

Stock Selections & Timing

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January 3, 2012 (data through previous Friday's close)

Volume 3

Issue 1

New Year Ahead

For all the sound and fury, all the volatility, all the hand wringing, and worry about European dominoes, the stock market ended 2011 essentially where it began. This is, it seems to me, in keeping with the political situations around the world where nothing appears solved beyond the day

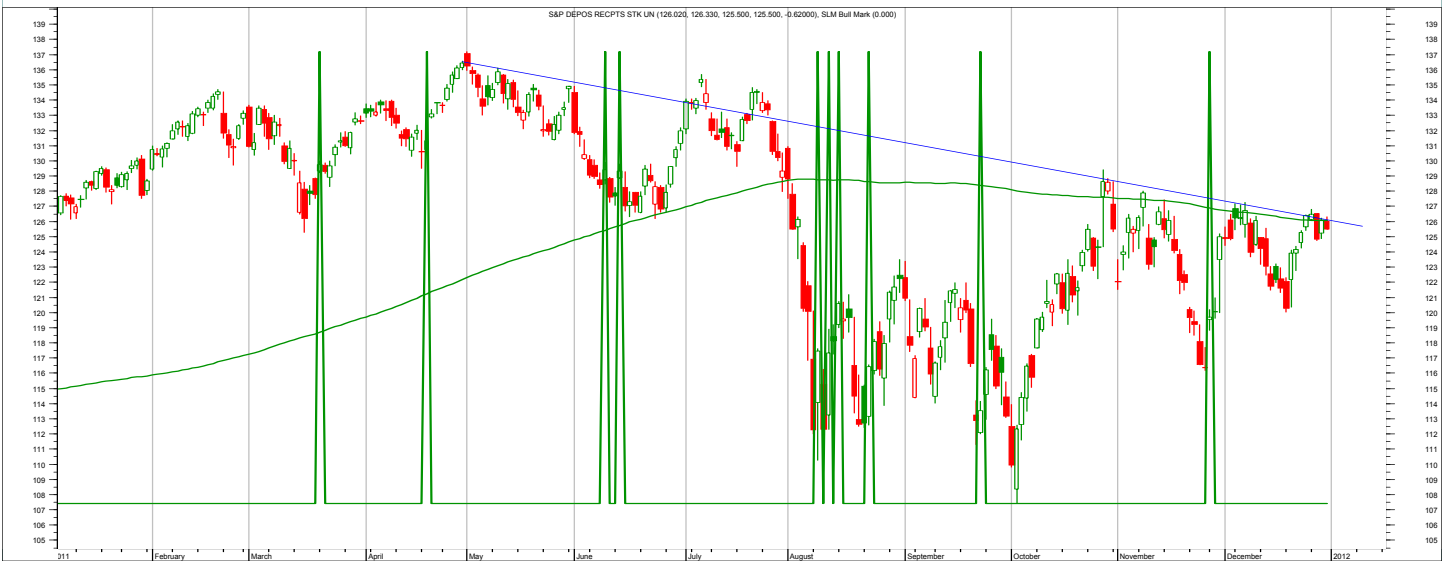
to day.

The Wilshire 5000 Total Return Index (broadest measure of the domestic stock market and includes dividends) was up 0.5%. The yearly number though doesn't really tell the tale. It is what happened between the start and end. To a degree, I suspect 2012 may end

up the same, given that this is an election year. Why create waves at this time. Just stay the course, get reelected is the thinking. But then what? More on this shortly.

In 2011 the market started on a fairly strong note with the economy recovering. But by

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The chart is the DAILY S&P 500 with 200-day simple moving average. The red spikes are potential buy signals.

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	21.4%	21.4%	4.7%	15.1%	-1.2%	0.2%
Dow30 Portfolio	-1.1%	-1.1%	-6.7%	3.7%	-0.3%	-0.3%
Wilshire 5000 TR	0.5%	0.5%	-6.6%	12.0%	0.9%	-0.6%
Dow Industrials	5.5%	5.5%	-1.3%	12.0%	1.7%	-0.6%

