

Stock Selections & Timing

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January 30, 2012 (data through previous Friday's close)

Volume 3

Issue 3

Low Rates Mean What

The Federal Reserve has signaled it will keep short term rates near zero out to the end of 2014. This is quite remarkable.

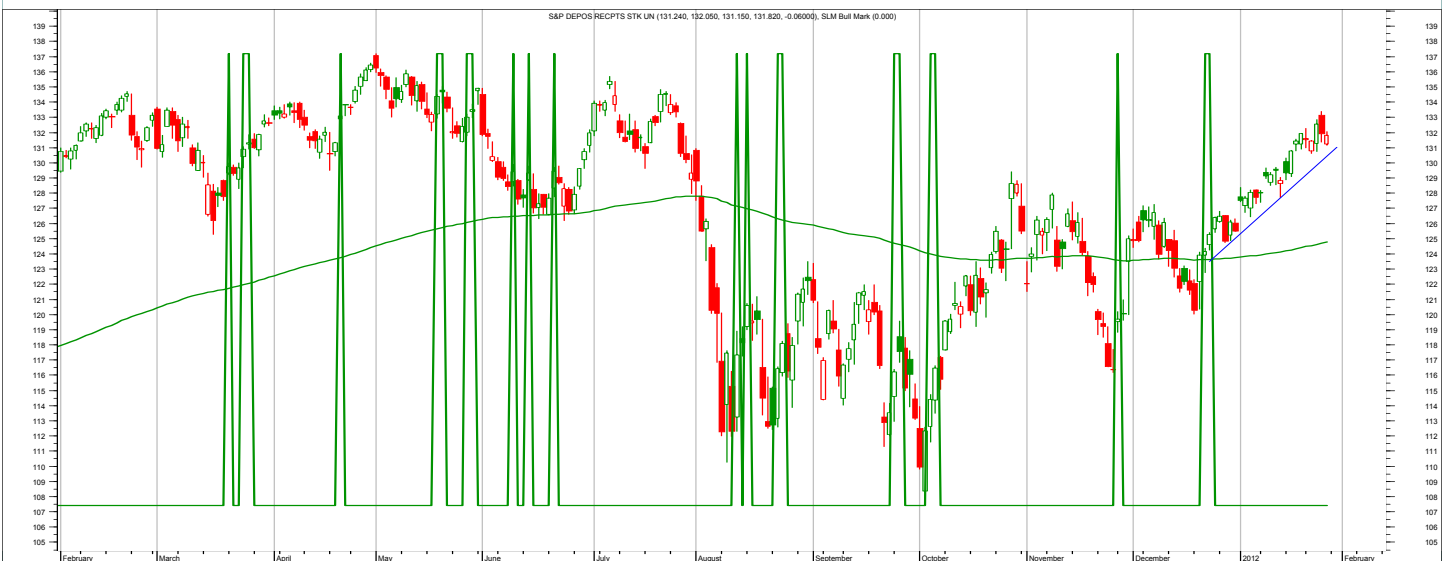
It is either saying things are so bad that it will take that long to work them out or things are on pace but will just take longer than expected. In other words,

the real question is whether the banks around the globe are solvent or not? If they had to value assets at current prices, then is there any equity left? Obviously they need as wide as spread as possible between their cost of funds and loans.

It is not as if this situation hasn't existed because it has in

Japan since the Eighties after their real estate bubble burst. Since then they have kept their rates near zero, but their stock market has also been in a secular bear market ever since. The chart below is a proxy for this, showing monthly prices of Scudder Japan Fund (SJPNX)

(Continued on bottom left on page 4)



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

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	3.6%	19.7%	11.3%	12.1%	3.6%	-0.2%
Dow30 Portfolio	2.7%	0.1%	-2.7%	4.9%	2.7%	0.3%
Wilshire 5000 TR	5.5%	4.7%	2.3%	3.2%	5.5%	0.4%
Dow Industrials	3.6%	7.1%	4.3%	3.5%	3.6%	-0.5%

