

Stock Selections & Timing

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Fall Planning

taper talk should begin to heat up again as September nears. That month is the unofficial, possible starting period for the Fed to back off from its bond buying program of the last several years.

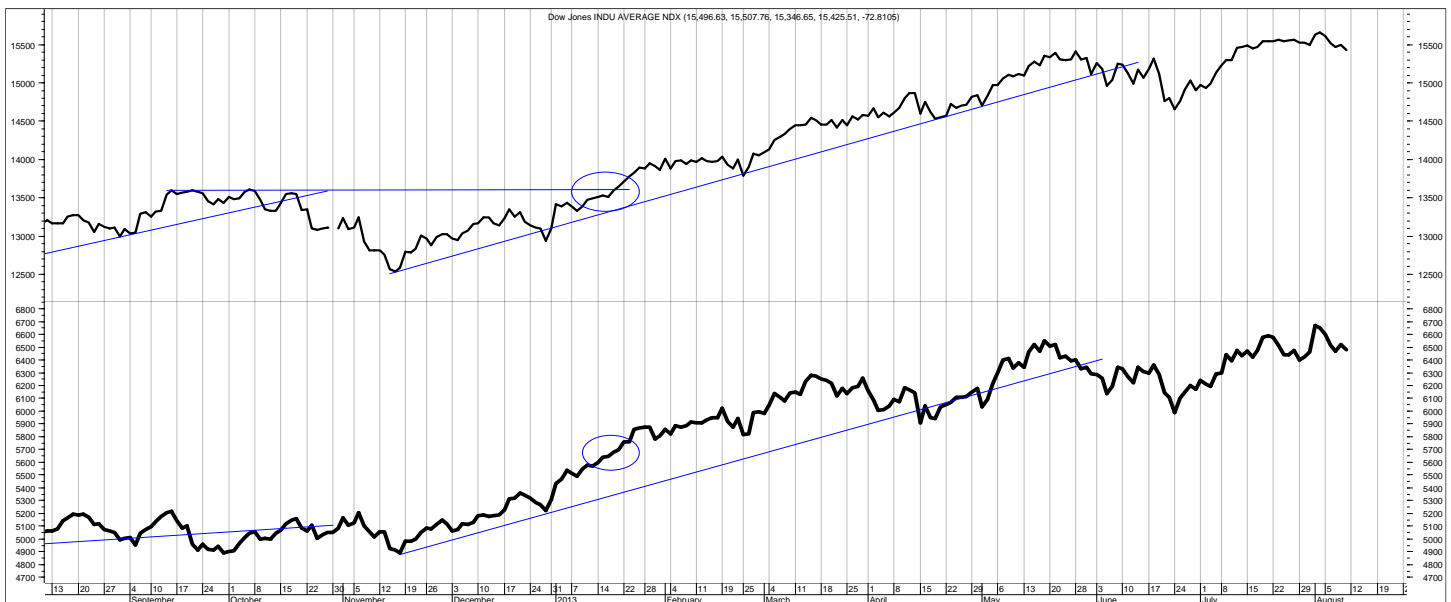
To be clear, tapering the

bond buying program (aka quantitative easing) is completely different from the Fed's interest rate policy. Even as the Fed quits buying bonds, it still plans to keep short-term interest rates near zero percent, at least until economic fundamentals im-

prove further. Unemployment must continue downward and inflation must remain muted.

The difference between the two programs (QE and rates) means that long-term interest rates, which had been benefit-

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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	10.6%	10.4%	8.6%	2.7%	1.3%	-0.3%
Dow30 Portfolio	5.8%	4.6%	2.3%	-2.8%	0.0%	0.0%
Index						
S&P 500 TR	21.2%	22.0%	11.8%	3.4%	0.9%	-1.1%
Dow Industrials	19.2%	17.2%	10.2%	2.0%	-0.2%	-1.5%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 8/9/2013		
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	7.69	2,278	17,517.82	11.1%
29-Apr	sell	WTT	1.81	500	895	WTT			1.00	0.87	1.53	7,500	11,475.00	7.2%
6-May	sell	AOSL	7.71	1,100	8,471	OPLK			13.00	12.84	20.95	600	12,570.00	7.9%
6-May	sell	WTT	1.82	1,000	1,810	MCC		10.9%	13.80	13.25	14.10	1,000	14,100.00	8.9%
20-May	sell	SILU	1.49	10,000	14,890	MCGC		12.9%	4.40	4.38	5.18	1,500	7,770.00	4.9%
10-Jun	sell	TAXI	> 14.40	600		NGPC		8.7%	7.15	7.04	6.62	2,000	13,240.00	8.4%
17-Jun	buy	MCC	13.25	1,000	13,260	MVC		3.8%	13.00	12.71	12.61	1,200	15,132.00	9.6%
18-Jun	sell	TAXI	14.41	600	8,636	GAIN		8.0%	7.55	7.48	7.25	1,000	7,250.00	4.6%
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.								
	exchange		0.15	10,000	1,490	Shown below is watch list for potential purchase at or below buy limit.								
	not yet finalized													
Dividends												6,852.00	4.3%	
Money Market												1.00 39,148	39,148.00	24.7%
Total Valuation=												158,320.82	100.0%	

REVIEW since last issue

8/12 No changes. The downside risk is increasing. We will be monitoring areas to take profits.

8/5 No changes.

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.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	10.6	58.3
S&P 500 TR	15.0%	1.9	14.1	21.2	62.1

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:		8/9/2013			
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

8/12 No changes.

8/5 No changes.

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.

Feature Company

None this month.

(Continued from page 1)

ting from Fed buying, will most likely begin to rise and stay rising through the next year. The big buyer will be gone. So, the yield curve should steepen where short-term rates stay near zero, but long-term rates move up.

The last time the taper talk began the stock market tanked in June. Since then it has rallied back and things appear back in gear to the upside. Perhaps the issue in June, however, was the confusion over the two policies and the abruptness of the announcement. The Fed has since learned to telegraph its move-

ments more clearly.

Still, because we know tapering will begin at some point is to introduce uncertainty. The stock market doesn't like uncertainty.

Plus with the talk of a new Fed chairman beginning and who will replace Bernanke, things have begun to look much more unstable for the fall.

In the face of these things, investors remain bullish, which is a contrary indicator.

S&P 500 earnings have already peaked. Coupled with the market's rally, things are not cheap, but are expensive.

To be sure, the leading eco-

nomical indicators continue to point higher. They do not forecast any recession possibility at this point.

In sum, the market is overbought and overpriced at some 15x earnings. Coupled with taper talk and Fed changes, the risk has increased. As usual, we'll be monitoring stop levels and will alert subscribers to any changes.

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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