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## Today's Top Stock Picks



China's Leading Oil Company is a Foreign Growth *and* Value Play With a PEG of just 0.5, "Sinopec" is more than just a play on energy markets and China -- it's a value play as well. [Read More. . .](#)



This Cutting Edge Firm Could Double in the Next 24 Months  
Solar power company Energy Conversion Devices (Nasdaq: ENER) is an emerging technology company whose time has finally come. [Read More. . .](#)

## Who Needs Capital Gains... When You're Pulling in 18.3% Per Year in Dividends

Now you can have *both*...

If you're looking for both high yields and enormous capital gains, then you need to learn more about StreetAuthority's "High-Yield Security of the Month" for July 2007. This stable, diversified fund not only pays an 18.3% dividend yield, but it also gives investors exposure to one of the world's fastest-growing foreign markets. As a result, the fund has delivered average total returns of +38.9% per year since 2004.

[Learn the name of this security!](#)

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Chalk up another weekly win for the bulls -- but just barely.

Stocks jumped out of the starting gate on Monday, with the Dow Industrials gaining more than 100 points in morning trading -- recouping a good chunk of the steep 185-point loss from the previous Friday. However, traders wavered later in the day, and appeared unsure about how to interpret more signs of weakness in the housing market: the latest data showed soft sales of existing homes, a tenth straight monthly decline in median home prices, and inventories reaching levels unseen in nearly fifteen years.

That uncertainty later gave way to fear, and when news of refinery outages pushed crude oil prices back above \$69 per barrel, a once-promising rally quickly evaporated and left the major averages with minor losses for the session. At least for a day, stocks became untethered from Treasury yields, as a pullback in the benchmark 10-year yield from 5.14% to 5.08% didn't coax any buyers out of hiding.

A similar pattern played out again on Tuesday, as morning gains quickly fizzled out, and selling accelerated into the closing bell. However, the markets finally managed to buck the trend on Wednesday, thanks in part to a robust fourth-quarter earnings report out of Oracle (Nasdaq: ORCL), which boosted tech shares. The Nasdaq gained more than 30 points (1.2%) and moved back above the 2,600 mark.

All eyes turned to the Fed on Thursday, which as expected, left short-term interest rates unchanged at 5.25% and said little to suggest a policy shift in the months ahead. Traders also largely shrugged off a GDP report showing that the nation's economy barely budged in the first quarter, growing at an anemic +0.7% pace. While that represents the slowest rate in several years, most attributed the slowdown to a housing-induced cutback in corporate spending (overall consumer spending continues to grow at a healthy 4%+ clip).

However, the week ended on a down note, as the major averages sang a familiar chorus on Friday -- rising sharply in the morning only to lose steam and reverse course in the afternoon. That oil-driven about-face left stocks just slightly ahead of where they started the week, as the S&P gained a grand total of one point. However, given an unsettling bomb scare in London and typical end-of-quarter portfolio "window dressing", it could certainly have been worse.

Looking ahead, economists are expecting GDP growth to have bounced back strongly in the second quarter. And the market -- a reliable leading economic indicator -- would seem to agree. For the three-month period from April through June, the major averages all clawed their way forward for solid gains. The Dow picked up over 1,000 points, finishing the period with a nice +8.5% gain. The Nasdaq was close behind at +7.5%, followed by the S&P at +5.8%.

Surging crude prices may have caused some jitters in the broader markets lately, but some investors are actually *profiting* from rising oil prices -- such as shareholders of China Petroleum & Chemical (NYSE: SNP). In today's *TopStockAnalysts Digest* newsletter, I will drill down deeper into this sharply undervalued company, which should continue to gush cash flows in the years ahead.

Meanwhile, the dawn of alternate energy sources like solar power and fuel cells is also finally at hand, and several companies engaged in this exciting industry are quickly becoming viable. Below, renowned investing expert Dr. Stephen Leeb profiles one of the most promising, Energy Conversion Devices (Nasdaq: ENER). This patent-rich firm is finally starting to turn the corner to profitability and could have the inside track to break into not one, but several different multibillion-dollar markets.

