

As of close: Dec. 30, 2005

Industrial Revolution

Go to the Performance pulldown menu and take a look at the 12-month total returns. Ignore energy stocks for now – they were too event-driven in 2005 for trending purposes. Instead, keep your eye on telecoms, particularly the microcap tier. Now look at the 1-month and 1-week returns. This little island of green awash in a red tide merits some attention.

The big mover in that sector is penny stock **Covad** (DVW, \$0.98), which seems to have pulled out of a nosedive very late in the year. Take out Covad, and smallcap telcos don't look so hot. But Covad's resurrection may have positive implications for **CT Communications** (CTCI, \$18.91), which displays an inverted head-and-shoulders chart suggesting that there may be some upward motion. A glance at microcap telcos also puts **Infosonics** (IFO, \$16.24), which exploded out of nowhere in November, on your radar screen.

Betting on Long Shots

Reward is supposed to equal risk, and what better measure of risk than volatility? If you go to the Risk pulldown menu and take a look at the Monthly screen, you may be amazed at the 56% volatility in the microcap tier of – are you ready for this? – Industrials.

OK, most of that is related to the bottomed-out **Intac International** (INTN, \$5.74), but while we're on this page, let's look at **Deep Well Oil & Gas** (DWO, \$1.30), which is climbing fast, admittedly from a very low baseline, but doesn't appear to be peaking yet. Ditto for **Vitalstream Hold** (VSTH, \$1.85). The more established **Owen Corning** (OWENQ, \$3.00) seems to be poised to bounce off a support level.

Consider shorting **B+H Ocean Carriers** (BHO, \$18.39), **Integral Vision** (INVI, \$1.92) or **Beacon Power** (BCON, \$1.81). Or just put a straddle on any of these if you trust in their continued volatility more than their current direction.

Building on Buzz

There was only one stock in 2005 that had a yearly average daily volume less than 10 million but a December average of more than 20 million, suggesting that investor interest in the stock is surging. Select Volume Avg Last Year on your trend screener and set its Max at 10, then select Volume Avg Last Month and set its Min at 20. You come up with **PW Eagle** (PWEI, \$20.50), which appears to have shouldered in early December and might be heading for a new peak.

