

Stock Selections & Timing

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Pause for the Cause

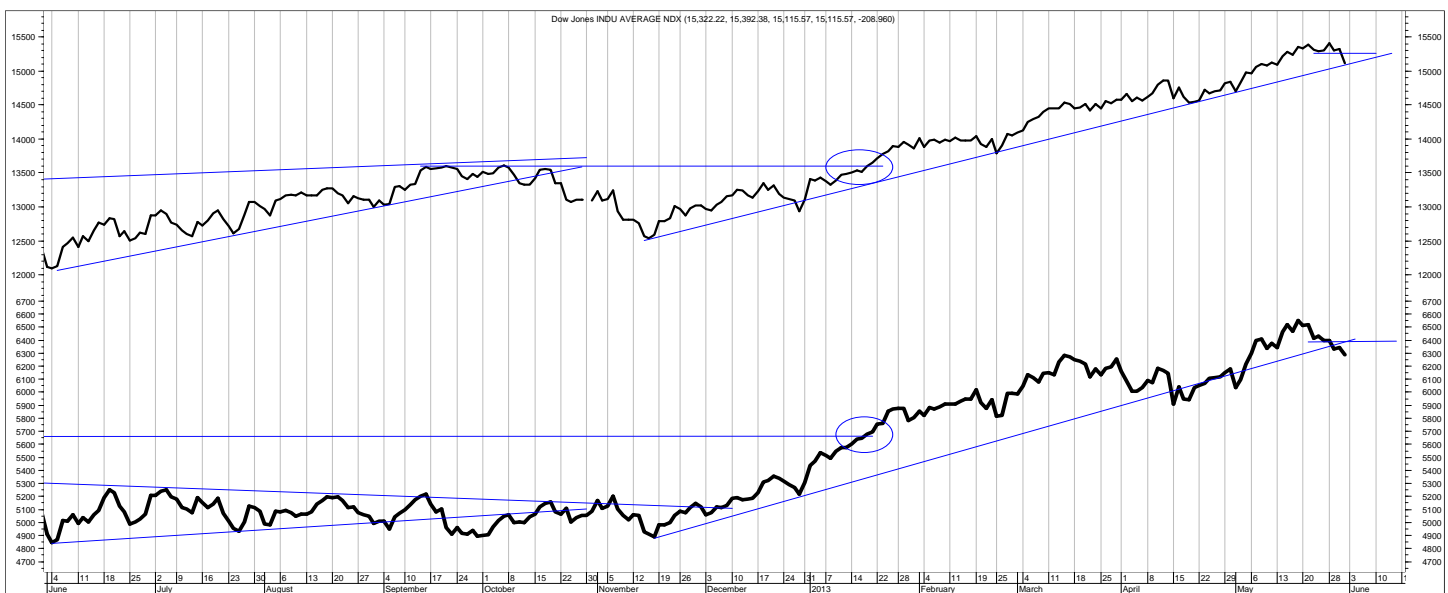
Once again, for what it's worth, which, quite frankly, hasn't been for much the past few previous times, the stock market has set up another negative divergence between the Dow Industrials and Transports. To top it off,

however, which does make this one unique from the earlier others, both indexes have now also closed below their previous lows established prior to the divergence. This is potentially signaling at least a short-term top. The key levels are shown

on the chart below.

Once we add in more information to the mix, like the pervasive, excessive bullishness amongst advisors and consumer sentiment (contrary indicators), and the market's high valuation

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This is the daily chart of the Dow Industrials (top) and Transports (bottom).

