

Stock Selections & Timing

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Now What Is It?

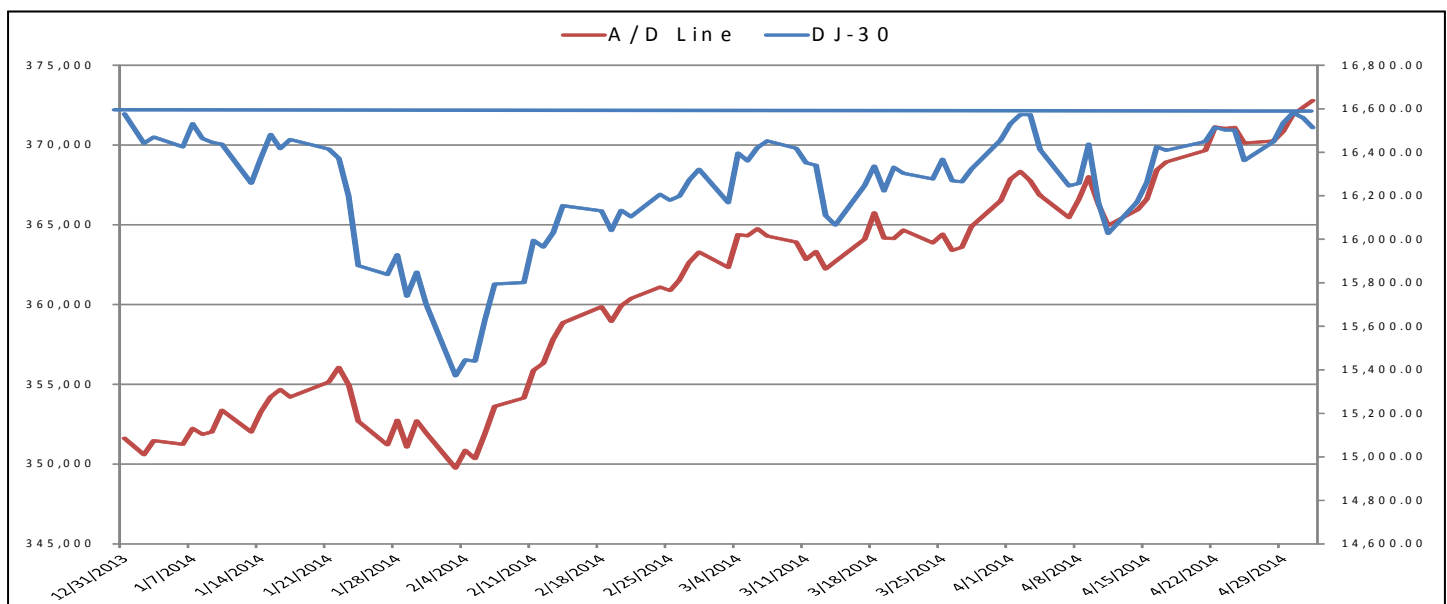
If you like to trace ideas backwards in time to their sources, which I do, it would be an interesting exercise to trace technical trading ideas backwards also. I have in a general skim-the-surface way, but nothing too

deep. I ponder this for two reasons.

The first reason is to wonder if the early market technicians sort of invented things as they went along. For example, when does a double top morph into a triple top? Does it add

value or was it just a way to maintain a bearish opinion stretched over more time? This is a timely question. As you can see on the chart below, the Dow Industrials, though it did finally close at a record high on the

(Continued on bottom left on page 4)



This is a daily chart of the Dow Jones Industrial Average (blue, left scale) and NYSE advance/decline line (red, right scale).

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	0.3%	9.6%	2.2%	-0.9%	-0.5%	-0.7%
Dow30 Portfolio	0.5%	-2.0%	0.5%	0.5%	0.1%	0.0%
Index						
S&P 500 TR	2.3%	18.4%	7.3%	5.5%	0.9%	1.0%
Dow Industrials	0.2%	10.3%	5.7%	5.2%	0.6%	0.9%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:		5/2/2014					
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
31-Mar	buy	MVC	13.55	200	2,720	GENC			9.75	7.56	10.42	2,278	23,736.76	14.0%
this would be about 2% of total portfolio														
31-Mar	buy	TAXI	13.21	650	8,597									
this would be about 5% of total portfolio														
7-Apr	sell	PKY	18.19	500	9,085	MCGC		10.8%	3.00	4.79	3.30	3,300	10,890.00	6.4%
5-May	sell	GOOD		500		MVC		3.8%	14.50	12.71	13.05	1,400	18,270.00	10.8%
						GOOD		8.6%	17.70	17.45	17.64	500	8,820.00	5.2%
						TAXI		6.9%	14.00	13.22	13.62	1,250	17,025.00	10.0%
Above in green shows end price still below buy limit.														
Shown below is watch list for potential purchase at or below buy limit.														
Dividends												10,211.88	6.0%	
Money Market												1.00 80,471	80,471.00	47.5%
Total Valuation=												169,424.64	100.0%	

