

Stock Selections & Timing

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Volume 5
Issue 20

Two Strongs Don't Make a Right

From overbought to more overbought. From over valued to more over valued. The stock market keeps climbing. What is even more odd is the coincident bond market rally.

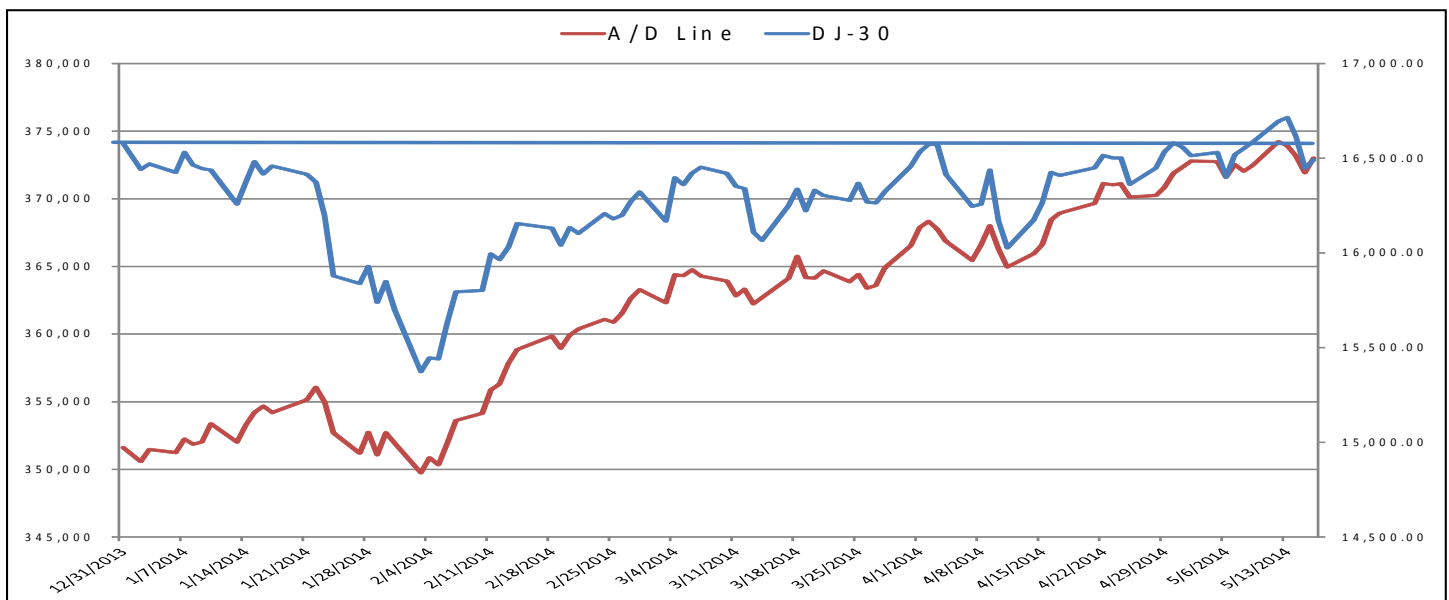
The Federal Reserve is ta-

pering, ending their bond buying. The big influential buyer is vacating the space. But bonds are rallying. By all indications (job growth and GDP expansion), the Fed will completely end QE by this October. As well, the leading economic indi-

cators are heading higher. There is no recession in sight (see page 11). Yet, bonds are rallying and yields are falling.

These things are an "odd" disconnect because if you look only at bond strength, you might

(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 | -0.8% | 8.9% | 0.8% | -4.4% | -1.2% | 0.1% |
| Dow30 Portfolio | 0.8% | -2.5% | 0.8% | 0.3% | 0.2% | 0.0% |
| Index | | | | | | |
| S&P 500 TR | 2.3% | 14.4% | 5.0% | 2.2% | 0.9% | 0.0% |
| Dow Industrials | 0.1% | 7.4% | 3.3% | 2.1% | 0.5% | -0.6% |