Good Investing!



-- Nathan Slaughter

## Our "Undervalued Stock of the Month" is Trading at a 33% Discount

If you're a value investor looking for a great bargain on one of the world's fastest-growing companies, you need to learn more about our "Undervalued Stock of the Month" for July 2007. Due to market volatility, the shares have pulled back -30% from their recent highs. As a result, bargain hunters now have a rare opportunity to pick up one of the world's most dominant companies at a 33% discount below our estimated fair value.

[Learn the name of this security!](#)



### China's Leading Oil Company is a Foreign Growth *and* Value Play

by Nathan Slaughter, Editor -- [Half-Priced Stocks](#)

China Petroleum & Chemical (NYSE: SNP, \$111.64), commonly referred to as "Sinopec," is China's leading integrated oil company. The Beijing-based firm is involved in all facets of the oil business, from exploration and production all the way to retail marketing.

At the end of last year, Sinopec had proven reserves of around 3.3 billion barrels of oil, which produced a steady stream of 900,000 barrels every day. And in late May, the company announced a major new find -- an oil field in the Xinjiang region of northwestern China with oil reserves of up to 1.5 billion barrels.

Sinopec is also the top petrochemical refiner in all of Asia, operating more than two dozen refineries with a combined capacity of 3.6 million barrels per day. And after it has been refined and processed, much of the finished product is eventually sold throughout the company's extensive chain of 30,000 retail gas stations. Last year, operating income generated from these outlets soared +61%.

Aside from its oil & gas operations, the firm is also a major producer of ethylene, synthetic resin and rubber, fertilizers, and other chemicals for a wide variety of industrial uses. Last year, it sold nearly 30 million tons of chemical products.

Combined, these business segments account for almost \$135 billion in annual revenues, a figure that has more than tripled over the past five years. Meanwhile, profits have been climbing at roughly the same pace during that stretch, soaring from \$1.9 billion in 2001 to almost \$7 billion last year -- a compound annual growth rate (CAGR) of around +30%.

While that pace is tough to sustain, Sinopec should have the wind at its back for years. Demand for gasoline and energy is a constant, and the company is an established leader in one the world's most energy-hungry nations. Sinopec's home turf spreads throughout the southern and eastern areas of the country, where growth has been the most brisk. As the Chinese economy continues to expand, so too will disposable incomes, meaning more and more consumers will be buying cars -- leading to even stronger demand for fuel.

Of course, while the upside is compelling, investing in China also carries unique risks. For example, the government has imposed price controls that have taken a toll on the firm's refining business. However, Sinopec has a key advantage over its competitors -- the firm is partially state-owned, and the government holds three-fourths of the outstanding

shares.

This cozy relationship has its perks. For instance, while China is actively boosting domestic oil exploration to reduce its reliance on foreign sources, the government has also worked with oil-rich countries in Africa and the Middle East to boost Sinopec's foreign oil reserves.

Looking forward, the continued growth of the Chinese economy is expected to power earnings ahead at an impressive +20% annual clip. A new 20-year partnership agreement with McDonald's (NYSE: MCD), where drive-thru outlets will be installed at many of Sinopec's gas stations, could also prove to be highly lucrative.

Yet, for all this, the stock trades at just eight times cash flows and carries a rock-bottom PEG ratio of just 0.5 -- one of the lowest we have ever come across. Even with a rather high discount rate of 12% (well above what we would typically use for a stable blue-chip industry leader with more than \$100 billion in revenues) we still calculate a conservative fair value of \$126.

While the shares have surged over the past five years, our fair value estimate represents a discount of about 11%. However, given the volatility of both the Chinese markets and the price of crude oil, we would demand at least a 20% discount before buying.

## StreetAuthority's Top Ten Stocks for Summer 2007

In this 25-page report, StreetAuthority co-founder Paul Tracy and his research staff bring you an in-depth look at their ten favorite investing ideas for the Summer of 2007.

