

Stock Selections & Timing

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Data Pointing

Inventory numbers rose in the latest reporting period. Like other indicators we can read this in one of two ways. Either retailers are stocking up as they expect a robust back to school season or inventory is piling up on the shelves. We have to look at retail sales to make sense of in-

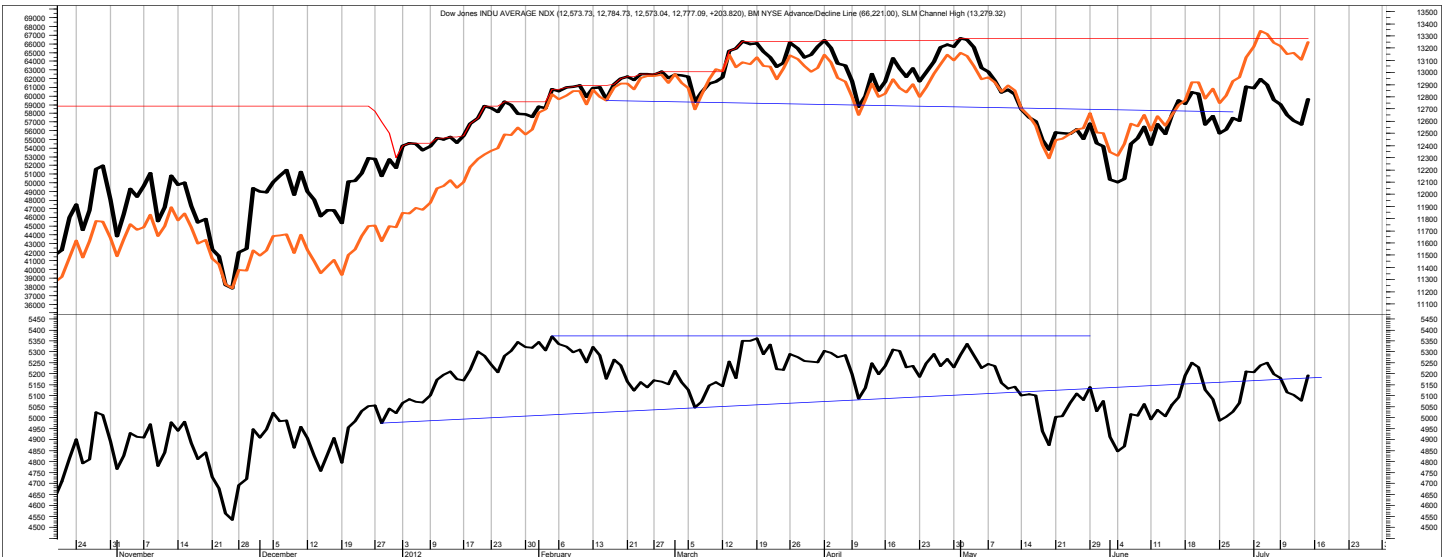
ventory. Sales are declining for three straight months. So, the inventory numbers suggest weakness. Moreover it suggests weak manufacturing ahead as they try to lower inventory levels. Orders should decline.

Those fundamentals simply confirm other reports that the economy is slowing. We know

Europe is in a recession. Is the US far behind? China's growth has moderated to about 8%. Wouldn't that be a great number to complain about?

At the same time as this domestic weakness is taking place, the leading indicators still suggest expansion. They have

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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	4.1%	10.2%	2.4%	-0.2%	1.0%	0.2%
Dow30 Portfolio	-1.7%	-7.5%	-3.0%	-2.3%	0.0%	0.0%
Wilshire 5000 TR	9.2%	3.6%	6.1%	-0.8%	1.5%	-0.1%
Dow Industrials	4.6%	2.4%	2.9%	-0.6%	0.1%	-0.9%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 7/13/2012								
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 7/13	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total	
2-Jul	to buy	MSO		1,000											
2-Jul	buy	GENC	7.93	200	1,596	GENC			8.00	7.56	7.43	2,278	16,925.54	11.9%	
6-Jul	sell	MRVL	10.800	500	5,390	WTT			1.00	0.87	1.27	10,000	12,700.00	8.9%	
						OPLK			12.80			300	-	0.0%	
13-Jul	buy	MSO	3.24	1,000	3,250	FULL	7.70	11.9%	8.00	7.69	7.88	900	7,092.00	5.0%	
16-Jul	sell	MSO		1,000									-	0.0%	
16-Jul	buy	OPLK		300		TAXI	10.70	8.4%	10.00	9.98	10.89	650	7,078.50	5.0%	
16-Jul	buy	NGPC	about 2.5%	500		MSO			3.25	3.24	3.53	1,000	3,530.00	2.5%	
			about 2.5%			WATCH LIST FOR POTENTIAL PURCHASE BELOW BUY LIMIT									
						MCGC			4.40			1,000			
						NGPC			7.30			500			
Dividends												3,098.32	2.2%		
Money Market												1.00	91,573	91,573.00	64.5%
Total Valuation=												141,997.36	100.0%		

REVIEW since last issue

7/16 Snagged the 1000 shares of MSO on their sell off Friday, but their full deal with JC Penney will not take place, so take profits.

