

Stock Selections & Timing

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July 29, 2013 (data through previous Friday's close)
Volume 4
Issue 30

Dribbling Along

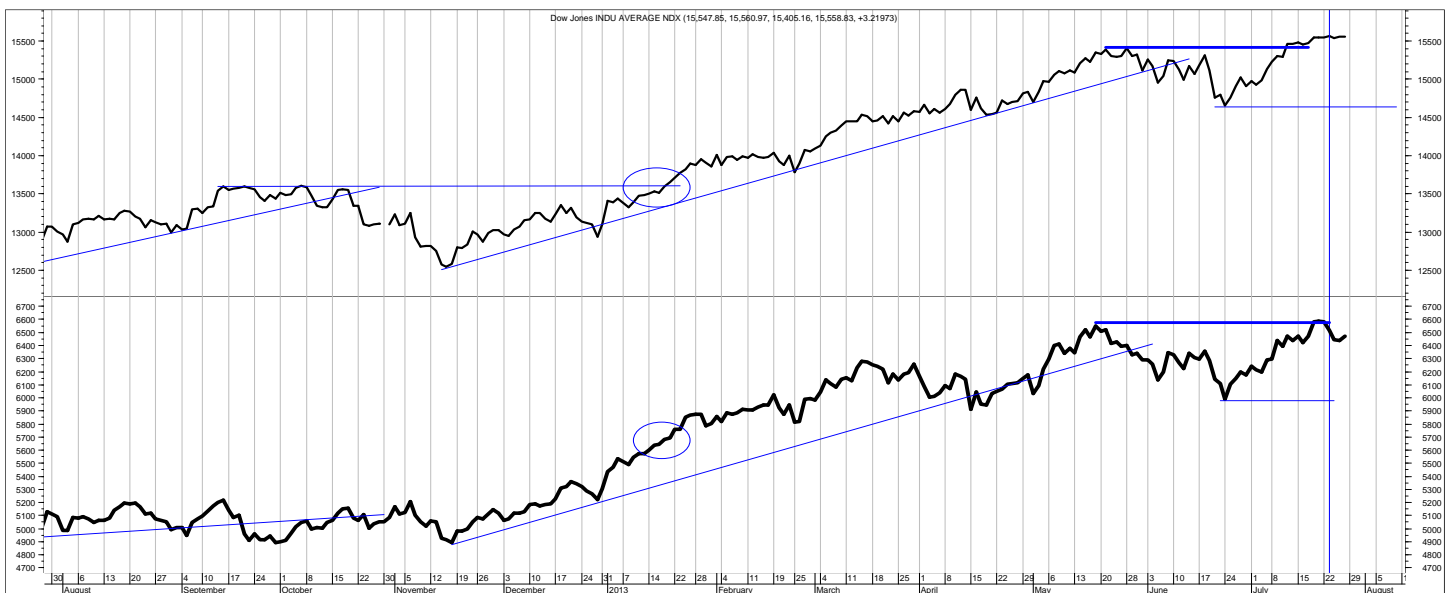
Every minor negative divergences continue to bubble up from time to time between the Dow Industrials and Dow Transports. The latest is shown on this week's chart below. Confirmation of this, as usual, would be if both

indexes fall below their previously established lows (blue horizontal line). So far, they still appear basically in gear.

The new worry beginning to surface is whether profit margins and earnings growth will continue or begin to decline.

The evidence is that we've seen peak S&P 500 earnings already for this economic cycle. If the Federal Reserve does begin its tapering program, then the rise in longer-term rates will begin to hamper the recovery and per-

(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	10.8%	11.5%	8.4%	4.1%	4.7%	1.7%
Dow30 Portfolio	5.8%	4.6%	3.3%	-0.9%	0.0%	0.0%
Index						
S&P 500 TR	21.3%	24.0%	13.1%	6.9%	5.4%	0.0%
Dow Industrials	20.3%	19.0%	12.0%	5.8%	4.4%	0.1%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 7/26/2013		
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	7.65	2,278	17,426.70	11.0%
29-Apr	sell	WTT	1.81	500	895	WTT			1.00	0.87	1.49	7,500	11,175.00	7.0%
6-May	sell	AOSL	7.71	1,100	8,471	OPLK			13.00	12.84	20.01	600	12,006.00	7.6%
6-May	sell	WTT	1.82	1,000	1,810	MCC		10.9%	13.80	13.25	14.65	1,000	14,650.00	9.2%
20-May	sell	SILU	1.49	10,000	14,890	MCGC		12.9%	4.40	4.38	5.43	1,500	8,145.00	5.1%
10-Jun	sell	TAXI	> 14.40	600		NGPC		8.7%	7.15	7.04	6.75	2,000	13,500.00	8.5%
17-Jun	buy	MCC	13.25	1,000	13,260	MVC		3.8%	13.00	12.71	12.88	1,200	15,456.00	9.7%
18-Jun	sell	TAXI	14.41	600	8,636	GAIN		8.0%	7.55	7.48	7.38	1,000	7,380.00	4.7%
20-Jun	buy	SILU	1.35	10,000	13,510	SILU		4.3%	1.37	1.35	1.18	10,000	13,266.00	8.4%
29-Jul	sell	SILU	2.36	5,000	11,776	Above in green shows end price still below buy limit. Below is watch list for potential purchase at or below buy limit.								
	exchange		0.15	10,000	1,490									
Dividends												6,502.50	4.1%	
Money Market												1.00 39,148	39,148.00	24.7%
Total Valuation=												158,655.20	100.0%	

