

Stock Selections & Timing

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Volume 1

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Fear and Hope

How about that? Sometimes a blind hog does find an acorn.

I pointed out on the chart below to watch the 104.35 support level on the S&P 500 as drawn on the chart below (blue horizontal line). It held and the market shot up. But will it continue to hold?

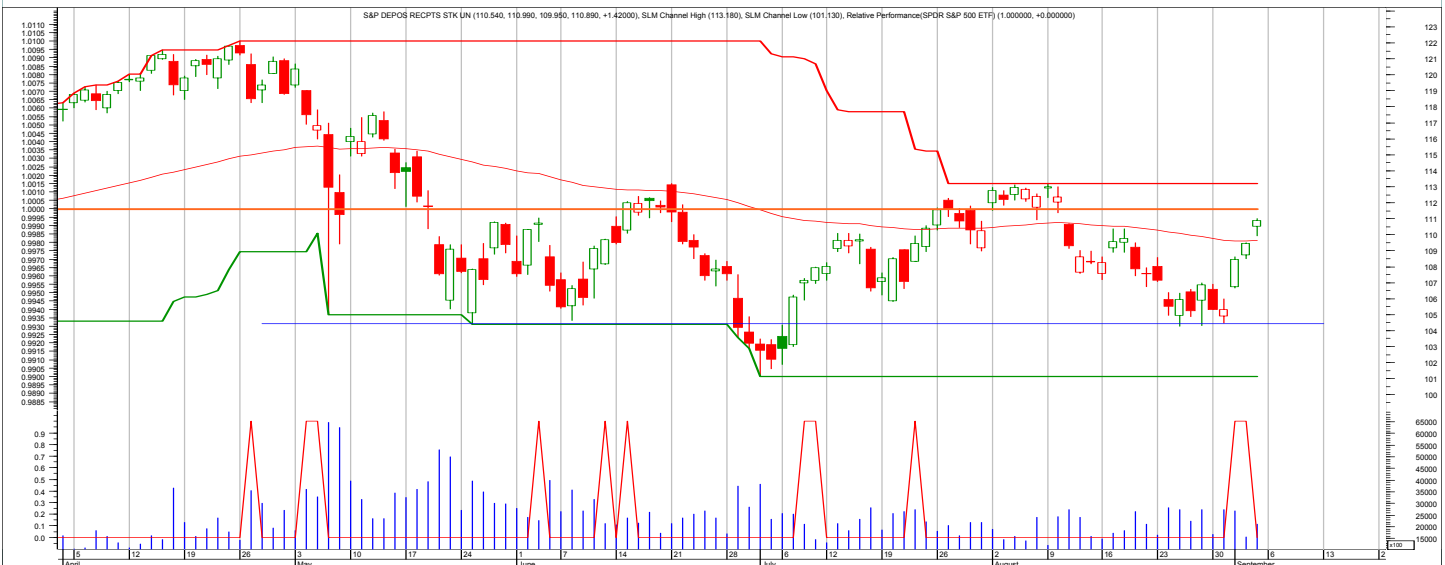
The whole pattern from the

peak of April through today is based on expectations. It peaked in April as expectations were too bullish and the news came in worse than expected.

Then we had the flash crash to shake things up. I pointed out that those lows should mark the correction's lows and basically they held. There was a brief drop below them in early

July. But at that point, everyone became very bearish, expecting even worse declines. From a contrarian point of view, the market rarely tips its hand to the majority. And up she went. Plus the news came in weak, but not as weak as was expected. It's been an interesting correction in what I believe is still a

(Continued on bottom left on page 4)



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	-0.1%		-1.2%	-3.5%	-3.5%	0.8%
Dow30 Portfolio	0.3%		-1.4%	4.7%	-1.4%	2.8%
Wilshire 5000	-0.8%		-3.8%	2.5%	-2.4%	2.7%
Dow Industrials	0.2%		-1.2%	5.2%	-1.9%	2.9%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date:		9/3/2010
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	1.30	7,813	10,156.90	10.2%	
2/22--	buy	DRAD	1.95	5,128	10,000	DRAD			1.95	2.02	5,128	10,358.56	10.4%	
4/5 -	buy	ECGI	0.98	10,204	10,010	ECGI			0.98	0.88	10,204	8,979.52	9.0%	
6/1 -	buy	GENC	7.82	1,278	10,004	GENC			7.82	7.25	1,278	9,265.50	9.3%	
6/14 -	buy	QCC	1.41	7,092	10,010	QCC			1.41	1.59	7,092	11,276.28	11.3%	
5-Aug	buy	TAXI	7.11	1,406	10,000	TAXI		8.6%	7.11	7.14	1,406	10,038.84	10.1%	
23-Aug	buy	ANH	6.86	1,449	9,952									
			buy up to \$6.95											
25-Aug	stop	ANH	6.72	1,449	9,747									
						Money Market			1.00		39,795	39,795.00	39.8%	
												Total Valuation=	99,870.60	100.0%

REVIEW since last issue

As it turns out, I placed the stop loss on ANH too close. It is now up from my sell price and original buy price. I will monitor the stock and look to reenter on weakness.

