

Stock Selections & Timing

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The Hawk Has Flown

Larry Summers has withdrawn his name for consideration as the next Federal Reserve Chairman. The stock and bond markets like that because the assumption was he would immediately and unmercifully begin the tapering pro-

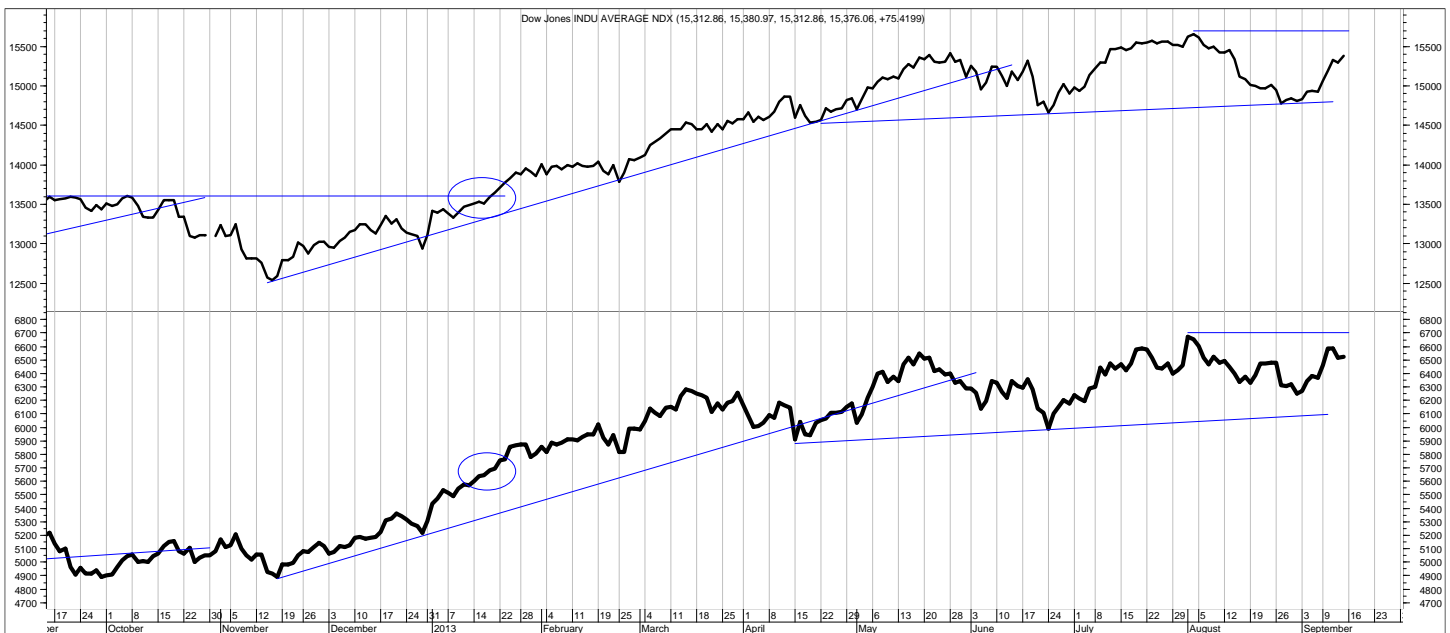
gram. He was considered a hawkish opponent to quantitative easing.

Tomorrow (Tuesday), however, the Fed meets and it is widely expected that they will nonetheless announce some beginning to its tapering program

anyway. Up markets today may mean down markets tomorrow, depending on the news.

In the meantime, from a wider perspective, we are watching to see whether the indexes accompany each other to

(Continued on bottom left on page 4)



This is the daily chart of the Dow Industrials (upper) and Dow Transports (lower).

