

Stock Selections & Timing

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Good News and Bad News

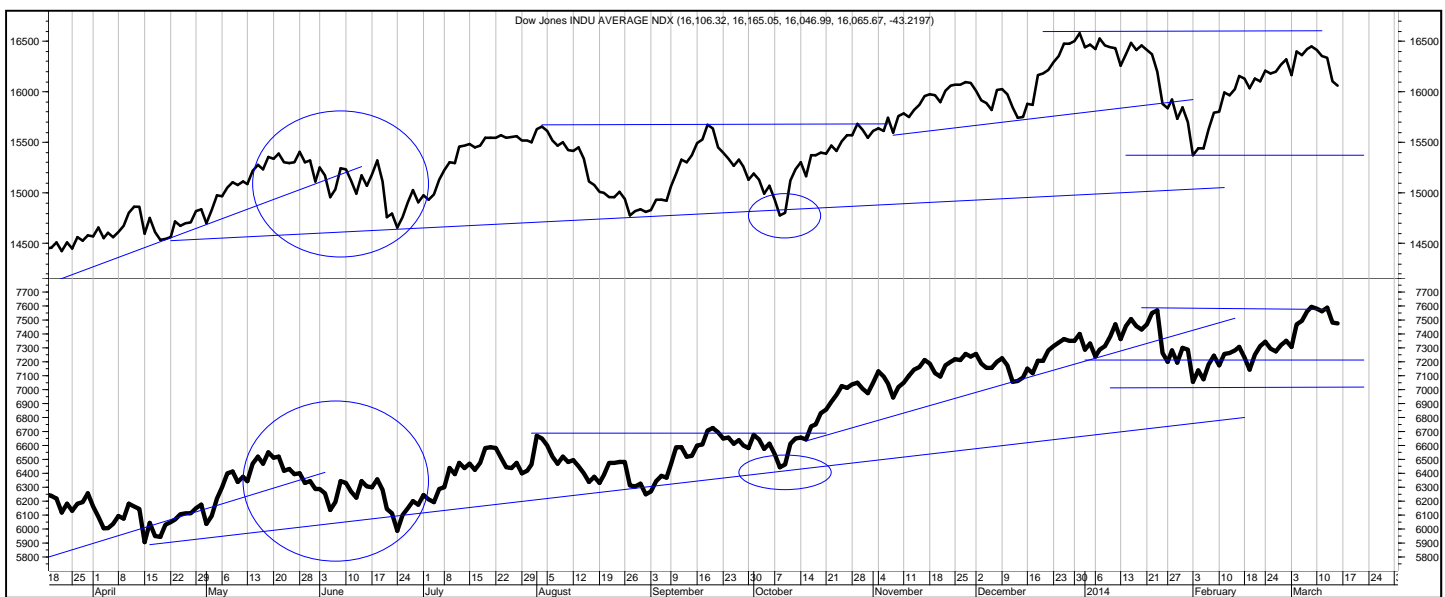
The good news is the economy is doing well. Sales are up. Profits are up. Margins have expanded. Unemployment is dropping. To the point, company sales that make up the S&P 500 are at record levels. The bad news amid

this plethora of plenty is the ratio of stock market price to sales (PS) is at the highest level since the year 2000.

The point is to remind us that stocks are not cheap. The good news is already priced in. Whether measured by price to

sales (PS) or price to earnings (PE) or price to book (PB), the market is overvalued. PE is at 19.7x. The Shiller PE (CAPE, 10-year inflation adjusted) is at 25.7x. The CAPE was higher in 1929, 2000, and 2007.