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	7.9%	12.4%	6.9%	4.2%	0.0%	0.2%
Dow30 Portfolio	9.5%	9.2%	8.2%	5.9%	0.9%	0.3%
S&P 500 TR	17.2%	30.4%	16.3%	7.9%	1.3%	-1.1%
Dow Industrials	16.8%	24.7%	16.0%	7.3%	0.9%	-1.2%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 5/31/2013		
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 4/15	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total
15-Apr	sell	ANIK	12.82	700	8,964	GENC			8.00	7.56	7.05	2,278	16,059.90	10.4%
						WTT			1.00	0.87	1.67	7,500	12,525.00	8.1%
29-Apr	sell	WTT	1.81	500	895	OPLK			13.00	12.84	17.03	600	10,218.00	6.6%
6-May	sell	AOSL	7.71	1,100	8,471									
6-May	sell	WTT	1.82	1,000	1,810									
20-May	sell	SILU	1.49	10,000	14,890	MCGC		12.9%	4.40	4.38	4.95	1,500	7,425.00	4.8%
						NGPC		8.7%	7.15	7.04	6.80	2,000	13,600.00	8.8%
						MVC		3.8%	13.00	12.71	12.73	1,200	15,276.00	9.9%
						GAIN		8.0%	7.55	7.48	7.27	1,000	7,270.00	4.7%
						TAXI		7.0%	11.40	11.36	14.86	600	8,916.00	5.8%
						Above in green shows end price below buy limit.								
						Below is watch list for potential purchase at or below buy limit.								
						SILU			1.37			10,000		
						Dividends							5,932.50	3.8%
						Money Market				1.00		57,282	57,282.00	37.1%
						Total Valuation=							154,504.40	100.0%

REVIEW since last issue

6/3 No changes. The dividend payers got hit somewhat last week because of the Fed QE questions.

5/28 Took profits on SILU and will look to reenter at lower prices.

5/20 ALSK came within a penny of my buying zone. It dropped to \$1.66 and has since shot back up by 12%. Won't chase it. SILU shot up also and will look to take some profits with the idea of reentering on pullbacks. GENC reported good earnings and growing cash stash; it's still valued at less than their net cash in the bank; can someone take them private please?

5/13 No changes.

5/6 Stop the loss on AOSL by selling. Take more profits in WTT. ALSK is added to the watch list.

4/29 No changes.

4/22 Positions pulled back with the market last week.

4/15 Take profits in ANIK.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	7.9	54.5
S&P 500 TR	15.0%	1.9	14.1	17.2	56.8

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: 5/31/2013						
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 6/3	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
6-May	sell	MSFT	33.72	387	13,040	AA			8.42	8.50	1,422	12,087.00	10.7%
6-May	sell	T	37.09	309	11,451	INTC	23.00		20.08	24.31	519	12,616.89	11.2%
						MSFT	34.00		32.71	34.77	370	12,864.90	11.4%
13-May	sell	XOM	90.10	136	12,244	MRK	46.10		45.95	46.73	265	12,383.45	11.0%
13-May	buy	MSFT	32.71	370	12,113								
13-May	buy	MRK	45.95	265	12,187								
3-Jun	sell	AA		1,422									
						Money Market			1.00		62,852	62,852.00	55.7%
								Total Valuation=				112,804.24	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

6/3 If rates rise, the economic recovery may stall. Time to sell AA.

5/28 No changes.

5/20 No changes.

5/13 Sell one position and buy the two others. One is to reenter a sold stock at a higher price; MSFT corrected back down. As usual, the two positions will each be roughly 10% of the total portfolio.

Feature Company (none)

(Continued from page 1)

(Shiller PE is near 24, the as-is DJI PE is at 17), and bond market's rising yield environment, the picture becomes one that suggests increasing risk.

The trigger to the current stock market divergence, what makes it different from the previous ones, is this appears tied to the Fed's acknowledgment that it must somehow start to at least talk about and plan on pulling back on its quantitative easing (QE) programs. Big questions arise. How will it do this? What will happen next? How far will rates rise? How will this impact

the stock market, the economy, and asset valuations? How will they value their bond holdings, given that a small rate rise will reduce prices?

All of these questions have yet to be answered, but at least initially, even the thought of QE ending has been enough to pause the running paws of the bull.

What's the good news amongst all this angst? The good news is the ongoing economic recovery. Jobs are being created. Housing is reviving. The leading economic indicators are trending higher. The Fed's forecasting tool of the odds of recession is

still tracking along at 0% to 2% (it needs to hit at least 10% to become worrisome, which is a fairly rare occurrence).

So, at least for now, the bond market has taken a hit, trending lower, and our positions are stopped out. The stock market is still hanging in there, but it too, given the aforementioned items, may be on the verge of clearly rolling over.

Please 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 (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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