

# Stock Selections & Timing

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## Sell Signal

**F**rom my other service ETF Selections & Timing, my World Growth Model went on a sell signal Friday.

Both indexes (DJ-30 and A/D line advance decline line) on the chart below have closed be-

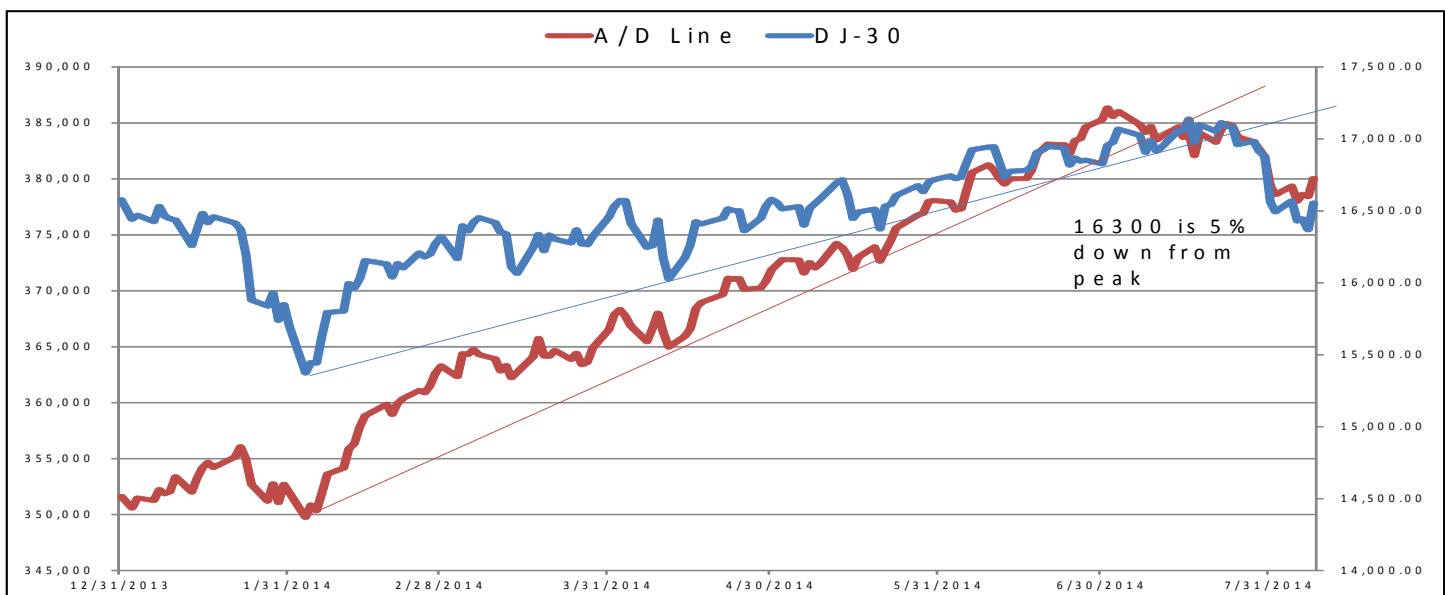
low previous low points, which confirms the negative divergence where the DJ-30 made a new high, but the A/D line did not confirm it.

Add in the big red flag of potential margin debt calls that probably are already going out

(the latest monthly rising debt number appears already under water) and caution is warranted. See page 5.

The main question when a down market begins is how far will it fall? Will it be a mild,

*(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	-1.1%	5.5%	-1.8%	-0.2%	-2.3%	-0.1%
Dow30 Portfolio	1.7%	1.7%	1.7%	0.9%	-0.4%	0.1%
<b>Index</b>						
S&P 500 TR	5.0%	15.1%	7.4%	2.7%	-1.4%	0.2%
Dow Industrials	0.5%	7.3%	4.8%	-0.2%	-2.3%	0.4%

