

Stock Selections & Timing

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Volume 5
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Over Easy

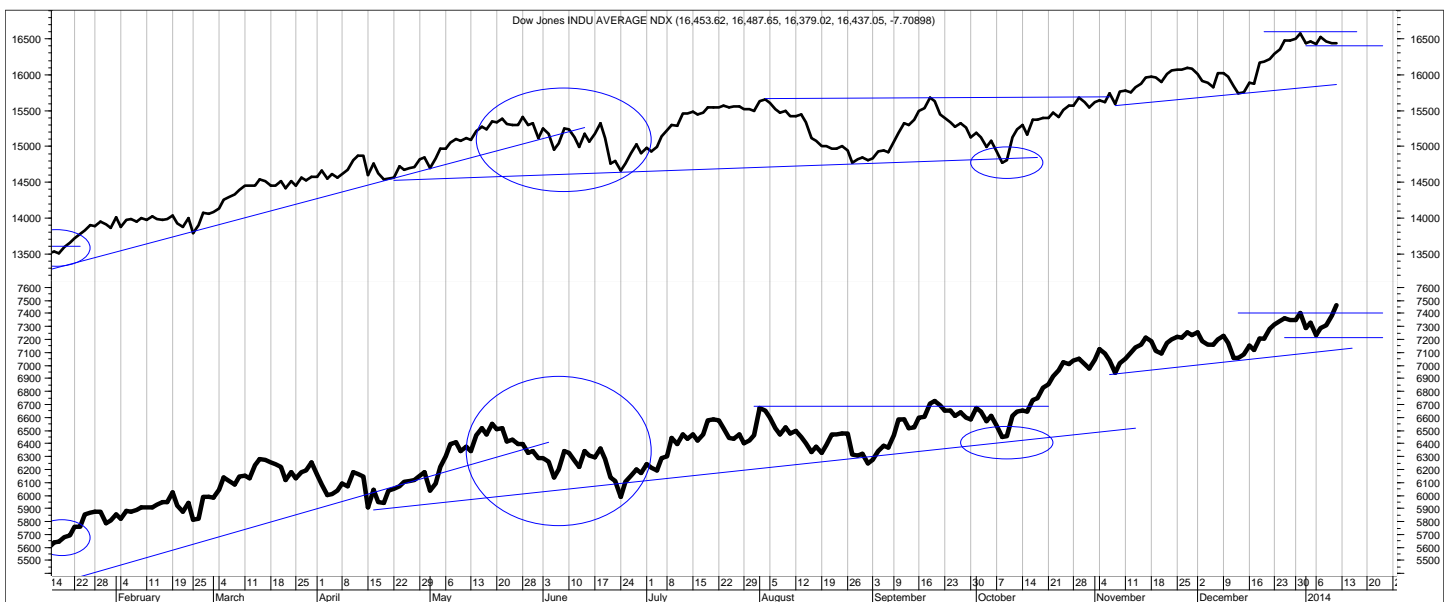
One of the final stock market “alerts” is now in place. With this, it should be easier than ever for the market to roll over, given all of its other issues I’ve been talking about (Fed tapering, investor sentiment, rising interest

rates, over valuation, over bought).

As you can see on the chart below, there is now a divergence at, what is so far, the top, however small the divergence may be, between the Dow Industrials and Dow Transports.

As usual with a divergence, it is not really “in place”, until the market indexes drop below previous lows set before the divergence took place. In this case, I’ve drawn those lower levels. Given the market action

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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	0.0%	15.4%	8.1%	1.4%	0.7%	0.1%
Dow30 Portfolio	0.0%	3.7%	0.0%	0.0%	0.0%	0.0%
Index						
S&P 500 TR	0.2%	27.8%	11.1%	8.8%	4.0%	-0.3%
Dow Industrials	-0.2%	21.9%	6.3%	7.9%	3.2%	-0.2%

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Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		1/10/2014					
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
4-Nov	buy	MCGC	4.79	3,300	15,817	GENC			8.00	7.56	9.57	2,278	21,800.46	12.9%
25-Nov	sell	GAIN	7.47	1,000	7,460	WTT			1.00	0.87	2.08	3,500	7,280.00	4.3%
25-Nov	buy	O	38.28	100	3,838									0.0%
6-Jan	sell	WTT	2.14	1,000	2,130	MCGC		10.8%	4.80	4.79	4.46	3,300	14,718.00	8.7%
6-Jan	sell	OPLK	18.60	600	11,150	NGPC		8.7%	7.15	7.04	7.55	2,000	15,100.00	8.9%
13-Jan	sell	WTT	>2.16	1,000		MVC		3.8%	14.50	12.71	13.54	1,200	16,248.00	9.6%
13-Jan	buy	PKY	<18	500		IRET	7.85	6.3%	8.50	8.35	8.48	950	8,056.00	4.8%
			about 5% of total portfolio			O	38.00	5.5%	41.00	39.96	38.56	300	11,568.00	6.8%
Above in green shows end price still below buy limit.														
Shown below is watch list for potential purchase at or below buy limit.														
Dividends												9,085.13	5.4%	
Money Market												1.00 65,116	65,116.00	38.5%
Total Valuation=												168,971.59	100.0%	

REVIEW since last issue

1/13 Make the sell and buy as noted above. We've been in and out of PKY in the past. They recently issued new stock at \$18.15 and it is now trading south of that, which is usually a good time to buy for a trade. In the meantime, it yields 4.25%.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	0.0
S&P 500 TR	15.0%	1.9	14.1	28.7	0.2

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: 1/10/2014					
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												
Money Market								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

1/13 The new trading model is pretty much ready to go. I am trying to finalize the backtesting to get some performance numbers, but the strategy is built. With the market's pullback, we should be seeing some buys.
 1/6 No changes. Waiting for the pullback.
 12/30 No changes.

No new recommendations

See the Stock Portfolio.

(Continued from page 1)

about noon today, the Dow Industrials is already below its confirming line by roughly 80 points. The Dow Transports needs to close below 7240 (currently at 7406).

2014 may prove to be a very interesting year.

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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