

Stock Selections & Timing

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Rocking Along and Tails

With the market taking the Fed's tapering in stride, there really does not appear to be any worries left to climb.

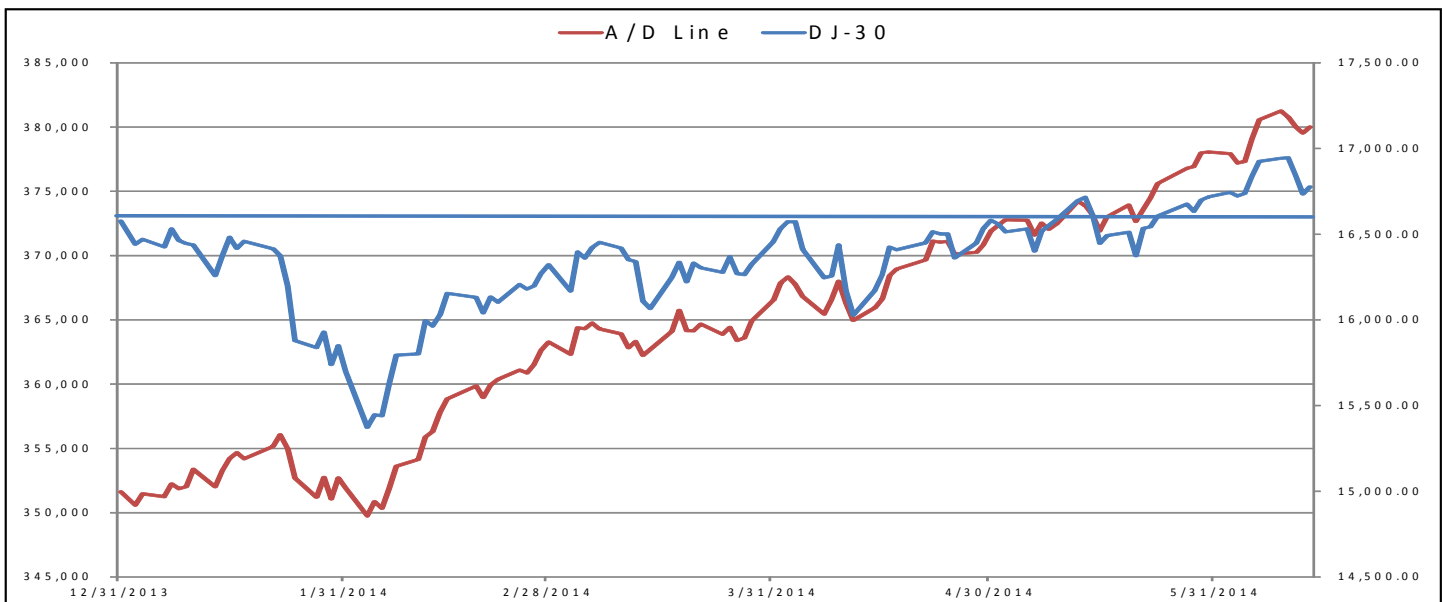
The economy appears to be self sustaining. The leading

economic indicators are solidly trending up. It is creating jobs nearly like the good ol' days.

Inflation, though muted, seems to be picking up slightly, but the powers that be want inflation to move up, rather than hover around deflation territory.

Technically the stock market is hitting on all cylinders. Nearly all important indexes are at new highs. The advance/decline line continues its march higher. Things are in gear to the upside. The so-called break out

(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	0.2%	10.7%	0.8%	-1.5%	1.0%	0.6%
Dow30 Portfolio	1.8%	-1.9%	1.8%	1.6%	1.0%	0.1%
Index						
S&P 500 TR	5.6%	20.9%	9.6%	5.2%	3.3%	-0.6%
Dow Industrials	1.8%	11.3%	5.3%	4.4%	1.7%	-0.9%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:		6/13/2014					
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	10.92	1,978	21,599.76	12.8%
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	3.50	3,300	11,550.00	6.8%
5-May	sell	GOOD	17.62	500	8,800									0.0%
						MVC		3.8%	12.00	12.71	12.56	1,400	17,584.00	10.4%
2-Jun	sell	GENC	10.23	300	3,059									0.0%
														0.0%
16-Jun	sell	GENC	>11	300										0.0%
						TAXI		6.9%	14.00	13.22	12.74	1,250	15,925.00	9.4%
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	6.0%	
Money Market												1.00 92,330	92,330.00 54.6%	
Total Valuation=												169,200.64	100.0%	

REVIEW since last issue

6/16 No changes.

