CRAMER'S ANOINTED ONES:

3 SECTORS AND 12 STOCKS

SET TO SOAR BY 2014

Pounce on the Anointed Ones

By Jim Cramer

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See Jim Cramer's top performing sectors of 2013 that should surge into the end of the year.

Right about now, every single year, the market anoints stocks. The anointed stocks are those that get bought at every single dip between this juncture and the end of the year.

Before I give you the dozen stocks that I believe are being anointed right now, let me just say that I hate the anointment process.

It was something that was paid no attention when I was working at **Goldman Sachs** (GS) in the early 1980s, and I didn't even see it happening in the late '80s, when I started my hedge fund. But, beginning in 1990, I saw the pattern. Growth-stock managers just couldn't resist. They simply picked the stocks they liked and wouldn't let them come in. They did it in part because they knew they could get away with it, and in part because they would value the stocks on the "out-years," meaning out three and four years from that time. They could make up any old estimate for those periods and decide it had gravitas.

By the end of 1994, I had had enough. I could always tell which ones they were going for: **3Com; UnitedHealth** (UNH); **U.S. Robotics**; **Qualcomm** (QCOM). I got to the point at which I could isolate exactly what those growth-stock managers would walk up — and, every time the stocks were hit, I would just buy deep-in-the-money calls with as little premium as possible. I would then sell some common against them as they recovered, and I was profitable, but never even by as much as one-half the position.

It became an annual fourth-quarter game. In the end, not only did I make my peace with it, but I found it a pretty terrific way to try to make money from gaming the process and I call it the "Smart Fool Theory." Obviously, if the market gets crushed between now and the end of the year, these stocks won't save you. But, if it doesn't, I think the following names will be the best bets for fourth-quarter romps.

Without further ado:

Amazon (AMZN)

OK, here's the story. You know people will soon be saying that this will be an Amazon Christmas, and that the numbers are coming in far better than expected. I know, given comments from **United Parcel Service** (UPS) that its expensive overnight business was weaker, that that's because Amazon has been opening warehouses all over the place that don't need quick overnight because they are so close to customers. That means the gross margins for Amazon Prime could be through the roof. Amazon is just a terrific story that people love to bet against.

SMARTER FOOL THEORY

Lots of times, people just don't understand that it is OK to dislike a company but like the stock. Other times it is OK to think a company's terrific but its stock is horrendously overvalued, and yet still worth buying. This is a debate that is age-old, but is being rekindled -- aggressively rekindled -- now that Herb Greenberg has rejoined TheStreet fold.

My logic to this conundrum of when good things happen to bad stocks is simple: I am gaming the life cycle and the process of the "loved" enterprise,

Biogen-Idec (BIIB)

This company's new multiple sclerosis drug is starting to take off. When you have a new formulation that starts taking share, as Biogen does, it is a recipe for endless number-bumping. That's what I expect to happen here as the scrip data just get better and better week after week. This is a perfect deep-in-the-money call situation.

Celgene (CELG)

Sure, the stock's doubled in the last year. But there are some $10-a-share estimates out there in the out-years, so what's the issue with paying 16x the out-year's earnings? A ton of approvals are coming, including some big ones, even in October. The stock looks to swoon at some point. Be there when it does.

not the valuation -- or, more precisely, overvaluation of the stock. I am predicting the mania and harnessing it for profit, and much as Herb Greenberg wants to call this the "Greater Fool Theory" (see his rebuttal here), I think that my way can make us all money, which is why I, of course, promptly renamed it the "Smarter Fool Theory." Read full article here.

Chart Industries (GTLS)

Here's a stock with a symbol, "GTLS," that says it all. Chart is a gas-to-liquids play, in that this company makes all the equipment needed to convert low-cost natural gas into fuel. Here in the U.S., we aren't adopting this equipment that quickly. But, in China, they can't make things fast enough. Now that China's economy is picking up, I think the orders will come in even stronger. This stock should have one of the greatest upside surprises of the year.

EOG (EOG)

When you have close to 40% oil production growth, you are able to print numbers at will. The EOG story was always terrific, because as good as the Bakken shale formation is, Eagle Ford is better. But now that EOG is exploring the Delaware Basin, it could accelerate production. It doesn't get any better than that — especially with oil prices going through the roof.

Gilead (GILD)

The Hepatitis C story is in front of Gilead. As long as it stays in front, growth managers will be free to make up any earnings number they want for 2018 and then buy it "cheaply." The best kinds of biotech stories are the ones for which there's an imminent launch, and you get a free ride for months on that.