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# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:		8/8/2014					
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	10.18	1,678	17,082.04	10.2%
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	3.84	3,300	12,672.00	7.6%
5-May	sell	GOOD	17.62	500	8,800									0.0%
						MVC		3.8%	12.00	12.71	12.35	1,400	17,290.00	10.4%
2-Jun	sell	GENC	10.23	300	3,059									0.0%
						NGPC		9.7%	7.25	6.59	6.11	2,000	12,220.00	7.3%
														0.0%
16-Jun	sell	GENC	11.10	300	3,320									0.0%
						TAXI		6.9%	14.00	13.22	11.51	1,250	14,387.50	8.6%
21-Jul	buy	NGPC	6.59	2,000	13,190									
this will be about 8% of portfolio														
Above in green shows end price still below buy limit.														
Shown below is watch list for potential purchase at or below buy limit.														
												Dividends	10,931.88	6.5%
												Money Market	1.00 82,460	82,460.00 49.4%
												Total Valuation=	167,043.42	100.0%

## REVIEW since last issue

8/11 No changes.

8/4 No changes

7/28 No changes.

7/21 Buy NGPC as noted above.

7/14 No changes.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	-1.1
S&P 500 TR	15.0%	1.9	14.1	28.7	5.0

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: 8/8/2014	
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 8/11	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
23-Jun	buy	WMT	75.79	73	5,543	DD	64.00		65.01	65.04	86	5,593.44	5.0%
30-Jun	sell	JPM	57.22	103	5,884	JNJ	99.00						0.0%
14-Jul	sell	WMT	76.55	73	5,578	T	34.00						0.0%
14-Jul	buy	BA	129.52	43	5,579								0.0%
17-Jul	sell	BA	125.88	43	5,403								0.0%
14-Jul	buy	DD	65.01	86	5,601	TO BE ADDED DURING WEEK, IF "Closing" ABOVE:							
14-Jul	buy	GE	26.66	210	5,609								
14-Jul	buy	UTX	114.88	49	5,639								
17-Jul	sell	UTX	112.77	49	5,516	TO BE ADDED, IF BELOW: BUY LIMIT							
21-Jul	sell	GE	25.98	210	5,446								
11-Aug	buy	JNJ		58									
11-Aug	buy	T		170									
Money Market									1.00	105,240		105,239.70	95.0%
									Total Valuation=			110,833.14	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

8/11 Make the changes as noted above.

7/28 Only one position remains. Until the market sells off further, there won't be any potential setups to trigger buy signals.

7/21 Whipsaws last week.

7/14 Note the potential buys and the sell above.

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.

## New recommendations (reiteration)

The reason for suggesting NGPC as a buy is it is changing its internal structure from reliance on smaller upstream energy companies to the broader middle market debt originations. The company's advisor will change to Oak Hill Advisors (OHA).

OHA will purchase \$1 million of stock at NAV and another \$4 million at current market prices (about \$6.60). The NAV is \$8.73. Current yield is 9.7%.

I expect the gap between market price and NAV to close over the year.

SEE PORTFOLIO

NGPC to buy

*(Continued from page 1)*

short affair losing only 20%? Or will it develop into a major decline losing more than 50%? Who knows?

I will say that knowing whether we are in a secular bull or bear market will help us to answer the question, but for the point of this article, the answer is no one knows.

The trouble is many investors have accepted the buy/hold approach. They resolve to stay invested no matter what. Really? Losing half your money won't matter? Losing one fourth of your money won't matter? Even if it takes five years to get back to breakeven? Nearer to retirement with less time to make back the

losses and one can say they'll stick out a 50% decline?