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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	1.7%	14.0%	5.9%	2.3%	-2.0%	-0.3%
Dow30 Portfolio	0.3%	2.2%	0.3%	0.3%	-0.3%	-0.3%
Index						
S&P 500 TR	0.4%	20.4%	10.2%	4.2%	0.4%	-1.9%
Dow Industrials	-2.5%	10.7%	4.5%	0.8%	-0.5%	-2.4%

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Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		3/14/2014						
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			9.75	7.56	10.83	2,278	24,670.74	14.4%		
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											
12-Feb	sell IRET	8.52	950	8,084	MCGC		10.8%	3.00	4.79	3.67	3,300	12,111.00	7.1%		
					NGPC		8.7%	7.15	7.04	7.31	2,000	14,620.00	8.5%		
18-Feb	buy GOOD	17.45	500	8,735	MVC		3.8%	14.50	12.71	13.53	1,200	16,236.00	9.5%		
this would be about 5% of total portfolio															
					PKY		4.3%	18.00	17.75	18.20	500	9,100.00	5.3%		
					GOOD		8.6%	17.70	17.45	17.58	500	8,790.00	5.1%		
17-Mar	sell NGPC		2,000		TAXI		6.9%	14.00	13.22	13.89	600	8,334.00	4.9%		
Above in green shows end price still below buy limit.															
Shown below is watch list for potential purchase at or below buy limit.															
Dividends												10,022.88	5.8%		
Money Market												1.00	67,893	67,893.00	39.5%
Total Valuation=												171,777.62	100.0%		

REVIEW since last issue

3/17 Take profits in NGPC as noted above.

3/10 MCGC announced it was cutting its dividend. The stock has sold off hard. But it is still cheap in our estimation. We'll let things settle down and then reappraise. No other changes.

3/3 No changes.

2/24 No changes.

2/18 IRET was sold and I'll buy GOOD as noted above. GENC is finally getting some recognition. I raised the buy limit, though the stock is still north of it. Their q1 report was hugely positive. Infrastructure rebuild in USA and Canada here we come. May have to raise the value too from \$12.50 to north of \$15.00.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	1.7
S&P 500 TR	15.0%	1.9	14.1	28.7	0.4

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: 3/14/2014						
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 3/17	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
19-Feb	buy	VZ	46.53	110	5,128	DIA	161.00						0.0%
24-Feb	buy	KO	37.43	140	5,250	IBM	182.00	177.14	182.21		30	5,466.30	5.0%
27-Feb	sell	JPM	56.75	95	5,381								0.0%
3-Mar	sell	TRV	83.18	65	5,397	KO	37.95	37.43	38.17		140	5,343.80	4.9%
4-Mar	buy	T	32.15	170	5,476	T	32.00	32.15	32.49		170	5,523.30	5.1%
12-Mar	sell	VZ	46.36	110	5,090	TO BE ADDED, IF ABOVE: BUY STOP							
17-Mar	buy	DIA		200		PFE	30.90	31.46			160		about 5%
	this will buy about 33% of total portfolio					TRV	82.50	83.17			65		about 5%
						V	220.00	221.75			25		about 5%
						TO BE ADDED, IF BELOW: BUY LIMIT							
						Money Market				1.00	92,941	92,941.00	85.1%
												Total Valuation=	109,274.40 100.0%

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

3/17 We do have some potential new buys as noted in the right box above. One position was stopped out. I am also buying DIA (the Dow 30 index ETF) with a tight stop.

3/10 No changes. With the market sell off, we may get further “set ups” to buys or we may get stopped out. We’ll just have to see.

3/3 Sell TRV as noted above and watch T, which is potentially setting up a new buy signal. I’ve raised the stops also.

2/24 KO has set itself up for a potential buy, if it closes above the buy stop as noted above.

2/18 No new buys, except for potentially VZ for this week to watch for.

New recommendations

None this week.

(Continued from page 1)

For the market to return to cheap levels, it will need to drop 50%. But with short-term interest rates at zero, how would this be possible? Over the last year (at least), each sell off is met with buying. Sell offs are mild. Investors are buying.

This is reflected in the percentage of advisors who are bullish. It too is near record levels.

At the same time, there is no recession in sight. Leading indicators remain trending up. Those aforementioned sales and profit trends should continue upward for at least the next six months.

So, underlying fundamentals are strong and should continue in

that fashion. Stock prices reflect this already. To continue this trend, we need for the economy to boom in the months ahead, which is unlikely, or for stocks to head sideways to down, which would work off the overvaluations.

As mentioned, previous record price peaks coincided with overvalued market prices, not with a recession. Recessions develop later, after stocks peak. It is the overvaluations that lead to market corrections that might lead to bear markets.

In the meantime, 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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