. We held this stock for only 8 months. That's how fast you can make money with biotech stocks.

Right now, you can gain immediate access to 19 stocks just like Relypsa… stocks with the potential for immediate double – even triple-digit gains.

Whether you're new to biotech investing or feel like a pro you owe it to yourself to see how Biotech Gems can boost your portfolio.

I've finished up a short briefing on profit opportunities with Biotech Gems that can get you started.

Click here to find out more.

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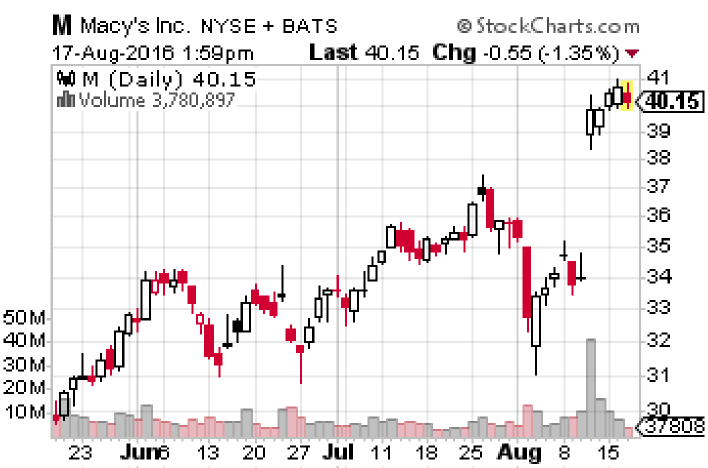
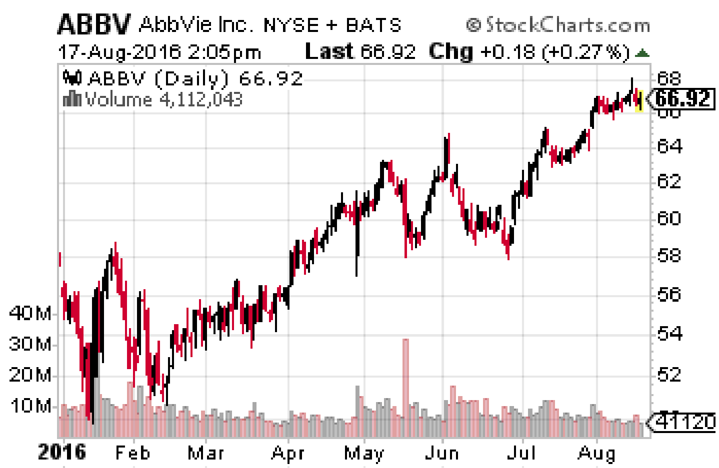
Portfolio Update

Like the market, a majority of the Blue Chip Gems portfolio grinded up this month. We got good performance from a couple of our retail plays this month. **Macy's (NYSE: M)** roared forward more than 15% over the past month as the department store retailer announced better than expected quarterly results. It revealed it was planning to sell another 100 of its 775 stores as it continues to monetize its substantial and undervalued real estate holdings. **Signet Jewelers (NYSE: SIG)** also started to recover from oversold levels and is back above $90 a share again. Cowen & Co. also came out with a Buy rating on Signet since our last monthly update and has a whopping $180 a share price target on this retailer. **Foot Locker (NYSE: FL)**, our last remaining entry in the retail sector, was flat for the month.



We also got strong performance over the past month from some of our picks in technology. **Alphabet (NASDAQ: GOOGL)** moved up some five percent after the search giant reported better than expected earnings on July 28th. **Apple (NASDAQ: AAPL)** made a similar move after it exceeded very low expectations. Warren Buffett also upped his stake in the tech giant according to the most recent 13F filing. Our other tech holding, **Qualcomm (NASDAQ: QCOM),** was flat on the month as it digested some significant gains over previous months.

AbbVie (NASDAQ: ABBV) continues its long march upward and posted another solid gain for the month. Late in July, the biotech stalwart announced quarterly numbers that exceeded both the top and bottom line consensus as profits and sales advanced in the high teens.



