

# Stock Selections & Timing

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## Short-Term Top Ahead

Investors are piling into stocks and pushing up prices like there's no tomorrow. Bonds on the other hand are being sold. The background to this is better economic news both domestically and abroad. In addition, the Fed is more positive on the domestic economy, while still maintain-

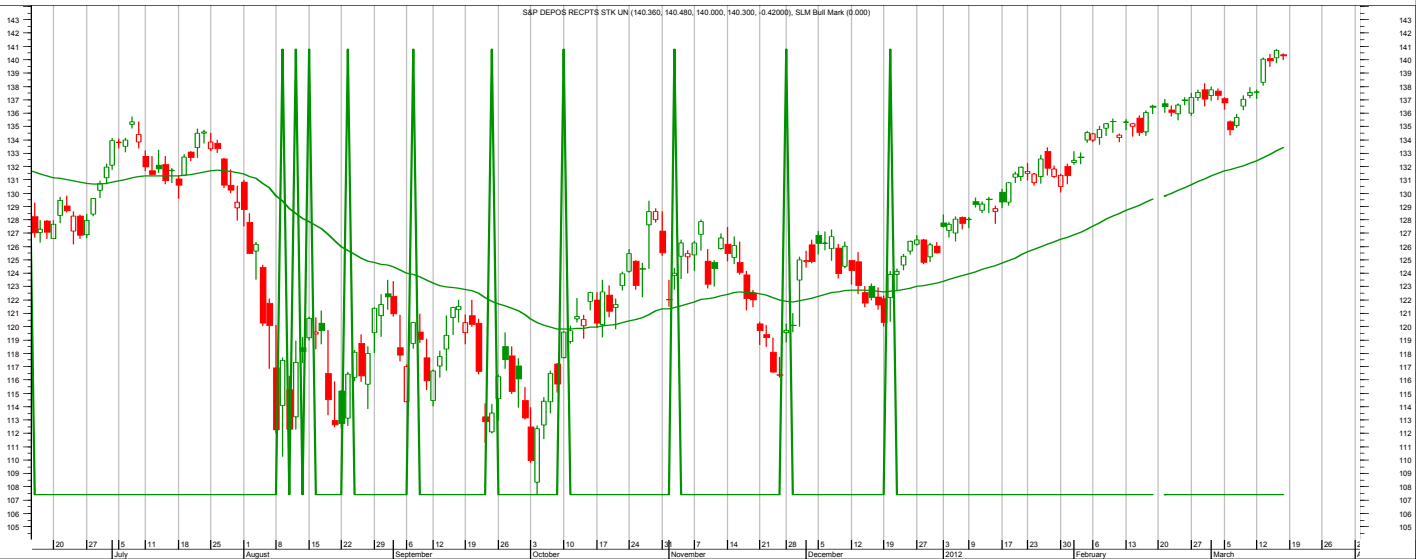
ing its late 2014 target before raising short-term interest rates. The thinking is buy risk (stocks) and sell safety (bonds, especially Treasuries).

As one might expect, however, not everything is perfect. With the rally, investor sentiment is nearly at the warning bullish extreme areas. As a

contrary indicator, this is a negative, signaling a pullback ahead.

The other negative is the ongoing divergence between the Dow Industrials and the Dow Transportation indexes. The Industrials are at recovery highs, but the Transports are

*(Continued on bottom left on page 4)*



This is the daily chart of SPY (S&P 500 index). The green spikes show potential buying areas.

## SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	6.6%	15.2%	17.1%	8.5%	0.3%	1.9%
Dow30 Portfolio	2.4%	-1.4%	-1.0%	2.1%	-0.6%	0.4%
Wilshire 5000 TR	12.7%	11.2%	16.7%	16.1%	2.9%	2.3%
Dow Industrials	8.3%	11.6%	15.0%	11.5%	2.2%	2.4%

