

Stock Selections & Timing

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Negatives Continue

From a technical point of view, not much has changed over the last two weeks. It is the same from a fundamental viewpoint. Let's go down through the list.

Europe remains mired in a recession. The European Central Bank said they'll do whatever it takes to support the Euro,

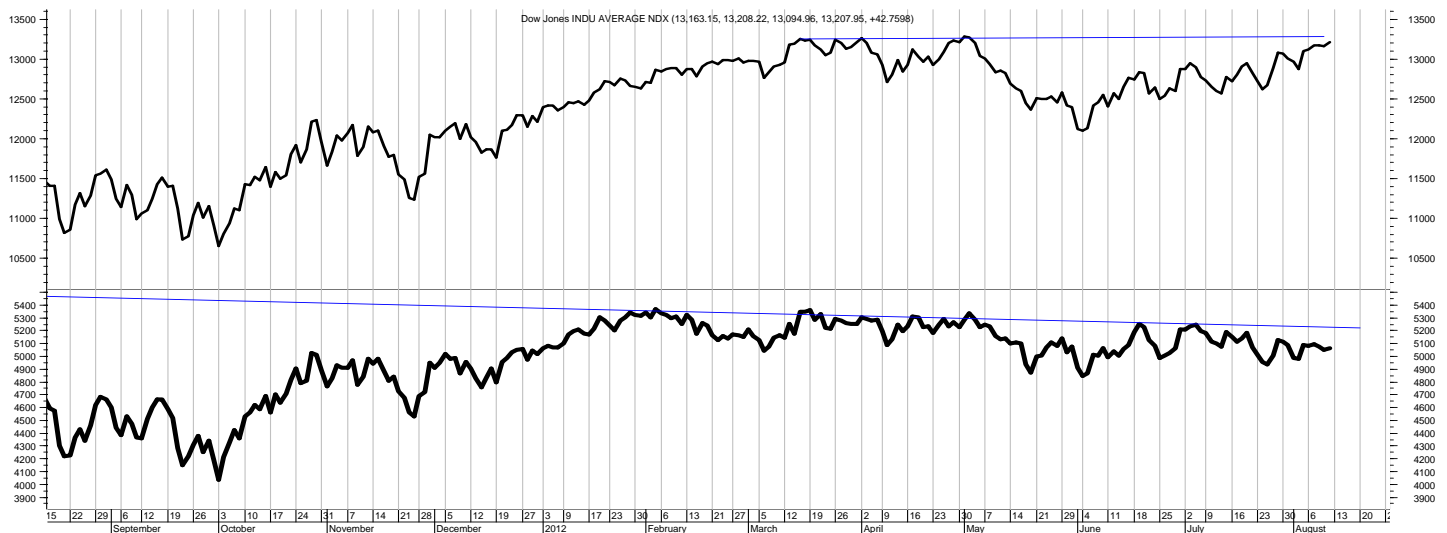
but Germany isn't fully on board with the "whatever" part of it. Barking and biting are two different things. They remain in their recession. Nothing has changed.

China has slowed. It is the world's largest steel producer, but earlier today (Monday) they reported that they would reduce

their steel output. Prices are at 33 month lows. This may end up being the first year in 31 years of lower steel production.

The US remains mired in a slow growth environment. The good news is housing appears to have at least stabilized. I've mentioned before that low inter-

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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	5.1%	18.7%	0.1%	0.8%	1.0%	0.1%
Dow30 Portfolio	-1.7%	-1.2%	-4.4%	-1.7%	0.0%	0.0%
Wilshire 5000 TR	12.7%	20.5%	4.5%	3.6%	3.2%	1.3%
Dow Industrials	7.7%	16.8%	2.8%	2.7%	3.0%	0.5%

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Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		8/10/2012				
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
13-Jul	buy	MSO	3.24	1,000	3,250								
16-Jul	sell	MSO	3.500	1,000	3,490	GENC		8.00	7.56	7.49	2,278	17,062.22	11.9%
16-Jul	buy	OPLK	12.67	300	3,811	WTT		1.00	0.87	1.25	9,000	11,250.00	7.8%
			about 2.5%			OPLK		13.00	12.84	13.79	600	8,274.00	5.8%
23-Jul	sell	FULL	7.94	900	7,136	MCGC	12.9%	4.40	4.38	4.71	1,000	4,710.00	3.3%
			above \$7.85			NGPC	8.7%	7.15	7.03	7.37	500	3,685.00	2.6%
30-Jul	sell	WTT	sell 1,000 at or above 1.20			TAXI	10.80	8.4%	10.00	9.98	650	7,494.50	5.2%
31-Jul	sold	WTT	1.230	1,000	1,220	WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT							
31-Jul	bought	MCGC	4.380	1,000	4,390	MCGC	DONE	4.40					DONE
1-Aug	bought	NGPC	7.030	500	3,525	NGPC	DONE	7.15					DONE
1-Aug	bought	OPLK	13.00	300	3,910	FULL		7.60					
						OPLK	buy another 300 shares on any dips at or below \$13.00					DONE	
							DONE						
						Dividends						3,098.32	2.2%
						Money Market			1.00		87,783	87,783.00	61.2%
						Total Valuation=						143,357.04	100.0%

REVIEW since last issue

8/13 The three stocks were picked up below their buy limits in the last two weeks. I remain fairly defensive given the picture of weakness in the stock market on both a fundamental and technical basis.

7/30 Monitor the buy and sell levels.

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.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	5.1	43.4	15.5
W5000 TtlRtrn	17.7%	0.5	12.7	33.3	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: 8/10/2012								
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

- 7/30 No changes.
- 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

No new recommendations.

(Continued from page 1)

est rates help bolster the value of cash flows (rent), which in turn support the asset value (house price). When they get out of relationship as they were in the mid 2000s, it just takes time and price cuts to restore equilibrium. If this bit of good news of housing stability persists, it will help the recovery in the years ahead.

For technical, the ongoing divergence between the Dow Industrials and Transports continues. The weakness of the Transports basically translates into the

view of a weak domestic economy.

Investor sentiment is still pretty much split between bulls and bears without either gaining an upper hand. The VIX index, however, hit 5-year lows, signaling investor complacency.

So, bottom line is what I said at the first, there has not really been much change to the overall picture. At best, the stock market continues its sideways, neutral pattern. At worst it begins to discount the domestic Fiscal Cliff dead ahead that will be upon us in

five short months. Fiscal restraint is what we need, but it may be painful over the next few years.

About the only thing supporting the market is the same ongoing expectation of QE III. But even that may be postponed so that the Fed can't be accused of playing politics.

See the individual pages for any specific, actionable recommendations.

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 Wilshire 5000 TR (total return) includes dividend reinvestment.

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