

ETF Selections & Timing

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Volume 2

Issue 4

Adjustments

As mentioned the last few weeks, I have made some minor adjustments to both the ETF selecting and timing models. This came about as a result of underperforming the Growth Portfolio Index last year. I carried too much cash and hence underperformed. The annual results are

shown on page 4. Page 2 has the annual results for the Income Portfolio. The results shown below are for the current and most recent weekly measures.

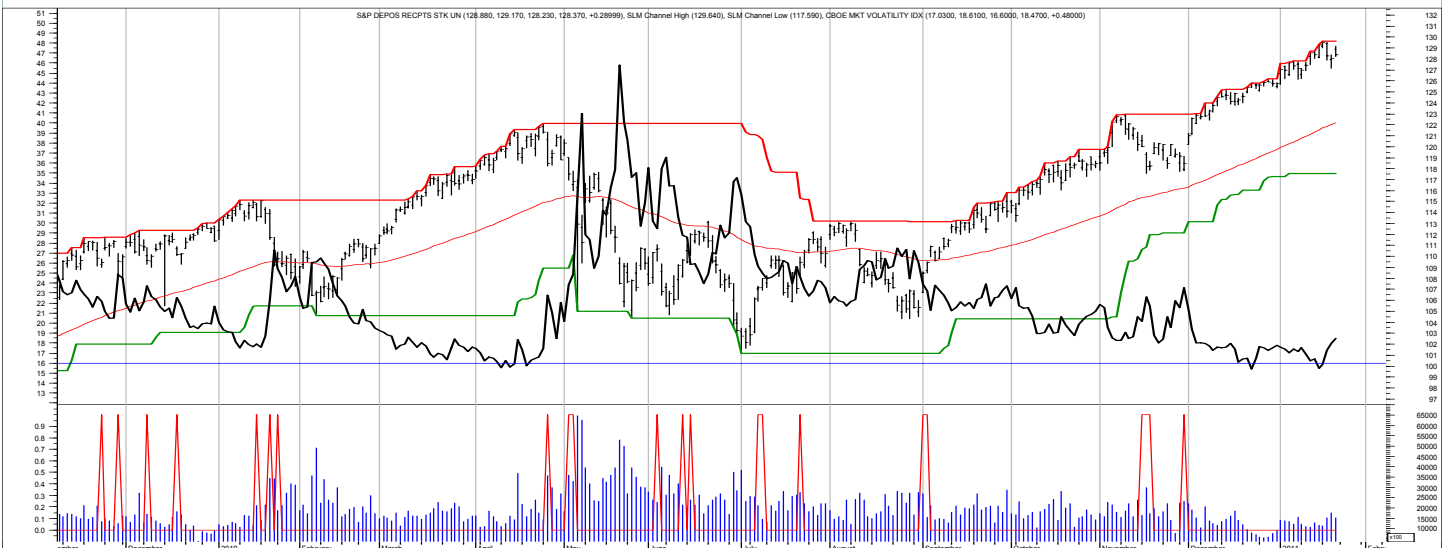
In addition, I've expanded the database of ETFs.

These timing and selecting

modifications will most likely lead to somewhat more activity in the portfolios as adjustments are made to align with them. As well, more stop order levels are planned.

As a result there are some

(Continued on bottom right on page 6 see REVIEW)



The chart shows the daily S&P 500 with red smoothed line an 80-day moving average. The black is the VIX index. The lower part shows blue volume and red spikes as possible trading signals.

