

No-Load Mutual Fund Selections & Timing Newsletter

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8/9/12 about 11:35am cst for action to take today (Thursday)

Dear Subscriber,

Time to raise some cash by selling a laggard fund (TGCNX). It is beyond its short-term holding period in order to avoid the short-term redemption charge.

There are a few reasons for not buying another fund with the proceeds at this time. The ongoing negative divergences in the market's internals, with the Dow Industrials hitting recovery highs, but the Transports continue to lag. Investor sentiment remains mixed, but the rally has tilted more to bullish (which is bearish from a contrarian point of view). And the crisis in Europe is far from being solved. The positive side to all this is the ongoing Fed actions, as well as the ongoing expectation for QE III. Beyond that hope, however, is the fiscal cliff of rising taxes and fiscal spending cuts. The market has not yet discounted the strong likelihood we will be in recession within 4-6 months, assuming no substantial monetary or fiscal changes.

Some may wonder why not raise 100% cash? The reason is because of the uncertainty. Maybe Europe will get it together or Congress will act. So, we don't want to be fully out. IF things do improve, we would get back in. If they deteriorate further, we'll raise more cash.

PORTFOLIOS

To sell:

In the Aggressive Growth, Growth, and Balanced Portfolios, sell all TGCNX (should be a short-term gain, depending on the market close today). This will raise cash in each portfolio by 9% to roughly 50% cash and 50% invested, except as noted below for the Balanced Portfolio.

To buy:

The bond market has pulled back, so in the Balanced and the Income Portfolio, I will buy the following:

DLTNX (DoubleLine Total Return Bond). Balanced buy \$50,000 (about 7%). Income buy \$25,000 (about 10%).

Summary:

The net cash change to Balanced will increase 2% from 39% to 41%.

TIMING

No timing changes.

Stocks Intermediate-term neutral. Long-term bearish.

Bonds Bullish

Gold Neutral

Thank you,
Steve McKee
Editor