REVIEW since last issue

7/29 SILU merged with SII (Canadian listing only). Shareholders received 1/2 share in SII for each share of SILU plus 0.15 cash. Based on today's rates, I have sold all of SILU/SII for a small loss.

7/22 No changes. It is nice to see GENC perhaps getting a little market recognition as the shares rally. Back of the envelope analysis shows that its market cap of \$72 million (price of \$7.60 times number of shares outstanding 9.5 million) is still below its net cash in the bank (\$87 million). Add in the business value and it is still the cheapest stock out there.

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.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	10.8	58.7
S&P 500 TR	15.0%	1.9	14.1	21.3	62.2

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: 7/26/2013							
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

7/29 No changes.

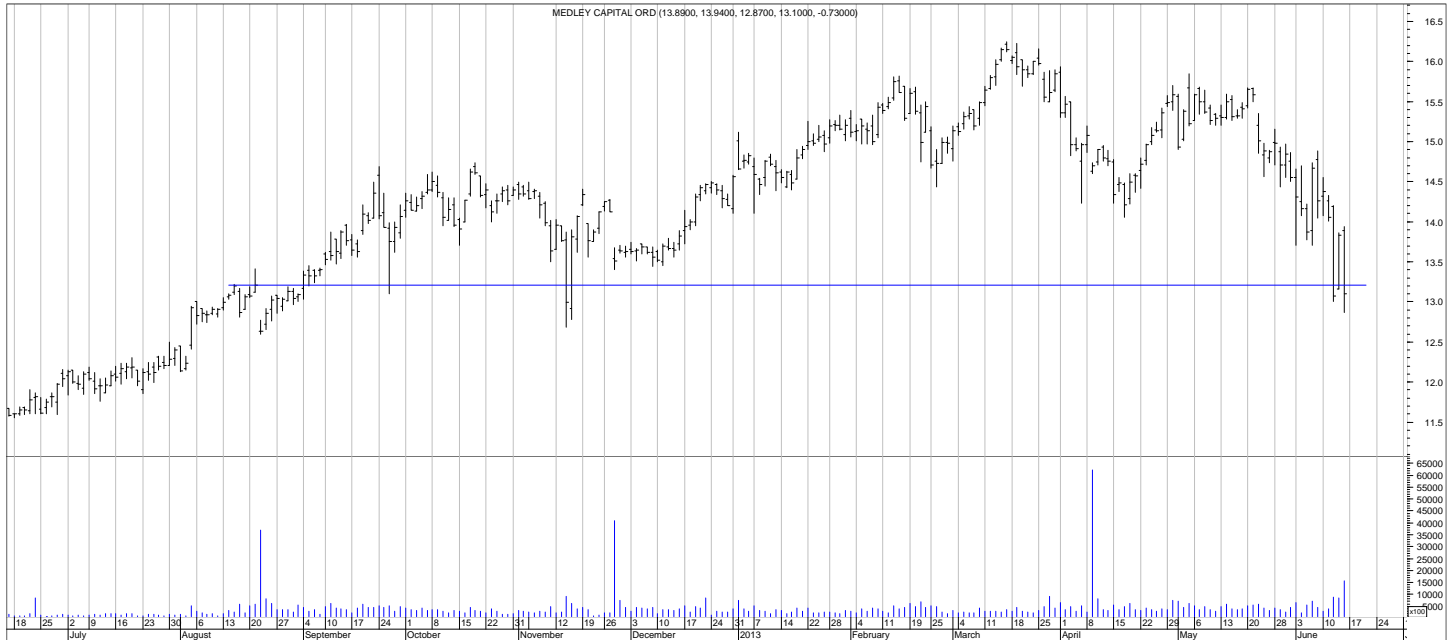
7/22 No changes.

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.

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)

haps push us back into recession. We would join Europe there and China's slowing expansion. That is the new worry. Given a 14x PE ration, the market is not pricing in a slowdown, let alone the possibility of recession.

At the same time, the Fed suspending its buying program is not the same thing as their tightening or raising short-term rates. They still plan to keep short-term rates near zero until either inflation exceeds 2.5% or unemployment drops below 6.5%. The trends are currently still in place

for either of these things to happen in 2014. So it is a case of testing whether the economy can stand on its own, so to speak. Will it self sustain or not?

So a cautious, value, and trading orientation remain.

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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