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Stock Portfolio

| ACTION FOR | | | PORTFOLIO DETAILS | | | | Value as of date: | | 5/16/2014 | | | | | |
|---|--------|--------|-------------------|-------------|--------------|--------|-------------------------|--------------|-----------|-------------|-----------|-------------|---------------|------------------|
| 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 | 9.76 | 2,278 | 22,233.28 | 13.3% |
| 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 | 3.41 | 3,300 | 11,253.00 | 6.7% |
| 5-May | sell | GOOD | 17.62 | 500 | 8,800 | MVC | | 3.8% | 14.50 | 12.71 | 12.81 | 1,400 | 17,934.00 | 10.7% |
| | | | | | | | | | | | | | | 0.0% |
| | | | | | | | | | | | | | | 0.0% |
| | | | | | | | | | | | | | | 0.0% |
| | | | | | | TAXI | | 6.9% | 14.00 | 13.22 | 13.31 | 1,250 | 16,637.50 | 9.9% |
| Above in green shows end price still below buy limit. | | | | | | | | | | | | | | |
| Shown below is watch list for potential purchase at or below buy limit. | | | | | | | | | | | | | | |
| Dividends | | | | | | | | | | | | 10,211.88 | 6.1% | |
| Money Market | | | | | | | | | | | | 1.00 89,271 | 89,271.00 | 53.3% |
| Total Valuation= | | | | | | | | | | | | 167,540.66 | 100.0% | |

REVIEW since last issue

5/19 No changes.

5/12 GENC took a hit with lower than expected quarterly sales. The company, however, remains profitable and still has about \$9.47/share net cash. MCGC is crawling back. TAXI is driving higher.

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.

| | 2010 | 2011 | 2012 | 2013 | ytd 2014 |
|-----------------|-------|------|------|------|----------|
| Stock Portfolio | 12.3% | 21.4 | 5.0 | 15.8 | -0.8 |
| 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: 5/16/2014 | | | | | | | | |
|-------------|---|-------------------|---------------------------------|-------------|--------------|--|-------------------------|-------------|-------------|--------------|-------------|------------------|------------------|--------|
| Action Date | Action | Symbol | Action Price | # of Shares | Action Value | Symbol | Closing Stop as of 5/19 | 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 | UNH | 74.00 | | 75.23 | 76.65 | 70 | 5,365.50 | 4.9% | |
| 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 | | | | | | | | | |
| | | | this will be about 50% of total | | | | | | | | | | | |
| 28-Apr | sell | DIA | 164.28 | 338 | 55,517 | | | | | | | | | |
| 5-May | buy | UNH | 75.23 | 70 | 5,276 | | | | | | | | | |
| 19-May | potential buys (about 5% of total per position) | | | | | | | | | | | | | |
| | | | | | | TO BE ADDED DURING WEEK, IF "Closing" ABOVE: | | | | | | | | |
| | | | | | | HD | 76.00 | | 76.27 | | 72 | | | |
| | | | | | | JPM | 53.00 | | 53.35 | | 103 | | | |
| | | | | | | PG | 80.00 | | 80.34 | | 68 | | | |
| | | | | | | WMT | 76.00 | | 76.56 | | 72 | | | |
| | | | | | | TO BE ADDED, IF BELOW: BUY LIMIT | | | | | | | | |
| | | | | | | Money Market | | | | | 1.00 | 104,508 | 104,507.70 | 95.1% |
| | | | | | | | | | | | | Total Valuation= | 109,873.20 | 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

5/19 With the pullback, a few setups have materialized as noted above. These triggers are good for this week only.

5/12 No changes. Will need a pullback for possible new position buying to be set up.

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.

New recommendations

None this week.

(Continued from page 1)

conclude it is signaling economic weakness, even a recession. If you look only at stock strength, you might conclude economic boom times are here.

There seems to be a contradictory disconnect between the two series. How can both be strong at the same time? Economic boom or weakness? Evidently the old goldilocks' time is here again.

I suppose also another point we might draw in all of this crosscurrent is logic doesn't always take the cake, at least in the intermediate term.

So, whatever the reason is

for strength in both stocks and bonds at the same time at this stage in the economic cycle starting from March 2009, and however it might play out down the road, the trends in both markets remain up for now.

See the individual portfolio pages for more information.

My workshops at the MoneyShow in Las Vegas went well. Good to meet some of you. We are firming up my participation at the next MoneyShow in San Francisco in August. As well, I have been invited to speak at an AAII (American Association of Individual Investors) chapter in

Los Angeles about the same time. More details will be forthcoming.

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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