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Your **Money**

Get the fizzle out of your portfolio

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Americans just came back from a holiday celebrating the independence of the United States with food, family and fireworks. Fireworks is a word that can certainly be used to describe the current mood on Wall Street. Sometimes it's up and displaying all the brilliance and excitement of fireworks and at other times, it just plain fizzles. There are also stocks that will make your portfolio fizzle and they make up the stocks in New Constructs' Most Dangerous Stocks report.

All of the stocks we designate as "Most Dangerous" have misleading earnings paired with exorbitant valuations. These misleading earnings mean that despite what is reported in the headlines or the earnings report, earnings quality is very low. The valuations for these stocks are precariously high, in our opinion, as they predict major profit growth against a backdrop declining cash flow. In most instances, these stocks are overvalued because investors are not aware of hidden financial details buried deep in the Notes to the Financial Statements. In fact, all companies on the Most Dangerous list reported positive and rising earnings while their actual cash flows were negative and declining. Sooner or later, in our opinion, investors will recognize the disconnect between cash flows and market valuation, and the stock price of the companies will decline.

Here is a sampling of the Most Dangerous Stocks for July (The full report can be found at www.newconstucts.com)

Foundation Coal Holdings (NYSE: FCL) is one of the stocks that will suffer not if, but when the commodity bubble pops. The reason Foundation Coal Holdings will suffer more than other commodity stocks is that it has benefited more than most from the unprecedented run up in value. The current valuation of this company can best be described as out of whack and it has reported misleading earnings. These circumstances have converged to make this stock a ticking time bomb waiting to explode. A sure sign that this stock is headed for trouble: Foundation Coal CEO, James Roberts is even selling some of his shares. Based on the way this stock has been valued by Wall Street, it has nowhere to go but down. The current market valuation implies the company's profits will rise nearly 1400% - yes, that's Fourteen Hundred Percent! Commodities have been on a great run, but I don't think we are going to see the price of coal go up enough to justify FCL's valuation.

Symantec (NASDAQ: SYMC) is plagued by misleading earnings. Last year they reported that their net income rose by $60 million while our research shows cash flows actually declined by $91 million. The big difference is caused by $180 million in deferred tax assets drawdown that helped to boost reported earnings but not real cash flows, which will cause problems for shareholders down the road. Current valuation implies 15% Compounded Annual Growth Rate in profits for next 15 years. The market is setting the hurdle too high.

Salesforce.com (NYSE: CRM) has been on a great run. It has been a Wall Street darling for a couple of years now. However, we think the stock has run out of steam. The current valuation is completely disjointed in that it implies that Salesforce.com's revenue will grow and profits will rise by more than 50% every year for the next 15 years. That is very unlikely to happen.

For more details on these stocks or any of the 40 most dangerous stocks for July, please visit www.newconstructs.com.

David Trainer is President of New Constructs, an independent equity research firm based in Nashville, Tenn. Called one of the best stock picker's on the planet by Erin Burnett (host of CNBC's Squawk on the Street), Trainer began his stock-picking career at Credit Suisse First Boston as an analyst. In addition, Trainer has worked for Epoch Partners (now Goldman Sachs) and the now defunct Arthur Andersen before co-founding New Constructs in 2003.