

# Stock Selections & Timing

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Volume 2  
Issue 9

## Divergences Disappearing

Last week I talked about all of the divergences showing up across the various market indexes, even as the Dow Industrials first hit its recovery high. The other indexes were lagging the rally. This week, after the rally continued and broadened, the divergences have all but disappeared. The only laggard, but

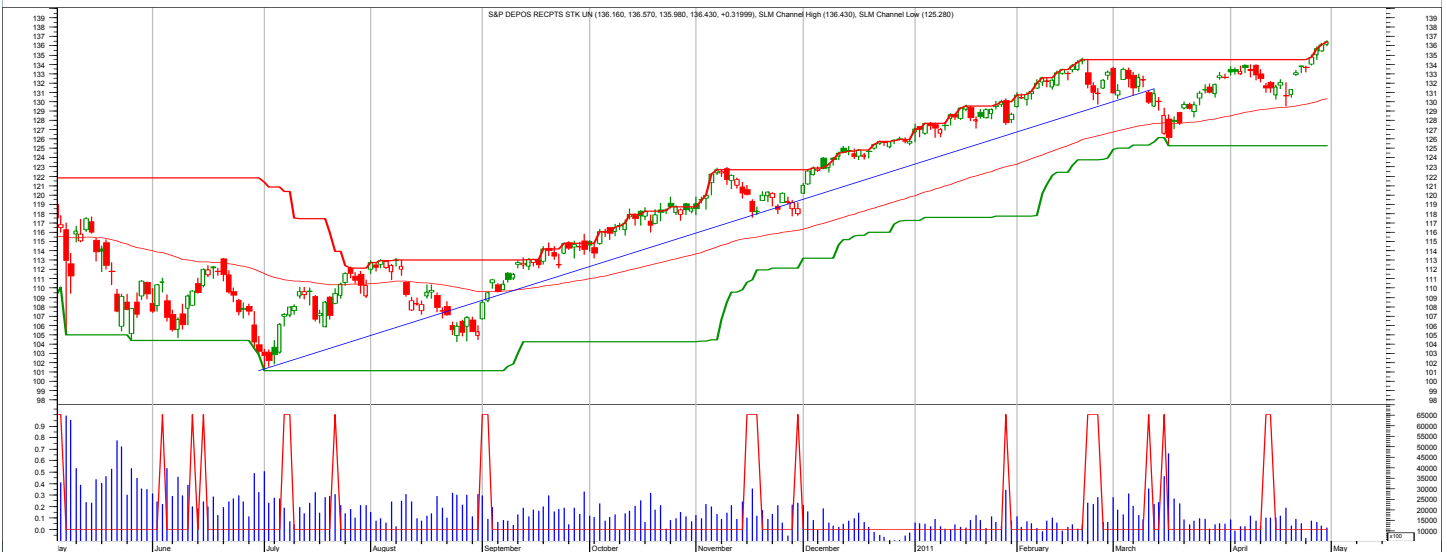
it is a big one, is the NYSE advance decline line. It has yet to pierce its previous peak. Aside from that, things are back "in gear" to the upside.

The trigger for the sell off last week was the possibility that the US government debt would be downgraded in the

*(Continued on bottom left on page 4)*

Short notice I know, but your editor will be speaking at The MoneyShow in Las Vegas May 9-12 at Caesars Palace. You may attend without paying conference registration fees (5/6 deadline). Call them, 800-970-4355 with priority code 022732.

Or use <http://bit.ly/m1mfVn>  
See you there!



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	16.8%	27.2%	28.7%	11.2%	4.2%	2.2%
Dow30 Portfolio	7.9%	9.7%	10.3%	6.4%	2.9%	2.2%
Wilshire 5000	8.6%	16.3%	16.3%	7.3%	2.3%	2.0%
Dow Industrials	10.6%	16.4%	15.2%	8.3%	3.5%	2.4%

