

Stock Selections & Timing

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Tenth Verse Same as the First

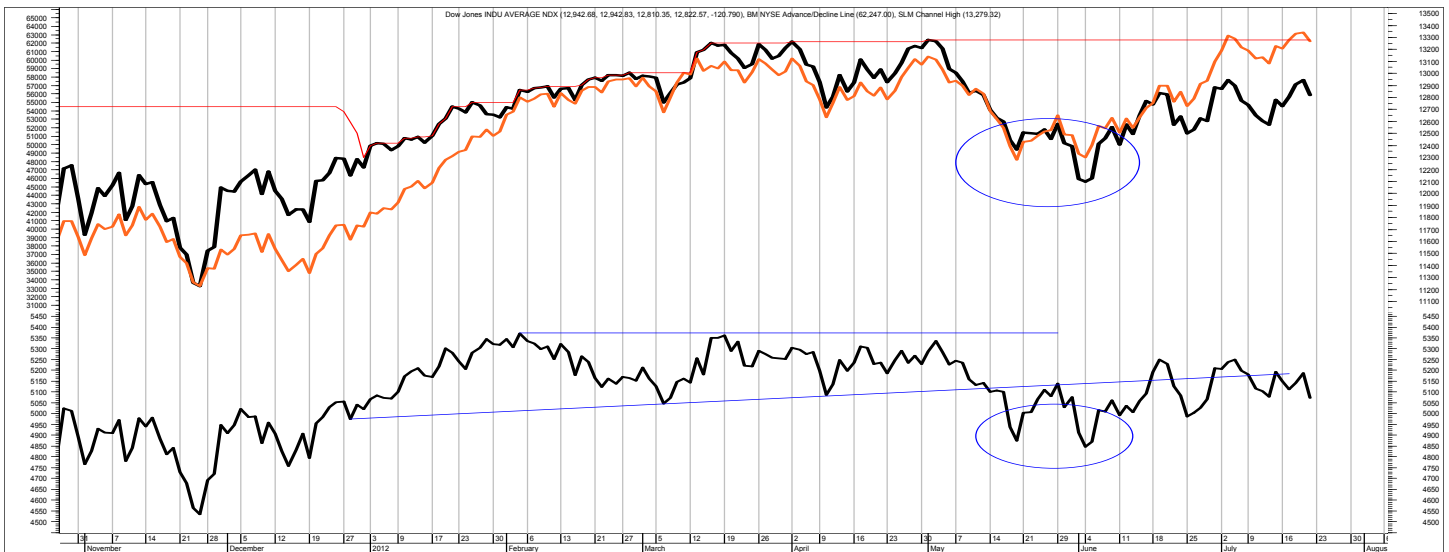
Troubles again in Europe unsettle all the stock markets around the globe, while it is pick and choose which bond markets benefit and lose. It is clear that the issues in Europe have yet to be settled. Just when investors think the air is cleared, a deal reached, a solution in place, the

whole thing unravels because either the politicians, the bankers, or the people won't accept it.

Likewise with the pending issues in the US. We too face government debt nearing 100% of GDP. If we include the present value of future entitlements (social security, medicare), the

percentage at least doubles. Taxes, will they be increased across the board as the Bush cuts and withholding portion expires or will they be increased only for those earning more than \$500,000? Government spending is scheduled to come down, especially in defense.

(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	4.5%	10.0%	0.7%	0.3%	1.4%	0.4%
Dow30 Portfolio	-1.7%	-8.2%	-4.0%	-2.3%	0.0%	0.0%
Wilshire 5000 TR	9.4%	1.8%	4.2%	-1.2%	2.1%	0.2%
Dow Industrials	5.0%	1.1%	0.8%	-1.6%	1.4%	0.4%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS					Value as of date: 7/20/2012						
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	7.50	2,278	17,085.00	12.0%
6-Jul	sell	MRVL	10.800	500	5,390	WTT			1.00	0.87	1.26	10,000	12,600.00	8.8%
						OPLK			12.80	12.67	13.38	300	4,014.00	2.8%
13-Jul	buy	MSO	3.24	1,000	3,250	FULL	7.70	11.9%	8.00	7.69	7.96	900	7,164.00	5.0%
16-Jul	sell	MSO	3.500	1,000	3,490								-	0.0%
16-Jul	buy	OPLK	12.67 about 2.5%	300	3,811	TAXI	10.80	8.4%	10.00	9.98	11.33	650	7,364.50	5.2%
WATCH LIST FOR POTENTIAL PURCHASE BELOW BUY LIMIT														
23-Jul	sell	FULL		900		MCGC			4.40			1,000		
			above \$7.85			NGPC			7.15			500		
						FULL			7.60			900		
												Dividends	3,098.32	2.2%
										Money Market	1.00	91,252	91,252.00	64.0%
												Total Valuation=	142,577.82	100.0%