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
ETF Income Portfolio	-0.1%	4.8%	0.5	-2.4	0.1	-0.1%
ETF Growth Portfolio	0.1%	8.9%	4.9	0.9	0.2	-0.1%
Aggrgt Bond (AGG)	-0.1%	1.1%	-1.7	-2.7	0.3	-0.1%
Wilshire 5000	1.6%	19.6%	17.3	8.9	1.6	-1.3%

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Income Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 1/21/2011						
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
4-Oct	sell	PHB	18.28	1,000	18,280	TIP	106.40						
18-Oct	buy	TLT	101.08	100	10,108	AGG			105.13	105.61	169.9	17,937.86	17.1%
22-Nov	sell	PHB	18.20	500	9,100	TLT	90.00		96.97	91.52	202	18,509.55	17.7%
22-Nov	sell	PCY	27.44	300	8,232								
10-Jan	sell	PHB	18.31	561	10,274								
10-Jan	buy	TLT	92.85	101	9,378								
10-Jan	sell	PCY	26.69	357	9,528								
14-Jan	sell	TIP	107.76	121	13,061								
14-Jan	sell	BSV	80.62	205	16,543								
24-Jan	buy	TIP		125									
						Money Market			1.00		68,250	68,250.00	65.2%
									Total Valuation=		104,697.41	100.0%	

PERFORMANCE RANK

SYMBOL	NAV	RoC
HYG	91.36	22.92%
PFF	38.98	14.16%
PHB	18.30	12.38%
TBF	45.03	7.64%
BWX	57.94	6.09%
TIP	107.76	4.60%
LQD	108.93	4.20%
IGOV	101.88	2.72%
IEI	115.28	1.55%
FXE	133.20	0.17%
SHY	84.02	0.01%
GVI	107.98	-0.39%
BSV	80.62	-1.22%
PCY	26.61	-1.38%
AGG	105.73	-1.62%
BND	80.32	-2.77%
IEF	93.89	-4.33%
MBB	105.47	-9.97%
TLH	112.13	-11.10%
PLW	27.57	-12.32%
TLT	91.83	-28.58%

INCOME DATABASE

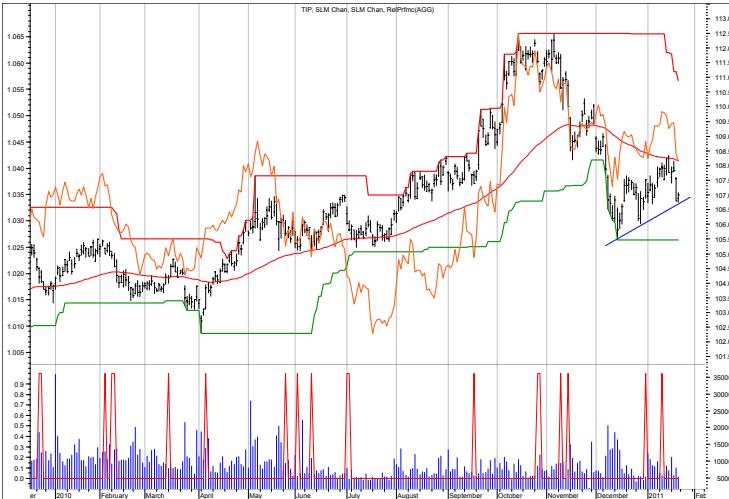
iShares Agg Bond	AGG
Vngrd TTL Bond	BND
Vngrd ShrtTrm Bond	BSV
SPDR Intrntl TBond	BWX
iShares Inter Gov	GVI
iShares High Yld	HYG
iShares Intrntl Tbond	IGOV
iShares Long Corp Bond	LQD
iShares Inter Bond	MBB
PS Emrg Mrkt Bnd	PCY
PS High Yield	PHB
PS Laddrd 1-30 T	PLW
iShares 1-3 yr Trsry	SHY
iShares 3-7 yr Trsry	IEI
iShares 7-10yr Trsry	IEF
iShares 10-20 Trsry	TLH
iShares 20+ yr Trsry	TLT
iShares Trsry Inftn	TIP
Currency	FXE
Preferred	PFF
Short 20 yr T bond	TBF

WEEKLY REVIEW

Two of the positions were stopped out, but I will reenter one of them today, buying about 13% of the Income Portfolio back into TIP.