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	13.3%	10.2%	7.6%	6.1%	1.5%	0.7%
Dow30 Portfolio	5.8%	4.6%	2.0%	-3.7%	0.0%	0.0%
Index						
S&P 500 TR	21.5%	17.0%	8.7%	3.8%	2.1%	2.0%
Dow Industrials	18.8%	13.1%	5.9%	2.0%	2.0%	3.0%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS						Value as of date: 9/13/2013					
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
17-Jun	buy	MCC	13.25	1,000	13,260	GENC			8.00	7.56	8.49	2,278	19,340.22	11.9%
18-Jun	sell	TAXI	14.41	600	8,636	WTT			1.00	0.87	1.75	7,500	13,125.00	8.1%
20-Jun	buy	SILU	1.35	10,000	13,510	OPLK			13.00	12.84	19.53	600	11,718.00	7.2%
16-Aug	sell	SILU	2.47	5,000	12,358	MCC		10.9%	13.80	13.25	13.60	1,000	13,600.00	8.4%
	exchange finalized		0.15	10,000	1,500	MCGC		12.9%	4.40	4.38	4.93	1,500	7,395.00	4.6%
						NGPC		8.7%	7.15	7.04	7.22	2,000	14,440.00	8.9%
9-Sep	buy	IRET	8.35	950	7,943	MVC		3.8%	13.00	12.71	12.80	1,200	15,360.00	9.5%
9-Sep	buy	O	39.96	200	8,002	GAIN		8.0%	7.55	7.48	7.17	1,000	7,170.00	4.4%
						IRET	7.85	6.3%	8.50	8.35	8.11	950	7,704.50	4.8%
						O	38.00	5.5%	41.00	39.96	39.28	200	7,856.00	4.8%
Above in green shows end price still below buy limit.														
Shown below is watch list for potential purchase at or below buy limit.														
Dividends												7,395.50	4.6%	
Money Market												1.00 37,061	37,061.00	22.9%
Total Valuation=												162,165.22	100.0%	

REVIEW since last issue

9/16 After its nice rally, GENC is consolidating its gains. It is still undervalued. NGPC is looking for ways to narrow its stock price from its value and so its price jumped to the upside out of its previous trading range also.

9/9 GENC jumping. Still has 30% or more to go to reflect fair value. A beaten down area of the market is real estate. Buy the two new positions noted above.

9/3 No changes.

8/26 No changes.

8/19 Completed the sell of SILU. GENC may have begun its own breakout with my long-term target still north of \$12/share. No new recommendations at this time.

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

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	13.3	62.2
S&P 500 TR	15.0%	1.9	14.1	21.5	62.5

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: 9/13/2013						
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

9/9 No changes.

9/3 No changes.

8/26 No changes.

8/19 As mentioned in the front page article, the risk is increasing with the market's failure to sustain its recent breakout. So, no new purchases at this time.

8/12 No changes.

Feature Company (reiteration)

A beaten down area of the stock market is real estate.

I will buy two new positions in this area IRET and O as noted on page 2. Each position will be roughly 5% of the total portfolio. Combined, they yield an average of nearly 6%.

(Continued from page 1)

new highs, which would signal the bull market as intact. If they diverge, however, this would set up the potential for a top. Confirmation of which would be if the markets fell below previous support levels. Both levels are drawn on the chart on page 1. The key upper levels to watch are the most recent horizontal lines drawn from the previous tops. The key lower levels are drawn as upwardly sloping lines.

On a fundamental basis, the economy continues to chug

along. Whether it is time or not to begin the tapering program, it did at least provide liquidity to help the recovery process. That, along with a few tax law changes like the banks not having to mark assets to depressed valuation levels.

