

# Stock Selections & Timing

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## Upside Back in Gear

With the stock market's latest rally of the first few weeks of 2013, it has renewed its series of upside confirmations. Both the Dow Industrials and Transports have rallied to recovery highs, as shown on the chart below. The

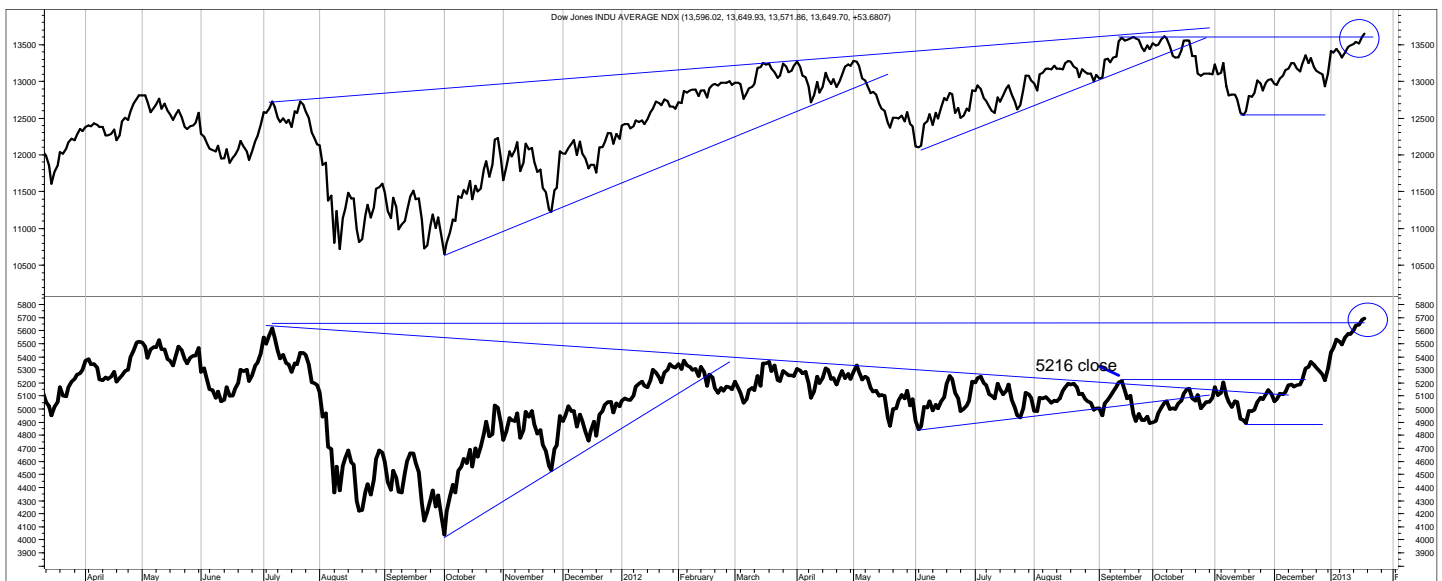
negative divergence that was in place for the past 11 months since March 2012 has now been negated. What now?

The definition of a bull market is an ongoing series of higher highs and higher lows. We have to conclude we are

back in a bull market and it will remain as such until another negative divergence appears, whereby a lower high is in place.

The one caution to this bullish stance, however, is what

*(Continued on bottom left on page 4)*



This is the daily chart of the Dow Industrials (top) and Transports (bottom).

## SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	1.8%	3.0%	2.2%	1.3%	0.8%	-0.4%
Dow30 Portfolio	2.0%	-3.3%	0.8%	0.8%	0.8%	0.0%
S&P 500 TR	6.0%	15.6%	10.3%	4.3%	4.0%	0.9%
Dow Industrials	5.5%	7.3%	6.4%	2.3%	3.5%	1.2%