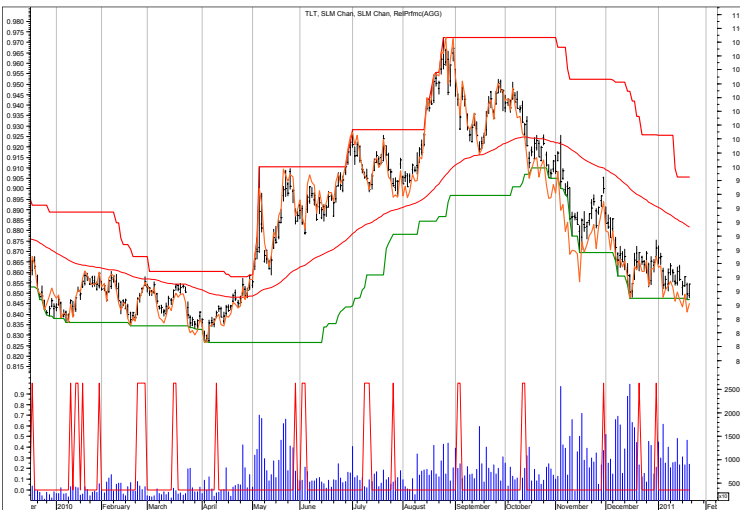
Annual Performance	2010	2011
Aggregate Bond	2.5	
ETF Income Portfolio	4.8	

Income Charts



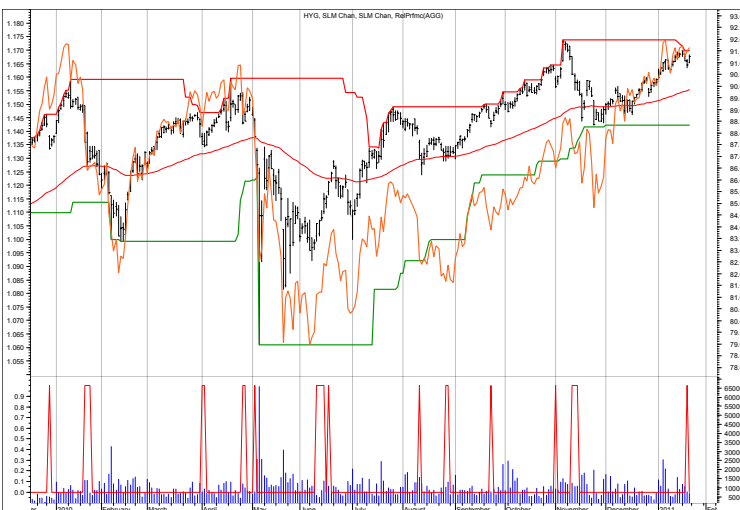
TIP—Inflation Protected

1/24/11 Pullback to uptrend. Good entry point.



TLT--20 year Treasury bond

1/24/11 Still weak.
1/18/11 Potential trend change.



HYG—High Yield

1/24/11 Waiting for a pullback to buy.

Each chart shows daily prices (top portion), volume (bottom portion), a moving average (smoothed red line on price portion, a relative strength indicator between the ETF and AGG (Aggregated bond ETF) (orange line), and red spikes. The spikes show potential places to buy and sell short. If the moving average is trending down, the spike shows a potential sell shorts. If the moving average is trending up, the spike shows potential buys. The charts do not show selling or covering signals.

