

## Tech Stocks: From April Bottom to January Top

By Richard Suttmeier

*(This is the final post from me as author of TheStreet.com Technology Report. Effective today, March 1, your subscription will automatically be transferred to TheStreet.com Internet Review, by James Altucher. Check the email you received from Editor in Chief Dave Morrow on Feb. 16 for more details, or call TheStreet.com customer service at 1-866-321-TSCM (8726) with any questions.)*

When *TheStreet.com Technology Report* launched in April 2005, technology stocks were cheap. Tech was not in vogue, and investors were still avoiding the sector. The memory of the **Nasdaq** bear market from March 2000 to October 2002 was still too fresh in people's minds. In fact, when I first began writing *RealMoney* columns and talking up technology last January, many readers indicated that tech was dead. Now, many strategists and investors are looking for a new bull run for technology, even though the Nasdaq has more than doubled since its capitulation phase from July to October 2002. However, my theme now is that tech has lost a significant portion of its valuation edge. The weekly chart profiles are starting to show declining momentum, and risky areas are forming to limit the upside.

Technology was cheap and a buy in April 2005, and now it's not. The purpose of this report was to identify tech stocks that were fundamentally cheap and build long-term positions. But when I screen for tech stocks rated strong buy or buy (according to ValuEngine), trading above \$10 a share, at least 20% undervalued and with a market cap above \$1 billion, I come up empty. If I go to the fringes of pure technology and screen public utilities, **AT&T** (T:NYSE) is the only stock that meets my criteria, and it remains in the model portfolio.

### Technology Since April 2005

Date	Nasdaq	SOX	Percent Undervalued			Observations / Highlights
			Semis	PCs	Software	
29-Apr-05	1922	385.65	32.9%	28.9%	20.0%	TXN was 40% undervalued at \$22.65.
31-May-05	2068	428.95	27.1%	29.1%	19.9%	AAPL held its annual value level at \$34.33.
30-Jun-05	2057	419.07	27.3%	30.0%	20.6%	The SOX laces up its running shoes.
29-Jul-05	2185	474.44	18.4%	25.0%	15.1%	SOX has landmark moving-average crossover.
31-Aug-05	2152	473.75	21.9%	30.1%	16.2%	Tech sizzles with the summer heat.
30-Sep-05	2152	475.32	19.4%	10.4%	13.6%	Tech holds up despite Mother Nature's hurricanes.
31-Oct-05	2120	432.64	22.1%	27.4%	11.2%	SOX corrects 15%, holds its 200-week SMA.
30-Nov-05	2233	481.64	13.8%	23.4%	8.2%	"Nasdaq 2300, Then Bust" continues to be my mantra.
30-Dec-05	2205	479.49	14.3%	23.8%	10.2%	SIRI downgraded to a sell at \$7.50 on Dec. 8.
31-Jan-06	2305	539.11	3.1%	9.1%	4.5%	My theme becomes "Let's Get Ready to Tumble."
28-Feb-06	2281	523.19	6.4%	9.6%	7.3%	Nazz tests monthly resistance at 2313.

In hindsight, this service would have benefited from a momentum component so that we did not miss the upside moves from technical breakouts and hype in overvalued stocks such as for **Apple** (AAPL:Nasdaq), **Google** (GOOG:Nasdaq) and **SanDisk** (SNDK:Nasdaq), described by one reader as the "Big Trio." I track

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these and many other momentum stocks in *RealMoney* columns using my three-pronged guidelines to trading and investing, but you must be a *RealMoney* subscriber to receive my coverage of what I call the “Mojo Kings.” Since peaking in January, these three highfliers from 2005 have traded lower by more than 25%.

