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QUICK TAKES:

- ✓ **Retail Sales disappointing: stocks rally & bonds don't**
- ✓ **Highest Cash levels amongst big institutions since Lehman collapse**
- ✓ **GOOGLE wins with Porat**
- ✓ **Discretionary still wins**
- ✓ **Buy VISTA OUTDOORS (VSTO)**

Retail sales for June declined an unexpected (0.3%) rather than a 0.3% gain that was the consensus forecast. Among retailers registering a decline were auto dealers, restaurants, furniture stores, and clothing stores. Excluding autos, retail sales fell (0.1%). Consumers continue to pocket the savings in gasoline prices that they're enjoying. The average cost of a gallon of regular gasoline was $2.77 this week – well below last year's $3.70 high (though up from a 6-year low of $2.03 in January). Obviously 2015's average monthly increase of 208,000 payroll jobs had little positive influence on consumers' spending plans. In the absence of wage growth, consumers seem content to repair their balance sheets. (Disappointing short-term but bullish long-term.)

In light of today's retail sales report, it was interesting that bonds barely budged. Another weaker than expected report should have sent yields much lower. Stocks rallied for the third consecutive day – with most indices pushing back above their 55-day moving averages. Perhaps continuing weakness in retail sales may prompt the Fed to delay their first rate hike.

According to the latest Bank of America Merrill Lynch fund managers' survey, cash as a percentage of assets climbed to the highest level since the collapse of Lehman Brothers. In the monthly survey that was conducted during the week from July 2nd-9th, cash levels surged to 5.5%. (Interestingly, July 8th was the first time that the S&P closed < its 200-day moving average since last October.) The survey showed also the highest percentage of investors taking out protection against a decline in stocks since February 2008. From a contrarian standpoint, having the highest cash levels in 7 years with the indices within a few % of their all-time highs is very bullish.

This week's powerful action in **GOOGLE** going into earnings is very bullish. (We initiated a buy on June 18th @556.) In just two days, Google has traded 70% of last week's total volume. Notice what appears to be (so far) a "lift-off" gap to the upside. Google's low for the week thus far is >Friday's close, and it is trading >last week's high. More important, Google has exceeded its 583 recovery high, and has hurdled an 18-month downtrend vs. the S&P. This confirms the beginning of a new "relative" bull market advance.

Now GOOGL is more attractive than AAPL, as the chart illustrates. The spread from being "long" GOOGL and "short" AAPL (we are not recommending shorting AAPL) has just turned bullish and projects higher at least through year-end.

Cynics may term today's advance nothing more than a reaction to today's WSJ article on CFO Ruth Porat's attention to cost controls. But isn't this what Warren Buffett and his management team do in allocating capital to all of their subsidiaries? Does anyone believe that Larry Page & Sergei Brin want to change their corporate culture to being "bean counters" rather than innovators? Paying attention to costs as well as to spending plans to foster growth are not mutually exclusive. What will be key is maintaining an entrepreneurial spirit within the company while exercising greater prudence as well. Clearly the technicals are voting loudly that a new growth phase for the company is visible on the horizon.

Consumer Discretionary is one of the best leading indicators for the broad market and the economy. Its bottoming (S&P1500 Discretionary vs. the S&P1500) was one of the major pieces of technical evidence that began to turn my work bullish in December 2008. And its rollover from a big 2-year top versus the broad market in late-2005 warned of market turbulence to come. Fast-forward to today: even though retail sales continue to disappoint, Consumer Discretionary remains one of the leading sectors in the market. (Within Discretionary, Internet Retailers, Home Furnishings are the strongest. Footwear, Hotels, and Leisure are positive also.) Not only did the sector close at all-time highs today, but relative to the market it is accelerating out of an 18-month base to new all-time highs also. Discretionary's bullish action + highest levels of institutional cash since 2008 remain very bullish props for the stock market. Nonetheless it is equally important to avoid industries and sectors also, because the rising tide will not be lifting all boats.

Spun-off from Alliant Techsystems, **VISTA OUTDOORS** manufactures consumer products in the outdoor sports and recreation markets. Firearms, ammunition and accessories account for more than ½ of total revenues. Selling at approximately 1.4x revenues, consensus earnings estimate for the current March 2016 fiscal year is $2.15/share. Growth next year is expected to push net to $2.60/share. Technically, VSTO has been digesting its initial spurt from 31-47. A 5-month base between 39-48 should be hurdled ultimately. We advise initiating positions here, using pullbacks to 41-42 to add to positions. Once VSTO could hurdle 49 then it would confirm upside projections to 60.