LinkedIn (LNKD)

One look at that in-the-hole secondary, just priced, tells it all. Who was the genius — and I actually mean genius — who realized how brilliant it would be to price the piece of merchandise 20 points in the hole? They basically created an initial-public-offering-style pop that left big institutions scrambling to get a fuller allocation — hence the big move up. I hear people using crazy numbers in the out-years that could have this stock selling at 25x "earnings." Sorry, I told you to that you would have to suspend your beliefs in order to win this way. Do suspend them.

Medidata Solutions (MDSO)

Is a relatively unknown medical-testing cloud-computing play that is eating Oracle's (ORCL) lunch. If you don't know this company, go to the "Mad Money" archives and watch the interviews. A stock doesn't go up 100% on nothing. I think that this company — run by a group of clinicians — has market capitalization, at $2 billion, that's too small for its opportunity. Medidata is a gamer.

Netflix (NFLX)

This remains the story with perhaps the most momentum in this marketplace. There is simply no way this company can remain independent if the stock goes down, and there's no way these growth-stock hounds will let it go down, because they see the momentum that the company's generating with new sign-ups. Microsoft(MSFT) should have bought Netflix instead of Nokia (NOK). It still can. Do I worry about the earnings? No. It is an international sign-up and domestic binge story. Remember: Before you say, "Oh, come on, it's up 200% this year," you must recognize that a plus-200- percenter is a momentum investor's nirvana.

Regeneron (REGN)

This name drives people crazy. It was an asterisk for 20 years, and then it came up with an eye drug that was so much better than the existing treatment, analysts couldn't raise numbers fast enough. I frankly don't care about Eylea anymore. Instead I care about the anti-cholesterol drug that Regeneron has for people who are allergic to the statin class of current treatments. You are going to hear comments about millions of people who can't take the existing drugs. This will work for Regeneron. This stock is ideal for options because it swings like crazy. CEO Len Schleiffer is the real deal. Bank with him.

Salesforce.com (CRM)

That last quarter made a believer out of a lot of fence-sitters. Now we have the DreamForce conference, at the end of November, to look forward to. Believe me when I say that this 100,000 person turnout — Salesforce already has 20,000 tickets sold — will be one of the great love fests of all time for this social, mobile and cloud play run by the charismatic Marc Benioff. Those with short positions will have to pound sand.

Yelp (YELP)

Look out. This one's incredible. It is a company with the best social, mobile and cloud applications I follow, and it is expanding internationally. It's a mobile yellow pages that is choosing not to show earnings yet, but could do so in a heartbeat. I sense that

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Jim Cramer is one of America's most recognized & respected investment pros and media personalities. After forming his own hedge fund in 1987 and helping start *Smart Money* for Dow Jones, in 1996 Jim founded TheStreet, one of the "most visited" financial media websites for individual and institutional investors.

Today, Jim serves as the host of CNBC's "Mad Money" and " Squawk on the Street" television programs, writes daily market commentary for TheStreet's *Real Money*, is the author of several books—including *Confessions of a Street Addict*—and has been featured on television shows that range from *The Tonight Show* to CBS' *60 Minutes*.

In addition, Jim and **Stephanie Link**, are the Co-Portfolio Managers of *Action Alerts PLUS*. Stephanie is the Director of Research and Vice President of Strategy at **TheStreet**, managing a talented team of investment researchers and stock market analysts. Previously, Stephanie was the Managing Director of Research and Institutional Sales at Prudential Equity Group and the SVP of Institutional Sales at Dean Witter Reynolds.

Together, Jim and Stephanie inform and guide ***Action Alerts PLUS***' subscribers with daily written analysis and weekly summary reports of the strategy, positions and rankings of each stock in the fund.

coverage has to be rolled out all over the place, and when it is, it will be like Friday, when a new recommendation simply caused the stock to explode higher. The momentum guys will justify this one on market cap, which is only $4 billion. Should trade much higher.

Now, you could say, "Jim, where is **Facebook** (FB), or **Google** (GOOG), or **Tesla** (TSLA)?" To that I would say: The key to this game is in the inability to have any idea what the company's going to earn in the out-years. As soon as you have firm numbers out there, which these three do, you run the terrible risk of disappointment. That's too dangerous. These have the runway. The ones listed above don't. So, remember, you don't buy them outright. You wait until the swoon. Pick an options contract you feel comfortable with, and select your favorite five. Don't do any more than that.

These are the anointed ones. They are going to be the magnets.

Remember: Don't hate them. Embrace them. It's probably not your style of investing.