

# Stock Selections & Timing

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## Two Buy Type Signals

As mentioned last week that I use in my ETF S&T letter and also apply here in the Stock S&T letter, I will talk more about the World Growth Model and how it might apply for trading individual stocks. Since it is on a sell sig-

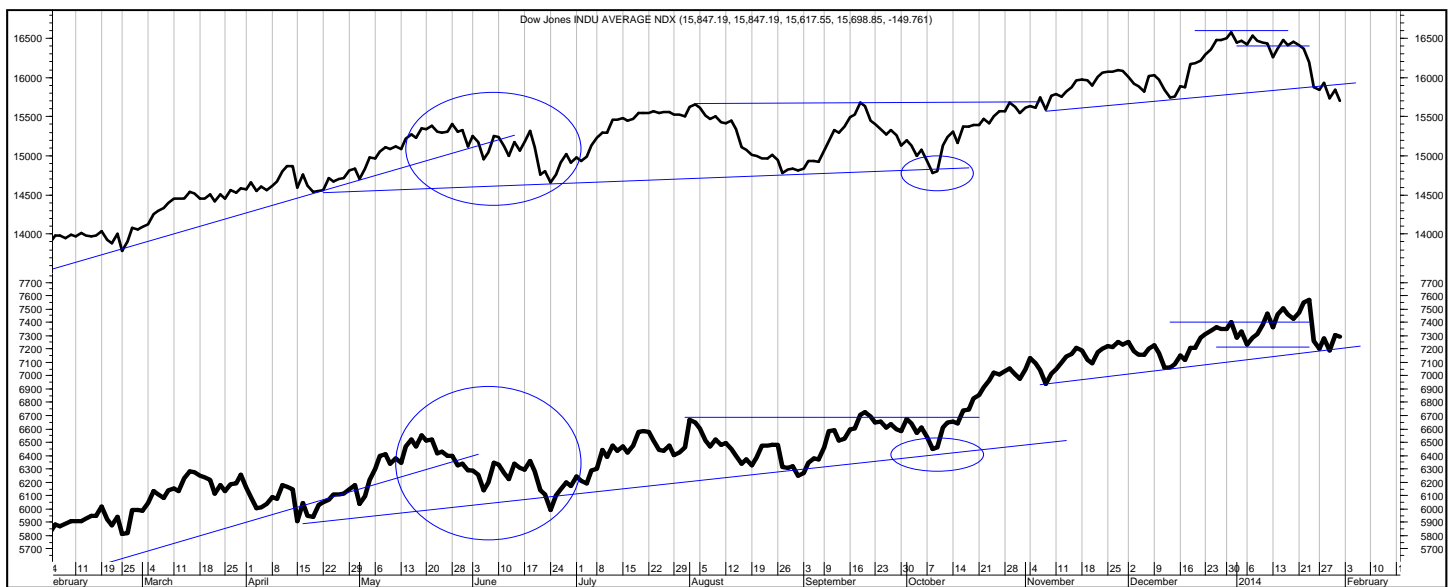
nal, how might that impact the selection process in this letter? First more about the model and then I will talk about the selection process.

The World Growth Model is on a sell signal currently as of 2/5/14. This is the first one in

more than a year. The last sell signal was 11/12/12 followed by the buy signal on 12/10/12.

I've been talking about the sell triggers the last couple of weeks. I was watching the stop loss (10% from the high) and it

*(Continued on bottom left on page 4)*



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	0.7%	16.6%	7.5%	2.5%	0.7%	-0.5%
Dow30 Portfolio	0.0%	2.3%	0.0%	0.0%	0.0%	0.0%
Index						
S&P 500 TR	-2.2%	20.9%	7.3%	2.0%	-2.3%	0.9%
Dow Industrials	-4.2%	12.9%	2.4%	0.2%	-3.9%	0.6%

