

Stock Selections & Timing

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January 6, 2014 (data through previous Friday's close)
Volume 5
Issue 1

Trend is Only Friend

The announcement that the Fed will begin its tapering program this month is another reason for caution. To be sure, they made it clear that tapering is not the same as tightening. This means only that short-term yields

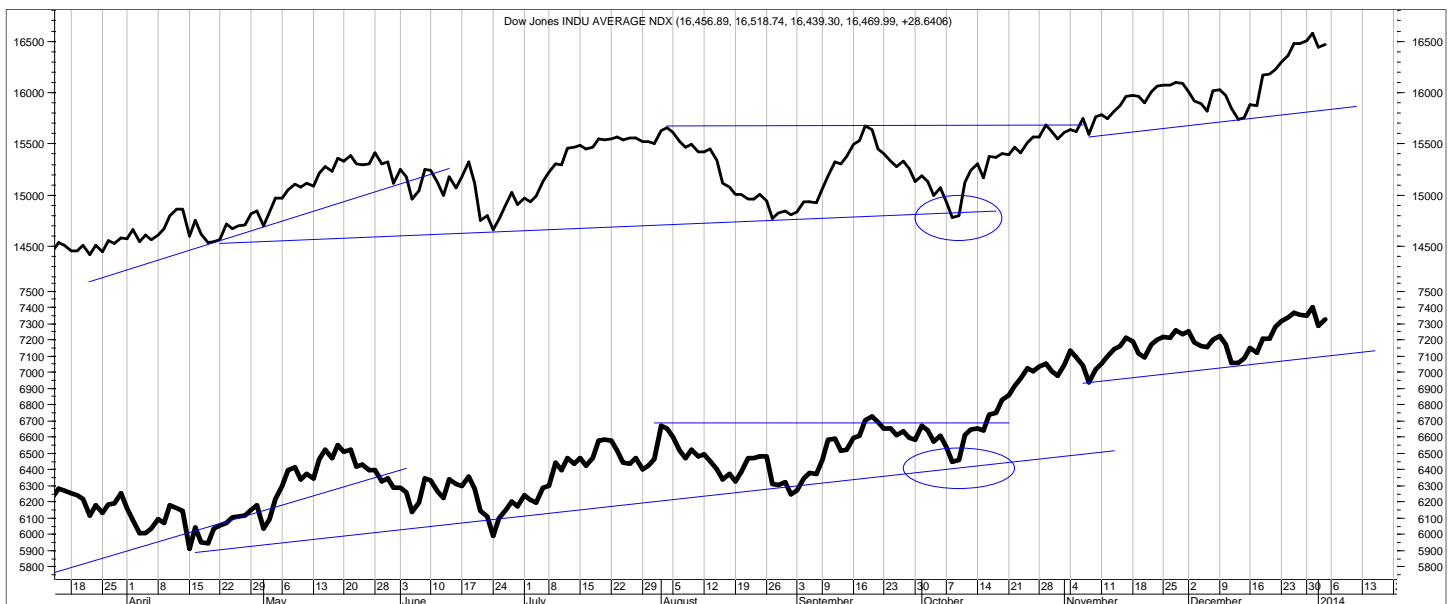
should remain low, but that long-term yields should rise. The yield curve will steepen and provide competition for the investor dollar.

So, if we add that new item to the old mix of concerns (sentiment, fundamental, tech-

nical), the risk of a significant stock market correction remains high and increasing.

As I've been mentioning, the list of problems is long; interest rates are rising, investor sentiment is very bullish wheth-

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This is the daily chart of the Dow Industrials (upper) and Dow Transports (lower).