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# Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 1/18/2013		
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 9/7	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total
1-Oct	buy	O	40.76	180	7,347	GENC			8.00	7.56	7.45	2,278	16,971.10	11.6%
1-Oct	buy	MVC	12.80	600	7,690	WTT			1.00	0.87	1.29	9,000	11,610.00	8.0%
both positions will be roughly 5% of total portfolio						OPLK			13.00	12.84	15.64	600	9,384.00	6.4%
15-Oct	buy	GAIN	7.48	1,000	7,490	MCGC	12.9%	4.40	4.38	4.55	1,500	6,825.00	4.7%	
this will be about 5% of total portfolio						NGPC	8.7%	7.15	7.04	7.15	2,000	14,300.00	9.8%	
						MVC	3.8%	13.00	12.80	12.16	600	7,296.00	5.0%	
12-Nov	buy	NGPC	7.05	1,000	7,060	GAIN	8.0%	7.55	7.48	7.35	1,000	7,350.00	5.0%	
3-Dec	sell	O	40.250	180	7,235	TAXI	7.0%	11.40	11.36	12.16	600	7,296.00	5.0%	
4-Dec	buy	SILU	1.40	500	710	WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT NEW FROM 12/10/12								
	sell	SILU	>1.58											
10-Dec	buy	TAXI	11.36	600	6,826	SILU		1.44			5,000		5.0%	
14-Dec	sell	SILU	1.59	500	785									
Dividends												4,411.50	3.0%	
Money Market												1.00 60,341	60,341.00	41.4%
Total Valuation=												145,784.60	105.0%	

## REVIEW since last issue

1/21 Surprising that the dividend payers haven't rallied more.

1/14 No changes.

1/7 Big rallies in a couple of holdings, like TAXI and OPLK, for the week, along with the market. Keep collecting the dividends.

12/31 No changes.

12/24 My data provider (Reuters) stopped reporting the Wilshire 5000 Total Return, so I am now using the S&P 500 Total Return.

12/17 GENC reported 4th q and full year results. Still the cheapest stock out there I'm aware of. Market cap around \$70 million and net cash in the bank \$85 million. Business should improve in 2013.

Took profits on SILU and raised the buy limit.

WTT authorized additional buy backs of stock. Probably more companies will lean this way, rather than increase dividends in 2013.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	1.8	45.8
S&P 500 TR	na	na	14.1	4.6	42.1

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: 1/18/2013						
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 12/10	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
10-Dec	buy	DD	43.22	241	10,435	DD	40.15		43.22	47.05	241	11,339.05	10.8%
10-Dec	buy	INTC	20.08	519	10,435	INTC	18.27		20.08	21.26	519	11,033.94	10.5%
10-Dec	buy	MRK	44.48	234	10,435								
10-Dec	buy	MSFT	26.94	387	10,435	MSFT	24.95		26.94	27.24	387	10,541.88	10.0%
10-Dec	buy	T	33.73	309	10,435	T	31.07		33.73	33.34	309	10,302.06	9.8%
						WMT	65.74		69.20	69.03	150	10,354.50	9.9%
17-Dec	buy	WMT	69.20	150	10,390	KO	35.63		37.50	37.60	278	10,452.80	10.0%
17-Dec	buy	KO	37.50	278	10,435								
26-Dec	sell	MRK	41.34	234	9,664								
						Money Market			1.00		41,012	41,012.00	39.0%
								Total Valuation=				105,036.23	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

1/21 No changes. I'll wait for a pullback to buy more.

1/14 No changes.

1/7 No changes.

12/31 Stopped out of MRK. The other positions should rally, if the market turns up on a successful Fiscal Cliff compromise.

# Feature Company

None new.

*(Continued from page 1)*

happened, though in reverse, back in October 2011, when both indexes fell to lows, confirming a bear market, but then the market reversed course. This happens very very rarely. And I've not seen the opposite in some 30 years of investing; the opposite being where both are in gear to the upside, but instead that marks a top. In other words, anything is possible and the market confirming to the upside may still reverse fully to the downside. More than likely, however, it will continue to rally, correct, rally some more, and continue this pattern until another negative divergence shows up. At that point, we'll have to see what happens.

The other subtle change is

investor sentiment. As is typical, when the market rallies, investors turn bullish. Likewise, when the market declines, investors turn bearish. What eventually happens in both cases is extremes in sentiment are reached. Between those times, sentiment generally is mixed. It doesn't give any actionable contrary signals. So, this too bears watching. If investors climb on board the rally too quickly, then it signals at least an intermediate-term top.

Fundamentally, Central Banks are easing around the globe. Easy money policies help drive stock prices higher. In addition, lower interest rates also reduce borrowing costs, which eventually trickles down to impacting asset values. All other

things being equal,, which is to say, if cash flows remain constant (no recession), then the value of those cash flows goes up relative to the cost of borrowing to buy them. This strategy has been going on for a few years now in the US; it has helped, with a delay, the real estate market. So too, it should help in the rest of the world.

So, right now, things appear back in gear to the upside. On an investment basis, the Growth Portfolio was already fully invested. I'm reducing risk in the Income Portfolio. Please see the individual portfolio pages for any actions to take.

# 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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