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Nokia Jump Powers Up Powerwave

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Scorching sales keep the wireless industry on a winning streak.

Surprisingly strong demand for cell phones this quarter has Wall Street cheering on wireless players such as chipmakers **Powerwave** (PWAV) and **RF Micro Devices** (RFMD).

Nokia's (NOK) upward guidance for the third quarter and the continued popularity of **Motorola's** (MOT) Razr phone are giving some observers reason to be optimistic about the wireless sector, particularly chips.

The current quarter, which ends this month, is typically sluggish when compared with the gangbusters holiday sales in the fourth quarter. But with no sign that mobile-phone momentum is slowing, investors were buying.

Nokia shares rose 74 cents, or 4%, to \$16.81, and Motorola was up a quarter to \$23.09 in morning trading Tuesday. Meanwhile, shares of handset component makers Powerwave and RF Micro rose 6% and 1% respectively.

A rosier outlook gave Charter Equities Research analyst Ed Snyder a reason to upgrade Nokia to neutral from sell Tuesday and boost his 2005 handset forecast to 765 million units from 754 million previously targeted.

Doubling down on his bullish predictions, Snyder also now expects RF Micro to announce an upside surprise for the third quarter and raise guidance for the coming quarter ending in December.

"We believe RF Micro Devices stands to benefit the most from increased demand in handsets, especially given that Nokia and Motorola are its first and second largest customers," Snyder wrote in a research note Tuesday.

Nokia's stronger-than-expected forecast also helped dispel concerns that the cell-phone industry is in danger of repeating the high-volume, price-cutting scenario that eventually undercut the PC business.

While sales of cheap phones in emerging markets have driven a good deal of the overall handset growth, new, more expensive models from Nokia and Motorola have helped keep phone prices up overall.

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