

Stock Selections & Timing

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Bounce Due

So far, the old adage of “sell in May and go away” is, with hindsight, marking the top of the market. But, like all things market oriented, it doesn't exist in a vacuum.

Since the start of May, the Greece problem has worsened and spread now to Spain, which

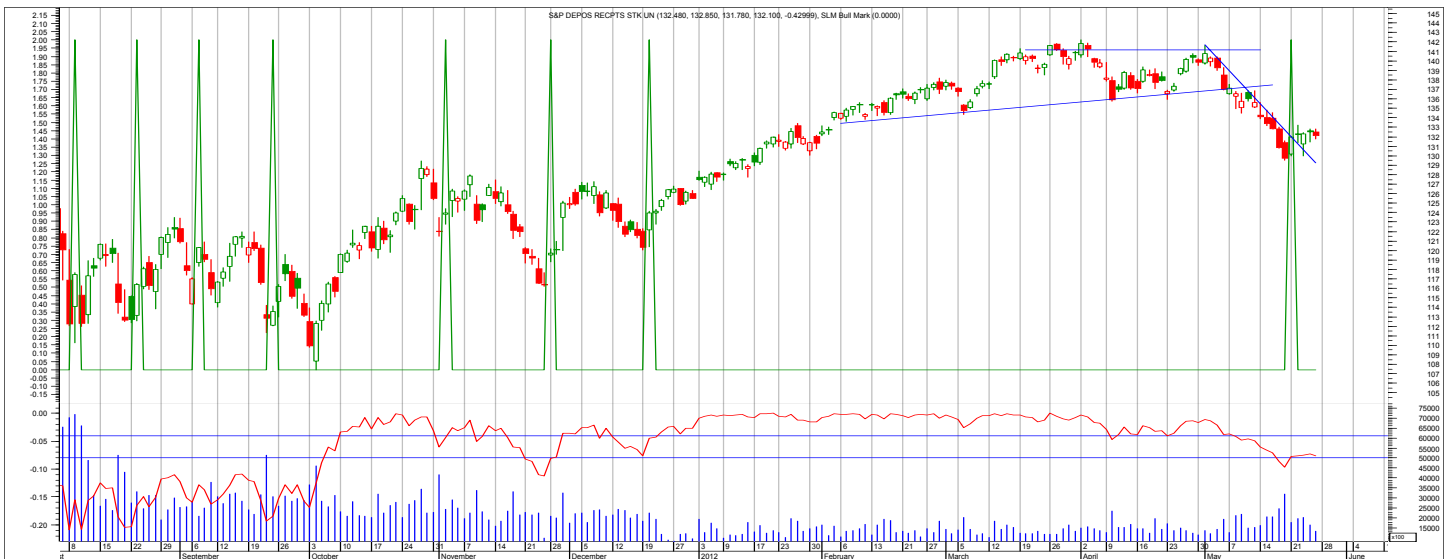
has a much larger economy and thus, potentially much more of a negative impact on the European Union in terms of needing more capital, support, and depth.

Domestically, however, the economy continues to muddle along with two steps forward and one step back. Unemploy-

ment is moving in the right direction. Housing is bumping along with might be a bottom area for prices. GDP is still expanding.

Additionally, the Fed continues to maintain its very easy money stance. But, the third installment after QE I and QE

(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	2.6%	9.5%	5.8%	-2.4%	-1.2%	0.5%
Dow30 Portfolio	-0.6%	-6.8%	1.6%	-2.9%	-1.3%	-0.2%
Wilshire 5000 TR	6.0%	-0.3%	15.1%	-3.6%	-6.1%	2.0%
Dow Industrials	2.5%	0.7%	11.3%	-3.5%	-5.3%	1.3%

CONTENTS

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

Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS				Value as of date:		5/26/2012						
Action Dates	Action Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop of 5/7	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total	
4-May	sell	MRVL	13.90	900	12,500									
7-May	sell	DRAD	2.30	1,500	3,440	GENC		8.00	7.53	7.15	2,078	14,857.70	10.6%	
			> 2.29			WTT		1.00	0.87	1.12	11,000	12,320.00	8.8%	
7-May	buy	WWE	8.91	500	4,465									
9-May	sell	PKY	10.860	700	7,592									
			>10.75											
16-May	sell	TAXI	9.950	650	6,458									
22-May	buy	TAXI	9.98	650	6,497	FULL	7.00	11.9%	8.00	7.69	7.42	900	6,678.00	4.8%
			about 5%										0.0%	
22-May	sell	USMO	12.570	1,000	12,560	TAXI	9.00	8.4%	10.00	9.98	10.52	650	6,838.00	4.9%
						WWE	7.50	5.4%	9.00	8.91	7.98	500	3,990.00	2.9%
Dividends											2,969.02	2.1%		
Money Market											1.00	92,334	92,334.00	66.0%
Total Valuation=											139,986.72	100.0%		

REVIEW since last issue

5/29 We were in and out of TAXI last week. Continue to hold. No new recommendations.

