

Stock Selections & Timing

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All Well's that Ends Well

It has been a heck of a rally from the March 2009 low. Over that period the S&P 500 (SPY) has gained 170% or about a 20% average annual return over 5 1/4 years.

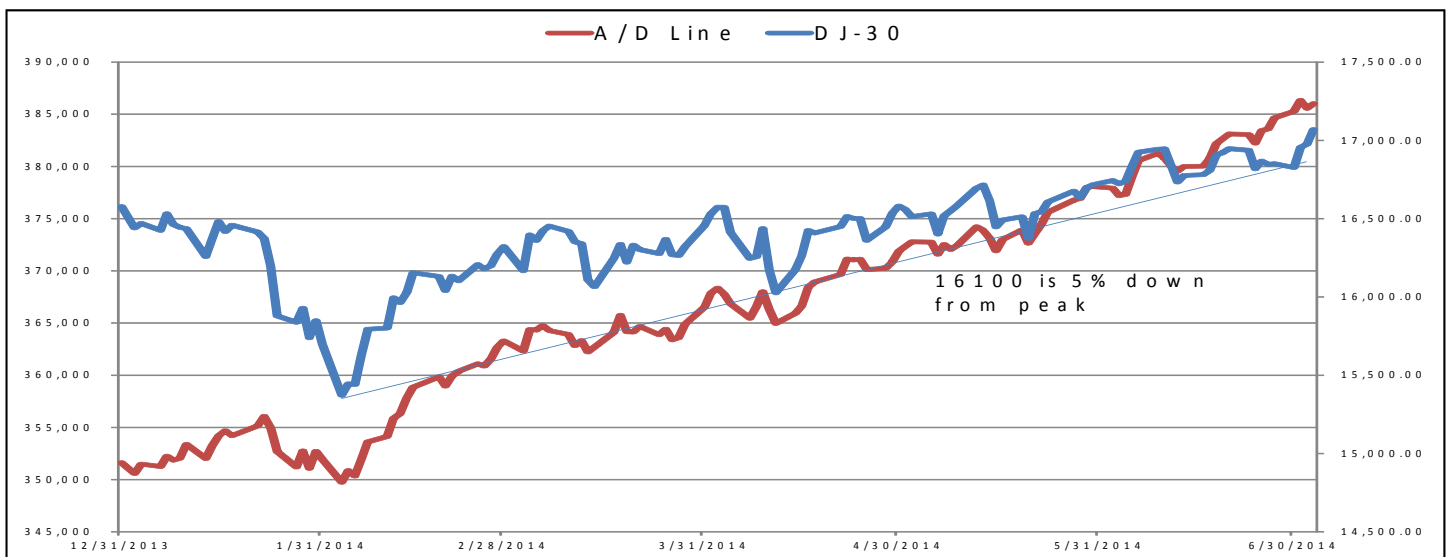
That return is marked from a very oversold and undervalued

starting point. It helps to “buy low”. Measured from the peak in 2000, however, the average annual return is a substantially more muted 1%. These returns exclude dividends.

From the 2009 bottom, the key driver all along has been the

Fed flooding the world with easy money (zero interest rates), but the initial trigger off the bottom was the Financial Accounting Standards Board lifting of the “mark to the market” accounting rule 157.

(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	2.0%	12.6%	2.1%	1.1%	2.4%	0.9%
Dow30 Portfolio	2.1%	2.1%	2.1%	1.7%	0.4%	0.3%
Index						
S&P 500 TR	7.8%	22.8%	8.4%	6.3%	1.4%	1.3%
Dow Industrials	3.6%	12.8%	3.6%	4.0%	0.9%	1.3%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 7/4/2014								
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	11.49	1,678	19,280.22	11.2%	
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	3.89	3,300	12,837.00	7.5%	
5-May	sell	GOOD	17.62	500	8,800									0.0%	
						MVC		3.8%	12.00	12.71	13.01	1,400	18,214.00	10.6%	
2-Jun	sell	GENC	10.23	300	3,059									0.0%	
														0.0%	
16-Jun	sell	GENC	11.10	300	3,320									0.0%	
						TAXI		6.9%	14.00	13.22	12.41	1,250	15,512.50	9.0%	
Above in green shows end price still below buy limit.															
Shown below is watch list for potential purchase at or below buy limit.															
												Dividends	10,742.88	6.2%	
												Money Market	1.00 95,650	95,650.00	55.5%
												Total Valuation=	172,236.60	100.0%	

REVIEW since last issue

7/7 No changes. Oversold bounces taking place.

6/30 No changes.

6/23 No changes.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	2.0
S&P 500 TR	15.0%	1.9	14.1	28.7	7.8

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: 7/4/2014								
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 6/30	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
3-Jun	buy	CVX	122.55	45	5,525								0.0%	
3-Jun	sell	PG	79.93	68	5,425								0.0%	
9-Jun	sell	UNH	79.76	70	5,573								0.0%	
9-Jun	sell	INTC	27.91	210	5,851								0.0%	
11-Jun	sell	HD	79.81	72	5,736	WMT	75.00		75.79	75.75	73	5,529.75	5.0%	
23-Jun	sell	CVX	132.98	45	5,974	TO BE ADDED DURING WEEK, IF "Closing" ABOVE:								
23-Jun	buy	WMT	75.79	73	5,543									
30-Jun	sell	JPM	57.22	103	5,884	TO BE ADDED, IF BELOW: BUY LIMIT								
						Money Market					1.00	105,725	105,724.70	95.0%
								Total Valuation=				111,254.45	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

7/7 No changes. Will wait for the pullback.