[Visit this Link to Claim Your Report!](#)



### This Cutting Edge Firm Could Double in the Next 24 Months

by Dr. Stephen Leeb, Editor -- *Leeb's Market Forecast*

The solar power company Energy Conversion Devices (Nasdaq: ENER, \$30.82) is an emerging technology company whose time has finally come. Over the past 40 years, it has garnered more than 350 domestic and more than 600 foreign patents covering a wide range of potential solutions to our dependence on fossil fuels and more. All it lacked were profits. Indeed, it has been profitable in just two of the past fifteen years. This "always tomorrow" company has stayed afloat by its ability to attract capital from a public willing to bet on novel energy solutions as well as from partners including Chevron and Toshiba.

We think that tomorrow is now at hand, and we're betting that Energy Conversion Devices will turn profitable within the next six to twelve months and will then grow at a super-fast clip -- by more than +50% a year -- thereafter. Specifically, in fiscal 2008, ending June 2008, it should ink more than \$1.00 a share; in 2009, \$2.00 a share; and by the decade's end profits could approach \$3.00 a share with the company on track for continued outsized growth well into the next decade.

The company has a stake in a wide range of energy solutions, including hydride batteries that can potentially power hybrid cars, ultra-fast energy-saving chips, and techniques for storing hydrogen. The division most likely to lead growth over the next three to five years, though, is the company's novel solar collection materials. Energy Conversion Devices has been a pioneer in the technology and manufacturing of thin film solar energy collectors. While thin film collectors are less efficient than silicon, they are

far cheaper to produce. As a result, right now the per-watt cost of producing electricity using these films is about the same as for silicon. But with thin film there is a rapid learning curve, i.e., manufacturing efficiencies are likely to bring costs down dramatically, making this the cheapest path to solar electricity. Because thin film is more pliable than silicon but larger in area, it's ideally suited to commercial and industrial applications.

Given the advantages of thin film and the fact the solar market is still in its infancy, Energy Conversion Devices can likely sell as much film as it can make. Current capacity is about 28 megawatts (MW) a year; the company aims for 300 MW by the end of the decade. Its ability to successfully expand its manufacturing capacity will determine the company's overall growth trajectory. We're betting on its success. One reason is that for the first time in its history the company is being managed by individuals with solid manufacturing and business credentials, as opposed to brilliant scientists. The chairman is Robert Stempel, a former General Motors (NYSE: GM) chairman. Also on the management team are Texaco's former technology chief and Occidental Petroleum's (NYSE: OXY) former treasurer. The company's ability to attract such a stellar team is both a major plus and a testament to its prospects.

The company is involved in a lot more than just solar energy. It is a 50-50 partner with Chevron (NYSE: CVX) in a venture that manufactures nickel metal hydride batteries -- the only maker of such batteries in North America, meaning they'll be the batteries of choice in hybrid vehicles manufactured in the U.S. Moreover, because of patent protection, the venture gets licensing fees from most batteries made outside the U.S. The potential is enormous. Capital will be required to gear up manufacturing if hybrid vehicles really take off (which we think is inevitable). But with Chevron as a partner, that shouldn't be a problem. By early next decade this venture will likely contribute substantially to the bottom line.

Energy Conversion Devices has a 39.5% interest in another joint venture, this one to manufacture super-fast memory chips. The co-investors are Intel (Nasdaq: INTC) and the former chief tech officer of Micron Technology (NYSE: MU). Manufacturing of the chips has just started, and the products are being tested. The venture claims that the chips are up to a thousand times faster than current flash memory chips. Applications could range from cell phones to PDAs to any number of other consumer devices. Here too, the potential is vast. The flash memory market is currently \$20 billion, and the total memory market tops \$200 billion. Commercial production could begin as early as 2008.

