

Stock Selections & Timing

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Volume 1

Issue 2

Sell Off a Buying Opportunity

The stock market has tumbled for most of 2010 so far. It is worried about financials again. This is the driver that set the market tumbling in 2008. And investors begin to fear that the past will repeat itself.

The questions are three. Whether Dubai is contained or not? Whether European banks are solvent or not? Will the US

be able to finance its deficit or not?

The answers of course will impact the direction the market takes.

Right now, they still seem answerable in the positive.

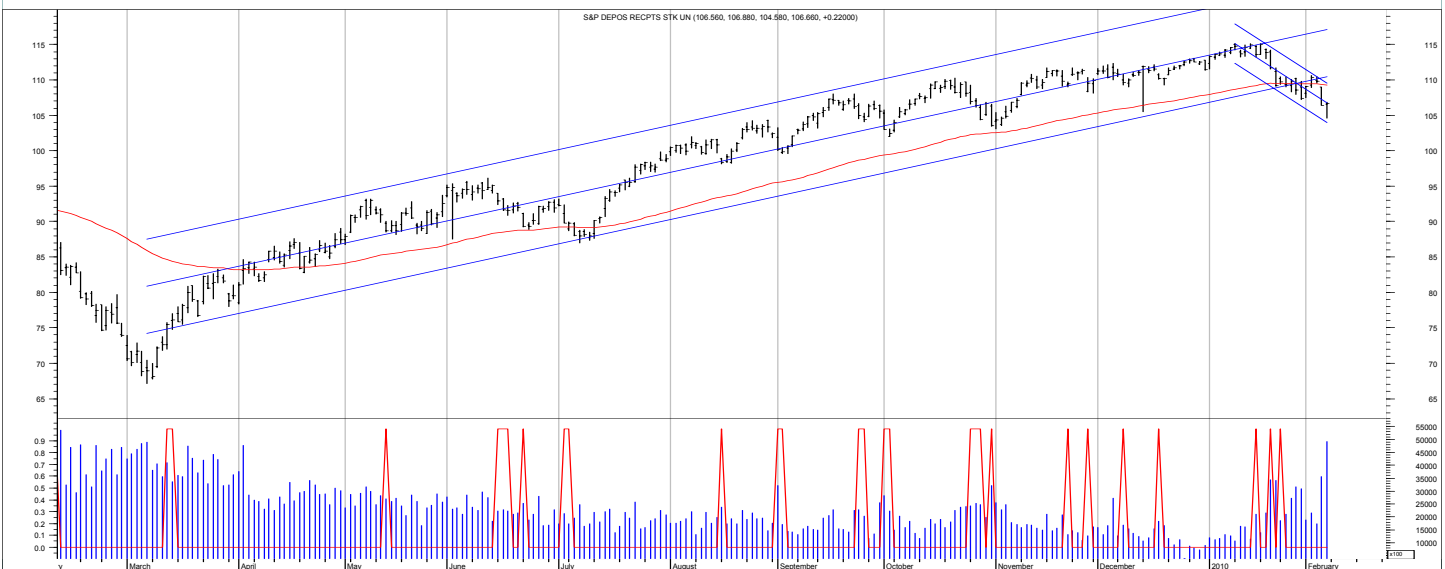
So, in the portfolios I will be making some buys again this week.

The market is off some 7%

in the last 4 weeks, which is quite a sharp sell off.

Keep in mind that the leading economic indicators are still up for nine straight months.

So, I view the sell off as a buying opportunity.



The chart is the daily S&P 500 with green line a 200-day moving average.

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	0.0%				0.0%	0.0%
Dow30 Portfolio	-2.8%				-2.8%	-0.2%
Wilshire 5000	-4.3%				-6.6%	-1.3%
Dow Industrials	-4.0%				-5.7%	-0.5%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS					Value as of date:		1/15/2010
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
2/8-2/12	buy	TIII	less than \$1.28	10,000									0.0%
						Money Market			1.00		100,000	100,000.00	100.0%
								Total Valuation=				100,000.00	100.0%

WEEKLY REVIEW

This stock is discussed in some detail on page 4. Accumulate during this week up to \$10,000 worth of the stock at a price less than \$1.28/share. This will represent about 10% of the total portfolio. I consider the stock very undervalued at current levels.

Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 1/15/2010						
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
20-Jan	buy	DIA	106.02	471.61	50,000	DIA			106.02	100.16	471.61	47,236.46	48.6%
		at close											
8-Feb	buy	DIA			30,000								
8-Feb	buy	T		120									
8-Feb	buy	VZ		105									
8-Feb	buy	PFE		167									
8-Feb	buy	CVX		43									
8-Feb	buy	KO		57									
8-Feb	buy	XOM		46									
						Money Market			1.00		50,000	50,000.00	51.4%
									Total Valuation=			97,236.46	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

