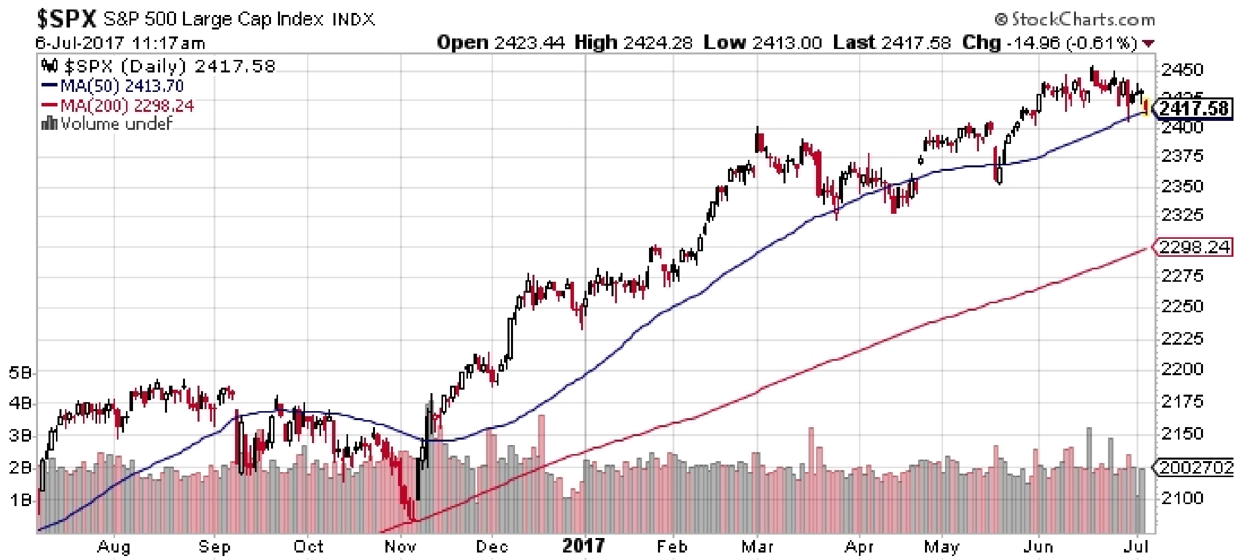
The Most Unloved Sector in a Booming Market

The bulls are back in a big way.

Despite a good deal of tension home and abroad, markets are roaring. So much so, the first half of the year has been the strongest its been in years. The Dow Jones Industrials and S&P 500 each gained 8% since the year began.



But it was the tech-heavy NASDAQ that gained the most, adding 14% of upside since January 3, 2017. In fact, it was the strongest first half for the NASDAQ since 2009.

All thanks to expectations that the Trump Administration would deliver sweeping changes on corporate taxes and infrastructure spending. Stocks have also seen upside thanks to other stabilizing global economies, too.

Construction stocks roared higher on the mention of a potential $1 trillion infrastructure plan. Vulcan Materials (VMC) ran from a low of $111 to $135. U.S. Concrete (USCR) exploded from a low of $57.50 to $80.

Financial stocks even moved slightly higher on potential deregulation.

The Financial Select Sector SPDR (XLF), for example, would move from $23 to $25 on the heels of gains on Bank of America (BAC) and Wells Fargo (WFC).

Cyber security stocks ran on the heels of a new executive order from Donald Trump and on the latest ransomware attack. Palo Alto Networks (PANW) would run from $107 to $141. Fire Eye (FEYE) would pop from $10 to $16.50.

Even the biotech sector exploded higher.

In fact, the iShares NASDAQ Biotech ETF (IBB) shot from a low of $290 to $323. The SPDR S&P Biotech ETF (XBI) jumped from $70 to nearly $81. The Pro Shares Ultra NASDAQ Biotech (BIB) ran from a recent low of $47 to a high of $58.

Small cap stocks are having another incredible year, too. In fact, in June alone, it was up 4%.

Analysts argue that small cap stocks are likely to perform better in the current market of rising interest rates and a higher potential for market volatility. We have to remember that most of these stocks have no ties to the international markets or the U.S. dollar either.

No wonder the market had such a great first half.