### Sector Valuations

Sectors	Dec. 30, 2005	Feb. 28, 2006	# Strong Buys	# Buys	# Holds	# Sells	# Strong Sells
<b>Basic Industries</b>	8.8% overvalued	13.9% overvalued	1	27	170	44	12
<b>Capital Goods</b>	2.9% overvalued	9.2% overvalued	1	33	220	18	7
<b>Consumer Durables</b>	3.0% undervalued	1.8% overvalued	14	25	71	19	18
<b>Consumer Non-Dur.</b>	3.6% overvalued	7.2% overvalued	0	51	129	14	3
<b>Consumer Services</b>	0.5% undervalued	1.7% overvalued	2	30	475	110	42
<b>Energy</b>	3.9% overvalued	4.9% overvalued	45	60	101	15	4
<b>Finance</b>	2.7% overvalued	4.5% overvalued	15	328	524	24	4
<b>Health Care</b>	3.1% undervalued	3.2% overvalued	1	36	364	145	31
<b>Public Utilities</b>	3.2% overvalued	6.1% overvalued	1	11	179	20	4
<b>Technology</b>	10.5% undervalued	5.7% undervalued	2	10	437	236	87
<b>Transportation</b>	9.8% overvalued	5.0% overvalued	4	39	51	3	4
<b>Total No. of Stocks: 4321</b>			86	650	2,721	648	216
<b>Percent of Bell-Shaped Curve</b>			2.0%	15.0%	63.0%	15.0%	5.0%

Source: ValuEngine.com

## Semiconductors: Only 6.4% Undervalued

Intel (INTC:Nasdaq) joined the model portfolio on April 4, when this service was launched, and it remains the only chipmaker in the portfolio.

### February Scorecard for the Semiconductor Industry

Date	SOX	Semi HLDR (SMH)	Intel (INTC)	Adv. Micro (AMD)	Broadcom (BRCM)	Marvell (MRVL)
<b>Jan. 31, 2006</b>	539.11	\$37.30	\$21.25	\$41.80	\$45.46	\$68.42
<b>Feb. 28, 2006</b>	523.19	\$37.02	\$20.60	\$38.67	\$45.10	\$61.22
<b>February Change</b>	-2.95%	-0.75%	-3.06%	-7.49%	-0.79%	-10.52%

Intel, the world’s leading chipmaker, belongs in a long-term technology portfolio. New iMacs and notebooks made by Apple will now include Intel components. Intel is also focusing on dual-core processors for the Viiv platform for home networking, a “hot topic” as consumers seek to integrate all forms of communications, computing applications and entertainment content for practical uses and entertainment in the home. Intel’s wireless technology will also be featured in next-generation cell phones and other mobile devices, integrated with technology from Audistry, a subsidiary of **Dolby Laboratories** (DLB:NYSE), to enhance sound quality.

If you own overvalued chipmakers such as **Advanced Micro Devices** (AMD:NYSE), **Broadcom** (BRCM:Nasdaq) and **Marvell Tech** (MRVL:Nasdaq), I would advise you to at least reduce your holdings by 50%, or even avoid these stocks at this time. AMD is both overvalued and overbought, and I project risk to its annual value level at \$28.61. BRCM is also overvalued and overbought, and I project risk to its quarterly value level at \$48.62. MRVL is overvalued and already has declining momentum, and I project risk to its quarterly value level at \$43.82.

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## SOX Momentum Is Running Thin

My model continues to project that the Philadelphia Semiconductor Index (SOX) is vulnerable for a significant correction. The peak of 559.60 set on Jan. 27 was just shy of the January 2004 high at 560.68. In *RealMoney* columns covering the chipmakers, I will be tracking a potential sell signal confirming a top. The first such signal would be a weekly close below the five-week modified moving average, which is at 522.27, and rising each week. A correction to the 200-week simple moving average at 416.85 would be a correction of 25%. Resistance for March at 559.32 should keep the SOX below the January 2004 high.

Philadelphia Semiconductor Index (SOX) – Weekly Chart



Source: Athena Graphics on Telerate Plus

## Computer Manufacturers: Only 9.6% Undervalued

Last April, **Dell** (DELL:Nasdaq), at \$34.83, was 19.5% undervalued, while **Hewlett-Packard** (HPQ:NYSE), at \$20.47, was 32.6% undervalued. Clearly, H-P was the better value. Now the tables have turned in favor of Dell, which is more than 20% undervalued with a double bottom just below \$29, set in November and February. H-P is more than 10% overvalued, with a negative divergence in momentum despite setting a new 52-week high at \$34.52 in February. If H-P breaks below my annual pivot at \$33.59, I show risk to its annual value level at \$26.97. Timing an investment shift between the pair will always be tricky, but now my allocation between Dell and H-P would be 100% in Dell, particularly following the positive market reaction to H-P's earnings and negative reaction to Dell's.