6/9 No new positions, as the market climbs higher. Bargains I find are none and zip.

6/2 Time to take some profits, reducing risk, in GENC as noted above.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	0.2
S&P 500 TR	15.0%	1.9	14.1	28.7	5.6

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:		6/13/2014					
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 6/16	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
5-May	buy	UNH	75.23	70	5,276								0.0%
19-May	buy	HD	76.68	72	5,531	CVX	126.50		122.55	127.11	45	5,719.95	5.2%
19-May	buy	JPM	53.90	103	5,562								0.0%
19-May	buy	WMT	76.63	72	5,527	JPM	56.55		53.90	57.04	103	5,875.12	5.3%
20-May	sell	WMT	75.69	72	5,440								0.0%
20-May	buy	PG	80.23	68	5,466								0.0%
27-May	buy	INTC	26.20	210	5,512	TO BE ADDED DURING WEEK, IF "Closing" ABOVE:							
			bought below	buy limit									
3-Jun	buy	CVX	122.55	45	5,525								
3-Jun	sell	PG	79.93	68	5,425								
9-Jun	sell	UNH	79.76	70	5,573	TO BE ADDED, IF BELOW: BUY LIMIT							
9-Jun	sell	INTC	27.91	210	5,851								
11-Jun	sell	HD	79.81	72	5,736								
Money Market									1.00	99,410		99,409.70	89.6%
									Total Valuation=			111,004.77	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

6/16 No changes.

6/9 Make the buys and sells as noted above. Also raised the sell stops.

6/2 Make the potential buy as noted above. Note also the raised sell stops to preserve gains.

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.

New recommendations

None this week.

(Continued from page 1)

to the upside on the Dow Industrials shown on the front page chart as the horizontal line appears intact.

The market is rocking along.

Of course, the same worries are out there, mostly in the valuation camp. But these things have existed for awhile.

No, the only problem remaining is the NYSE margin debt chart shown again this week on page 5.

It is one indicator tied directly to the market's action. As mentioned, if the market begins to decline, margin calls go out. Either new money must be put up or positions sold. It is that inter-

