

# Stock Selections & Timing

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Volume 3  
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## QE III in Question

With a few major positive economic indicators showing up over the last month, has the Fed removed the possibility of QE III from the table?

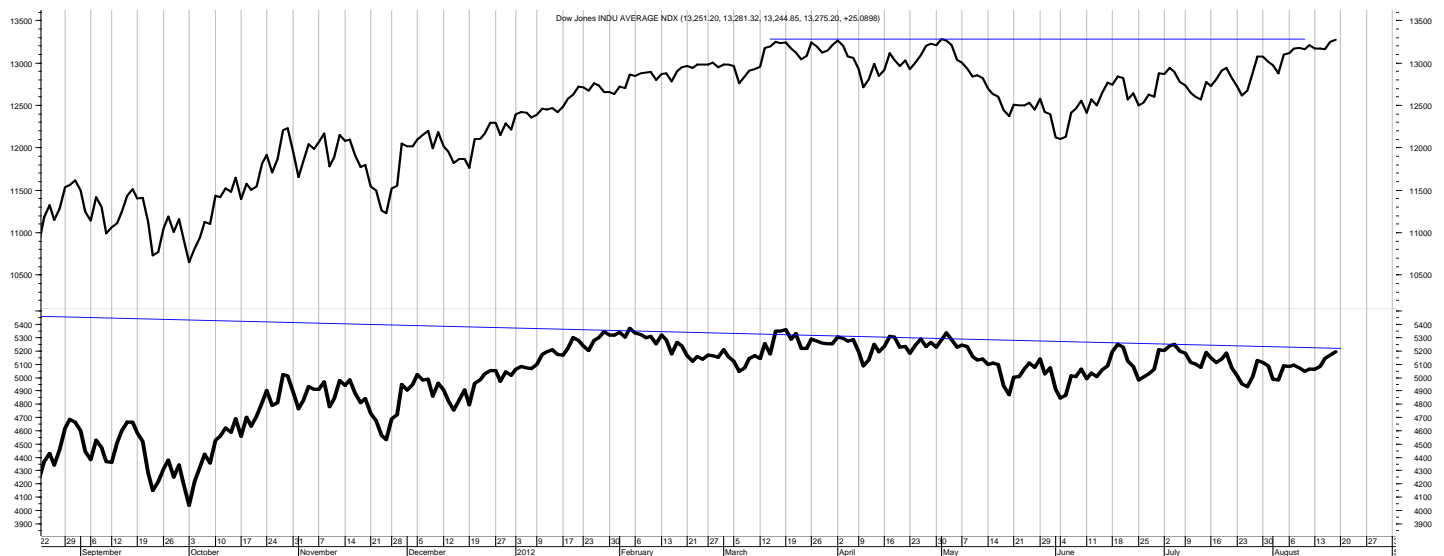
Signs that the housing market has improved considerable from a year ago are growing. Housing has been one of the

primary drags on the economy and for bank solvency questions (valuation versus asset coverage with accounting rule changes suspending mark-to-market rules). Housing also has been negatively impacting consumer health. But there have been improvements recently. Lowered long-term interest rates, thanks

to Operation Twist, have done the trick in stabilizing prices, attracting buyers not only as homeowners, but as landlords.

In turn, this has helped rebuild consumer sentiment. Like with stocks, a rising market plants and waters well feelings and future expectations.

*(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	6.5%	21.2%	0.2%	4.3%	1.9%	1.3%
Dow30 Portfolio	-1.7%	0.1%	-4.6%	-1.3%	0.0%	0.0%
Wilshire 5000 TR	13.9%	28.3%	4.0%	9.7%	4.1%	1.1%
Dow Industrials	8.7%	22.7%	2.5%	7.3%	3.5%	0.9%

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# Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		8/17/2012					
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	7.68	2,278	17,495.04	12.0%	
16-Jul	buy	OPLK	12.67	300	3,811	WTT		1.00	0.87	1.29	9,000	11,610.00	8.0%	
			about 2.5%			OPLK		13.00	12.84	16.31	600	9,786.00	6.7%	
23-Jul	sell	FULL	7.94	900	7,136	MCGC	12.9%	4.40	4.38	4.50	1,000	4,500.00	3.1%	
			above \$7.85			NGPC	8.7%	7.15	7.03	7.15	500	3,575.00	2.5%	
30-Jul	sell	WTT				TAXI	10.80	8.4%	10.00	9.98	650	7,371.00	5.1%	
			sell 1,000 at or above 1.20											
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	NEW FROM 8/18/12								
1-Aug	bought	NGPC	7.030	500	3,525	MCGC	NEW	4.40			500			
1-Aug	bought	OPLK	13.00	300	3,910	NGPC	NEW	7.10			500			
Dividends											3,098.32	2.1%		
Money Market											1.00	87,783	87,783.00	60.4%
Total Valuation=											145,218.36	100.0%		

## REVIEW since last issue

8/20 GENC remains the cheapest stock out there that I'm aware of. OPLK jumped on their results. Please note the new buys on the Watch List.

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.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	6.5	45.2	15.5
W5000 TtlRtrn	17.7%	0.5	13.9	34.8	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: 8/17/2012								
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%
												<b>Total Valuation=</b>	<b>104,247.00</b>	<b>100.0%</b>

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

- 8/20 No changes.
- 7/30 No changes.
- 7/23 No changes.
- 7/16 No changes.

# Feature Company

No new recommendations.

*(Continued from page 1)*

Speaking of stocks, with the stock market nearing recovery highs, we know the sense of wellness continues. The Fed has typically waited for corrections before making any moves.

So, with the stock market rebounding, the housing market recovering, and consumer sentiment improving, to what end would QE III work now? Why shoot a precious and unneeded bullet?

So it seems to me that, while the possibility of QE III is still a

potential, the likelihood of implementation has declined substantially.

Moreover, with the elections looming in less than three months and a budget plan clearly on the table, the Fed does not want to be perceived as too political.

To be sure, the jobless rate is still far too high. Europe is in recession. China has slowed. Problems remain. But for now, the Fed may not implement QE III, but, as it has made clear, low interest rates will remain the norm at least through the end of

2014.

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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