Dell makes servers, storage devices, workstations and printers in addition to PCs. It also provides software and information technology (IT) services to corporations and is growing in consumer electronics, including flat-panel TVs and MP3 players. The Dell XPS 600 desktop computer is built around Intel's 3.20-gigahertz dual-core processor, includes the latest graphics card, up to three hard drives and can include a built-in television. This PC platform will be a formidable competitor to **Microsoft's** Xbox 360. Google's desktop search tool will likely be offered on new Dell PCs over the next three years, and this should increase Dell's

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market share in this highly competitive computer segment. In its fourth-quarter earnings on Feb. 16, Dell posted record revenue, beating Wall Street estimates. But guidance was slightly below estimates, and shares slumped, which will provide a buying opportunity if a new value level is achieved on weakness. I will publish new value levels in upcoming *RealMoney* columns.

**February Scorecard for the PC & Gadget Makers**

Date	Apple (AAPL)	Cisco (CSCO)	Dell (DELL)	EMC (EMC)	Juniper (JNPR)	XM Satellite (XMSR)
Jan. 31, 2006	\$75.51	\$18.57	\$29.31	\$13.40	\$18.13	\$26.18
Feb. 28, 2006	\$68.49	\$20.24	\$29.00	\$14.02	\$18.39	\$22.09
February Change	-9.30%	8.99%	-1.06%	4.63%	1.43%	-15.62%

**Apple Computer** (AAPL:Nasdaq) lost more than 25% from its Jan. 12 peak of \$86.40 to its Feb. 10 low of \$62.90, where it was 8.5% undervalued. Shares have recently been trading around my quarterly pivot at \$68.70. If the stock slides further, the risk for Apple is to my annual value level at \$51.86.

**EMC** (EMC:NYSE) is the leader in storage solutions and full-service information technology (IT), and belongs in a long-term technology portfolio. The company should benefit from demand from major corporations as they upgrade data-storage systems and networks. BT Global Services, a unit of **BT Group** (BT:NYSE ADR), began using EMC's software in February to monitor the performance of its switching network to improve its services, including IP telephony and voice-over-IP, to business customers. EMC also introduced its Insignia line of hardware and software, which targets the information and storage needs of small and medium businesses, a segment that appears poised to grow. In addition, a new version of Retrospect for Windows backup and recovery software makes it easier for small and medium businesses to automate data-protection applications. Also this past month, IT firm Brunel GmbH of Germany began using EMC's automated recovery management software to protect its sales database.

**Juniper Networks** (JNPR:Nasdaq) should return to growth mode in 2006 as wireless networks and corporations upgrade their Internet protocol (IP) networks. In February, Kentucky-based SouthEast Telephone deployed the gearmaker's multiservice routing platforms to upgrade its IP network. For larger organizations, Juniper is offering a new version of its operating system to enhance the performance of data centers. It will be available in March. Juniper also introduced a new firewall/virtual private networking (VPN) platform to help companies with many branch offices better secure their connections to the home-office networks. The company also demonstrated its international reach, signing a deal with Kaspersky Lab, a Moscow-based developer of security solutions, to integrate its virus and spyware-protection software into Juniper's firewall and VPN. In addition, RTL Television, Germany's leading TV station, is upgrading its broadcast distribution network; plus, China Telecom Shanghai and Orcon Internet, a New Zealand Internet service provider, are expanding their core IP networks and services using Juniper's routers.

**Software Companies: Only 7.3% Undervalued**

**Symantec** (SYMC:Nasdaq), a leader in information security, offers software, hardware and services to protect IT infrastructures. In February, the company launched upgraded antivirus software to secure wireless devices that use Palm OS, Microsoft Windows Mobile and Pocket PC platforms. These safeguards protect corporate networks against viruses that may inadvertently be downloaded from the Web, email or Wi-Fi connections. Symantec also released an upgrade of its performance management software, Veritas i3, to enhance support to the Sybase database, and launched new compliance management software to help corporations automate processes to comply with industry regulations. Last week, Symantec completed its acquisition of Relicore, whose data-center management software will be combined with Symantec's storage and server software.