Finally the company is trying to develop hydrogen storage materials that can be used in conjunction with fuel cells. Fuel cells can be used in just about any device that requires a battery. Unlike a battery, a fuel cell has a constant source of power -- hydrogen. The company's technology, which is a much longer-term bet than its other products, is aimed at allowing fuel cells to be manufactured without platinum as a catalyst. If the product pans out, Energy Conversion Devices would have access to another multibillion-dollar long-term market.

An investment in this company is a bet that one of the leading research organizations of the past two generations will be able to transition from its research roots to being a profitable manufacturer. Given its exceptional management, we think the odds are heavily in its favor. But we're not overlooking the fact that this is a high-risk company that so far has never managed to sustain profitability. But actually, if you looked only at the company's balance sheet, you could make a case for a good risk/reward rating: debt is nominal, while cash amounts to nearly \$10 a share. Be assured, though, that the company will continue to function even if its profit plans are delayed. And given the enormity of the potential markets, and the leading-edge aspect of many of the company's proprietary technologies, the potential gains far outweigh the risks. Buy this high risk/high reward stock for a security that could double over the next 24 months.

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## Additional Investing Ideas

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### [This Trust Pays a Tax-Advantaged Yield of 12.5%](#)

Investors with an appetite for risk could be rewarded by this Canadian trust's double-digit yield.



### [A Shareholder-Friendly Firm Ready to Buy Back \\$1 Billion Worth of Stock](#)

SunTrust Banks (NYSE: STI) is one of the largest regional banking firms in the U.S. And in a move that will benefit its investors, the firm is planning to repurchase \$1 billion worth of stock this year alone.



### [This Hot Growth Stock Has Increased Revenues at a +193% Annual Rate](#)

Investors looking for a company trading at a discount to its phenomenal growth may be interested in shares of this firm.

## Investor Trivia -- Total Returns

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Over the nearly 20-year time span between July 1990 and July 2007, which of the following stocks delivered the greatest total returns?

- A.) [Microsoft \(MSFT\)](#)
- B.) [Home Depot \(HD\)](#)
- C.) [General Electric \(GE\)](#)
- D.) [Eaton Vance \(EV\)](#)
- E.) [Intel \(INTC\)](#)

(Please click on one the links above. After you make your choice, we'll show you the correct answer on our web site.)

## Featured Topic -- The Power of Compounded Dividends

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Compounding is the simple concept of earning interest on interest, and it is one of the most fundamental ways for investors to build wealth over the long haul. In fact, at one point in time Albert Einstein referred to compounding as "the most powerful force on earth."

### A Quick Example

If you earn 4% interest on a simple savings account balance of \$10,000, then you will have \$10,400 in that account at the end of the first year. If you earn another 4% interest on that amount the following year, you'll then have \$10,816. In 15 years, you would have accumulated \$18,009, increasing your investment by more than +80%.

But compounding works for more than just bank customers. Stockholders can take advantage of it, too, through dividend reinvestment plans (DRIPs).

### What Are DRIPs?

Many publicly traded U.S. corporations offer Dividend Reinvestment Plans (DRIPs) as a way for their shareholders to acquire additional shares at a very low cost. DRIP plans enable investors to automatically take any dividends paid by a particular firm and invest those funds back into the company's stock, often at a discounted price. In addition, most DRIP programs charge either very low transaction fees, or in some cases no fees at all.

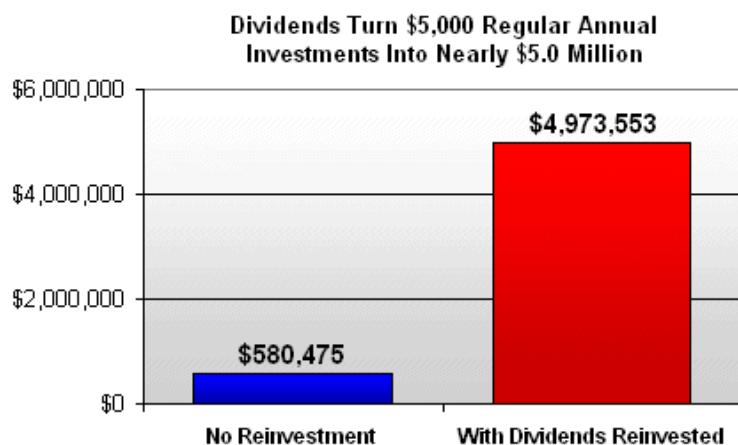
### The Power of Dividend Compounding

Over the long run, there's no better way to grow wealthy in the investment markets than to systematically invest in high-quality stocks and funds, hold on for the long haul.