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Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		12/30/2012				
Action Dates	Action Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 12/5	Yield at buy	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
28-Nov	buy	MRVL	13.28	900	11,962	DRAD						about 2%	
28-Nov	buy	ACAS	6.58	900	5,932	ANIK		5.89	9.80	600	5,880.00	4.3%	
5-Dec	sell	ANIK	>8.40	300		GENC		7.53	6.94	2,078	14,421.32	10.6%	
5-Dec	sell	WTT	1.33	3,000	3,980	WTT		0.87	1.16	11,000	12,760.00	9.4%	
12-Dec	sell	ANIK	8.54	300	2,552								
19-Dec	sell	ANIK	>8.60	300		PSEC		12.0%	10.15	9.29	1,200	11,148.00	8.2%
19-Dec	sell	WTT	>1.10	2,000									
19-Dec	sell	ANIK	8.64	300	2,582	MRVL	12.75	13.28	13.85	900	12,465.00	9.1%	
19-Dec	sell	WTT	1.11	2,000	2,210	ACAS	6.35	6.58	6.76	900	6,084.00	4.5%	
19-Dec	sell	MCGC	3.85	2,000	7,690								
23-Dec	sell	GLAD	>7.7	1,000									
23-Dec	sell	GLAD	7.71	1,000	7,700								
23-Dec	sell	ANIK	>8.95	600									
23-Dec	sell	ANIK	9.00	600	5,390								
						Dividends					2,187.26	1.6%	
3-Jan	buy	DRAD	<1.90	1,500	<3000	Money Market			1.00	71,429	71,429.00	52.4%	
											Total Valuation=	136,374.58	100.0%

REVIEW since last issue

1/3 Reenter DRAD as noted above.

12/19 GENC reported flat earnings. Still trading below net cash. Monitor the trades as noted above.

12/5/ Subscribers should have received the emailed Hotline notifying you to buy MRVL and ACAS on 11/28 as mentioned above. Now, however, given the market's rally back to resistance area (previous tops), it is time to lighten up and take profits on a couple of positions as noted above. The prices are sell limits; for example, sell 300 shares of ANIK at \$8.40 or better. As well, WTT has gained so much as to require sells to bring it back in line; we don't want to be that over weighted in the stock.

11/21 Sell KCAP (too much uncertainty). Accumulate more GENC (valuation below net cash).

11/5 No portfolio changes. ANIK and WTT have both jumped noticeably the last few weeks and are above buy zones.

10/24 Buy MRVL and buy more GENC as noted above.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4		36.4	12.5
W5000 TR	17.7%	0.5		18.3	9.6

This shows the returns of previous years, year to date (ytd), and from inception (incptn). It also shows standard deviation (SD).

Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 12/30/2012							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 12/26	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
13-Sep	buy	T	28.05	400	11,230								0.0%	
19-Sep	sell	AA	11.58	900	10,412									
19-Sep	sell	IBM	173.13	70	12,109									
22-Sep	sell	DIA	107.07	500	53,525	AA	8.40		8.86	8.65	1,300	11,245.00	10.6%	
22-Sep	sell	CAT	73.90	130	9,597									
22-Sep	sell	DD	41.65	250	10,403									
3-Oct	buy	HPQ	22.20	500	11,110									
17-Oct	sell	HPQ	24.86	500	12,420									
17-Oct	sell	T	29.02	400	11,598									
28-Nov	buy	DIA	114.84	500	57,430									
8-Dec	sell	DIA	119.94	500	59,960									
23-Dec	buy	AA	<9	1,300										
23-Dec	buy	AA	8.86	1,300	11,528									
						Money Market					1.00	94,777	94,777.00	89.4%
												Total Valuation=	106,022.00	100.0%

Company	Symbol
Alcoa	AA
American Express	AXP
Boeing	BA
Bank of America	BAC
Catepillar	CAT
Cisco	CSCO
Chevron	CVX
DuPont	DD
Disney	DIS
GE	GE
Home Depot	HD
Hewlett Packard	HPQ
IBM	IBM
Intel	INTC
Johnson & Johnson	JNJ

Company	Symbol
JP Morgan	JPM
Kraft	KFT
Coca-Cola	KO
McDonalds	MCD
3M Company	MMM
Merck	MRK
Microsoft	MSFT
Pfizer	PFE
Proctor & Gamble	PG
ATT	T
Travelers	TRV
United Technologies	UTX
Verizon	VZ
Wal-Mart	WMT
Exxon Mobil	XOM

For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

We monitor the underlying individual stocks for buys and sells in order to overweight the portfolio to what is expected to outperform and underweight the portfolio with what is expected to underperform.

REVIEW since last issue

1/3 No changes.