Growth Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:				1/21/2011			
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
6-Dec	short	EWP	37.64	(100)	(3,754)	LONG ETFs-								
20-Dec	sell	EWS	13.45	400	5,390	ICF	65.00		63.72	66.31	100.0	6,631.00	6.1%	
3-Jan	cover	EWP	36.55	100	3,665									
21-Jan	sell	IWR	103.24	122	12,534	RSW			47.93	37.00	100.0	3,700.00	3.4%	
24-Jan	buy	SLV		200										
24-Jan	buy	XLE		70										
24-Jan	buy	DEM		90		SHORT ETFs-								
						RSW is a 200% short position								
						Cash from short				1.00	-	-	-	0.0%
						Money Market				1.00	97,817	97,817.00	90.4%	
						Total Valuation=						108,148.00	100.0%	

WEEKLY REVIEW

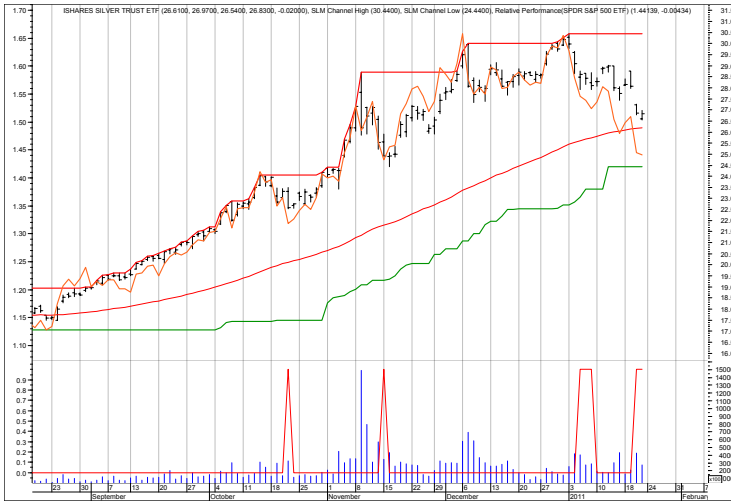
The two funds with the tight stops were closed out last week as noted in the “action for” and “value as of date” boxes.

As noted above in the Portfolio ‘action for’ box, there are some new buys. They have specific shares to buy for the portfolio, but each is roughly 5% of the total portfolio.

Annual Performance	2010	2011
Wilshire 5000	15.5	
ETF Growth Portfolio	8.1	

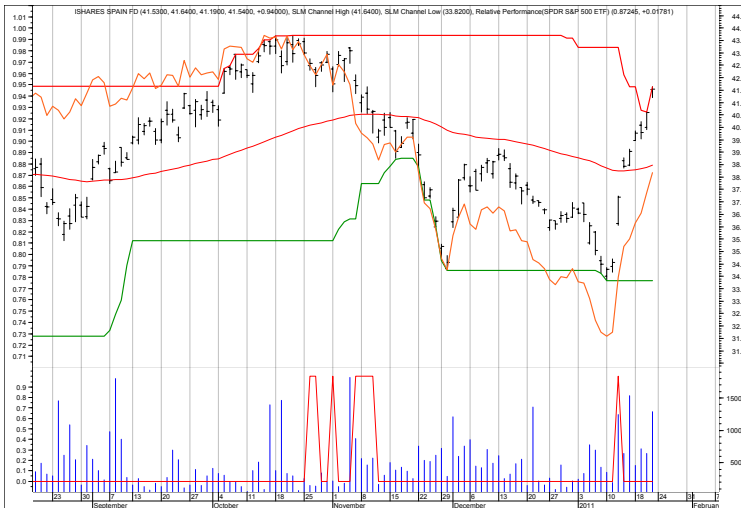
See performance rankings of the equity oriented ETFs on page six.

