

Stock Selections & Timing

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Do Elections Matter?

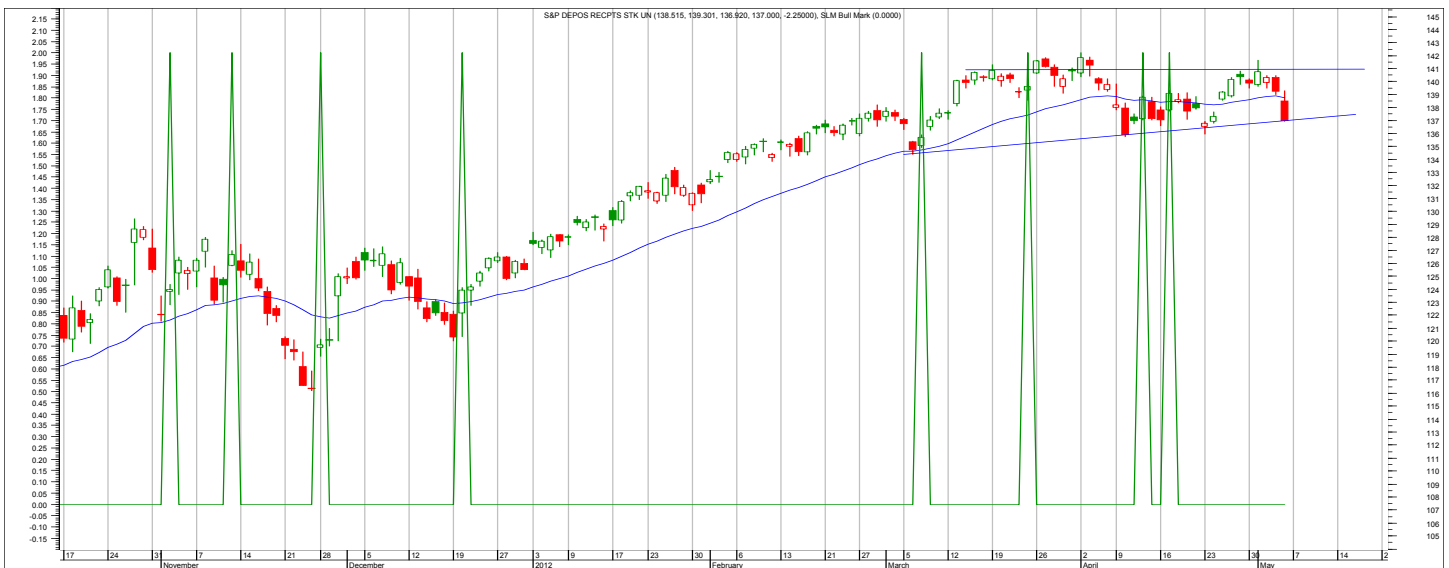
Election news over the weekend from Europe has continued to negatively impact stock markets. It is not as if investors don't know Europe has problems. They do and it does. But evidently the elections haven't gone quite as expected. Elections, after all, suggest something new, a

change, a better program. Instead, it is more of the same, which is no solution. Austerity, recession, smaller bailouts are just not sitting well. The time line to recovery may be pushed out further than expected.

In turn, with our elections a mere eight months away, one wonders if our market also has a

certain expectation for who will be elected this fall and the impact it will make on our fiscal policy. For my part, I assume it doesn't really matter who is elected. The normal political give and take will prevail, but hopefully, without the past gridlock on key American issues.

(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	4.0%	9.2%	9.0%	-1.4%	-1.6%	0.1%
Dow30 Portfolio	0.4%	-7.6%	2.6%	-3.0%	-0.3%	-0.3%
Wilshire 5000 TR	9.9%	3.1%	10.0%	1.5%	-2.1%	-2.6%
Dow Industrials	6.7%	2.5%	8.8%	1.4%	-0.2%	-1.4%