6/30 Take profits in JPM as noted above.

6/23 Take profits in CVX as noted above. Monitor the two potential buys if they close above their trigger prices this week.

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.

New recommendations

None this week.

(Continued from page 1)

This change allowed banks, brokerages, and real estate companies great latitude to determine the value of an asset. In turn this kept their debt to value ratios in the solvent column (green), rather than where they perhaps might have been; that is, insolvent (red). The country's companies' dire straights was fairly well hidden from the public.

Some were against this change, but it has all ended well. The economy has recovered and looks self-sustaining. Hence the ending of QE. FAS 157 may also become more strictly applied. After all, asset valuation accuracy is certainly a hinge upon which

all investors rely.

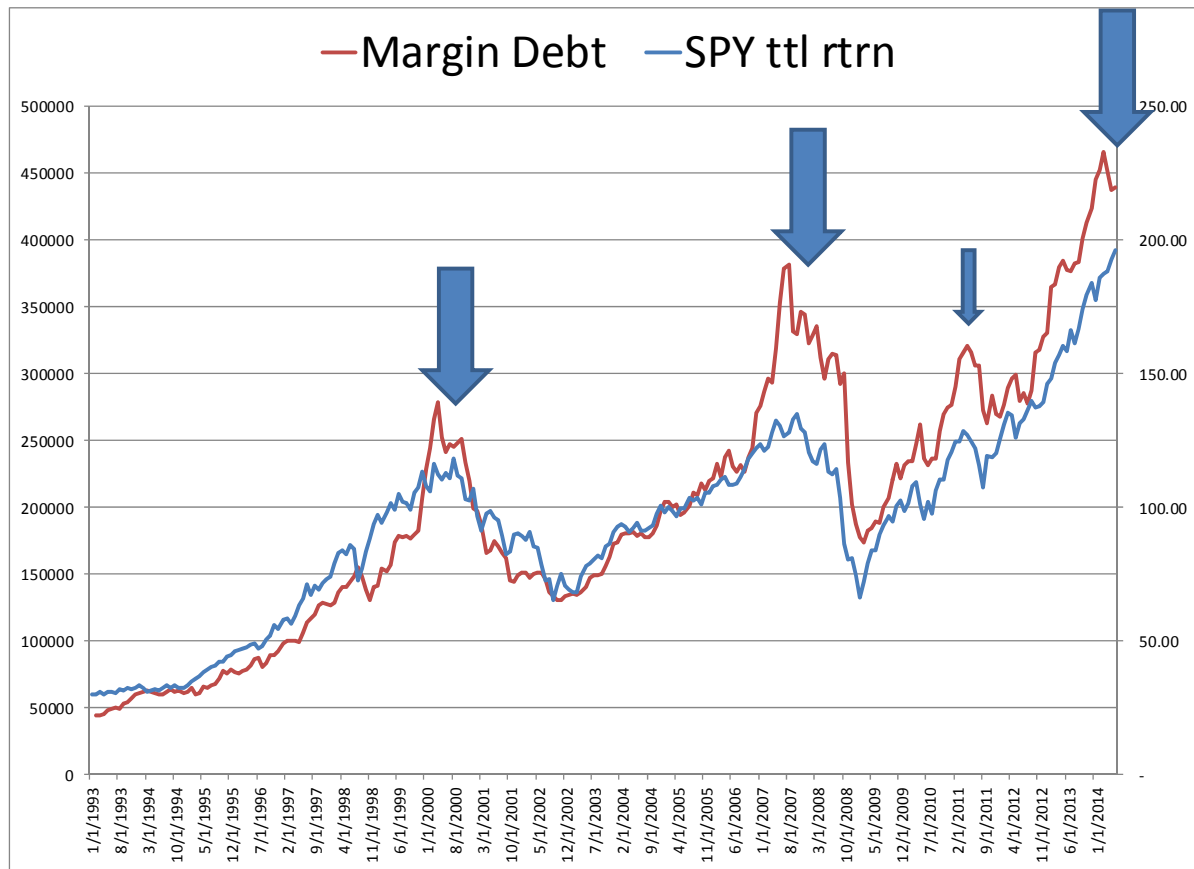
So, depending on how one measures the time frame, it has either been a great time to be an investor in a rip-roaring bull market or an awful time of plodding along since the bubble burst. For our part, since we believe the market has a thing called value, we do try to participate in the up markets and avoid the down markets.

Right now, things are still in gear to the upside (see the chart on page 1). If the markets roll over, no doubt the timing model will signal a sell and avoid. Until then, we'll try to remain in.

See the portfolio pages for

any changes.

SPY and NYSE Margin Debt (reiteration)



Last week edit: I went back and looked a third time at the two previous tops. For both, the trigger of the subsequent severe sell off was 5%. So if SPY closes 5% lower than its recent peak at 196.5 (below 186.7), odds are that won't be a buying opportunity.

Last week edit: 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 10/15 and 7/16 with the Dow Industrials around 8,400 (current about 16,800).

Previous week comment: 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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