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**February Scorecard for Internet, Software & Telecom Companies**

Date	Symantec (SYMC)	AT&T (T)	Time Warner (TWX)	Business Objects (BOBJ)	Salesforce .com (CRM)	Websense (WBSN)
Jan. 31, 2006	\$18.38	\$25.95	\$17.53	\$41.66	\$41.05	\$65.93
Feb. 28, 2006	\$16.89	\$27.59	\$17.31	\$37.29	\$34.85	\$61.81
February Change	-8.11%	6.32%	-1.25%	-10.49%	-15.10%	-6.25%

Profiles for highfliers **Business Objects** (BOBJ:Nasdaq ADR), **Salesforce.com** (CRM:NYSE) and **Websense** (WBSN:Nasdaq) have deteriorated since I provided warnings a month ago. BOBJ returned to its fair value, and now has a negative weekly chart profile. My model shows risk to my semiannual value level at \$31.53. CRM is still more than 40% overvalued, but the weekly chart profile is negative. WBSN has a sell rating according to ValuEngine, has returned to fair value and shows a negative weekly chart profile. My model shows risk to its semiannual value level at \$52.34.

**Tech Hotspots**

► **AOL Turnaround: Should Proceed With Ichan Out of the Way**

**Time Warner** (TWX:NYSE): In an agreement forged with billionaire activist Carl Icahn after the market close Feb.17, Time Warner will increase its share buyback program to \$20 billion from \$12.5 billion, and cut costs by \$1 billion. A positive earnings report for the fourth quarter turned the tide in favor of CEO Dick Parsons. Time Warner beat the Street consensus by 3 cents a share with revenue climbing 7% year over year. AOL turned in a 5% rise in profits year over year despite a continued drain of dial-up subscribers. America Online has been forging alliances over the past year or so with several telcos, including AT&T, to launch a high-speed access version of AOL, which should help migrate these subscribers to high-speed access. The division also launched a beta version of a new Chinese language AOL.com portal in February, targeting the Chinese-speaking population in the U.S.

► **The New AT&T: Advancing on Several Fronts**

**AT&T** (T:NYSE): Ma Bell is the nation's largest telecom service provider, and growth is evident among all its businesses, including wireless, broadband and business services. According to the company, the merger between AT&T and SBC will save \$1.2 billion by 2008, and add 30 cents a share to earnings in 2008. The company expects the merger to have a positive effect on earnings even in 2007, more than a year ahead of previous forecasts. To gain market share, AT&T dropped its introductory price for its high-speed DSL service to \$12.99 from \$14.95, after adding 1.8 million DSL lines in 2005 for a total of 6.9 million lines, the most of any U.S. DSL provider. In March, the company will launch Lightspeed, its video service in 21 target cities, using fiber-to-the-premises. The service will offer 300 TV channels, 45 music channels and video-on-demand. On the business front, the American Hospital Association said it has endorsed AT&T voice and data-networking products and services for its 5,000 member hospitals and health care organizations covering 37,000 health care professionals.

► **Cisco Systems: Positioning Itself to Dominate the Home Network**

**Cisco** (CSCO:Nasdaq): The leading supplier of routers and switches continues to benefit as telecom upgrades continue. Cisco's acquisition of **Scientific-Atlanta** (SFA:NYSE), which will close by the end of the quarter, is expected to generate new revenue streams as the merged company launches new products and services for home networking and entertainment. Its Linksys division is an important component of this effort, by providing new, faster Ethernet switches to help small businesses migrate to high-speed networking, which is similar to home networking. Cisco's strategy is to dominate home networking, just as it dominates the telecom router and switch markets. The company expects consumers to flock online for new digital applications and content, and it will be offering all types of consumer devices to converge home computing and digital entertainment on Cisco technology.

