

Stock Selections & Timing

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What, Me Worry?

Double tops, triple tops, divergences, over bought, over valued, Fed tapering, I suppose if one was looking for reasons to worry, they are all over the place. So far, all this means is that the proverbial

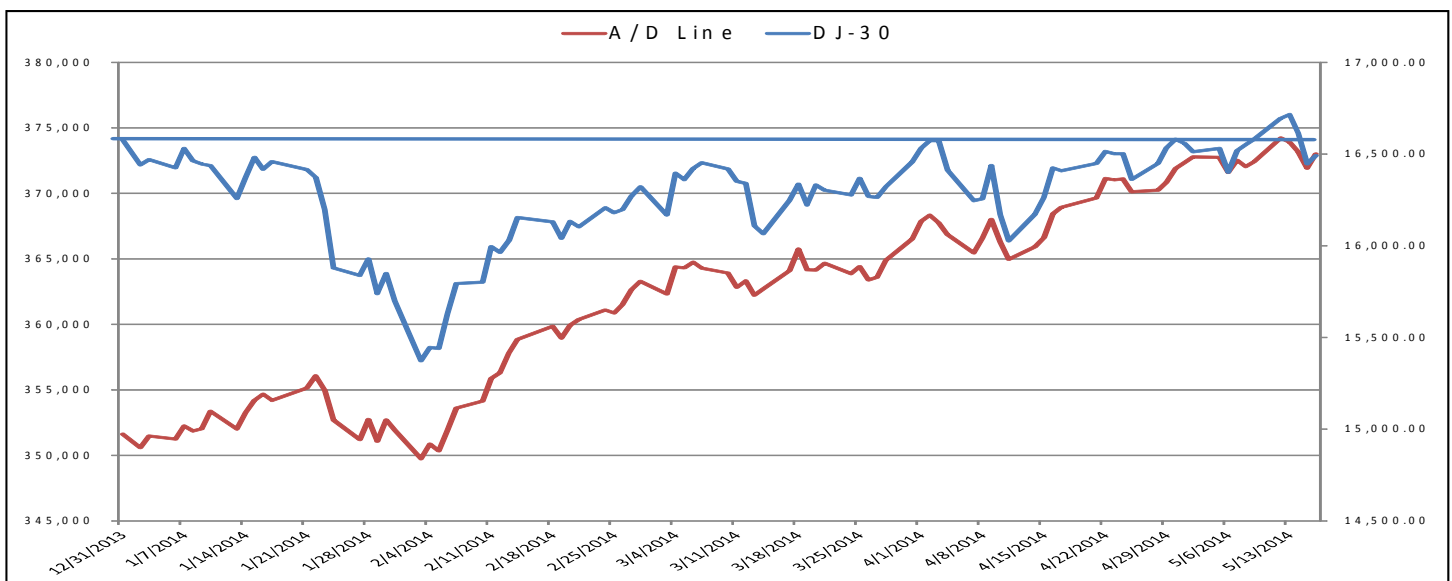
wall of worry remains in place, and up from which the market has continued to climb the past few years.

It seems like only yesterday I was worried about, amongst other things, a double-dip recession, the Fiscal Cliff, the Euro-

pean Recession, the China slow-down, and Government Sequestration. Up and up the stock market went, ignoring all of the potential problems that in hindsight never did materialize.

Sure there have been cor-

(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	-0.5%	8.9%	0.4%	-4.7%	-1.6%	0.3%
Dow30 Portfolio	1.1%	-2.1%	1.1%	0.7%	0.6%	0.3%
Index						
S&P 500 TR	3.5%	16.9%	5.8%	3.4%	2.1%	1.2%
Dow Industrials	0.8%	8.5%	3.3%	3.1%	1.5%	0.7%

CONTENTS

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

Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:		5/23/2014					
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	9.91	2,278	22,574.98	13.4%
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	3.44	3,300	11,352.00	6.8%
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	13.32	1,250	16,650.00	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	53.1%
Total Valuation=												167,993.86	100.0%	

REVIEW since last issue

5/26 No changes.

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	-0.5
S&P 500 TR	15.0%	1.9	14.1	28.7	3.5

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: 5/23/2014							
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	78.82	70	5,517.40	5.0%
7-Apr	sell	PFE	31.20	160	4,982	HD	78.00		76.68	79.15	72	5,698.80	5.2%
7-Apr	sell	V	203.41	25	5,075	JPM	53.00		53.90	54.53	103	5,616.59	5.1%
						PG	80.00		80.23	80.52	68	5,475.36	5.0%
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								
TO BE ADDED DURING WEEK, IF "Closing" ABOVE:													
5-May	buy	UNH	75.23	70	5,276	IBM	185.00		187.00		29		
19-May	buy	HD	76.68	72	5,531								
19-May	buy	JPM	53.90	103	5,562								
19-May	buy	WMT	76.63	72	5,527	TO BE ADDED, IF BELOW: BUY LIMIT							
						INTC	25.70		26.20		210		
20-May	sell	WMT	75.69	72	5,440								
20-May	buy	PG	80.23	68	5,466								
Money Market									1.00	87,862		87,861.70	79.8%
Total Valuation=											110,169.85	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

5/26

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)

rections along the way, especially in 2011. That was a whipsaw year, where the bottom sorta fell out temporarily and then back up she climbed.

Maybe market tops are marked more by the absence of anything to worry about, than by something new to worry about. This may be true especially in the sense of it (the worry) having wide publicity, than by the fact of its presence.

I have in mind, for example the CAPE ratio that has been widely publicized and strenuously examined (see for example Jeremy Siegel). CAPE is the cycli-

cally adjusted PE ratio from Robert Shiller and his book *Irrational Exuberance* published in 2005 (second edition). After all, the indicator seemed to have marked tops and bottoms for the past 100 years. It is now at 25x, which is far overvalued.

The problem is the reality is a bit different from the worry, especially over the last 15 years. CAPE is a good indicator, but is not particularly timely. Is it useful as an indicator since it has been overvalued for so long? The market moves from over valued to more overvalued and vice-versa. Recently, CAPE is still north of 20x and the market con-

tinues its uptrend. See the chart on page 11 for more.

So for today's market there is still plenty to worry about, not the least of which is its apparent overvaluation. But this is evidently a positive, not a negative, in the sense that the wall still appears in place and the market is still climbing it.

See the 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 (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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