REVIEW since last issue

7/23 FULL has reached what looks to be a top area. I'll take profits and look to reenter, if it pulls back into the \$7.60 range.

MCGC pulled back to \$4.40, but not below, so no shares bought.

NGPC buy limit was lowered.

TAXI stop raised.

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.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	4.5	42.6	15.5
W5000 TtlRtrn	17.7%	0.5	9.4	29.5	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: 7/20/2012								
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

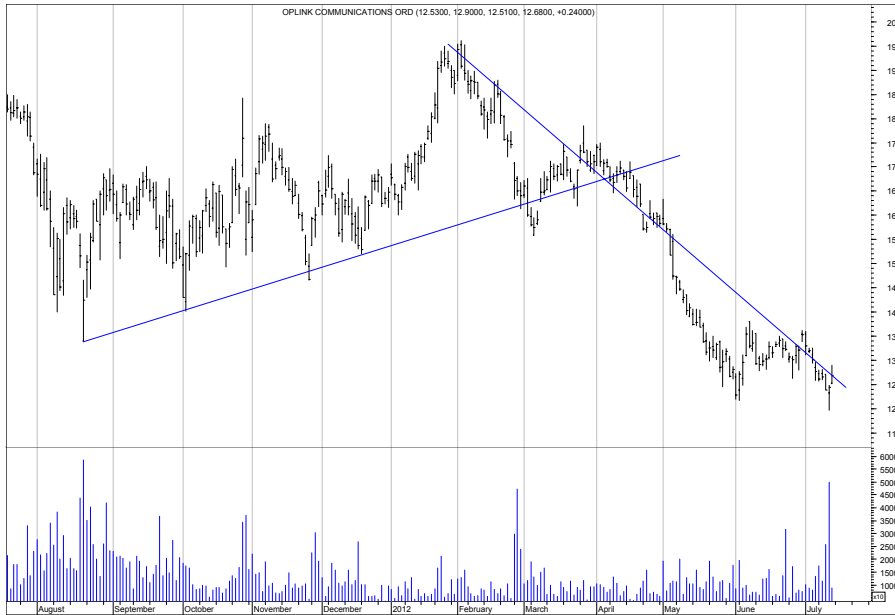
For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

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

- 7/23 No changes.
- 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.

Feature Company (REITERATION)



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)

The two (tax and spending cuts) are projected to invert growth into a recession. The press have named it the Fiscal Cliff.

In the meantime, however, the Federal Reserve remains fully committed to keeping interest rates across the board at historic low yields. This is expected to cause two benefits.

One it supports underlying asset values, the collateral for loans. It makes the cash flows, if they stay the same barring a recession, become relatively more valuable than a 0.20% CD.

Two to get a return, it coaxes

investors out the risk spectrum. A CD at 0.20% or a rent house that might earn 4.0% or a stock that pays 6% or maybe even a business?

These two forces push and pull the stock market, depending on the day, week, or month. World stocks (EEM, EFA) are down from a year ago, while domestic stocks (SPY, QQQ, IWM) are about unchanged. There's no good reason to think these trends will do much more than continue, especially when investors focus on that Fiscal Cliff.

On the chart on page 1, the circles show how the market was

“in gear” to the downside. Most likely it heads back to that area and either confirms it by falling on through, or sets up some positive divergences from which another rally might take place. But given the ongoing fundamental questions (Europe, Fiscal Cliff, China), any rally may prove short in terms of duration and magnitude.

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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