## Key Levels for TheStreet.com Technology Report Model Portfolio

This table shows the final core holdings for the model portfolio of the Technology Report. To follow my trading strategies for this group, you must subscribe to *RealMoney.com*, as I will write about these stocks in a monthly column.

Company/Symbol	Feb. 28 Closes	Rating	UV By*	Fair Value**	Value Levels	Pivots	Risky Levels
Dell (DELL)	\$29.00	HOLD	24.5%	\$38.40	\$26.74 M / \$24.89 M		\$36.94 Q / \$38.40 Q
EMC (EMC)	14.02	HOLD	26.7%	19.14	13.22 Q / 9.74 S	\$13.36 Q / \$14.03 M	41.36 A
Intel (INTC)	20.60	HOLD	26.1%	27.89	17.30 Q / 16.02 S	19.66 S / 22.19 M	23.41 Q / 26.90 M
Juniper (JNPR)	18.39	HOLD	41.4%	31.40	None	17.75 S / 18.81 M	23.56 M / 29.54 Q
Symantec (SYMC)	16.89	HOLD	23.8%	22.17	None	18.17 M / 19.50 A	21.85 A / 22.83 M
AT&T (T)	27.59	BUY	22.6%	35.62	24.45 M / 22.52 M		72.69 A
Time Warner (TWX)	17.31	HOLD	21.7%	22.10	16.97 Q	17.73 M / 18.29 M	19.96 Q

\*UV By: percentage undervalued. \*\*Fair Value: where stock could trade in a perfect world.

My recommendation is to sell the remaining positions in the model portfolio on strength to Fair Value. I will be publishing periodic *RealMoney* columns covering these stocks, including new value and risky levels.

Short Positions				
Company / Symbol	Feb. 27 Close	Value Levels	Pivots	Risky Levels
Nasdaq 100 Trust (QQQQ)	\$41.72 testing monthly risky level at \$41.77 on 2/27.	\$39.64 Q / \$30.44 A		\$42.72 Q

Legend: M: monthly; Q: quarterly; S: semiannual; A: annual.

Source: Global Market Consultants, Ltd.

I recommend keeping the model portfolio at least partially hedged. I will include my analysis in periodic *RealMoney* columns.

### Richard Suttmeier's Three-Pronged Guidelines for Successful Portfolio Trades

My profile for a stock is based upon fundamental information in the public domain, from standard tools of technical analysis and my proprietary analytics developed more than 20 years ago.

**Fundamental Screens:** I calculate a fair value for every stock, which is the price at which a stock can trade in a perfect world. Fair value is not a price target; it is based on a stock's past data and projections for the future, including the trailing 12-month EPS, the forward 12-month estimated EPS and the yield on the 30-year Treasury bond. How these data points are weighted is based on a historical analysis of the stock's price history along with 17 other variables that influence the calculation based on the stock's sector and industry group.

These variables also provide a rating, based on a bell-shaped curve that's generated by my screen, using ValuEngine.com. The ratings are: strong buy, buy, hold, sell or strong sell. Most stocks are in the middle of the curve as a hold. Out of some 4,000 stocks with sufficient fundamental data, only 2% of stocks are rated a strong buy by these measures (only 15% are buy, 63% are hold, 15% are sell, and 5% are strong sell).

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### Ratings According to ValuEngine

- **Strong buy:** Long-term investors should start a position now.
- **Buy:** Buy on weakness to a value level.
- **Hold:** Add to an existing position on weakness to a value level, and reduce an existing position on strength to a risky level.
- **Sell:** Reduce on strength to a risky level.
- **Strong sell:** Liquidate now as a source of funds.

### Firm-Specific Variables That Are Inputs to Stock Valuations

- The correlation between the company's earnings per share and the interest rate environment;
- Long-term earnings growth rate;
- The duration of the company's business growth cycle;
- The company's systematic or beta risk;
- Interest-rate-related criteria;
- Long-term history of interest rate climate;
- Interest rate volatility;
- The duration of the interest rate cycle.

### Weekly Chart Profile

A stock with a positive profile has a weekly close above its five-week modified moving average (MMA) with a rising 12x3 weekly slow stochastic, which is a measure of momentum on a scale of zero to 100. A reading above 80 is overbought. A stock with a negative profile has a weekly close below its five-week MMA with a declining 12x3 weekly slow stochastic. A reading below 20 is oversold.