## CONTENTS

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

# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 4/29/2011							
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	
7-Feb	sell	TAXI	7.99	1,406	11,224	DRAD			1.95	3.04	6,128	18,629.12	14.2%	
						ECGI			0.97	1.66	9,704	16,108.64	12.3%	
22-Feb	sell	ADC	25.70	200	5,130	GENC			7.73	7.61	1,478	11,247.58	8.6%	
22-Feb	sell	ECGI	> 1.8	2,500		SILU			1.41	1.84	7,092	13,049.28	9.9%	
						WTT								
24-Feb	sold	ECGI	1.82	200	354									
7-Mar	sold	ECGI	1.82	2,300	4,176	CLCT		9.1%	14.20	15.40	800	12,320.00	9.4%	
						GAIN		6.4%	7.49	7.74	1,500	11,610.00	8.9%	
21-Mar	buy	GAIN	7.49	1,500	11,245	MCGC		9.3%						
4-Apr	buy	SNDK	46.60	100	4,670				46.60	49.33	100	4,933.00	3.8%	
4-Apr	buy	CSCO	17.06	300	5,128	CSCO			17.06	17.40	300	5,220.00	4.0%	
4-Apr	buy	MRVL	15.53	300	4,669	MRVL			15.53	15.44	300	4,632.00	3.5%	
2-May	buy	WTT	<0.95	13,000										
2-May	buy	MCGC	<6.50	2,000										
2-May	sell	DRAD	>2.95	6,128										
						Money Market					1.00	33,422	33,422.00	25.5%
									Total Valuation=			131,171.62	100.0%	

## REVIEW since last issue

5/2/11 Take actions as noted above.

4/18/11 No changes.

4/4/11 GAIN was bought. Buy SNDK, CSCO, and MRVL.

3/11/11 Buy GAIN at less than \$7.50 per share as noted above.

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: 4/29/2011						
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
21-Mar	buy	CSCO	17.39	300	5,207	DIA			120.07	128.04	300.00	38,412.00	33.2%
21-Mar	buy	HPQ	41.76	130	5,419								
21-Mar	buy	JNJ	58.83	90	5,285								
21-Mar	buy	MCD	73.76	70	5,153	CSCO			17.39	17.52	300	5,256.00	4.5%
21-Mar	buy	MSFT	25.33	200	5,056	HPQ			41.76	40.37	130	5,248.10	4.5%
21-Mar	buy	T	28.26	200	5,642	JNJ			58.83	65.72	90	5,914.80	5.1%
21-Mar	buy	WMT	51.92	100	5,182	MCD			73.76	78.31	70	5,481.70	4.7%
21-Mar	buy	DIA	120.07	300	36,011	MRK			33.40	35.95	200	7,190.00	6.2%
						MSFT			25.33	25.92	200	5,184.00	4.5%
2-May	sell	T		200		T			28.26	31.12	200	6,224.00	5.4%
2-May	sell	XOM		46.00		VZ			35.24	37.78	100	3,778.00	3.3%
						WMT			51.92	54.98	100	5,498.00	4.7%
						XOM			65.11	87.98	46	4,047.08	3.5%
						Money Market			1.00		23,515	23,515.00	20.3%
									Total Valuation=			115,748.68	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

- 5/2/11 Take profits in a couple of positions that have rallied back to the top of their channels.
- 4/18/11 No changes.
- 4/4/11 No changes.
- 3/21/11 Buy as noted above.
- 3/9/11 No changes.

# Feature Company



5/2/11 Wireless Telecom Group (WTT) is a company undergoing some change. It has sold under-performing assets and retained its stronger ones.

WTT develops, manufactures, and markets a variety of electronic testing and measuring instruments for wireless products.

WTT has 25 million shares out and at a price of \$0.87, it

gets a market cap of only \$22 million. It is tiny, so use limit orders.

With the business it sold, it now has \$13 million in the bank. No debt, except for a mortgage on a leased-out facility. The mortgage is \$2.7M and the leasee has an option to buy the property at \$3.5M through 8/1/12.

Book value is about \$32M.

So, if we could buy the whole company at current prices, it would cost \$9 million. What do we get for the \$9 million?

A focused, profitable business with growing sales of \$24M, generating operating profits of about \$1M.

Accumulate below \$0.95 for an initial target of \$1.25.

*(Continued from page 1)*

next two years, if Congress and the President did not solve the budget crisis and debt expansion. These things are projected to enter the danger zone as percentages of GDP. Interest payments become too burdensome, let alone ever paying back the principle and reducing the outstanding debt. It becomes a self-reinforcing cycle of more debt to pay for higher prices and pay-

ments. This problem is on the horizon and hopefully, they will seriously address the problem.

In the meantime, the expansion of our economy continues. Corporate earnings have recovered to pre financial crisis levels and interest rates remain low. This combination makes those corporate earnings “cheap”; it makes the stock market attractive. The rally will be supported by this.

As well, leading economic indicators are still up, hitting recovery highs. This suggests that the lull in GDP in q1 of 1.8% compared to q4 at 3.1% is temporary.

So, with the markets back in gear, any weakness should be used to accumulate as higher stock prices are still expected.

# 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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