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Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		1/27/2012					
Action Dates	Action Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 1/30	Yield at buy	Start Price	Ending Price	# of Shares	Current Value	Percent of Total		
12-Dec	sell	ANIK	8.54	300	2,552	DRAD		1.90	2.00	1,500	3,000.00	2.1%		
19-Dec	sell	ANIK	>8.60	300		ANIK		5.89	9.36	600	5,616.00	4.0%		
19-Dec	sell	WTT	>1.10	2,000		GENC		7.53	7.17	2,078	14,899.26	10.5%		
						WTT		0.87	1.17	11,000	12,870.00	9.1%		
19-Dec	sell	ANIK	8.64	300	2,582									
19-Dec	sell	WTT	1.11	2,000	2,210									
19-Dec	sell	MCGC	3.85	2,000	7,690	PSEC	12.0%	10.15	10.35	1,200	12,420.00	8.8%		
23-Dec	sell	GLAD	>7.7	1,000		FULL	11.9%					about 5%		
23-Dec	sell	GLAD	7.71	1,000	7,700	MRVL	15.00	13.28	15.79	900	14,211.00	10.1%		
23-Dec	sell	ANIK	>8.95	600		ACAS	8.00	6.58	8.18	900	7,362.00	5.2%		
23-Dec	sell	ANIK	9.00	600	5,390									
3-Jan	buy	DRAD	<1.90	1,500	<3000									
			1.90	1,500	2,860									
30-Jan	buy	FULL	<7.70	900										
Dividends											2,308.94	1.6%		
Money Market											1.00	68,569	68,569.00	48.5%
Total Valuation=											141,256.20	100.0%		

REVIEW since last issue

1/30 Accumulate FULL below \$7.70. Please note the tight stop raises on MRVL and ACAS.

1/17 No changes.

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.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	3.6	41.3	12.8
W5000 TR	17.7%	0.5	5.5	24.8	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: 1/27/2012							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 1/17	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
28-Nov	buy	DIA	114.84	500	57,430	DIA							0.0%	
8-Dec	sell	DIA	119.94	500	59,960									
			stopped out											
23-Dec	buy	AA	<9	1,300		AA	8.40		8.86	10.43	1,300	13,559.00	12.5%	
23-Dec	buy	AA	8.86	1,300	11,528	HPQ	24.00		26.45	27.88	400	11,152.00	10.2%	
17-Jan	buy	HPQ	26.45	400	10,590									
						Money Market					1.00	84,187	84,187.00	77.3%
												Total Valuation=	108,898.00	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

1/17 Buy HPQ as noted above.

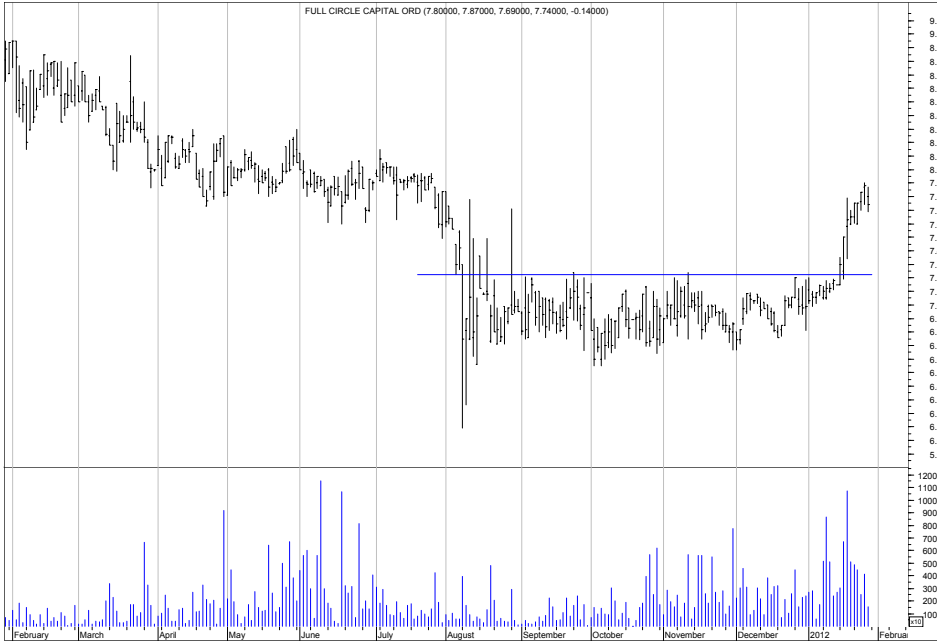
1/3 No changes.

12/19 No changes

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

11/21 No changes.

Feature Company



Full Circle Capital (FULL)
 This is another business development company like PSEC that makes loans to mid sized companies.
 As of 9/30/11, its NAV is \$9.11. It yields 11.9%. The current price is \$7.70.
 In the Stock Portfolio I will accumulate a partial position below \$7.70.



(Continued from page 1)

from 1980 through the present. As you can see from the chart above, it has gone sideways for some 25 years (horizontal line).

Secular means decades. Secular bear market means lower highs and lower lows. Is that

what is still ahead for the domestic stock market? We've been in a secular bear market since 2000, 12 years, counting inclusively, but do we have another 13 to go?

These things take time.

But the key is not to give up, but simply to recognize the nature

of the market. Timing is still necessary. As you can see in Japan's case, there are many cyclical bull and bear markets from which to profit. But timing is required. Taking profits, instead of buy/hold/forget.

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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