

Stock Selections & Timing

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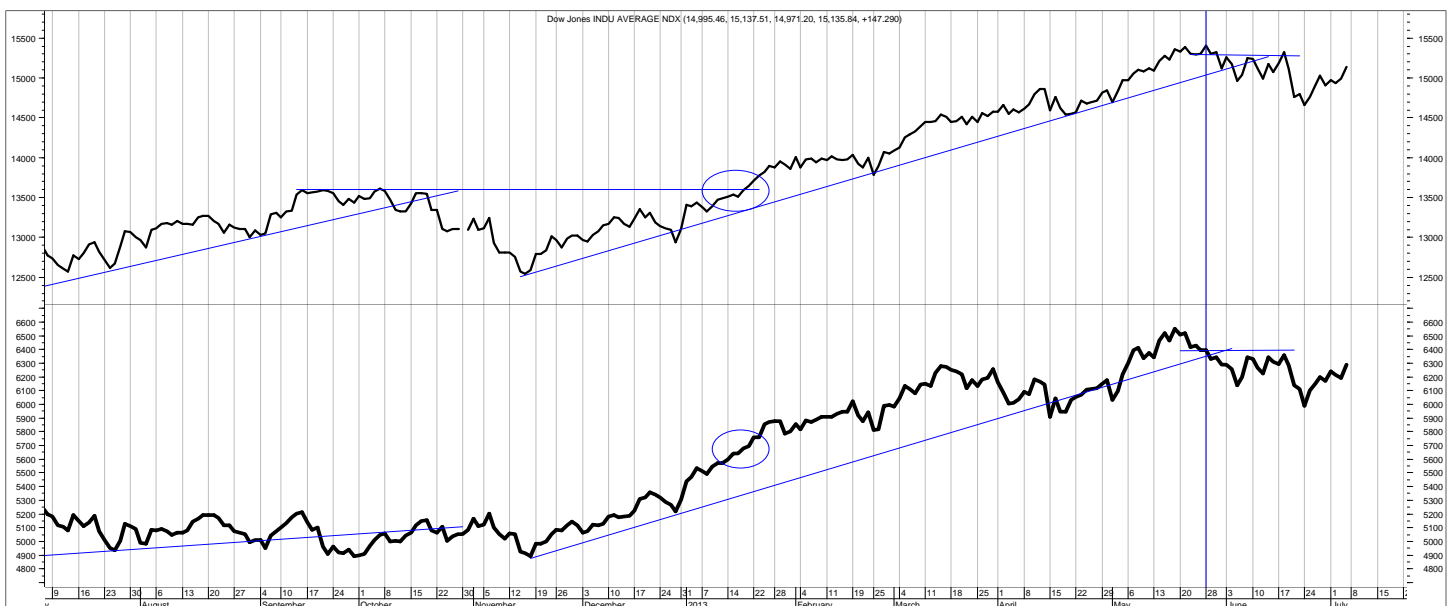
Muddling Along

The headline news is the stock recovery with a couple of indexes like the Dow Industrials hitting recovery highs. The hidden news is the lagging Dow Transports. This divergence between the two indexes is shown on the

chart below with the thick blue line. The confirmation of this divergence, however, will be if both indexes close below their previous low points, which is shown by the recent thin lines. All it is saying now is caution.

I want to interrupt my commentary to let subscribers know I will be speaking at the MoneyShow in San Francisco on August 15th. I plan to give two workshops, one on mutual funds and the second on ETFs. To

(Continued on bottom left on page 4)