Growth Charts



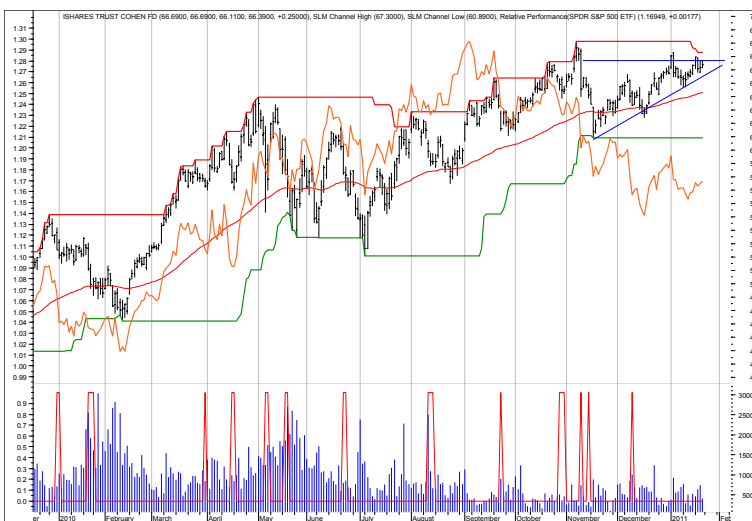
SLV—Silver

1/24/11 Buy on the correction.



EWP—Spain

1/24/11 There's a change in sentiment.
 1/18/11 Bounce on good news.
 1/10/11 Very weak. Spain back in the news.
 1/3/11 Cover for now.
 12/27/10 Heading back down.
 12/20/10 Watch the dominant trend line.
 12/13/10 Hold the short.
 12/6/10 Reshort.
 11/29/10 I shorted this fund on the news of financial troubles.



ICF—REIT

1/24/11 Watch for a breakout either way.
 1/18/10 Raised stop level.
 1/10/11 May be topping.
 1/3/11 Expect recovery highs.
 12/27/10 Main trend still up.

Each chart shows daily prices (top portion), volume (bottom portion), a moving average (smoothed red line on price portion), a relative performance indicator between the ETF and S&P 500 (orange line), and red spikes. The spikes show potential buy and sell short signals. Generally speaking, if the moving average is trending down, the spike shows a potential sell short. If the moving average is trending up, but the ETF declines, the spike shows a potential buy. The charts do not show selling or covering signals.

ETF Growth Performance Page

SYMBOL	NAV	RoC
SLV	27.74	152.51%
DBS	50.17	151.34%
IGN	36.35	130.79%
EWY	62.98	128.35%
IYM	77.86	114.95%
VBK	80.76	113.11%
XLE	70.65	111.61%
IYE	40.51	105.81%
DBA	32.70	104.83%
EWT	15.71	104.02%
EWD	32.01	103.17%
IWM	80.54	98.68%
EWM	14.89	98.46%
IGV	60.41	98.01%
VXF	56.11	97.24%
VB	74.79	96.10%
IWP	58.36	95.66%
IGE	42.15	93.98%
IYJ	67.48	93.75%
EWV	62.76	93.69%
XLI	35.91	92.67%
IYT	94.31	92.32%
VAW	83.49	91.22%
QQQQ	57.00	91.08%
XLB	38.80	88.81%
DBC	28.02	88.28%
IWR	104.27	87.30%
EWI	19.93	86.90%
VO	76.44	86.81%
IYW	67.65	86.65%
IXC	40.40	84.97%
IGM	63.54	83.52%
VGT	64.57	83.30%
RSP	48.49	81.56%
IWS	46.02	81.04%
PWO	50.54	80.37%
ICF	66.31	79.78%
VBR	68.52	78.91%
VCR	61.22	78.33%
RWR	61.32	77.12%
IYG	61.03	76.88%
VUG	63.08	76.28%
IXN	63.92	75.29%
DEM	59.83	74.71%
XLY	37.92	74.69%
XLK	26.17	74.40%
VTI	66.76	73.45%
VFH	34.32	72.31%
EZA	71.72	71.97%
DES	48.10	71.78%
IYY	65.16	71.66%