CONTENTS

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

Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		5/4/2012						
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 5/7	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total	
19-Mar	watch	SIMG	tight stop												
20-Mar	sell	SIMG	5.890	1,500	8,825	DRAD			2.00	1.90	2.30	1,500	3,450.00	2.4%	
2-Apr	buy	TAXI	11.30	650	7,355	GENC			8.00	7.53	7.00	2,078	14,546.00	10.3%	
10-Apr	sell	ACAS	8.16	900	7,334	WTT			1.00	0.87	1.25	11,000	13,750.00	9.7%	
13-Apr	sell	AOSL	8.89	1,000	8,880	PKY	9.40	3.0%	10.00	9.96	10.41	700	7,287.00	5.1%	
16-Apr	buy	USMO	13.13	500	6,575	FULL	7.00	11.9%	8.00	7.69	7.45	900	6,705.00	4.7%	
4-May	sell	MRVL	13.90	900	12,500	USMO	12.65	7.5%	14.00	13.32	12.80	1,000	12,800.00	9.0%	
7-May	sell	DRAD	> 2.29	1,500		TAXI	10.00	7.1%	11.50	11.30	11.20	650	7,280.00	5.1%	
7-May	buy	WWE		500		WWE	7.50	5.4%	9.00			500		about 3%	
						MRVL	14.00								
													2,763.22	1.9%	
												1.00	73,276	73,276.00	51.7%
													Total Valuation=	141,857.22	100.0%

REVIEW since last issue

5/7 DRAD has had a pretty good run and it's time to take profits. The company is making some management changes, but still reports losses. If it drops back under \$2, we may reenter, depending on the fundamentals.

WWE will be bought. See page 4.

TAXI reported excellent results and raised their dividend.

PKY issued stock at a premium (\$11.25) to its market price (about \$10), which is always a positive.

4/30 USMO came close to its new stop, but we're still long. I've also been watching a previous buy ANIK continue to soar on improving fundamentals; I sold way too soon. I'm also watching ACAS for a reentry point. It is still below NAV and they're buying back stock, which is accretive. Most other business development companies are issuing stock. DRAD has announced a few management changes, which should help bolster the stock.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	4.0	41.9	14.8
W5000 TR	17.7%	0.5	9.9	30.0	10.6

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:		5/4/2012				
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
5-Mar	sell	AA	9.87	1,300	12,821	DIA							0.0%
				stopped out									
12-Mar	buy	HPQ	24.04	500	12,030								
				about 11%									
19-Mar	buy	UTX	85.00	150	12,760	HPQ	23.00		24.04	24.10	500	12,050.00	11.3%
				about 11%		JNJ	64.00						0.0%
5-Apr	sell	VZ	37.66	300	11,288	VZ	38.00						0.0%
						UTX	81.00						0.0%
10-Apr	sell	UTX	78.48	150	11,762								
13-Apr	sell	JNJ	63.54	200	12,698								
						Money Market			1.00		94,427	94,427.00	88.7%
									Total Valuation=		106,477.00	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

- 4/30 PG (Procter & Gamble) is nearing major support below \$60.
- 4/23 No changes as the market takes a short-term dip. But I will be watching to buy.
- 4/16 No changes.
- 4/8 VZ was stopped out on the market's weakness.
- 4/2 No changes.

Feature Company



WWE (World Wrestling Entertainment) is a quirky company to be sure, but it looks attractive for a couple of reasons and so we'll take a small opening position.

It yields 5.4%.

It is entering new markets in the Middle East, which should help its growth potential.

The stock price is down about 50% over the last two years. To me this implies the bad news is discounted. And indeed, 2012's first quarter's report came in better than expected on 5/3 and the stock price jumped.

Accumulate a small position and we'll watch, hopefully, for the fundamentals to continue to improve which will drive the stock price back up. In the meantime, the 5.4% yield is nice.

(Continued from page 1)

My expectation is that tax increases and spending cuts are all but a done deal. Stop waste and fraud need not even be mentioned. The question is whether these programs are anticipated, and it doesn't look like it. Have we ever expected our elected officials to do what's necessary so that they won't get reelected? And that is perhaps what might be necessary.

Still, however, the ongoing

assumption is the Fed will continue to ease and may even conduct a QE III, even if fiscal restraint comes to pass. So, the market remains buoyant for now, but like always bears very close watching.

The first year of the four-year presidential election cycle is historically the weakest as politicians do in fact try to do what's right for the country as a whole. We have to bring down entitlement spending and reduce defi-

cits. If this happens, then 2013 may prove to be a normal bear market. But a normal bear market sees 30-50% losses.

In the meantime, see the individual portfolio pages for any changes.

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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