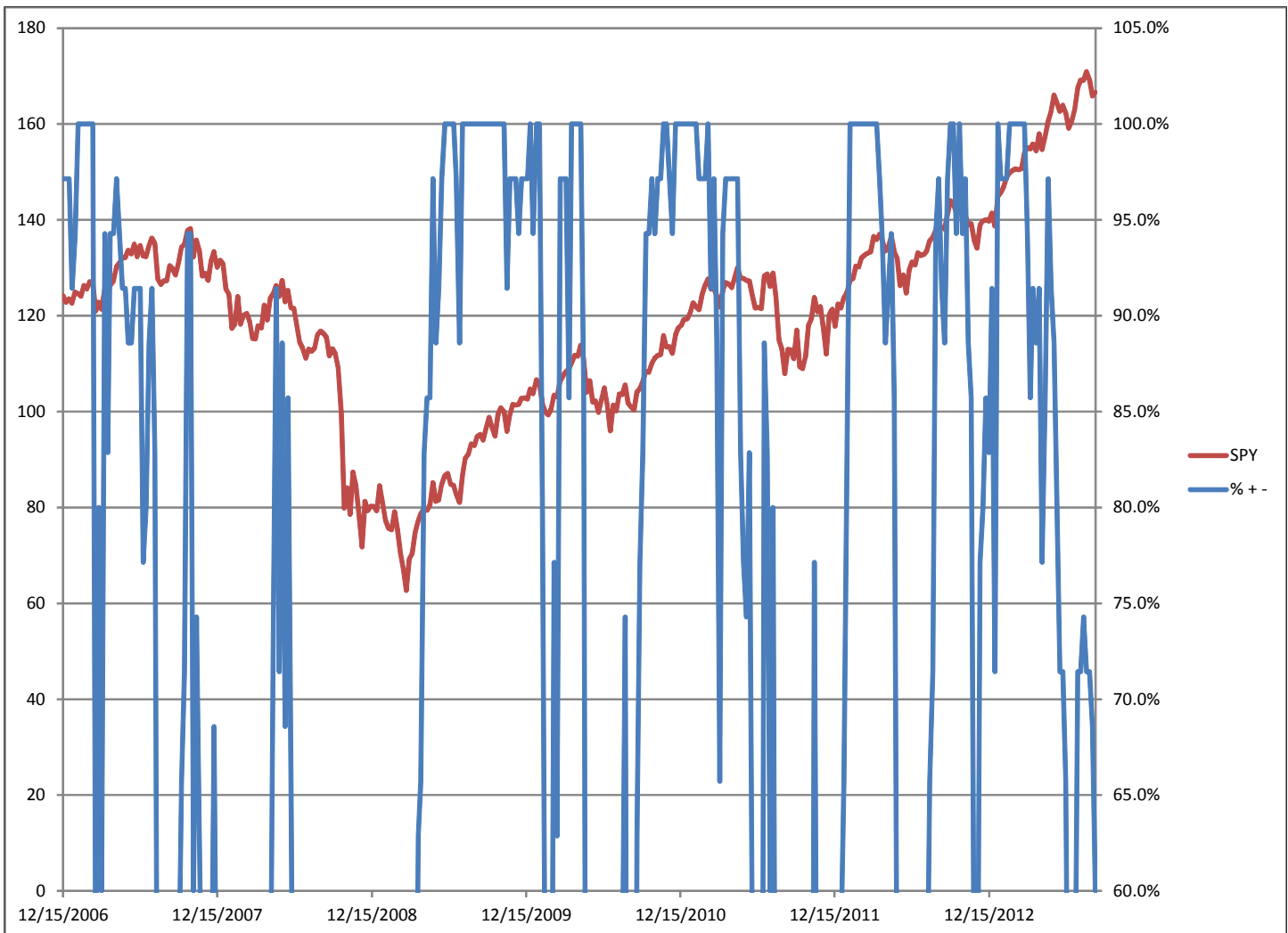
At the same time, earnings for the S&P 500 companies as a whole have peaked and rolled over. The market, however, continued to rally, which means the market's PE ratio has increased. It is clearly not as cheap as it was at one time.

Rising interest rates may not immediately be bearish for the economy, but they would certainly provide some competition for the investor dollar.

So, the next few days should be very interesting both for the short and longer term.

Please see the individual portfolio pages for any changes.

Analysis (reiteration)



The chart above shows that the percentage of ETFs (a basket of 35 equity ETFs) above their 35-week moving average is shrinking, even as the SPY (S&P 500 index) continues to climb. This is potentially a worrisome negative divergence.

Consider the rallies in 2006 where the SPY hit recovery highs, while the % continued to decrease. The same scenario unfolded in the summer of 2010. In both instances, the subsequent action led to a severe bear market and a sharp pullback.

So, while the “general” the SPY leads, the troops are falling behind. This bears close watching.

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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