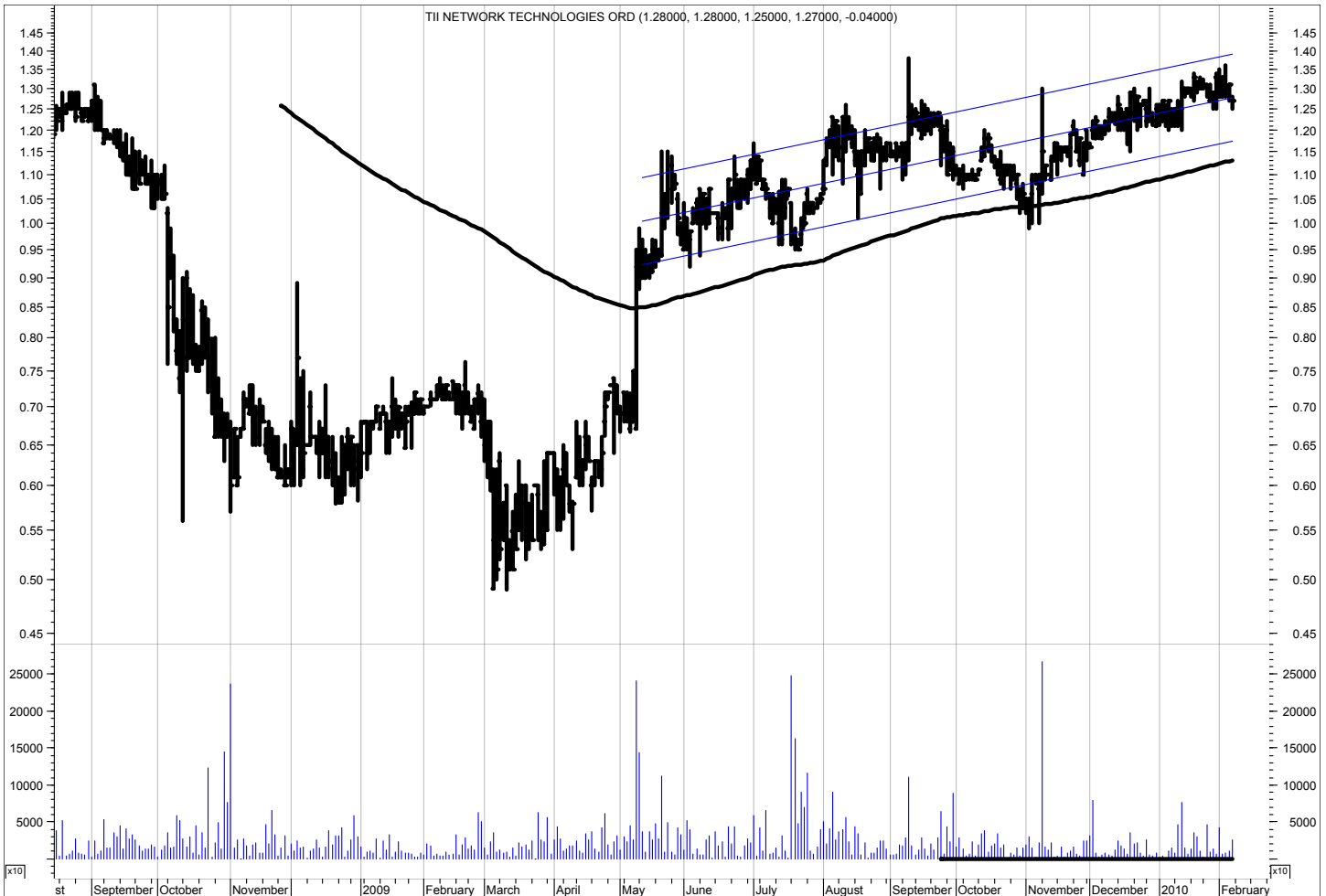
For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

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.

WEEKLY REVIEW

As this was posted past closing time on Monday, take the action noted above at the open on Tuesday.

Feature Company



TIII (Nasdaq, \$1.28) TII Network Technologies, Inc.

Like most other stocks, TIII has crept back from bargain-basement status, roughly doubling in price from last year's levels. Can this continue?

The company designs, manufactures, and markets network interface devices (NID), intelligent NIDs, gateways, and home networking products.

Net sales for the nine-months ending 9/30/09 were \$19 million. The company lost \$0.01 per share.

The market cap of the company is \$17.4 million (based on 13.6 million shares at \$1.28/share price).

They have no debt and \$12.3 million in the bank.

In effect, if we could buy the whole company at \$1.28, we would be buying it for a net cost of \$5.1 million. What would we get?

A very well managed company that is consistently profitable with annual sales currently running at \$28 million.

Sales are expected to improve along with profitability. A new line is growing by roughly 25%.

Given the net cash on the balance sheet, we are buying the profitable, growing business for free. If a strategic buyer was interested in taking over the company, I project a fair value price between \$1.50 and \$2.00.

So, in the Stock Portfolio on page 2, I will buy roughly 10% into this company.

Descriptions & Disclosures

PORTFOLIO DESCRIPTIONS (pages 2 and 3)

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

The portfolios were started on 1/1/10 with \$100,000.

Portfolio changes will usually be made either at the close on Monday (the day this eNewsletter is posted), unless otherwise noted.

Portfolios are updated through the preceding Friday's close.

Dividends are paid in cash. Interest is zero for the money market (cash) position.

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Unless otherwise noted, the weekly eNewsletter is posted by 2:30 PM central time every other Monday, except for holidays and then on Tuesday. It may contain actionable, specific buy or sell advice to take that day or during the week. Symbols, rather than names, are the official identification used for activity.

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