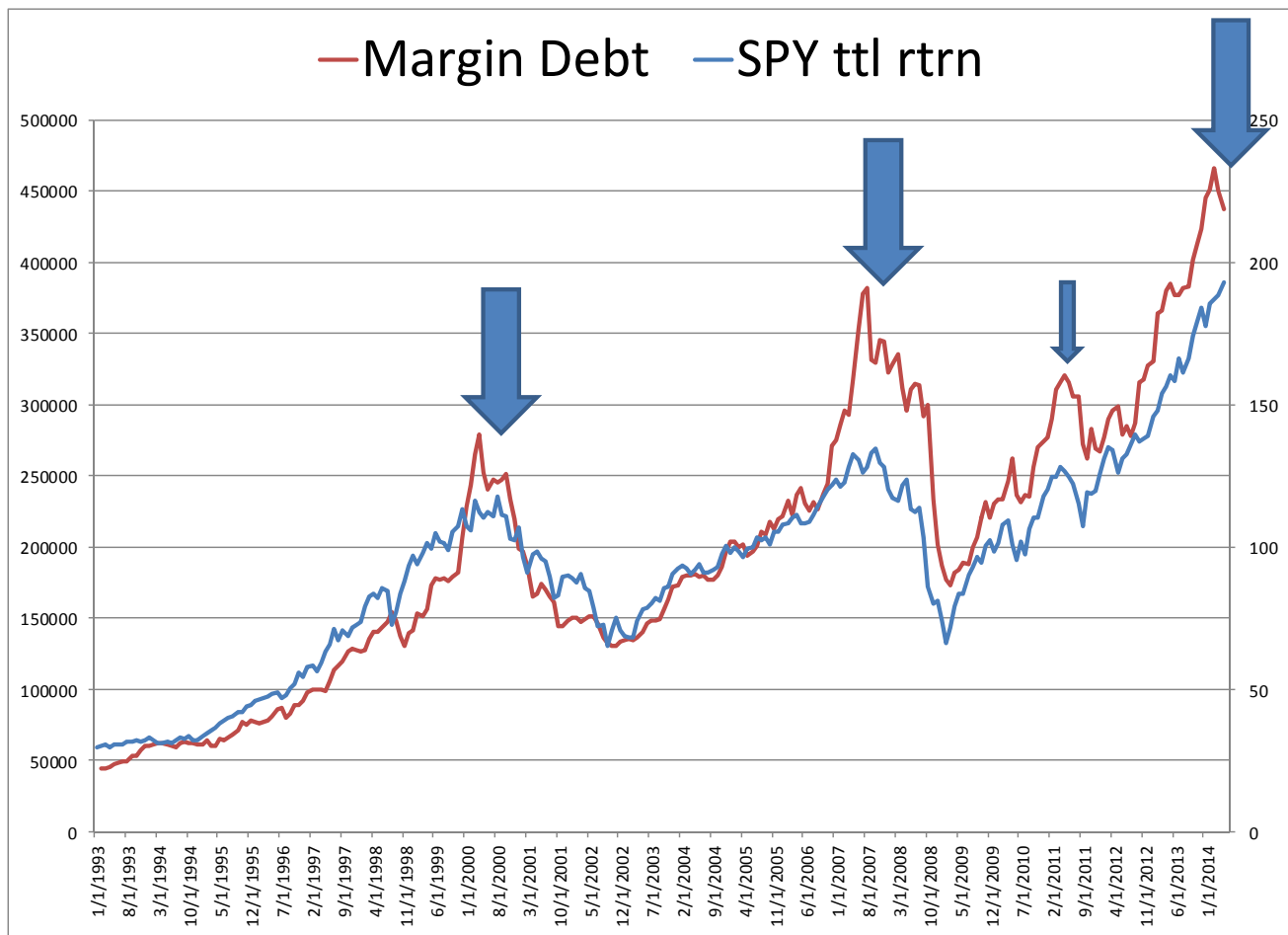
action that creates the vicious downward spiral. It will be interesting to watch this indicator in the months ahead.

I did update some commentary about the indicator on page 5 that should be of interest.

So, the market, like the economy, is rocking along. Just watch out for long-tailed cats.

See the portfolio pages for any changes.

SPY and NYSE Margin Debt (reiteration)



EDIT TO ADD: A member asked about depth of loss and duration to bottom of the previous two signals. The first bear lasted 16 months and lost 51%. The second bear lasted 25 months and lost 45%. So IF the market follows the previous averages and peaks this month, the bottom would fall somewhere between 10/2015 and 7/2016 with the Dow Industrials around 8,400 (current about 16,800).

PAST:

The chart shows the total return (dividends included) of SPY (the S&P 500 etf) (blue line, right scale) and NYSE margin debt (red line, left scale) from 1/29/1993 through

5/31/2014. I shift the margin debt data forward by one month.

As you can see, the two series are closely correlated. But the point is to show that at the two previous major peaks in 2000 and 2007 (large blue down arrows) that preceded 50% losses in SPY, the debt series peaked from 2 to 4 months ahead of the market's peak.

The smaller down arrow marks a coincident peak in 2011 when the market plunged near 20% but did recover. Again, the major peaks were preceded by reductions in margin debt. This is similar to what is happening now. NYSE margin debt peaked in March 2014 (again I shift the data forward one month to make

it more timely). The stock market as measured by SPY has continued to climb during April and May.

So, we are now 2 months from the NYSE margin debt peak and entering month 3 with June. If past parameters hold, we are either peaking now or will peak by 7/31. The move thereafter would be another 50% decline.

The reason for this is maintenance. An account with margin debt must maintain enough equity to offset any market decline. If the equity is not enough, then the account must sell to raise cash (or the holder must add cash).

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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