## CONTENTS

Page 2...Stock  
Page 3...Dow 30  
Page 4...Featured  
Page 5...Disclaimers

# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:		2/7/2014					
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 1/20	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total
27-Jan	buy	TAXI	13.22	600	7,942	GENC			8.00	7.56	9.31	2,278	21,208.18	12.5%
this would be about 5% of total portfolio														
3-Feb	sell	FULL	7.70	1,000	7,690									
3-Feb	sell	IRET	>8.49	950										
3-Feb	sell	O	39.92	300	11,966									
						MCGC	10.8%		4.80	4.79	4.39	3,300	14,487.00	8.5%
						NGPC	8.7%		7.15	7.04	7.35	2,000	14,700.00	8.6%
						MVC	3.8%		14.50	12.71	14.11	1,200	16,932.00	10.0%
						PKY	4.3%		18.00	17.75	17.70	500	8,850.00	5.2%
						IRET	7.85	6.3%		8.35	8.39	950	7,970.50	4.7%
						TAXI		6.9%	14.00	13.22	13.52	600	8,112.00	4.8%
Above in green shows end price still below buy limit.														
Shown below is watch list for potential purchase at or below buy limit.														
Dividends												9,316.13	5.5%	
Money Market												1.00 68,544	68,544.00 40.3%	
Total Valuation=												170,119.81	100.0%	

## REVIEW since last issue

2/10 Two of the three positions were sold last week. IRET still needs to rally above the sell limit. Incredible that WTT has made it north of \$3.50. Sold too soon evidently.

2/3 Take further profits as noted above. I'm raising cash.

1/27 WTT soared further, and we're out. Buy TAXI as noted above.

1/20 We'll attempt to take final profits out of WTT. It's been a nice ride, but appears fully valued now. We'll buy FULL. They recently issued new stock and the price has fallen below that level. This will probably be a trade.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	0.7
S&P 500 TR	15.0%	1.9	14.1	28.7	-2.2

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: 2/7/2014			
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 2/10	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
10-Feb	buy	GE	<25.3	200	about 5%								0.0%	
10-Feb	buy	IBM	<178	30	about 5%								0.0%	
10-Feb	buy	JPM	<56.8	95	about 5%								0.0%	
10-Feb	buy	TRV	<82.5	65	about 5%								0.0%	
						TO BE ADDED, IF ABOVE: BUY STOP								
						TO BE ADDED, IF BELOW: BUY LIMIT								
						GE	24.30		25.30		200		about 5%	
						IBM	172.00		178.00		30		about 5%	
						JPM	54.00		56.80		95		about 5%	
						TRV	79.70		82.35		65		about 5%	
						Money Market					1.00	108,999	108,998.88	100.0%
												Total Valuation=	108,998.88	100.0%

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

2/10 I'll be the first to admit we are in a tricky situation. The timing model is on a sell signal as noted in the front page article, but there are some individual trades getting set up. I will opt to trade them as noted above. Watch the stops carefully. These, more than likely, will be trades, rather than long-term holds.

Once bought, the portfolio will be about 20% invested and 80% in cash.

2/3 Potential trades are getting set up. Will watch for reversals.

1/27 With the market's pullback, trades are now getting set up. Depending on market action, we may be sending emailed Hotline reports between the weekly issues.

## New recommendations

No new recommendations.

*(Continued from page 1)*

narrowed to 3% on the recent selloff, but the timing model gave a sell signal before the stop itself was triggered. Those are the two potential sell signals.

With it on a sell, it would now be appropriate to talk about the potential buy triggers. Like the sells, there are two different buy triggers. One is the general trends of the underlying ETFs (EEM, EFA, IWM, QQQ, SPY); it would need to turn from down to up. Two the market becomes oversold.

At this juncture, one of the five indicators is oversold, but it requires all of them to be oversold. It doesn't appear this will happen, barring another very sharp quick selloff of another 5% or more from current levels.

The trends are more likely to turn back higher. If this happens,

a new buy signal would be triggered.

At the same time if that buy signal is triggered, the background remains bearish. The background is made of the other points I've mentioned the last couple months. They are investor sentiment (too bullish), market valuations (too expensive, market alternatives (rising interest rates), and market technicals (negative divergences).

The issue where the background is bearish, but the trend is up is overbought indicators can get even more overbought. They signal bearish, but they might get more bearish. The last clear example of this was to the blowoff in 2000. The market was overbought, overvalued, over bullish, which all suggested get out and stand aside, but the trend remained strong up nonetheless.

My work tries to account for all of those things.

One potential problem with that interaction between trends and background, however, is whipsaws. This is where we might get a buy signal one day and a sell signal the next day. We simply have to be prepared mentally for that. There is no right or wrong, buy only trying to be invested when the market is advancing and out in cash when the market is declining.

So, right now the Model is bearish. In the Stock Portfolio I've raised some cash in reaction to this, but on page 3 I will also begin to invest using the Dow 30 Portfolio.

See the portfolios for more information.

# 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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