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KEY TAKEAWAYS

- ⇒ *We are entering the throes of earnings season*
- ⇒ *Need a laugh? Check out the link*
- ⇒ *Tug of war this week between chartists, momentum players and fundamental guys poring over Q2 financials*
- ⇒ *2 of our stock picks are in the major news category with one soon to be up 300% and the other likely setting a new high*
- ⇒ *Buy these 2 ugly ducklings*

KEY STATISTICS

Index	Close	2013
DJIA	15464	18.0%
S&P 500	1680	17.8%
NASDAQ	3600	19.2%
Russell 2K	1037	22.1%

(figures are rounded)

Like Tug of War?

For some of us, this is the slowest news week of the year. Yes, sports fans, this is what I would refer to as the dreaded Major League Baseball All-Star Week. With no games Monday or Wednesday and the All-Star Game sandwiched in between, and no other sports having anything going on, what are we to do?

We could watch the video of the San Francisco TV station getting punked with the fake Asian names that were read and posted on air, purportedly referencing the names of the pilots of the tragic Asiana Airlines crash. (If you have not seen it, it is the funniest thing you may see all year.) http://www.mediabistro.com/tvspy/epic-ktvu-fail-anchor-reports-pilot-names-including-sum-ting-wong-and-wi-tu-lo_b97368

Even though stock volume is down 15% thus far in July, stocks have absolutely rocked the joint, as concern over monetary easing, has well, eased, and economic numbers have been better than expected, in some circles. Interestingly, a big institutional shift from bonds to stocks has been a direct reason for the rise.

Considering the year-high, we would normally suggest caution as we did a few weeks back when we felt that the market needed to pause more in order for it to roar higher. While we thought that stocks could rise sooner, we did not anticipate the magnitude of the movement of the past 2 weeks at all.

Mea culpa.

In any event, during times such as these, no one really knows how things will shake out as the chartists duke it out with the fundamentalists (not that kind) in the early throes of earnings season. If, for example, the banking sector moves higher on good earnings reports from Citigroup (NYSE—C) and Charles Schwab (NYSE—SCHW), that could drive more of the bond market funds into equities. If not, expect choppiness.



The Goldman Guide

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Buy Stocks² Like These

While cautious optimism regarding Q2 financials coupled with better feelings about Asia's growth prospects may drive stocks higher, perhaps this is a good time to highlight the type of stocks you need to buy to succeed and generate powerful returns.

When one wants to generate outsized returns and is okay with the possibility of intermediate term holdings, we find that buying ugly ducklings are a good play. This is not to say one should buy distressed firms, or value stocks. Instead, what is not uncommon is to find stocks in a given industry that is on fire and buy the forgotten stocks in the process. Why? Well, when they run, they run like mad and then become in favor. It is akin to the old axiom in real estate. Find the best neighborhood and buy the cheapest house. You know the value of the home will rise because of the demand for the neighborhood. Since not everyone can afford the best house in that area, your home may serve to be the most in play, when the time comes.

Shameless Plug Alert that dovetails with this concept:

We often get asked how we select the stocks in The 30-30 Report as they are often found to be off the beaten path, or real momentum plays—rarely anything in between. Well, it just so happens that 2 stocks highlighted in The 30-30 Report have made national news.

Leap Wireless (NASDAQ—LEAP), a prepaid mobile wireless provider we highlighted a year ago will be in play BIG time today, as AT&T (NYSE—T) announced after the close on Friday that it will be buying LEAP for \$1.2B in cash, which is basically double the close of the day. When we profiled it at a price of \$5.05, one of the things we liked was it was the ugly duckling of the industry and a major takeover target. **Now, it is being bought for more than three times our profile price.**

I hate to let the cat out of the bag but in our latest issue, we profiled **Entegris (NASDAQ—ENTG)**, a semiconductor play, which was exactly in line with our premise that semis would have a strong second half. Lo and behold, Barron's has featured the stock this weekend, with the premise that this ignored, forgotten stepchild is on the cusp of great things, including profitability, and that its model means it is agnostic—everyone needs their product so it doesn't matter which firms in the industry win. Sound familiar? We would not be surprised if the stock tries to break through its 52-week high of \$10.52, which is just 7% higher than Friday's close. It will surely be under accumulation and if it does break through it has a lot of room to move higher as the momentum players will then hop on board.

If you are not a 30-30 subscriber, these are the types of stocks we profile, and many of them are huge money makers. Sign up now as our next edition will be out Thursday before the market open. For all of our subscribers, find an industry you like and buy that ugly duckling. Remember it must be in some sort of growth mode, not distressed or deep value, and if possible, has decent daily volume as well. Many of our past and future picks have these traits.

Two Sub-\$5 Ugly Ducklings

If these big name, low-priced stocks are not ugly ducklings I am at a loss for words. To be sure their risk associated with both, but if they persevere, it could be a nice hit for investors.

Arguably the most well-known of these ugly ducklings is **Nokia Corp. (NYSE – NOK - \$4.15)**. The Finnish company designs, develops, and markets mobile handsets and devices as well as providing mobile broadband and other network infrastructure and services through a joint venture company with Siemens called Nokia Siemens Networks, which it recently announced it is acquiring. Amazingly, Nokia traces its roots to 1865 and employs nearly 100,000 people.

The business of mobile handsets is currently undergoing a bit of softness in general and Nokia is no stranger to sift handset sales as it has not recovered since being knocked off the #1 perch well over 10 years. Still, the Company has a great deal of intellectual property, generates \$35 billion in annual sales with marginal profitability, and trades less than 2x its book value of around \$2.70 per share. The Company is hitching its wagon to Microsoft's (NASDAQ – MSFT) mobile operating system, which in itself is in disarray, but there appears to be greater interest in Nokia's latest offerings in Europe, which is a big positive. The mounting losses and cash burn have subsided and many observers believe that either the Company stages a comeback on its own or management breaks up the businesses and sells the Firm to MSFT. While we can't predict whether or not a sale would occur, at the least, much of the risk appears to have been removed and the stock should have a solid 2H13.

Another famous brand name which is now considered a bit of an afterthought is **RadioShack Corp. (NYSE – RSH - \$2.92)**. Founded in 1899, the consumer electronics and services giant operates 4,395 company-operated stores under the RadioShack brand name and 1,522 Target Mobile centers inside Target (NYSE – TT) stores. Plus, the Company has a network of 1,008 RadioShack dealer outlets, including 32 located outside North America.

Much like Nokia, RSH is trying to reinvent itself as many of today's younger consumers do not view the Company as a cutting edge go-to electronics source. Still, the upgraded changes that have begun earlier this year have won rave reviews thus far as it attempts to turn itself into what has been termed an electronics playground by offering the most popular brands and products. There is clearly greater risk with these shares from the operating perspective than NOK, as estimates call for flattish sales and continued losses. In fact, the stock has a market cap of less than \$300M, despite its nearly \$4B in annual sales.

Some market speculators believe that the value of the brand, its reach and its real estate could be worth a great deal more in a buyout than what the current value represents. Others project that if management is able to make inroads with the younger segment, RSH could break through its \$4.28 year high in relatively short order.

Until next week...



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