No other changes.

A brokerage came out on QCC, projecting a target up to C\$2.50. QCC has completed their Dutch-auction at \$1.60. The management transition has also taken place.

GENC would benefit from President Obama's proposed infrastructure bill, if it passes. In the meantime, the stock is trading slightly below net cash in the bank. This values a business with annual revenues of roughly \$60 million at zero. It is EBITDA breakeven.

Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 9/3/2010						
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	104.58	771.04	80,635.36	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	16.46	227	3,736.42	3.7%	
2-Aug	sell	T	26.69	120	3,213	AA		13.15	10.88	231	2,513.28	2.5%	
2-Aug	sell	VZ	29.56	155	4,592	XOM		65.11	61.32	46	2,820.72	2.8%	
2-Aug	buy	BAC	14.44	200	2,898	BAC		14.44	13.50	200	2,700.00	2.7%	
2-Aug	buy	JNJ	58.72	50	2,946	JNJ		58.72	58.93	50	2,946.50	2.9%	
						Money Market				1.00	4,985	4,985.00	5.0%
											Total Valuation=	100,337.28	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

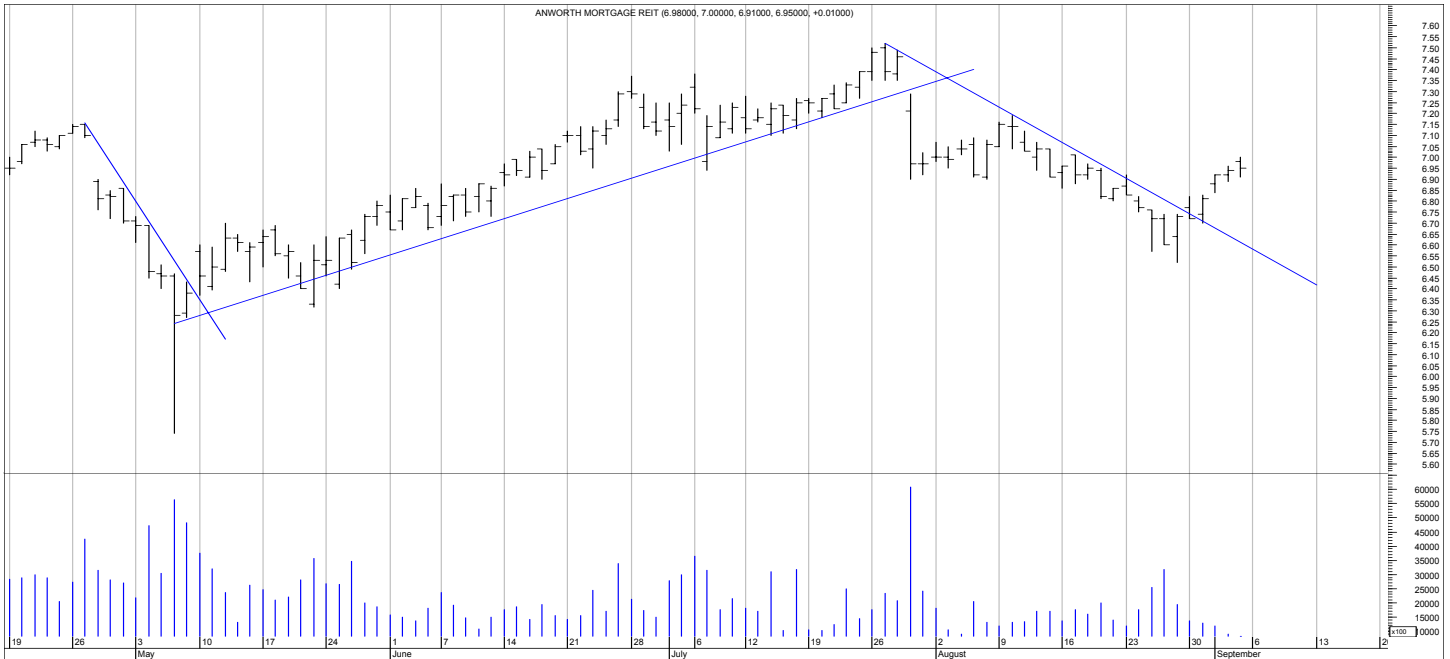
For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

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

No changes in this portfolio.

Feature Company



I figured to leave this up as I intend to reenter this position on weakness.

The stock has changed its down trend to up.

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 outstanding 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.

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long-term bull market.

So, the market comes down on bad news. The worse scenario gets discounted, and even worse expectations get discounted. The news comes in, but doesn't meet those dire double-dip expectations, and she rallies.

As I write this today (Tuesday), the market is again down because of sovereign debt fears rising up again. I would expect a bit of a pullback here before the next rally phase. I'm just wondering what will happen if the news actually turns a bit positive.

See the individual portfolios 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 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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