REVIEW since last issue

5/5 Will take some profits in GOOD. It is at the top of its trading range. I will watch for a pullback.

4/28 No changes.

4/21 MCGC announced further losses and the stock is down again. It is still undervalued however, so I will sit tight.

4/14 No changes. Will sit tight for now.

4/7 Raise a bit of cash by selling PKY.

3/31 As noted above, I will add to a couple of positions that have sold off, yet remain fundamentally sound.

3/24 No changes.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	0.3
S&P 500 TR	15.0%	1.9	14.1	28.7	2.3

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: 5/2/2014							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 5/5	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
7-Apr	sell	AXP	86.60	61	5,273								0.0%
7-Apr	sell	GS	158.56	34	5,381								0.0%
7-Apr	sell	HD	77.13	69	5,312								0.0%
7-Apr	sell	PFE	31.20	160	4,982								0.0%
7-Apr	sell	V	203.41	25	5,075							-	0.0%
14-Apr	buy	DIA	160.88	338	54,387								0.0%
28-Apr	sell	DIA	164.28	338	55,517								0.0%
						TO BE ADDED, IF ABOVE:		BUY STOP					
		UNH	74.00				74.00		75.05		70		about 5%
							sell stop		buy stop				
						TO BE ADDED, IF BELOW:		BUY LIMIT					
						Money Market				1.00	109,784	109,783.70	100.0%
										Total Valuation=		109,783.70	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

5/5 Buy the position above, if at quarter to the close it is above its buy stop. If purchased, then monitor the sell stop.

4/28 Take profits in DIA. It has returned to previous top area, so time to exit. I expect a pullback and will see about reentering then. No individual DJ 30 stocks have set up buy signals.

4/21 The DIA is back to previous top area, so I have raised the stop to reflect this. If it pulls back, I expect to reenter at lower prices in anticipation of further rally thereafter. So this is a trade only. No other DJ 30 stocks have set up buy triggers.

4/14 Stopped out last week, but the DIA is at another inflection point. It needs to close above the buy stop price noted above. If it does, we will reenter the market. If it does not, will stand aside.

4/7 If today's selloff holds, I expect the positions above to be stopped out. I will watch for reentry points.

3/31 As noted above, make the purchases. Also note the stop levels. KO is very tight.

New recommendations

None this week.

(Continued from page 1)

third try has for all intents and purposes set up a triple top. Wasn't the double top sufficient or was it just noise? It's a "known only in hindsight" problem that doesn't help today. Sort of like the old 5/3 wave theory.

The second reason I mention this is I recently stumbled across a review of the Dow Theory's (DT) history. The point of the paper was that the DT actually was useful in forecasting the market, but the early analysts actually misunderstood DT applications. The rules were misapplied. As a result of their apparent erroneous conclusion that the market cannot be timed, it instead led to the better known "random walk" expla-

nation of market prices. In turn this led to Modern Portfolio Theory (MPT) that says rational investors discount markets immediately. Again, the market cannot be timed is the conclusion.

However, more recently MPT has been challenged by behavioral economics that says investors in fact are not rational. The market does swing irrationally between overvalued and undervalued extremes.

So, in the short-term, perhaps, markets cannot be predicted, but over the longer-term, markets might be.

What's the application of this for today's markets? They remain overvalued. They need to drop about 50% to become under-

valued. In the meantime, the trends remain higher and the markets now are back "in gear". The DT suggests all is right in the world for the intermediate-term, but the longer-term value measures suggests another severe bear market will take place.

Stay tuned.

As a reminder, I will be holding two workshops at the upcoming MoneyShow in Las Vegas next month (May) and will be a participant on an investment panel selected from the top performing newsletters. You may find more information at moneyshow.com. If you register to attend, please mention me. I hope to see you there.

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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