. . and reinvest your dividends.

That's why Dividend Reinvestment Plans, or "DRIPs," are such powerful wealth-builders. By plowing your dividends back into more shares, DRIPs make it easy to harness the miraculous power of compounding. The beauty of compounding is that any little smidgen of money you can put to work now -- no matter how small -- can have an extraordinary effect on your wealth down the road.

For example, let's say you're able to stash away \$5,000 per year. Although that might not seem like a tremendous amount of money, thanks to the magic of compounded dividends, a \$5,000 annual investment can turn into nearly \$5.0 million over time. The chart below shows what would happen if you invested \$5,000 per year for 30 years in a security that pays an 18.3% annual dividend.



Assuming a \$100 share price, in this example you'd start out at year #1 with an investment of just 50 shares (\$5,000 divided by \$100). But thanks to the magic of compounded dividends, by the end of this 30-year period you'd have a nice nest egg of 49,736 shares in your brokerage account, and those shares would be worth nearly \$5.0 million. Even better, at year #31 those 49,736 shares would be throwing off more than \$910,000 in cash dividends each and every year -- that's almost \$1 million in annual dividends alone!

Best of all, this chart assumes the security's underlying share price doesn't budge over the entire 30-year period -- that it doesn't even gain one single cent. The returns shown above display gains from dividends only. If this security's share price increases in value at just +5% per year, then in this example you'd end up with 39,635 shares and over \$17 million in your brokerage account.

Sound like an unachievable "pie in the sky" example? It's not.

In fact, in a recent issue of her [High-Yield Investing](#) newsletter, editor Carla Pasternak profiled a diversified fund that offers an 18.3% dividend yield, plus a DRIP plan to help you automatically reinvest your dividend checks, making gains like this possible over the long haul.

#### How to Invest in DRIPs

So, as you can see, DRIPs can help income investors earn incredible returns. However, information on which companies offer DRIP plans is sometimes hard to come by, in part because the Securities and Exchange Commission (SEC) does not allow companies to actively promote their DRIPs. Also, DRIPs don't generate big commissions for brokers or fund managers, so there is little incentive for them to promote them.

That's where industry veteran Carla Pasternak can help. In each issue of her monthly [High-Yield Investing](#) newsletter, Carla offers insight and advice about specific DRIPs. She also provides a detailed list of securities that are getting ready to deliver abnormally large dividend payments in the coming weeks. For example, Carla recently spotted an unusually generous firm just days before it paid a special dividend of \$15.00 per share!

In addition to DRIP information, Carla also profiles a host of other income-oriented investments, including REITs, MLPs, Canadian Trusts, and more. If earning unmatched returns though income investing sounds like your cup of tea, then [visit this link](#) to learn more about *High-Yield Investing*.

## Free Investing Resources



Find out how to earn annual yields from 11.57% (1 year) to 13.03% (5 years) with 1 to 5 year renewable notes STEN Corporation (Nasdaq: STEN). \$1,000 minimum investment. STEN has interests in auto financing, consumer loans and contract manufacturing.

[Learn more about this high-yield security](#)



Buffett's Biggest Play Yet! Recently, Warren Buffett bought 39 MILLION shares of one stock that could make all his past successes look like peanuts. Sign up and get a full write-up -- including the name of the stock, the ticker symbol, buy and sell targets, and why now is the time to get involved!

[Learn the name of Buffett's newest investment](#)

We sincerely hope that you find this newsletter valuable, profitable, and informative. Good investing in the coming weeks!



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