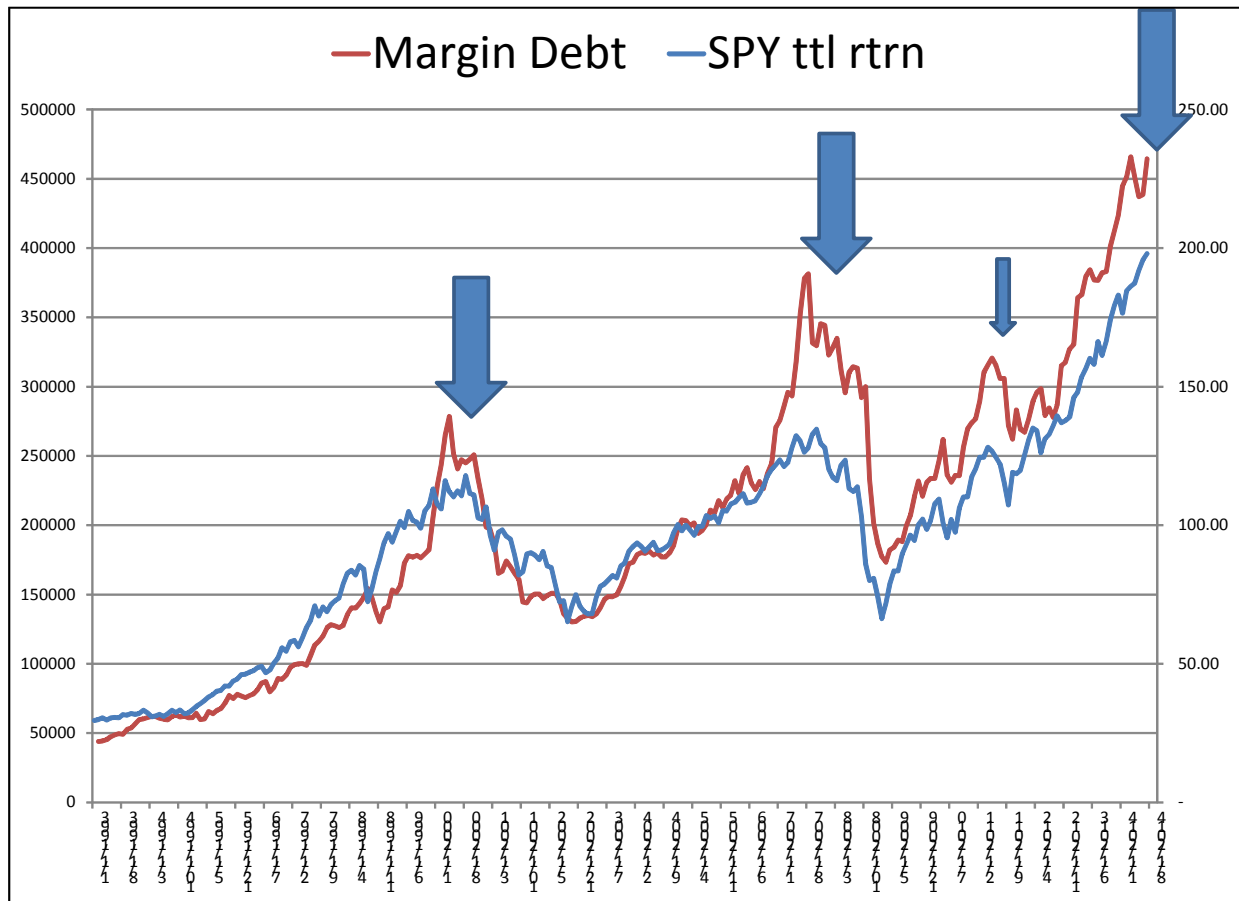
Many say they will stick it out in a bear market. But when it starts, we really don't know how bad it will get. It's easy to say I can handle a 5% decline at the start, but can one still maintain that position when it goes to minus 50%? Given fund cash flows, the reality at bottoms is far different from the resolution at starts.

So, my position is let's be quick to get out. After all, the adage was always buy low and sell high, rather than buy high and sell low. If one practices the latter, of course market timing won't work.

In the meantime, there are a

couple of "set ups" in conservative stocks. See the portfolio pages for any changes.

# SPY and NYSE Margin Debt (reiteration)



7/28/14: Updated through latest data of 6/30/14. NYSE margin debt rebounded in June, but did not make a new high marked in March (data is offset plus one month). This is similar to previous peaks' patterns. If the time frame is the same (2-4 months from margin debt peak to market peak), July should mark the market top.

7/14/14: 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.

7/7/14: 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 average

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).

June 2014 explanation: 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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