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	9.2%	10.0%	6.7%	0.2%	2.2%	2.2%
Dow30 Portfolio	5.8%	4.6%	3.7%	0.5%	-3.7%	0.0%
S&P 500 TR	20.2%	25.5%	14.4%	5.5%	2.7%	2.8%
Dow Industrials	19.5%	21.0%	14.7%	5.4%	2.6%	2.2%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 7/12/2013		
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 6/9	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	7.40	2,278	16,857.20	10.8%
29-Apr	sell	WTT	1.81	500	895	WTT			1.00	0.87	1.48	7,500	11,100.00	7.1%
6-May	sell	AOSL	7.71	1,100	8,471	OPLK			13.00	12.84	19.65	600	11,790.00	7.5%
6-May	sell	WTT	1.82	1,000	1,810	MCC		10.9%	13.80	13.25	14.06	1,000	14,060.00	9.0%
20-May	sell	SILU	1.49	10,000	14,890	MCGC		12.9%	4.40	4.38	5.33	1,500	7,995.00	5.1%
10-Jun	sell	TAXI	> 14.40	600		NGPC		8.7%	7.15	7.04	6.45	2,000	12,900.00	8.3%
17-Jun	buy	MCC	13.25	1,000	13,260	MVC		3.8%	13.00	12.71	13.00	1,200	15,600.00	10.0%
18-Jun	sell	TAXI	14.41	600	8,636	GAIN		8.0%	7.55	7.48	7.45	1,000	7,450.00	4.8%
20-Jun	buy	SILU	1.35	10,000	13,510	SILU		4.3%	1.37	1.35	1.29	10,000	12,900.00	8.3%
						Above in green shows end price still below buy limit.								
						Below is watch list for potential purchase at or below buy limit.								
						Dividends								
						Money Market								
						Total Valuation=								
						6,452.50 4.1%								
						1.00 39,148 39,148.00 25.1%								
						156,252.70 100.0%								

REVIEW since last issue

7/15 No changes.

7/8 No changes.

7/1 No changes.

6/24 TAXI moved above our sell price and we sold it. We also bought back into SILU.

6/17 TAXI hasn't traded above our sell price, so we still own it.

As noted above, buy a new position in MCC, which is roughly 9% of the portfolio.

6/10 Take profits in TAXI above \$14.40. No other changes.

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?

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	9.2	56.2
S&P 500 TR	15.0%	1.9	14.1	20.2	60.7

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: 7/12/2013							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 6/9	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
3-Jun	sell	AA	8.52	1,422	12,105								0.0%
10-Jun	buy	T	35.99	345	12,427								0.0%
10-Jun	buy	BAC	13.30	900	11,980								0.0%
12-Jun	buy	AA	8.18	1,500	12,280								0.0%
17-Jun	buy	TRV	83.23	145	12,078								0.0%
17-Jun	buy	IBM	203.04	60	12,192								0.0%
TO BE ADDED, IF ABOVE SELL STOP													
20-Jun	sell	TRV	79.78	145	11,558								0.0%
20-Jun	sell	IBM	197.35	60	11,831								0.0%
20-Jun	sell	MSFT	33.49	370	12,381								0.0%
20-Jun	sell	T	34.35	345	11,841								0.0%
TO BE ADDED, IF BELOW BUY LIMIT													
24-Jun	sell	AA	7.79	1,500	11,675								0.0%
24-Jun	sell	BAC	12.30	900	11,060								0.0%
24-Jun	sell	INTC	23.58	519	12,228								0.0%
25-Jun	sell	MRK	46.23	265	12,241								0.0%
Money Market									1.00	108,999	108,998.88	100.0%	
									Total Valuation=		108,998.88	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

7/15 No changes.