IYR	56.40	71.29%
XLF	16.72	71.26%
DBE	27.73	70.92%
ISI	58.78	70.02%
VV	59.22	69.62%
PWC	44.72	69.44%
IYF	59.90	69.28%
SPY	129.30	68.82%
EWC	31.32	67.92%
DLS	52.40	67.57%
EWS	13.92	67.33%
ITF	48.65	65.33%
VWO	48.46	65.17%
DBO	28.69	64.72%
EEM	47.93	64.70%
IYC	68.45	64.52%
PGJ	27.80	63.92%
EWO	21.98	63.82%
OEF	58.28	63.07%
EWJ	11.15	61.56%
ILF	53.75	60.52%
EWG	24.63	58.39%
EWU	17.78	55.46%
DTD	47.18	54.68%
DIA	117.69	54.48%
IYK	65.14	53.22%
DGT	59.98	53.04%
IDV	34.23	52.79%
DLN	46.68	52.13%
EFA	59.45	49.44%
IOO	64.10	49.25%
IXG	48.32	49.23%
EWL	24.55	47.13%
DVY	50.16	47.06%
EPP	46.76	46.94%
DWM	48.54	44.87%
IEV	40.39	44.71%
EWN	21.46	44.70%
PEY	8.89	44.30%
IAU	13.30	43.21%
GLD	132.69	42.40%
DHS	39.05	41.71%
DGL	47.99	39.52%
IYH	66.76	38.71%
EWQ	25.40	38.56%
EWZ	77.40	38.52%
FEU	35.07	37.09%
XLV	32.18	37.07%
EWI	17.46	36.07%
VHT	57.60	35.86%
EWA	24.89	35.37%
IXP	58.85	34.37%

EZU	36.50	34.37%
IDU	78.33	32.63%
VPU	68.16	32.18%
XLP	29.33	31.21%
FEZ	38.52	30.78%
FXI	44.55	29.47%
XLU	31.74	27.37%
IXJ	52.40	27.31%
VDC	73.52	24.17%
EWK	13.27	19.44%
IBB	84.00	12.06%
EWP	39.03	2.95%
EPI	24.16	0.50%
DOG	43.50	-59.85%

These ETF rankings are based on momentum indicators around which we generally want to trade, investing with the stronger performers and shorting the weaker performers.

(Continued from page 1) *REVIEW*

new buys to implement today in the Growth Portfolio. Basically, the ETFs selected are in long-term uptrends, but have corrected somewhat. This is most noticeable in the precious metals market. See the top chart on page 5 for SLV (silver). Time to buy as noted.

The stock market as a whole continues to power higher as economic news continues to improve. There is a growing sense that job creation is actually taking place.

On the horizon, however, is still the question about how to deal with all of the federal and state debt. Consumers and businesses have seemed to get their houses in order, now it is their turn.

Growth ETF Database

Left blank for now.

Descriptions & Disclosures

PORTFOLIO DESCRIPTIONS (pages 2 and 4)

Our guiding goal is to provide the most return with the least risk consistently over time through bull and bear markets.

Income Portfolio, page2: Uses a proprietary selection methodology on all of the monitored bond-oriented ETFs to pick the top ETFs. I then use a proprietary timing model to decide whether to buy, sell, hold, or avoid.

Growth Portfolio, page 3: Uses the same methodologies as in the Income Portfolio, except as it is applied to stock-oriented ETFs.

All portfolios were started on 1/1/10 with \$100,000.

Portfolio changes will usually be made at the close on Monday, unless otherwise noted in any emailed hotline update or triggered stop orders. Issues are normally posted on Mondays by 1:30pm cst.

Portfolios are updated through the Friday close the week before.

Dividends are reinvested in additional shares. Commissions of \$5/trade and short-term redemption charges, if any, are applied.

Interest is zero for the money market (cash) position.

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Unless otherwise noted, the weekly eNewsletter is posted by 1:30 PM central time each Monday, except for holidays and then on Tuesday. It may contain actionable, specific buy or sell advice to take that day at the Monday close in each portfolio. We may also use stop orders. Portfolio data will be updated through the previous Friday's close. Fund symbols, rather than names, are the official identification used for activity.

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