No-Load Mutual Fund Selections & Timing Newsletter

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10/25/12 Thursday about 1:30pm cst for action to take today

Dear Subscriber,

As mentioned in the October Newsletter, a couple of funds in the equity oriented portfolios have dropped into the middle of the pack (3 comets). They are AFSAX and FAMEX.

I'm going to hold AFSAX another month to see if it moves back up in the rankings for a couple of reasons. October was the first month AFSAX dropped out of the top 20% (5 or 4 comets). I tend to give a fund the benefit of the doubt. It has only about another 30 days until it moves to a long-term capital gain for us. The fund is moving under the Hennessy Funds umbrella 10/29. The same manager and strategy will be employed.

As for FAMEX, it is time to sell as noted below.

PORTFOLIOs
In the Aggressive Growth, Growth, and Balanced Portfolios sell FAMEX back to cash. This is roughly 4% of each portfolio.

In Aggressive Growth, buy 450 shares of DHS (Wisdom Tree Equity Income) also in the EGI (Equity Growth/Income) style. DHS is rated in the top 5% (5 comets).

In Growth, buy 750 shares of DHS.

In Balanced, buy 650 shares of DHS.

Each purchase will also be roughly 4% of each portfolio's total value. The sell and buy, therefore, is a lateral move.

TIMING
Stocks Intermediate-term neutral. Long-term neutral. Investors became more bullish over the last month, which is bearish from a contrary point of view, but not to an extreme reading.
Bonds Bullish (the Fed intends to keep rates down)
Gold Bullish (mainly a hedge against any pickup in unexpected inflation)

The stock market has pulled back over the last month. There is a growing sense of some caution as we head into the elections and Fiscal Cliff. If Congress does nothing, taxes will go up and spending will be cut 1/1/13. Some believe this will lead to a recession in at least q1 and q2 of 2013. The market has yet to discount that slowdown and earnings impact. Others, however, believe the Fed easing and housing recovering will offset Congressional activities (or lack thereof) in 2013. Either way, companies have been reporting less than stellar results and are lowering revenue projections (another reason stocks have been weak lately).

Using ETFs, like DHS above, means we have more flexibility to react without worrying about short-term redemption charges, if the economy abroad (Europe and China) continue to weaken and the domestic economy joins them. The main criteria for buying, however, is that the ETF or fund be top-rated (5 comets).

In the meantime, the Fed is easing and this has been a very positive effect on stocks.

Thank you,

Steve McKee
Editor