5/21 TAXI was hit as it offered new stock. I mentioned last week that it had shot up, I should have followed the intuition and got out. Other positions also sold off with the market.

5/14 GENC reported good earnings. USMO may have found a bottom with its good earnings too. TAXI shot up and is retracing, but I'll hold.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	2.6	40.0	14.8
W5000 TR	17.7%	0.5	6.0	25.3	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: 5/26/2012						
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 5/21	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
5-Apr	sell	VZ	37.66	300	11,288	AA	8.30		8.60	8.63	1,300	11,219.00	10.6%
10-Apr	sell	UTX	78.48	150	11,762	AXP	56.00						0.0%
13-Apr	sell	JNJ	63.54	200	12,698	DIS	42.00		44.25	44.50	250	11,125.00	10.6%
15-May	sell	HPQ	22.40	500	11,190	KFT	38.00		38.53	38.57	300	11,571.00	11.0%
21-May	buy	AA	8.60	1,300	11,190	KO	73.00		74.37	75.23	150	11,284.50	10.7%
21-May	buy	AXP	56.35	200	11,280	MRK	37.00		37.81	37.55	300	11,265.00	10.7%
21-May	buy	DIS	44.25	250	11,073	IBM	190.00		197.28	194.30	60	11,658.00	11.1%
21-May	buy	KFT	38.53	300	11,569	MCD	88.00		91.25	91.05	125	11,381.25	10.8%
21-May	buy	KO	74.37	150	11,166								
21-May	buy	MRK	37.81	300	11,353								
21-May	buy	IBM	197.28	60	11,847								
21-May	buy	MCD	91.25	125	11,416								
each purchase is roughly 10.5% of total portfolio value													
will be roughly 88% invested, 12% cash													
23-May	sell	AXP	55.99	200	11,188								
Money Market									1.00	25,911		25,911.00	24.6%
Total Valuation=											105,414.75	100.0%	

Company	Symbol
Alcoa	AA
American Express	AXP
Boeing	BA
Bank of America	BAC
Caterpillar	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

5/29 Stopped out of one position. Continue to hold the others, expecting the market to bounce further.

5/21 There are a number of new buys for this portfolio to try to take advantage of the oversold condition that I expect will provide a short-term bounce.

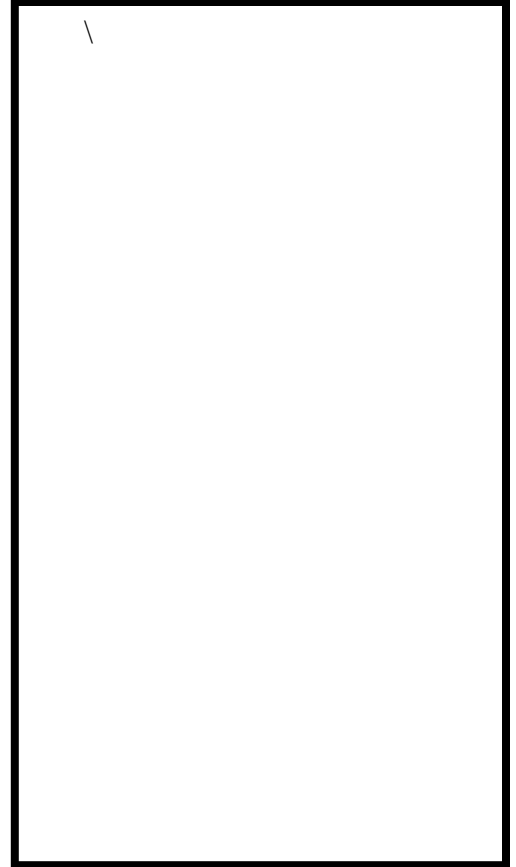
5/14 No changes.

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.

Feature Company

No new recommendations.



(Continued from page 1)

II, dubbed Operation Twist is scheduled to expire at the end of June.

As a result of these crosscurrents, our stock market sold off below its support levels, as noted last week.

After this, what would be normal is for the market to rebound into support, which in turn then turns out to change to resistance. This is what I expect to

happen over the next couple of weeks.

After that, the picture becomes less clear. Much depends on what the Fed does once Operation Twist ends. If there is no new program, then the market should again sell off. If a new program, or a modification and extension occurs, then any sell off should be fairly mild and more of a buying opportunity.

There is simply a lot of risk

and uncertainty in the markets. Tight stops remain a necessity.

See the individual portfolio pages for any actions to take.

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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