

Stock Selections & Timing

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Volume 3
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Topping

For a bit of a change, I've shown below the Dow Industrials (top) and Transports (bottom). It was fairly well documented, at least by me, that there was a negative divergence forming between the two. Typically this is followed by weakness, which we've now seen. Both indexes have closed

below their previous support levels.

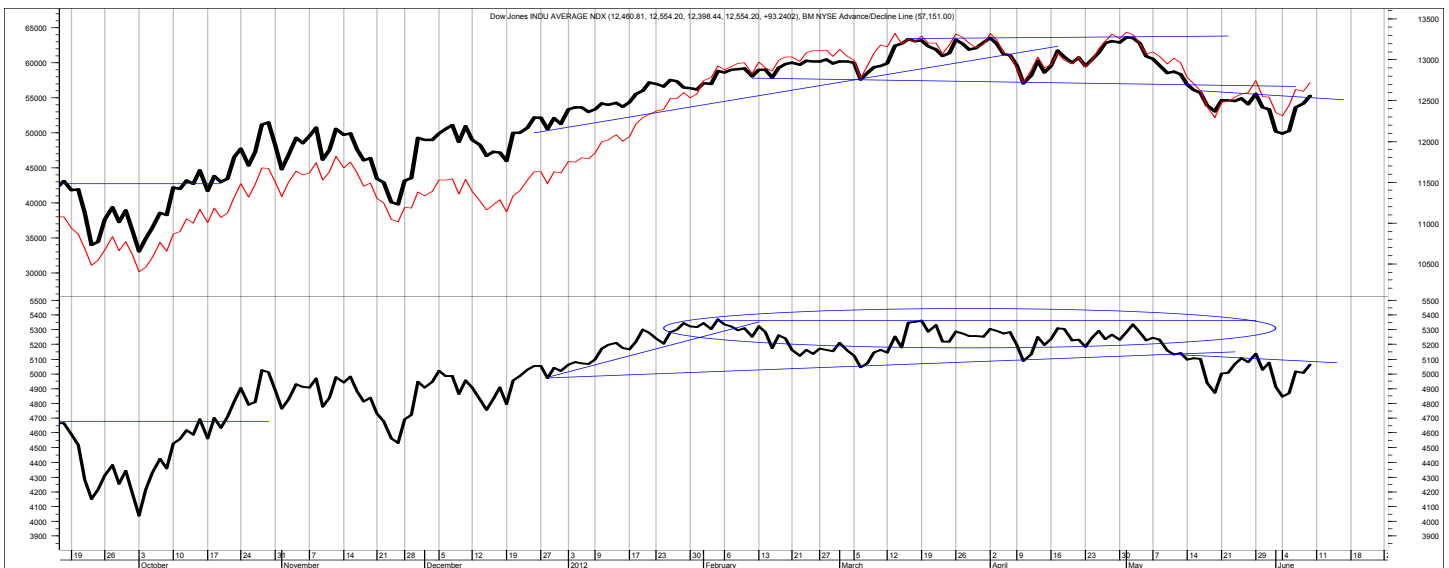
They never ring a bell at the top, but certain things do appear as we walk the analysis path. One is that negative divergence and second is its confirmation. Here is what I said last week.

Market Action. Both the

Dow Industrials and Dow Transports (and other indexes) have moved below previous lows that were set up before the negative divergence evolved. This is definitely a negative. It defines the bear market.

To add, as mentioned in the box below, the definition of a

(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 | 2.7% | 9.7% | 0.9% | -1.9% | -1.5% | 1.9% |
| Dow30 Portfolio | -1.4% | -5.2% | -1.7% | -3.4% | -1.4% | 1.1% |
| Wilshire 5000 TR | 6.5% | 5.3% | 6.5% | -3.4% | -2.2% | 3.8% |
| Dow Industrials | 2.8% | 5.0% | 4.7% | -2.8% | -2.1% | 3.6% |

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Stock Portfolio

| ACTION FOR | | PORTFOLIO DETAILS | | | | | Value as of date: | | 6/8/2012 | | | | | | |
|------------------|---------------|-------------------|-------------|--------------|--------|------------------------|-------------------|-----------|-------------|-----------|-------------|---------------|------------------|-----------|-------|
| 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 | | |
| 4-May | sell | MRVL | 13.90 | 900 | 12,500 | | | | | | | | | | |
| 7-May | sell | DRAD | 2.30 | 1,500 | 3,440 | GENC | | 8.00 | 7.53 | 7.08 | 2,078 | 14,712.24 | 10.5% | | |
| | | | > 2.29 | | | WTT | | 1.00 | 0.87 | 1.14 | 11,000 | 12,540.00 | 9.0% | | |
| 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 | 7.38 | 900 | 6,642.00 | 4.7% | |
| | | | about 5% | | | | | | | | | | 0.0% | | |
| 22-May | sell | USMO | 12.570 | 1,000 | 12,560 | TAXI | 9.00 | 8.4% | 10.00 | 9.98 | 10.55 | 650 | 6,857.50 | 4.9% | |
| | | | | | | WWE | 7.50 | 5.4% | 9.00 | 8.91 | 7.91 | 500 | 3,955.00 | 2.8% | |
| Dividends | | | | | | | | | | | | 2,969.02 | 2.1% | | |
| Money Market | | | | | | | | | | | | 1.00 | 92,334 | 92,334.00 | 65.9% |
| Total Valuation= | | | | | | | | | | | | 140,009.76 | 100.0% | | |

