

Stock Selections & Timing

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September 24, 2012 (data through previous Friday's close)

Volume 3

Issue 33

Debt Hope

Is it just an American phenomenon? The assumption seems to be that we can grow our way out of the problem with more debt, more loans at work. Better yet, let's employ that debt with a near zero cost to borrow for the next few years. But are we ignoring

the fact it eventually has to be repaid? To be sure, there are a few success stories of the past few years, like GM, the banks, and insurance companies, but how about the government debt with \$16 trillion and counting, but not counting future entitlement obligations. The debt

again nears 100% of GDP. It's spending is already way over budget.

The Fed's balance sheet assets alone have roughly tripled since the financial crises' beginning in August 2007, expanding from \$869 billion to

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SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	7.6%	23.0%	0.8%	4.3%	1.0%	-0.3%
Dow30 Portfolio	-1.7%	2.2%	-3.0%	0.0%	0.0%	0.0%
Wilshire 5000 TR	17.8%	31.0%	4.9%	9.9%	3.9%	-0.6%
Dow Industrials	11.1%	26.1%	3.8%	7.4%	3.2%	-0.1%

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Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		9/21/2012						
Action Dates	Action Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 9/7	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total		
31-Jul	sold	WTT	1,230	1,000	1,220										
31-Jul	bought	MCGC	4.380	1,000	4,390										
1-Aug	bought	NGPC	7.030	500	3,525	GENC		8.00	7.56	7.49	2,278	17,062.22	11.6%		
1-Aug	bought	OPLK	13.00	300	3,910	WTT		1.00	0.87	1.29	9,000	11,610.00	7.9%		
						OPLK		13.00	12.84	16.97	600	10,182.00	6.9%		
20-Aug	buy	NGPC	7.030	500	3,525										
23-Aug	buy	MCGC	4.37	500	2,195	MCGC	12.9%	4.40	4.38	4.75	1,500	7,125.00	4.9%		
						NGPC	8.7%	7.15	7.03	7.88	1,000	7,880.00	5.4%		
11-Sep	sold	TAXI	11.370	650	7,381										
WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT NEW FROM 8/18/12															
none															
Dividends												3,374.82	2.3%		
Money Market												1.00	89,444	89,444.00	61.0%
Total Valuation=												146,678.04	100.0%		

REVIEW since last issue

9/24 No changes.

9/17 TAXI was stopped out. I continue to look for new bargains, but the market rally has made the pickings slim. The business development companies (MCGC, NGPC) have done well with their substantial and what appear to be secure yields.

9/10 Monitor the new stop on TAXI.

9/4 Keep an eye on TAXI's stop.

8/27 The new buys were triggered last week. No new buy levels or recommendations. Note that I raised the stop level on TAXI.

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.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	7.6	46.7	16.4
W5000 TtlRtrn	17.7%	0.5	17.8	39.3	11.7

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: 9/21/2012								
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

- 9/4 No changes. The selecting and timing model is undergoing changes.
- 8/20 No changes.
- 7/30 No changes.
- 7/23 No changes.
- 7/16 No changes.

Feature Company

No new recommendations.

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near \$2.8 trillion. The great hope is still that monetary expansion will stabilize the economy, support real estate (the consumer), and create jobs. It has helped, but at what cost? If a little debt is good, is a lot better? Perhaps a rehash of the tax code might be a better use of time and energy. Tax credits might help private industry to create jobs.

Anyway, the Congressional Budget Office has forecasted that with no fiscal changes, the automatically scheduled, upcoming

tax increases and spending cuts will knock GDP into negative growth, into a recession in at least the first half of 2013.

All the liquidity and QE's won't prevent that negative fiscal impact.

Back on the investing front, the divergence between the two major Dow Indexes just continues. As mentioned this technical signal may simply be associated with that upcoming economic weakness.

Investor (public and advisory) sentiment meanwhile has be-

come more bullish. It seems to be rising with the rising stock market. Or perhaps with the QE III reality; the hope is more debt liquidity will help. Bullish sentiment is not yet at an extreme, but it is increasing.

There are no portfolio changes at this time.

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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