

Stock Selections & Timing

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August 23, 2010 (data through previous Friday's close)
 Volume 1
 Issue 16

Still The Economy

Recurring fears of an economic slowdown have hit the stock and bond markets in opposite ways the last couple of weeks. For stocks, they took a negative hit, but for bonds, it was positive. Take a look at the Scoreboard returns on the table below.

The main two drags are housing and employment. After

a year of recovery, the unemployment rate is actually up 0.1% from 9.4% to 9.5% currently. Investors are beginning to wonder what it will take for this to change.

The second drag is housing. According to Bloomberg, in 7 of the last 8 recessions, housing led the recovery. This time, however, given the overhang

and foreclosures, it may drag the economy back down.

But the reality for stocks is always the answer to the question, what is ahead? There are still two main positives.

The leading economic indicators for their part were back up slightly last month after declining the month before. The

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The chart is the daily S&P 500 with an 80-day moving average.

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	-0.6%		0.0%	-5.0%	-2.7%	-2.4%
Dow30 Portfolio	-2.0%		0.0%	-0.5%	-0.9%	-1.2%
Wilshire 5000	-3.0%		0.0%	-1.7%	-2.1%	-0.5%
Dow Industrials	-2.1%		0.0%	0.2%	-2.0%	-0.9%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date:		8/20/2010
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Yield	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
2/8-2/12	buy	TIII	1.28	7,813	10,000	TIII			1.28	1.33	7,813	10,391.29	10.5%	
2/22--	buy	DRAD	1.95	5,128	10,000	DRAD			1.95	1.94	5,128	9,948.32	10.0%	
4/5 -	buy	ECGI	0.98	10,204	10,010	ECGI			0.98	0.92	10,204	9,387.68	9.4%	
6/1 -	buy	GENC	7.82	1,278	10,004	GENC			7.82	7.16	1,278	9,150.48	9.2%	
6/14 -	buy	QCC	1.41	7,092	10,010	QCC			1.41	1.50	7,092	10,638.00	10.7%	
5-Aug	buy	TAXI	7.11	1,406	10,000	TAXI		8.6%	7.11	7.01	1,406	9,856.06	9.9%	
23-Aug	buy	ANH		1,449	10,000	ANH	6.77	15.6%						
		buy up to \$6.95												
						Money Market			1.00		40,000	40,000.00	40.3%	
									Total Valuation=			99,371.83	100.0%	

REVIEW since last issue

I anticipate making some sell recommendations by email in the weeks ahead.

No changes for now.

Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 8/20/2010							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
3-May	sell	CVX	82.83	43	3,562	DIA			103.83	102.14	771.04	78,754.03	80.4%	
3-May	buy	VZ	29.29	50	1,475									
3-May	buy	PFE	16.91	60	1,025									
3-May	buy	AA	13.15	231	3,048									
						PFE			17.86	15.92	227	3,613.84	3.7%	
2-Aug	sell	T	26.69	120	3,213	AA			13.15	10.57	231	2,441.67	2.5%	
2-Aug	sell	VZ	29.56	155	4,592	XOM			65.11	58.69	46	2,699.74	2.8%	
2-Aug	buy	BAC	14.44	200	2,898	BAC			14.44	12.87	200	2,574.00	2.6%	
2-Aug	buy	JNJ	58.72	50	2,946	JNJ			58.72	58.74	50	2,937.00	3.0%	
						Money Market					1.00	4,985	4,985.00	5.1%
												Total Valuation=	98,005.28	100.0%

Company	Symbol
Alcoa	AA
American Express	AXP
Boeing	BA
Bank of America	BAC
Caterpillar	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