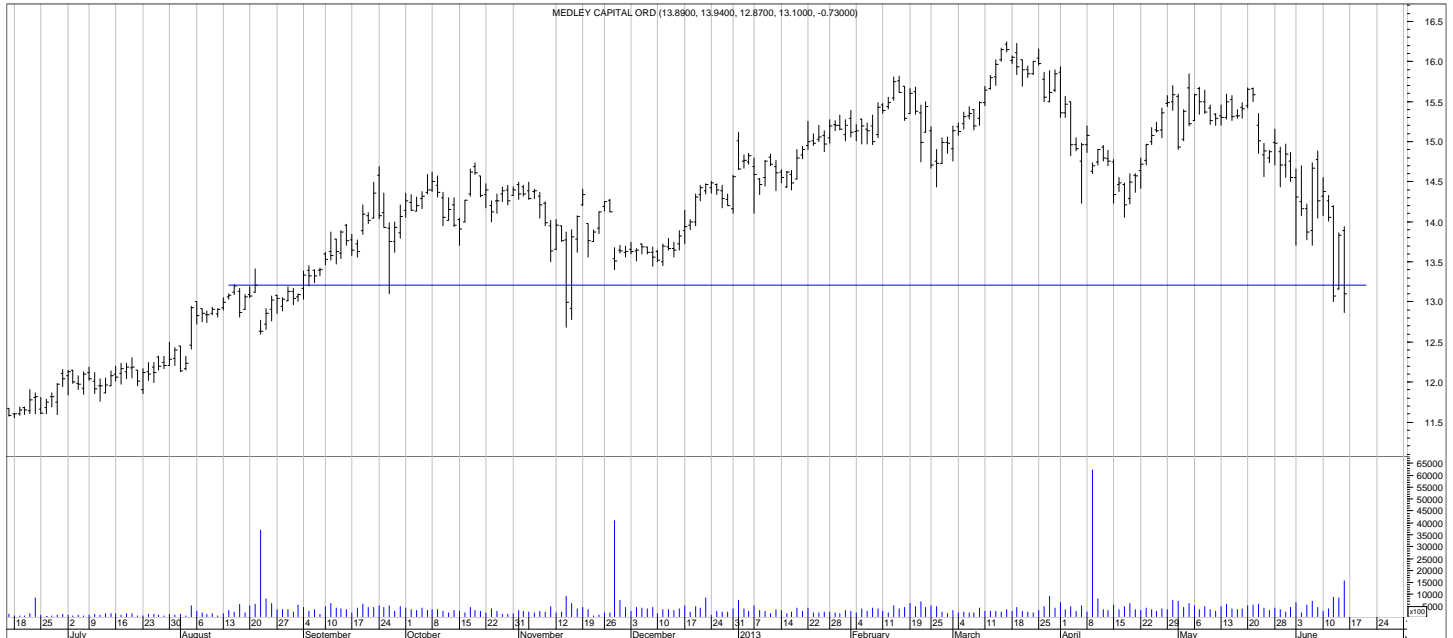
7/8 No changes. Will watch AA's earnings report for hints of economic direction.

7/1 Stopped out at what, so far, was the short-term bottom. No other changes.

6/24 Watch the stops closely. Sell if they are violated at quarter to the close.

6/17 Buy two new positions as noted above. The number of shares to buy is on the right side of the box. Monitor the stops.

Feature Company (Reiteration)



Medley Capital Corp (MCC) is another business development company, lending to middle America. As you can see on the chart, it has come back down to where the price has major support. It yields 10.9%. Its Net Asset Value (NAV) is \$12.73. Annual revenue is projected at \$80 million. For the 6 months ending 3/31/13, net income was \$20 million or \$0.75 per share.

On 4/12/13 the company completed a public offering at \$14.70 per share. That was substantially above NAV and is the reason the stock has dropped substantially the past month to where a better value exists.

See page 2 for specifics on the actual purchase.

(Continued from page 1)

register, please go to moneyshow.com and mention me. Thanks. Hope to see you there.

In the meantime, with the negative divergence, the Federal Reserve has reiterated their distinction between quantitative easing (buying bonds) and low short-term interest rates. While they may curtail the former in the months ahead, the latter plan will be maintained until unemployment hovers around 6.5% or inflation nears 2.5%. Neither the 6.5% or the 2.5% seem possible,

given the continuing weakness in Europe and slowing China data. Domestically GDP estimates are dropping from roughly 1.5% to 1.1% for q2 and q3. The slightly weaker Dow Transportation Index may be picking up on this domestic slowdown.

I suspect the risk to the stock market isn't the easing of bond purchases by the Fed, but the slowing economy that will be impacted by the rise in long-term rates. Higher interest rates make car and house buying more expensive. The effect from higher taxes and sequestration (reduced

government spending) is still working its way through the system this year.

So, the stock market has rebounded and the Stock Portfolio is partially invested, while the Dow Portfolio is in cash.

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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