NGPC is added to the watch list. It is another business development company with a yield above 8%.

Buy a small position in OPLK. It is undervalued.

7/9 Stopped out of MRVL (again). I added the Watch List. I also updated the stop levels.

7/2 Congress passed the Highway Bill and GENC has responded by jumping above \$8 at this moment (Monday). I'll be the first to admit to be amazed at the reactive tie-in. At the same time, GENC's net cash in the bank is still about \$9.52, let alone adding in the value of the business, which should indeed benefit from the Bill. I estimate the business value widely from \$3 to \$8/share; it just depends. I'll add a bit to the position at the close.

MSO is added to buy, but at lower prices, like MCGC.

6/25 Watch MCGC to come down under the buy limit. No changes.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	4.1	42.0	15.5
W5000 TtlRtrn	17.7%	0.5	9.2	29.1	10.9

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: 7/13/2012								
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									
1-Jun	sell	AA	8.29	1,300	10,767									
1-Jun	sell	KFT	37.57	300	11,261									
1-Jun	sell	IBM	188.78	60	11,317									
1-Jun	sell	MCD	86.88	125	10,850									
11-Jun	sell	DIS	45.74	250	11,425									
11-Jun	sell	KO	74.55	150	11,173									
11-Jun	sell	MRK	38.51	300	11,543									
						Money Market					1.00	104,247	104,247.00	100.0%
												Total Valuation=	104,247.00	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

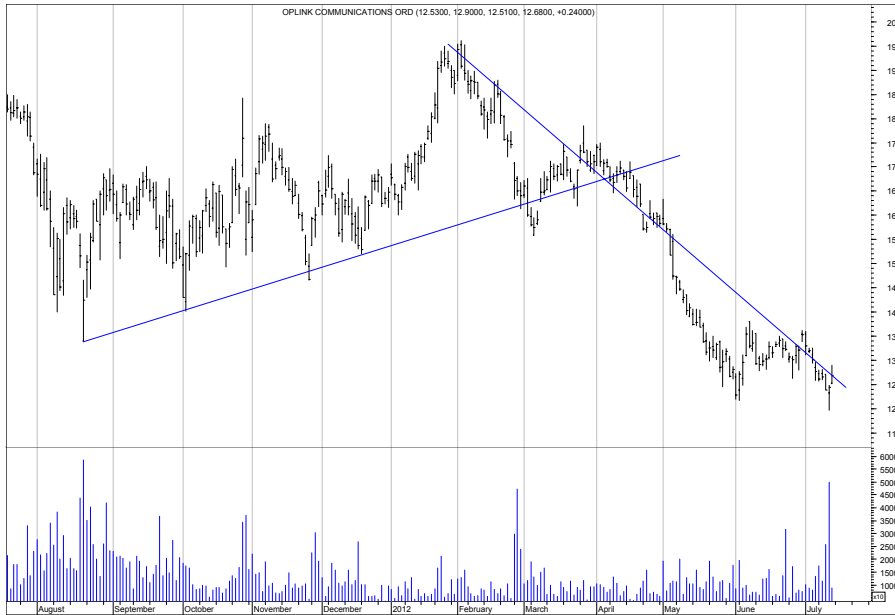
For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

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

- 7/16 No changes.
- 7/9 No changes.
- 7/2 No changes.
- 6/25 No changes. Will avoid buying until some positive divergences set up.
- 6/18 No changes.
- 6/11 Take profits in the other positions.

Feature Company



Oplink Communications (OPLK) is in the optical networking business worldwide.

Annual revenues are projected to top \$170 million.

Market cap is \$242 million at \$12.75 per share.

Net income is down substantially from a year ago, but so is the stock price. Insiders are buying and the company is purchasing stock on the open market. Evidently they view it as a bargain also.

The risk is the worldwide economic slowdown persisting. Thus we are only nibbling at the stock. See page 2.

(Continued from page 1)

yet to roll over. So, it is not yet clear if this current weakness is the pause that refreshes or the pause before the cliff.

Investor sentiment remains steady without a cliff either way. There are neither too many bulls, nor are there too many bears.

Technically, the negative divergences, shown on the front page, persist. If we take away the

very expansive Federal Reserve, we would already be in a recession with the stock market probably about 20% lower.

But the Fed is expansive and thus supporting asset valuations, be it stocks, bonds, or real estate. Interest rates on Treasuries are at record low yields. This makes riskier asset classes more attractive. But as I've said in the past, this holds true only if we continue

to avoid a recession.

See the individual portfolio pages for trading ideas.

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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