

INSIDE THIS ISSUE:

- Are You Feeling Lucky?
- Playing IPOs in the Aftermarket
- Oddities and Earnings Tips

KEY TAKEAWAYS

- ⇒ *With no conviction in the market, it is best to be a trader rather than an investor*
- ⇒ *Buying shares of a hot IPO in the period right after it opens could result in quick gains if you pick the right one. We think we have the hot one pegged*
- ⇒ *Israeli stocks could outperform*
- ⇒ *Buying shares of stocks expected to report strong comparisons before they announce their results could be profitable*
- ⇒ *We have 3 picks primed to announce strong results*
- ⇒ *Big pharma could have big*

KEY STATISTICS

Index	Close	2014
DJIA	16961	2.3%
S&P 500	1978	7.0%
NASDAQ	4450	6.5%
Russell 2000	1143	-1.8%

(figures are rounded)

PROFITABLE TRADES FOR THIS WEEK

The combination of earnings season, a return to volatility, and a heavy IPO market are a day trader's dream. Of course it also presents opportunity for the rest of us.



Let's face it. Even the most ardent bulls are waiting for the other shoe to drop. Otherwise, they would be all in and fully invested. This is why we are advocating engaging in short term trading only for the near term. If you followed our stock ideas featured in *The Guide* last week, you could have made a nice chunk of change.

VelocityShares Daily VIX Short Term Exchange Traded Note [ETN] (TVIX - NYSE - \$2.94), which closed the previous week at \$2.78, reached a peak of \$3.03 on Monday, dropped mid-week to \$2.72 before peaking again at \$2.94. No one can say this ETF isn't volatile. Followers of this short term volatility play can likely attest to a fairly simple system which can yield short term gains. Buy it on dips (which seem to occur on big up days) and sell on big down days. A quick 5-8% can be had if timed right.

We also highlighted **Zix Corp. (NASDAQ—ZIXI—\$3.44)** which had been down for 7 straight days and was slated to report earnings after the close last Tuesday. We profiled it at \$3.02 and noted that it could be a buy after the financial results were posted. The numbers were solid and reached a peak return of 17% from the open on Wednesday.

We believe that this week could result in similar results.

Playing IPOs in the Aftermarket

In anticipation of the huge number of IPOs slated to begin trading this week (north of 20), I thought it would be a good idea to closely monitor the trading of the highly anticipated El Pollo Loco Holdings (NASDAQ—\$LOCO - \$24.03) IPO. It was priced at \$15 and opened at \$19. Given the current anxious state of the market where too many investors are just searching for short term gains, LOCO traded in the \$19 range for quite some time, with market makers taking in the sellers, before moving sharply higher. The bottom line is that by being alert and patient, a 25% intraday gain was there for the taking. We should note that most of the week's IPOs really underperformed so it is not as easy as selecting a random IPO. You have to choose the one or ones that are truly hot not lukewarm. Then you can take advantage of the pricing, with the intent of playing it for a quick trade.

Not sure what IPOs are coming down the pike? Here are helpful links.

<http://247wallst.com/investing/2014/07/26/ipo-week-ahead-ge-spins-out-synchrony-in-a-whirl-of-22-ipos/>

<http://www.renaissancecapital.com/ipohome/calendars/ondeck.aspx>

To be sure, handicapping which IPO will do better than another is no easy task unless one is focused on the IPO market, engaged in the process, or is intimately familiar with a given company. In the absence of such information, it appears as if the IPO that might have the greatest sizzle and top-tier underwriters (Goldman and Morgan Stanley) is Mobileye N.V., which designs and develops software and other technologies for advanced driver assistance systems, one of the major building blocks of driverless cars. The Israel-based company plans to offer 27.8 million shares in an IPO price range of \$17 to \$19. The shares are set to price on Thursday and begin trading Friday under the ticker symbol MBLY.

We should caution that some companies like Mapi-Pharma cut its range, reduced the size of the deal, and postponed it from last week. These can be red flags, folks. Separately Jefferies is either a co or lead manager of a handful of deals Is that too many?

In an interesting twist timing-wise, it looks like 5 IPOs of Israel-based companies could occur this week. I suspect they will do well, despite the fighting in the region.

Oddities and Earnings Tips

Steve Hercenberg and I discussed last week the oddity that shares of Israeli stocks traded in the U.S. appear to remain unaffected despite the fighting in the region. I can attest to the fact that this is actually not unusual at all. In my ten-plus years as an Israeli stock analyst and a 2 year tenure as an Israeli stock mutual fund manager, violence in the region rarely moved the needle. Frankly, the fact that so many Israel-based IPOs are pending this week indicates that demand and prospects are high for companies based there.

This week, many hundreds of companies are slated to report their latest quarterly results. While some of the largest companies seem to have done pretty well by and large, my review of this week's schedule is chock full of negative comparisons with the same period last year. That can't be good for the future.

Still, if you are willing to be opportunistic, buying shares of those stocks expected to report strong comparisons before they announce their results could turn into a quick return, especially if business is strong. Investors are actively seeking out the rare type of stock that is beating the results from last year and providing solid forward guidance. With that in mind, here are 3 potential trading opportunities reporting on Tuesday, July 29th.

Sticking with the Israeli stock theme, VoIP provider **Audiocodes (NASDAQ—AUDC—\$7.07)** is projected to earn \$0.04 versus \$0.02.

Small wireless player **PC-Tel (NASDAQ—PCTI—\$7.87)** is expected to have a much better quarter in Q2 than Q1. EPS is forecast to grow from \$0.06 to \$0.04 when the report is released Tuesday.

Executive search firm **Heidrick & Struggles (NASDAQ—HSII—\$18.09)** is not cheap on a valuation basis, but it sure is expected to have a great Q2 and beyond. EPS is projected to leap from \$0.11 to \$0.19 in Q2 while FY14 EPS and FY15 EPS are forecast to earn \$0.59 and \$0.85 in EPS, respectively. EPS for 2013 was a paltry \$0.35.

Also reporting on the 29th are mega-drug companies **Pfizer (NYSE—PFE)**, **Merck (NYSE—MRK)** and **Amgen (NASDAQ—AMGN.)** If they do well, look for the drug sector to move higher as well as the biotech space.



The Goldman Guide

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