

# Stock Selections & Timing

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March 9, 2011 (data through previous Friday's close)

Volume 2

Issue 5

## Third Time

Thought I'd comment on the recent rally from the last significant correction nearly nine months ago. I've drawn the significant up trend line for this period from the July 2010 lows through March 2011.

As you can see, there were two previous "breakdowns" that turned out to be buying opportunities as the market jumped

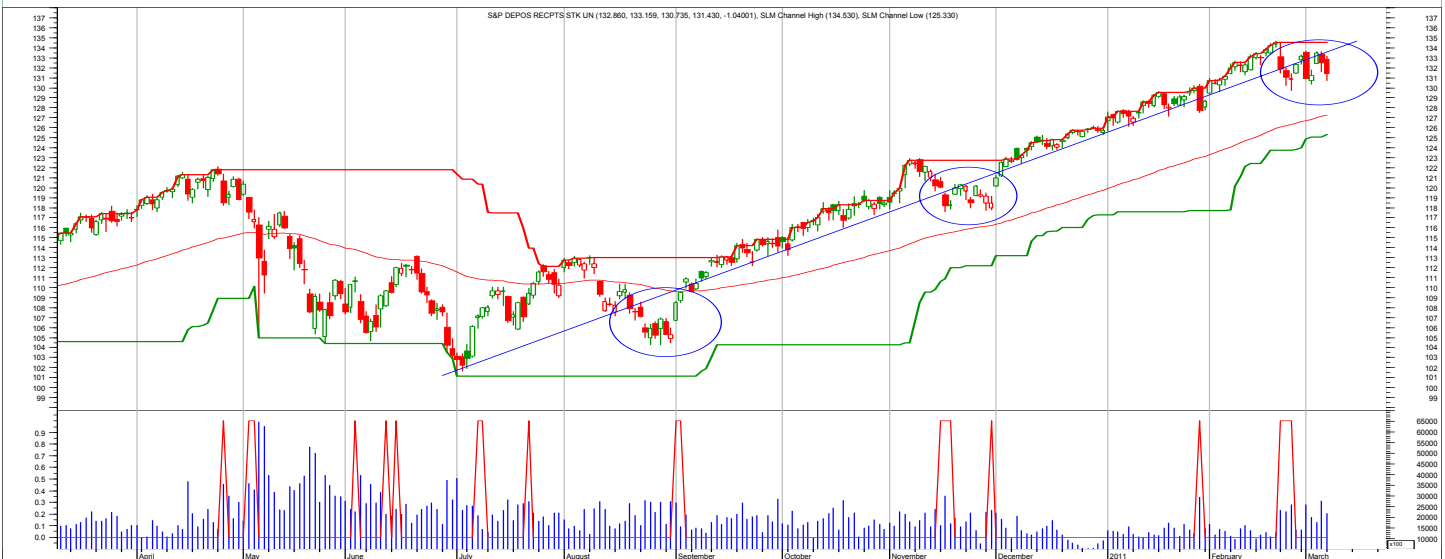
higher after seeming to fall apart. We are now in the third similar situation. The question then, of course, is whether the current "breakdown" is of the same nature? Will it resume the uptrend or will it fall apart?

The best answer at this time is really not an answer. The best thing is to wait and see what the market itself does. Ob-

viously, however, from the Growth Portfolio allocations between equity and cash, I am still expecting that significant correction of 5% to 15%. The turmoil in the Middle East may simply be the trigger.

If we do get that correction, and then a rally, it will be important to again closely monitor

*(Continued on bottom left on page 4)*



The chart is the daily S&P 500 with an 80-day moving average and other objects.

## SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	13.4%	26.1%	27.6%	13.5%	3.4%	1.0%
Dow30 Portfolio	3.1%	8.7%	10.2%	4.6%	0.4%	-0.2%
Wilshire 5000	5.0%	17.8%	22.4%	7.9%	1.0%	0.1%
Dow Industrials	5.1%	15.1%	16.5%	6.9%	0.9%	0.3%

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# Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS				Value as of date:			3/4/2011	
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Yield	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
29-Nov	buy	OXPS	17.20	300	5,170									
7-Dec	sell	OXPS	\$20.82	300	6,256	DRAD			1.95	2.53	6,128	15,503.84	12.2%	
13-Dec	buy	CLCT	\$14.30	800	11,450	ECGI			0.97	1.75	12,004	21,007.00	16.5%	
27-Dec	buy	ECGI	\$0.89	2,000	1,790	GENC			7.73	7.72	1,478	11,410.16	9.0%	
10-Jan	buy	ADC	23.40 <23.50	200	4,690	SILU			1.41	1.85	7,092	13,120.20	10.3%	
7-Feb	sell	TAXI	7.99	1,406	11,224	CLCT		9.1%	14.20	14.30	800	11,440.00	9.0%	
22-Feb	sell	ADC	25.70	200	5,130									
22-Feb	sell	ECGI	> 1.8	2,500										
24-Feb	sold	ECGI	1.82	200	354									
7-Mar	sold	ECGI	\$1.82	2,300										
						Money Market					1.00	54,958	54,958.00	43.1%
									Total Valuation=			127,439.20	100.0%	

## REVIEW since last issue

3/9/11 Took profits on the open sell position on ECGI as it moved above my sell limit of \$1.80.

2/22/11 Will take profits by selling immediately one portfolio company ADC and ECGI, if it rallies past the minimum sell price.

ADC receives 20% of its revenues from bankrupt Borders. Sell it.

2/7/11 ECGI reported good 4th quarter earnings and jumped on the news. Fair value is still projected north of \$2.00/share. It is still trading below net cash and investments.

I will take profits in TAXI. Taxi medallions have had one of the best returns over time, but two issues are arising. One NY city may allow certain livery cabs to pick up passengers. This will hurt TAXI revenue and value. As well, medallion values hit record highs, but like other bubble types, the underlying cash flows do not support the prices paid. Instead, people are buying on expected capital gains, on expectations that the past rises will continue forever; some call this the greater fool theory of investing.

	2010
Stock Portfolio	12.5
W5000	15.5

# Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 3/4/2011						
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
4-Oct	sell	DIA	107.57	385.52	41,480								0.0%
29-Nov	sell	AA	13.29	231	3,080								
29-Nov	sell	JNJ	61.91	50	3,106								
24-Jan	buy	MRK	33.80	100	3,390								
24-Jan	buy	VZ	35.24	100	3,534	XOM			65.11	85.08	46	3,913.68	3.5%
24-Jan	sell	BAC	13.92	200	2,794	MRK			33.40	33.06	200	6,612.00	6.0%
						VZ			35.24	36.08	100	3,608.00	3.3%
7-Feb	buy	MRK	33.00	100	3,310								
22-Feb	sell	DIA	121.89	386	46,981								
22-Feb	sell	PFE	18.89	227	4,278								
Money Market									1.00		96,470	96,470.00	87.2%
Total Valuation=												110,603.68	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

3/9/11 No changes.

2/22/11 Sell the positions as noted above. If the turmoil spreads in the Middle East, where's the bottom?

2/7/11 Accumulate more MRK on this weakness.

MRK was knocked lower on some bad news, but it looks like a good buying opportunity. The stock yields about 4.5%. Buy as noted above.

# Feature Company

3/9/11 Again, no new recommendations. I am expecting a market correction.

*(Continued from page 1)*

the stock market. Right now the market is in gear to the upside. This doesn't mean it cannot correct. It can, but what it means is, once it corrects, it should rally back on up. In other words, the recent peak should not be the final peak of this bull market that dates back two years.

So, I will continue to stand aside from the stock market. The Income Portfolio is positioned to

take advantage of any stock weakness. A stock sell off should lead to a bond rally.

# 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 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.

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

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