**Overbought:** 12x3 weekly slow stochastic > 80 on a scale of zero to 100.

**Rising:** 12x3 weekly slow stochastic rising > 20, but < 80.

**Flat:** 12x3 weekly slow stochastic between 20 and 80, but not rising or declining.

**Declining:** 12x3 weekly slow stochastic is declining < 80, but > 20.

**Oversold:** 12x3 weekly slow stochastic is < 20 on a scale of zero to 100.

**Moving averages on daily charts:** the 21-day, 50-day and 200-day simple moving averages (SMA).

**Moving averages on weekly charts:** the five-week modified moving average (MMA) and the 200-week simple moving average (SMA).

### Value Levels, Risky Levels and Pivots

A value level is a price at which buyers should emerge on share-price weakness. A risky level is a price at which sellers should reduce holdings on share-price gains. A pivot is a value or risky level that was violated in its time horizon, acting as a magnet during the remainder of that time horizon. These levels are calculated in weekly (W), monthly (M), quarterly (Q), semiannual (S) and annual (A) time horizons, based on the past nine closes in each time horizon. My theory is that the closes over a nine-year period are the summation of all bullish and bearish events for that market or specific stock.

## Technology Report Model Portfolio

### Long Holdings

Company Name	Current Quote	Initial Purchase Date	Most Recent Trade Date	# Shares	Cost Basis per Share	Current Value	\$ Gain/Loss	% Gain/Loss
Dell (DELL)	\$ 29.00	01/31/2006	01/31/2006	150	\$ 29.49	\$ 4,350.00	\$ -73.50	-1.66%
EMC (EMC)	\$ 14.02	01/10/2006	01/10/2006	300	\$ 13.36	\$ 4,206.00	\$ 198.00	4.94%
Intel (INTC)	\$ 20.60	10/13/2005	10/13/2005	150	\$ 22.96	\$ 3,090.00	\$ -354.00	-10.28%
Juniper (JNPR)	\$ 18.39	01/26/2006	01/26/2006	175	\$ 17.75	\$ 3,218.25	\$ 112.00	3.61%
Symantec (SYMC)	\$ 16.89	11/02/2005	02/17/2006	200	\$ 19.25	\$ 3,378.00	\$ -472.00	-12.26%
AT&T (T)	\$ 27.59	07/11/2005	07/11/2005	170	\$ 23.70	\$ 4,690.30	\$ 661.30	16.41%
Time Warner (TWX)	\$ 17.31	01/23/2006	01/23/2006	225	\$ 16.97	\$ 3,894.75	\$ 76.50	2.00%

### Short Sales

Company Name	Current Quote	Initial Purchase Date	Most Recent Trade Date	# Shares	Cost Basis per Share	Current Value	\$ Gain/Loss	% Gain/Loss
Nasdaq-100 Trust (QQQQ)	\$ 41.10	11/17/2005	01/09/2006	(200)	\$ 41.82	\$ 143.00	\$ 143.00	1.67%

### Performance

<b>Total Average Return</b> (including cash)	5.67%	Performance results listed here reflect values of stocks as of the close of the most recently completed trading day, and do NOT take into account dividends paid, interest earned or commissions. Results are updated overnight and posted prior to the market open the following business day. The 2006 Year-to-Date Return figure reflects changes since inception at the market open April 4, 2005. The Total Average Return figure reflects changes since inception at the market open April 4, 2005.
<b>2006 YTD Return</b>	1.62%	

	Date of Portfolio Inception	Open Price	Current Price	% Gain/Loss Since Portfolio Inception	2006 YTD Return
Tech SPDR (XLK)	4/4/2005	\$ 19.35	\$ 21.65	11.89 %	3.14 %

	Date of Portfolio Inception	Open Level	Current Level	% Gain/Loss Since Portfolio Inception	2006 YTD Return
S&P 500 Index (SPX)	4/4/2005	1,172.79	1,280.66	9.20 %	2.09 %