GOOGLE – weekly chart

GOOGLE vs. S&P


GOOGL US $ C 584.18 +12.45 Q584.18 / 584.79P 32 x 6
On 14 Jul d Vol 3,741,583 O 574.50K H 589.709D L 574.17D Val 2.187B
GOOGL US Equity
96) Actions
97) Edit
G 10 - RS vs SPX
08/20/2004 - 07/14/2015
11) Compare USD
Study Simple MA Period 11 Offset 0
1D 3D 1M 6M YTD 1Y 5Y Max Weekly
Security/Study
GOOGL US Equity (... 0.277 +.0092 SMAVG (11) 0.2633 SMAVG (34) 0.2623
New "Relative" advance begins as downtrend hurdled vs. SPX
GOOGL vs. S&P
0.40
0.35
0.30
0.277
0.2633
0.25
0.20
0.15
Log
ROC (11) (GOOGL US Equity (USD) / SPX Index (USD)) 5.9578
40
20
5.9578
-20
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2015 Bloomberg Finance L.P.
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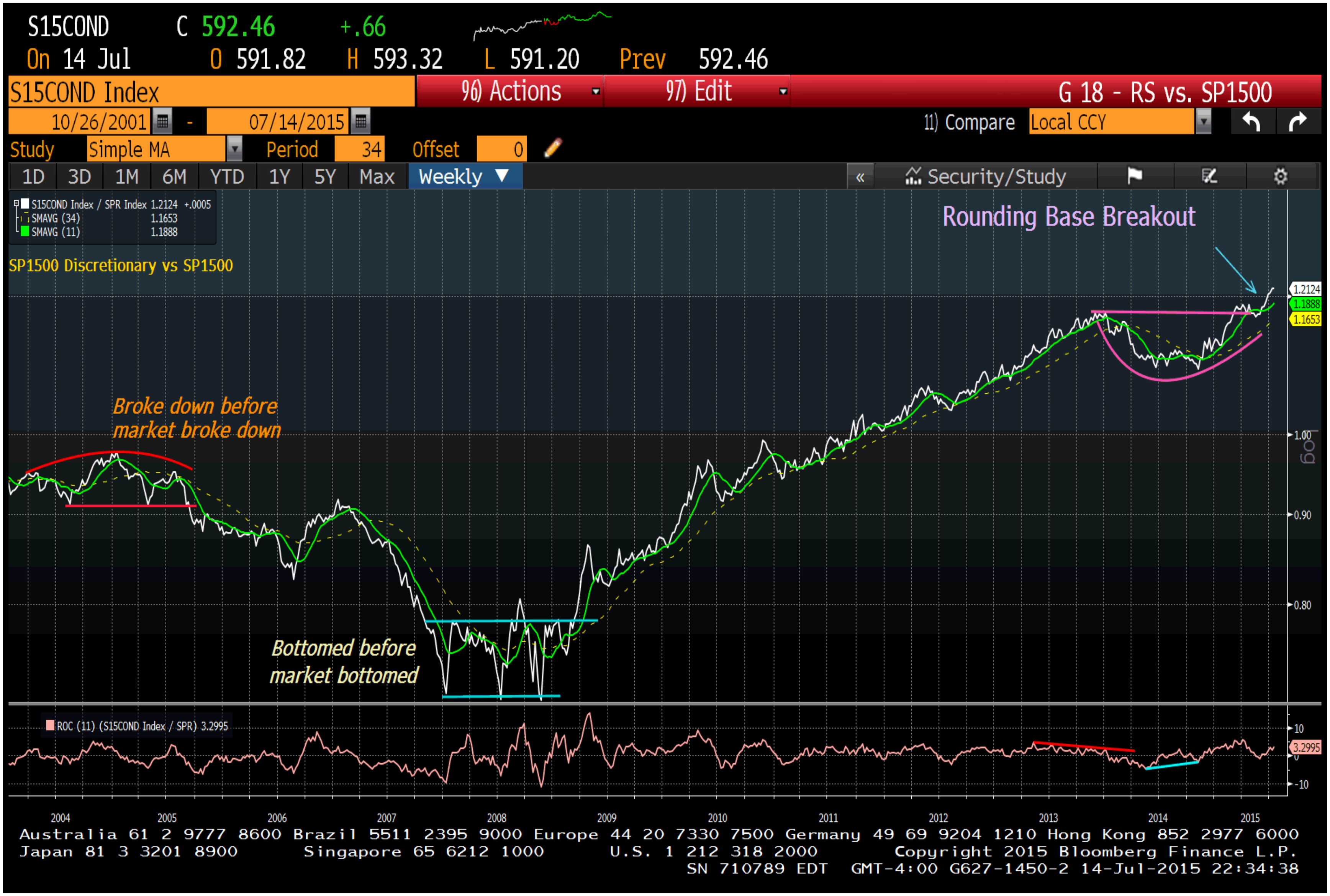
GOOGLE vs. APPLE

S&P1500 CONSUMER DISCRETIONARY vs. S&P1500



S&P HOME FURNISHINGS vs. S&P1500

VISTA OUTDOORS – daily chart

VISTA OUTDOORS vs. S&P1500