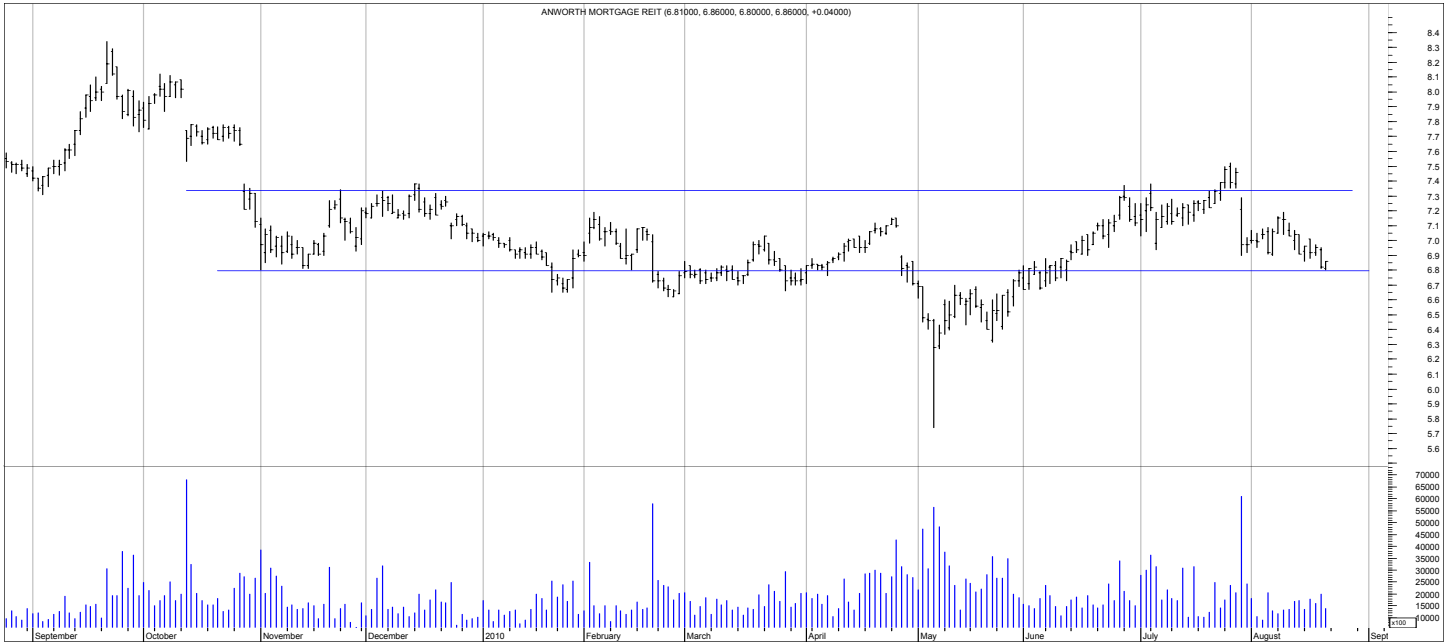
For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

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

No changes in this portfolio.

Feature Company



ANH is Anworth Mortgage Asset Corp. It yields about 15.6%.

It has traded in a fairly uneven, wide sideways channel the past 11 months.

Book value is \$7.18. They pay a quarterly dividend. The last ex-date was 7/9/10. They have an authorized repurchase program for up to 5% of the out-

standing stock.

The company is a mortgage real estate investment trust. It invests primarily in securities guaranteed by the US Government and agencies.

I am accumulating the stock with a buy limit up to \$6.95.

(Continued from page 1)

indicator is up substantially from a year ago, but has moved sideways the last few months.

Fiscal policy remains accommodative, although no new stimulus is planned. And with debt as a percentage of GDP so high, new stimulus is limited.

Interest rates are still the main positive helping the economy. Homeowners refinance as they can, saving hundreds a month. Primarily, however, it makes stock earnings appear cheap. To equalize, the Dow Industrials could double.

So, the markets should con-

tinue to muddle along for now without major moves in one direction or the other.

Descriptions & Disclosures

PORTFOLIO DESCRIPTIONS (pages 2 and 3)

Our guiding goal is to provide the most return with the least risk.

The portfolios were started on 1/1/10 with \$100,000.

Portfolio changes will usually be made either at the close on Monday (the day this eNewsletter is posted), unless otherwise noted.

Portfolios are updated through the preceding Friday's close.

Dividends are paid in cash. Interest is zero for the money market (cash) position.

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Unless otherwise noted, the weekly eNewsletter is posted by 2:30 PM central time every other Monday, except for holidays and then on Tuesday. It may contain actionable, specific buy or sell advice to take that day or during the week. Symbols, rather than names, are the official identification used for activity.

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