12/19 No changes

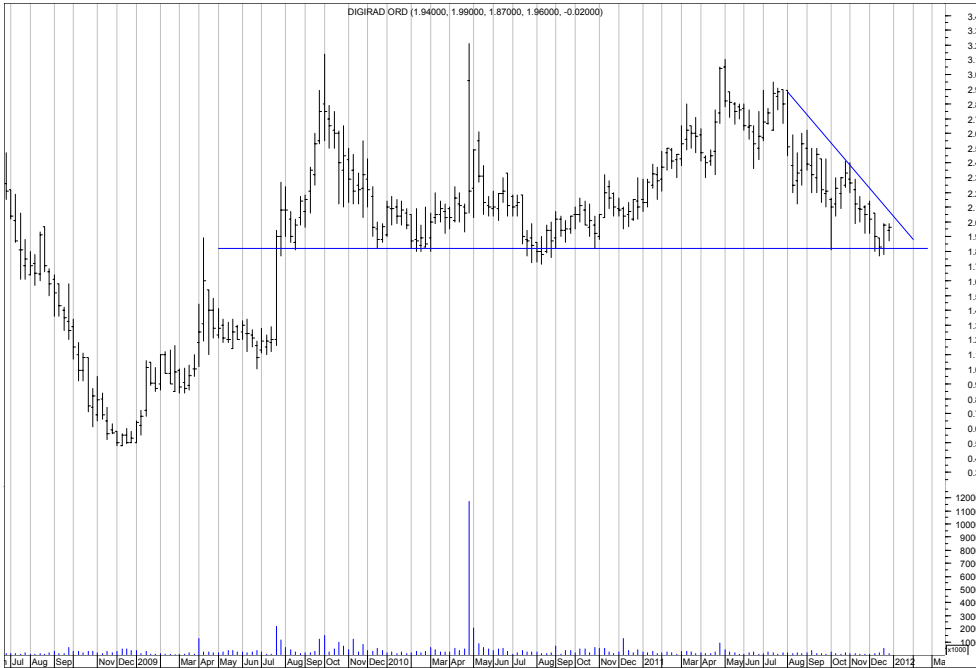
12/5 Subscribers should have received the emailed Hotline to buy DIA on 11/28.

11/21 No changes.

10/24 Will look to buy on pullbacks.

10/3 With HPQ at 5x earnings, I have to buy just as a matter of principle. T yields 6%.

Feature Company



Back into DRAD that has dropped to a good entry point as you can see on the weekly chart to the left.

Digirad Corp is in the medical imaging business with annual sales of about \$55 million. It runs near breakeven, but the company is cutting costs, trying to improve margins. The balance sheet is strong. Market cap is about \$35 million with net cash of about \$31 million. So for \$4 million we get a company with sales of about \$55 million running at breakeven. If they can improve operations, the stock should easily near \$3.00.

Accumulate below \$1.90.

(Continued from page 1)

summer, the recovery was under question, double-dip reentered the headlines, sovereign debt questions were raised, and the stock market sold off into the fall. Since then it has recovered somewhat along with the economy as things continued to muddle along. Housing appears to have stabilized. Unemployment is moving in the right direction. Consumers and corporations are in pretty good shape. It's still governments that are out of kilter.

So, what of 2012? Is there any reason to think it will be different from 2011? Apparently not. It is after all a reelection year here in the US. Who, which

politician, will raise taxes or cut spending at this time? The best that can be expected is for them to keep the lights on, passing short-term solutions to structural problems.

The worry isn't 2012, but should be 2013. That is when something might actually be concretely established in terms of dealing with structural entitlement deficits, unfair tax laws, and the widening gulf between the haves and have nots that's swallowing the middle class. But 2013 is, in Wall Street terms, too far away to worry about yet.

So 2012 appears to be another year when there should be wide swings, but probably end

about where it starts. Opportunistic trading will remain the key to making money. Buy low and sell high may be easily defined in 2012. Right now we are close to what have been the highs. The lows are back around 10500 on the Dow Industrials. There should be numerous opportunities in which to try to take advantage of this. A trending market (whether stocks, bonds, or gold) should be rare. Hopefully we will spot the low-risk entry points and take advantage of them as they present themselves.

Descriptions & Disclosures

PORTFOLIO DESCRIPTIONS (pages 2 and 3)

Our guiding goal is to provide the most return with the least risk.

The two portfolios were started on 1/1/10 with \$100,000. Beginning in 2012, the official portfolio for measuring the newsletter performance is the Stock Portfolio only.

Portfolio changes will usually be made at the close on Monday (the day this eNewsletter is posted), or if a position is stopped out, the close that day, unless otherwise noted.

Portfolios are updated through the preceding Friday's close.

Stock dividends are paid in cash. Interest is assumed to be zero for the money market (cash) position. Commission costs to buy and sell are assumed to be \$10.00 per trade.

The Wilshire 5000 TR (total return) includes dividend reinvestment.

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