To see the full Technology Report Model Portfolio, including closed positions, visit <http://www.thestreet.com/k/tsctr/portfolio.html>



## Reader Feedback

**Question:** What is your profile for **PortalPlayer** (PLAY:Nasdaq)? – E.

**Answer:** PortalPlayer is rated a hold according to ValuEngine and is 22.6% undervalued with fair value at \$33.45. The weekly chart profile shows declining momentum with the five-week modified moving average at \$27.84. The company is too new to have longer-term value levels as it was founded only seven years ago, but the 200-day simple moving average at \$24.70 should provide support. (In fact, the 200-day SMA held on Feb. 22, when the stock hit a new three-month low.)

**Question:** Does **Netgear** (NTGR:Nasdaq) fit into your thesis for the home networking stocks? The company has consistently beaten estimates for the last four quarters and even guided up for this quarter as reported on Feb.16, but the stock price has been going down. – J.

**Answer:** Netgear is rated a hold according to ValuEngine and is 8.2% undervalued with fair value at \$19.70. The weekly chart profile shows oversold momentum with the five-week modified moving average (MMA) at \$18.19. A weekly close above \$18.19 would be positive, indicating potential strength toward my monthly risky level at \$24.19.

**Question:** What do you think of **SanDisk** (SNDK:Nasdaq), which you labeled as one of the overvalued stocks? I agree with you in that **Broadcom** (BRCM:Nasdaq) and semis in general are in overbought territory, but I believe that **Google** (GOOG:Nasdaq), **Apple** (AAPL:Nasdaq) and SanDisk are in oversold category right now, whether you consider daily or weekly charts. – T.

**Answer:** Be careful when trying to catch a falling knife. Apple, Google and SanDisk may be oversold on their daily charts, but not on the more important weekly charts. Let's take a look at all three names:

-- Apple at \$64.95 is rated a hold and is 4.2% undervalued with fair value at \$67.78. The weekly chart profile is negative with declining momentum, and the five-week MMA is at \$71.42. My model suggests risk to the 200-day simple moving average (SMA) at \$53.45.

-- Google at \$358.77 is rated a hold and is 12.0% undervalued with fair value at \$407.51. The weekly chart profile is negative with declining momentum, and the five-week MMA is at \$430.92. My model suggests risk to the 200-day SMA at \$332.48. (On Feb. 28, Google dropped 50 points in price, testing its 200-day SMA at \$340.80 with a low at \$338.51.)

-- SanDisk at \$61.08 is rated a hold and is 23.0% overvalued with fair value at \$49.65. The weekly chart profile is negative with declining momentum, and the five-week MMA is at \$63.23. My model suggests risk to the 200-day SMA at \$43.90.

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**Question:** Your *RealMoney* article "[Top May Be Near for Semis](#)" is interesting and has some good points, but what surprised me is that you didn't mention any whys. These stocks represent businesses and circumstances. I understand you are a math guy, but it seems to me you would be a force if you layered your analysis with real-world considerations – and, of course, not just items that would bolster your numbers. – J.

**Answer:** Typically, the strongest quarter for semiconductors is the fourth quarter, and earnings reports have been a mixed bag -- the strong getting stronger, the weak getting weaker. Valuations are stretched, the technicals are overbought and the Philadelphia Semiconductor Sector Index (SOX) is reaching levels where it became stymied in January 2004. I am a numbers guy, and very few people believed my bottoming call for the SOX at its bottom in April. Now I'm looking for confirmation of a top in the SOX.

*Finally, as you are aware, this is the last issue of TheStreet.com Technology Report. I'd like to thank all of the subscribers for their support of the newsletter and for all their kind words. I will continue to cover technology in my RealMoney columns, and will include profiles of the positions still open in the model portfolio. I publish Technical Trading Strategies through my consulting firm Global Market Consultants, and you can find information on that at [my Web site](#). I am also working on a stock screening product that investors will be able to use for their own portfolios. The objective is to help investors pick their own portfolio members and set buy and sell levels. I will be looking for beta testers in the next month or so; let me know if you are interested by sending me an [email](#).*

## Contact Info

### Reader Feedback and Questions:

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