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	-0.1%	15.8%	10.3%	2.3%	-0.2%	-0.1%
Dow30 Portfolio	0.0%	3.7%	0.0%	0.0%	0.0%	0.0%
Index						
S&P 500 TR	0.5%	28.7%	14.5%	9.9%	2.6%	0.5%
Dow Industrials	0.0%	22.6%	8.8%	9.3%	2.8%	0.0%

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Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date: 1/3/2014								
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 6/9	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total	
23-Sep	sell	WTT	1.89	2,000	3,770	GENC			8.00	7.56	9.50	2,278	21,641.00	12.8%	
23-Sep	sell	MCC	13.48	1,000	13,470	WTT			1.00	0.87	2.14	4,500	9,630.00	5.7%	
30-Sep	sell	WTT	2.01	1,000	2,000	OPLK			13.00	12.84	18.60	600	11,160.00	6.6%	
14-Oct	raise buy limit on MVC (NAV is \$17.56)														
14-Oct	sell	MCGC	5.16	1,500	7,730	MCGC		10.8%	4.80	4.79	4.42	3,300	14,586.00	8.6%	
4-Nov	buy	MCGC	4.79	3,300	15,817	NGPC		8.7%	7.15	7.04	7.55	2,000	15,100.00	8.9%	
						MVC		3.8%	14.50	12.71	13.53	1,200	16,236.00	9.6%	
25-Nov	sell	GAIN	7.47	1,000	7,460	IRET	7.85	6.3%	8.50	8.35	8.56	950	8,132.00	4.8%	
25-Nov	buy	O	38.28	100	3,838	O	38.00	5.5%	41.00	39.96	37.75	300	11,325.00	6.7%	
						Above in green shows end price still below buy limit.									
						Shown below is watch list for potential purchase at or below buy limit.									
6-Jan	sell	WTT	>2.1	1,000											
6-Jan	sell	OPLK	>18.45	600											
Dividends												9,085.13	5.4%		
Money Market												1.00	51,836	51,836.00	30.7%
Total Valuation=												168,731.13	100.0%		

REVIEW since last issue

1/6 We're taking some profits in here as noted above.

12/30 No changes.

12/23 No changes.

12/16 No changes. MVC announced its deal fell through. So stock down today. But they have other indications of interest.

12/9 No changes. The Rule of '72 says an investment will double in X number of years given a Y rate of change (all other things being equal). With a yield of 9%, a stock should double in 8 years.

12/2 No changes. Only one recommended stock is still below its buy limit.

11/25 No changes.

11/18 No changes.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	-0.1
S&P 500 TR	15.0%	1.9	14.1	28.7	0.5

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: 1/3/2014							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 6/9	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
24-Jun	sell	AA	7.79	1,500	11,675								0.0%
24-Jun	sell	BAC	12.30	900	11,060								0.0%
24-Jun	sell	INTC	23.58	519	12,228								0.0%
25-Jun	sell	MRK	46.23	265	12,241								0.0%
TO BE ADDED, IF ABOVE SELL STOP													
TO BE ADDED, IF BELOW BUY LIMIT													
										1.00	108,999	108,998.88	100.0%
										Total Valuation=		108,998.88	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

1/6 No changes. Waiting for the pullback.

12/30 No changes.

12/23 The new selecting and timing model for the Dow 30 stocks will attempt to buy these quality stocks on weakness and sell into strength based on specific patterns. Given the current rally, there are no candidates for purchase. We'll wait for a pullback.

No new recommendations

No new recommendations.

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er it is measured as professionals or the public (which is a contrary indicator), stocks are overbought (momentum is parabolic up), and market valuation is rich with, for example, PE ratios north of 20. These things are bearish.

The one thing the market does have going for it is its trend. It is still strong upward.

What this “high-risk but upward trend intact analysis” suggests is we will remain invested with our current allocation, but with a close eye on the timing model.

It also means we won’t buy more positions (decrease cash allocation) until the “window to buy” opens. This would happen

on a further pullback, assuming the timing model sell is not triggered when it does open.

Please see the individual portfolio pages for any updates and changes.

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 (12/31/11), 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 S&P 500 TR (total return) includes dividend reinvestment.

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