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# Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		3/16/2012					
Action Dates	Action Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 3/19	Yield at buy	Start Price	Ending Price	# of Shares	Current Value	Percent of Total		
13-Feb	sell	ANIK	10.92	600	6,542	AOSL	9.00				-	0.0%		
			>10.90			DRAD		1.90	2.14	1,500	3,210.00	2.2%		
13-Feb	buy	SIMG	5.49	1,500	8,245	GENC		7.53	7.21	2,078	14,982.38	10.3%		
			<5.50			WTT		0.87	1.22	11,000	13,420.00	9.2%		
13-Feb	buy	DRAD	<2.00			SIMG	5.98	5.49	6.00	1,500	9,000.00	6.2%		
23-Feb	sell	PSEC	11.08	1,200	13,286									
						PKY	9.40	3.0%	9.96	10.33	700	7,231.00	5.0%	
29-Feb	sell	MRVL	15.00	900	13,490	FULL	7.00	11.9%	7.69	7.50	900	6,750.00	4.6%	
						USMO	13.00	7.4%	13.51	13.53	500	6,765.00	4.7%	
12-Mar	buy	MRVL	15.04	900	13,546									
12-Mar	buy	USMO	13.51	500	6,765	MRVL	14.00		15.04	15.38	900	13,842.00	9.5%	
12-Mar	buy	PKY	9.96	700	6,982	ACAS	8.40		6.58	9.11	900	8,199.00	5.6%	
intraday PKY; two others at close														
19-Mar	buy	AOSL	9.60	1,000	9,610									
			<\$10		about 7%									
19-Mar	watch	SIMG	tight stop											
Dividends											2,568.92	1.8%		
Money Market											1.00	59,397	59,397.00	40.9%
Total Valuation=											145,365.30	100.0%		

## REVIEW since last issue

3/19 Note the new buy above and previous entries. Please note that MRVL and USMO were bought at the close, but PKY was bought intraday. When the Letter was posted to the web site, the stock was below the buy limit, but at the close it was above. Apparently my buy limit was too tight for some. But I do this in order to avoid "chasing" and use limits; but I may widen the buy limits going forward.

Also please note the very tight stop on SIMG. If it is a strong break out, it should not trigger the stop.

3/12 Reenter MRVL and buy USMO and PKY as noted above. As we publish this today, GENC has had a nice bounce. Maybe it is finally getting some recognition of the huge spread between value and price.

2/27 Sold PSEC for a nice gain. It is offering new stock. Generally speaking, I still find the business development companies attractive.

2/13 Take final profits from ANIK. Raise the buy level on DRAD to 2.00. Accumulate SIMG. See page 4 for some details.

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

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	6.6	45.4	14.2
W5000 TR	17.7%	0.5	12.7	33.4	10.1

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:		3/16/2012				
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 3/19	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
						DIA							0.0%
28-Nov	buy	DIA	114.84	500	57,430								
8-Dec	sell	DIA	119.94	500	59,960								
23-Dec	buy	AA	<9	1,300									
23-Dec	buy	AA	8.86	1,300	11,528	HPQ	23.00		24.04	24.49	500	12,245.00	11.3%
						JNJ	64.00		64.45	65.12	200	13,024.00	12.0%
17-Jan	buy	HPQ	26.45	400	10,590	VZ	38.00		38.13	39.57	300	11,871.00	10.9%
						UTZ	81.00						
23-Feb	sell	HPQ	27.05	400	10,810								
27-Feb	buy	VZ	38.13	300	11,449								
27-Feb	buy	JNJ	64.45	200	12,900								
5-Mar	sell	AA	9.87	1,300	12,821								
12-Mar	buy	HPQ	24.04	500	12,030								
19-Mar	buy	UTX	85.00	150	12,760								
						Money Market							
									1.00		71,439	71,439.00	65.8%
												Total Valuation=	108,579.00 100.0%

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

- 3/19 Buy UTX as noted above.
- 3/12 Time to reenter HPQ because it is "cheap".
- 2/27 Make the portfolio changes noted above. HPQ was stopped out.
- 2/13 No changes.
- 1/17 Buy HPQ as noted above.

# Feature Company



## Alpha & Omega Semiconductor (AOSL)

Using my proprietary selection methodology, AOSL stock price is cheap relative to its assets, liabilities, and earnings. Buy below \$10.00. But, also note the sell stop in the Growth Portfolio. The stock has pulled back to a defined base.

The company designs, develops, and sells power semiconductors worldwide for a variety of applications such as cell phones, PCs, and TVs. Sales are concentrated to a few clients, which increases risk.

First upside target is back above its recent high at \$10.50.

*(Continued from page 1)*

lagging.

Lastly, the increase in bond yields does provide some competition to stocks once again.

These things suggest a short-term top ahead.

In the meantime, there is a new buy in the Dow 30 Portfolio. Please note the stop levels. Also there is a new buy as noted above.

# 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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