That's not to say markets didn't have their laggards, though.

Telecom and the energy sectors haven't done so well in the first half.

The S&P 500 telecommunications sector is down nearly 13% on the year, led by big declines in AT&T (T) and Verizon (VZ), which just fell from a high of $53 to $43.90.

Even the energy sector was dragged lower, as oil fell from a 2017 high of $54 to $42. Exxon Mobil (XOM) fell from $89 to $80. Chevron (CVX) fell from $116 to $104.

So what's the best way to trade the markets now?

We could always buy ETFs on the markets with the DIA, the SPY, or even the QQQs. But most have run up significantly before.

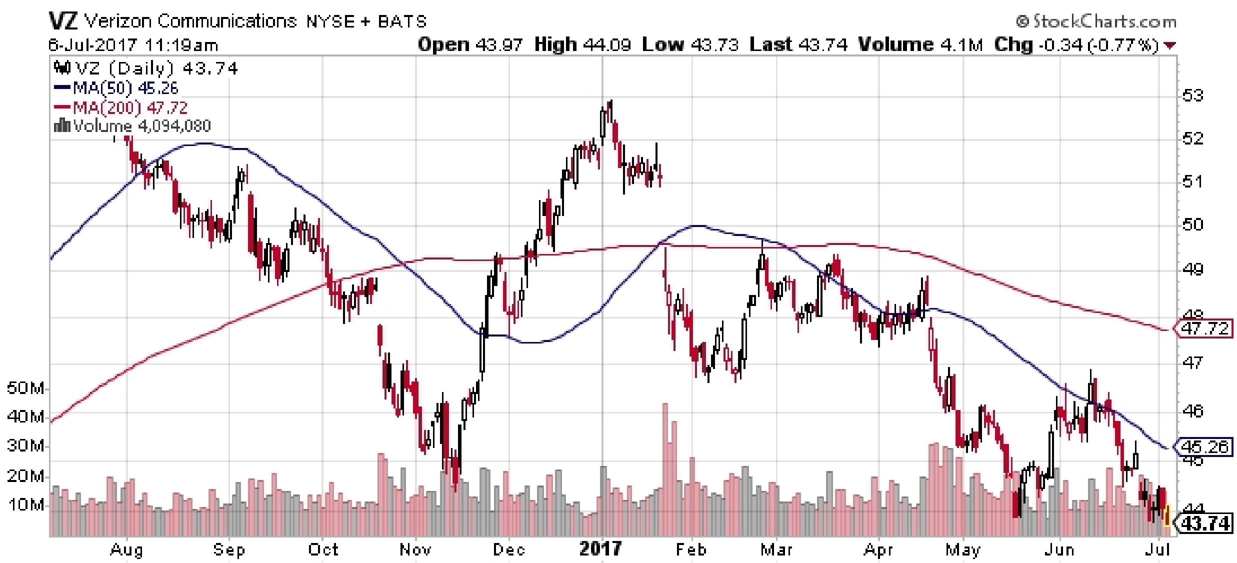
Instead, one of my favorite ways to make money is by buying stocks that have been destroyed, left for dead. No one wants to touch them. Much like telecom these days. Verizon (VZ) and AT&T (T) have had a terrible year so far.

But this is the time to buy. Remember, we want to buy at times of excessive fear.

Buffett does it. Even Rothschild and Templeton did it. And they all made a fortune.

Look at Verizon for example.

Fundamentally, it's one of the cheapest telecom stocks around right now after posting disappointing results with revenue and earnings. It saw a decline in revenue of 7.4% and a drop in EPS from $1.06 to $0.95.



It still carries an attractive dividend yield, too.

Technically, it recently found – and is holding – triple bottom support at $43 with oversold reads on RSI, MACD and Money Flow, too. We believe it's only a matter of time before we see a pivot higher. We also believe that a great deal of negativity has been priced in.

With patience, we'd like to see a potential retest of $46.50, near-term.

We've seen some traders pick up inexpensive January 2018 45 and 47 call options on Verizon, betting on a long-term recovery. We've also seen traders pick up beaten down shares of the iShares U.S. Telecommunications ETF (IYZ) at current market prices, too.

It's just something to consider in a market that's showing no signs of exhaustion.