REVIEW since last issue

6/11 No changes. You may have been able to pick up some “cheap” WTT. It’s back up about 18% from \$1 lows recently.

6/4 No changes.

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 | 2.7 | 40.0 | 14.8 |
| W5000 TtlRtrn | 17.7% | 0.5 | 6.5 | 25.9 | 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: | | | | 6/8/2012 | | |
|--------------|--------|-------------------|--------------|-------------|--------------|--------|-------------------------|-------------|------------------|--------------|-------------|---------------|------------------|
| 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 |
| 23-May | sell | AXP | 55.99 | 200 | 11,188 | AA | 8.30 | | | | | | |
| 1-Jun | sell | AA | 8.29 | 1,300 | 10,767 | | | | | | | | |
| 1-Jun | sell | KFT | 37.57 | 300 | 11,261 | DIS | 42.00 | | 44.25 | 46.38 | 250 | 11,595.00 | 11.1% |
| 1-Jun | sell | IBM | 188.78 | 60 | 11,317 | KFT | 38.00 | | | | | | |
| 1-Jun | sell | MCD | 86.88 | 125 | 10,850 | KO | 73.00 | | 74.37 | 75.26 | 150 | 11,289.00 | 10.8% |
| 11-Jun | sell | DIS | | 250 | | MRK | 37.00 | | 37.81 | 38.43 | 300 | 11,529.00 | 11.0% |
| 11-Jun | sell | KO | | 150 | | IBM | 190.00 | | | | | | |
| 11-Jun | sell | MRK | | 300 | | MCD | 88.00 | | | | | | |
| Money Market | | | | | | | | | 1.00 | | 70,106 | 70,106.00 | 67.1% |
| | | | | | | | | | Total Valuation= | | 104,519.00 | 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

6/11 Take profits in the other positions.

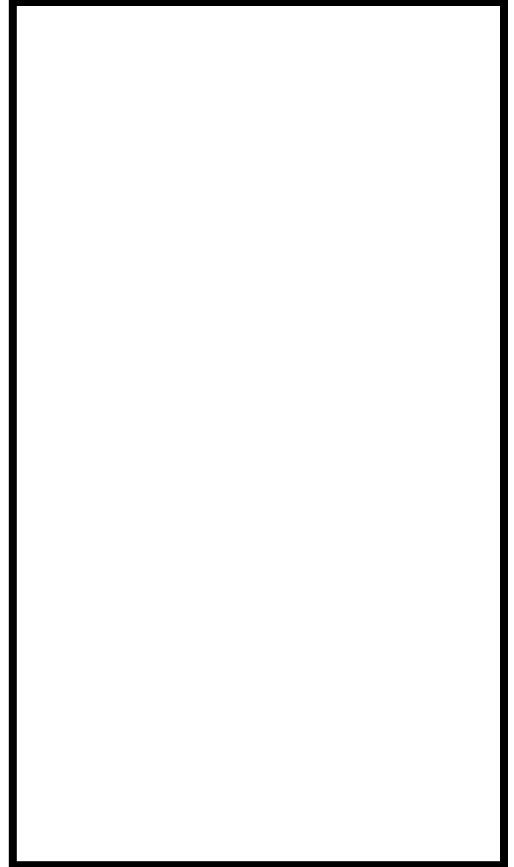
6/4 The bounce came and went quickly. Stopped out of more positions.

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.

Feature Company

No new recommendations. Awaiting the expected upcoming deeper correction.



(Continued from page 1)

bear market is lower highs and lower lows.

The other thing that occurs is complacency. While this doesn't particularly show up in investor sentiment readings, which are really neutral across the board, yet if you consider the crisis in Europe and potential fall out of a bank run circumnavigating the globe, clearly investors are fairly complacent. They're not really fearful. It is more of an attitude that things will get worked out.

But throwing, or in this case, creating, more money after bad, never solves a problem. You get out of debt by cutting spending. Or, by making more income. The two economic drivers of expansion of US and China, however, are slowing. Is the fear of a global recession baked into market prices yet?

So, I am cautious. I will look to buy sharp sell offs, to trade. The days of buy and hold for the bull market appear over. Besides, that bull market from March,

2009 through summer 2012 was three years old. That was a typical, in duration, bull market. But we all know they don't last forever.

See the individual portfolio pages for action 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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