Las Vegas Sands (NYSE: LVS) continues to show improvement. Late in July, management said it finally saw "stabilization" in the Macau market after a very tough year and a half in the biggest gambling enclave in the world. July gaming revenue figures in Macau also came in higher than expected.

The rest of the portfolio was remarkably flat over the last month. We are moving up the publishing schedule for Blue Chip Gems by a week or two going forward so it will start to come out more in the middle of the month than in the end. We will keep the portfolio as it is this month and plan to implement a modification when our next monthly edition comes out in a few weeks.

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Current Portfolio

Company	Entry Date	Entry Price	Recent Price	Yield	Returns	S&P 500 Comp.
Lennar (LEN)	07/28/2016	$48.28	$46.77	0.3%	-3.1%	0.6%
Signet Jewelers Ltd. (SIG)	6/29/2016	$82.00	$90.96	1.1%	10.9%	5.4%
Pfizer (PFE)	05/27/16	$34.61	$35.14	3.4%	1.5%	4.0%
Allergan (AGN)	04/18/16	$219.91	$253.30	0.1%	12.2%	4.2%
Teva Pharmaceuticals (TEVA)	03/28/16	$53.85	$53.08	2.5%	-1.4%	7.1%
Synchrony Financial (SYF)	02/25/16	$27.78	$27.38	1.9%	-1.4%	11.8%
Wells Fargo (WFC)	01/25/16	$47.66	$48.61	3.2%	2.0%	16.3%
Alphabet (GOOGL)	12/28/15	$782.24	$805.42	-	3.0%	6.1%
Macy’s (M)	11/24/15	$39.63	$40.41	3.7%	2.0%	4.5%
Amgen (AMGN)	08/28/15	$155.89	$174.31	2.3%	11.8%	9.7%
Celgene Corp. (CELG)	06/26/15	$117.92	$112.55	-	-4.6%	3.8%
Qualcomm (QCOM)	04/15/15	$68.46	$62.28	3.4%	-9.0%	3.6%
Capital One (COF)	04/15/15	$82.82	$68.29	2.4%	-17.5%	3.6%
Foot Locker (FL)	03/18/15	$61.17	$60.40	1.8%	-1.3%	3.9%
AbbVie (ABBV)	02/13/15	$58.05	$66.83	3.4%	15.1%	4.1%
Gilead Science Inc. (GILD)	01/16/15	$100.71	$80.70	2.4%	-19.9%	8.1%
Apple Inc. (AAPL)	01/16/15	$105.99	$109.22	2.1%	3.0%	8.1%
Las Vegas Sands Corp. (LVS)	01/16/15	$54.89	$52.49	5.5%	-4.4%	8.1%

Recent Price is updated from stock closings on 08/17/16

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Closed Positions

Company	Entry Date	Entry Price	Close Price	Returns	Close Date
Merck (MRK)	07/28/16	$53.47	$58.43	9.3%	07/28/16
Blackstone Group (BX)	05/18/15	$43.64	$24.75	-43.3%	06/29/16
JP Morgan (JPM)	01/16/15	$55.93	$65.43	17.0%	05/27/16
Valero Energy (VLO)	02/13/15	$58.60	$60.71	3.6%	04/18/16
Express Scripts (ESRX)	03/18/15	$83.29	$67.67	-18.8%	03/28/16
Allergan (AGN)	09/29/15	$254.87	$296.34	16.3%	02/25/16
Bank of America (BAC)	07/28/15	$17.88	$12.96	-27.5%	01/15/16
Micron Technologies (MU)	1/16/15	$28.99	$14.19	-51.1%	12/28/15

Notes:

Entry price is determined by the last "Close" price at the closing of the market on the day before publication. Recent price is determined by the last "Close" price at the closing of the market on the day before publication; most recent update: 08/17/16. Returns is share price appreciation or depreciation between entry price and recent price. S&P Comp. represents the returns on the S&P 500 Index from the point of entry of a stock listed above through the recent price and is meant to provide a comparison to the overall small cap stock market as comprises that index.

This is not real-time data and should not be interpreted as such.