

Stock Selections & Timing

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Short-Term Top

It is always interesting to look back and try to correlate the market's moves with investor emotions. Sometimes we can clearly see the turning points. It's an art though, not a science. It also doesn't always work to perfection.

For example, remember back in July when the market looked like it would plunge?

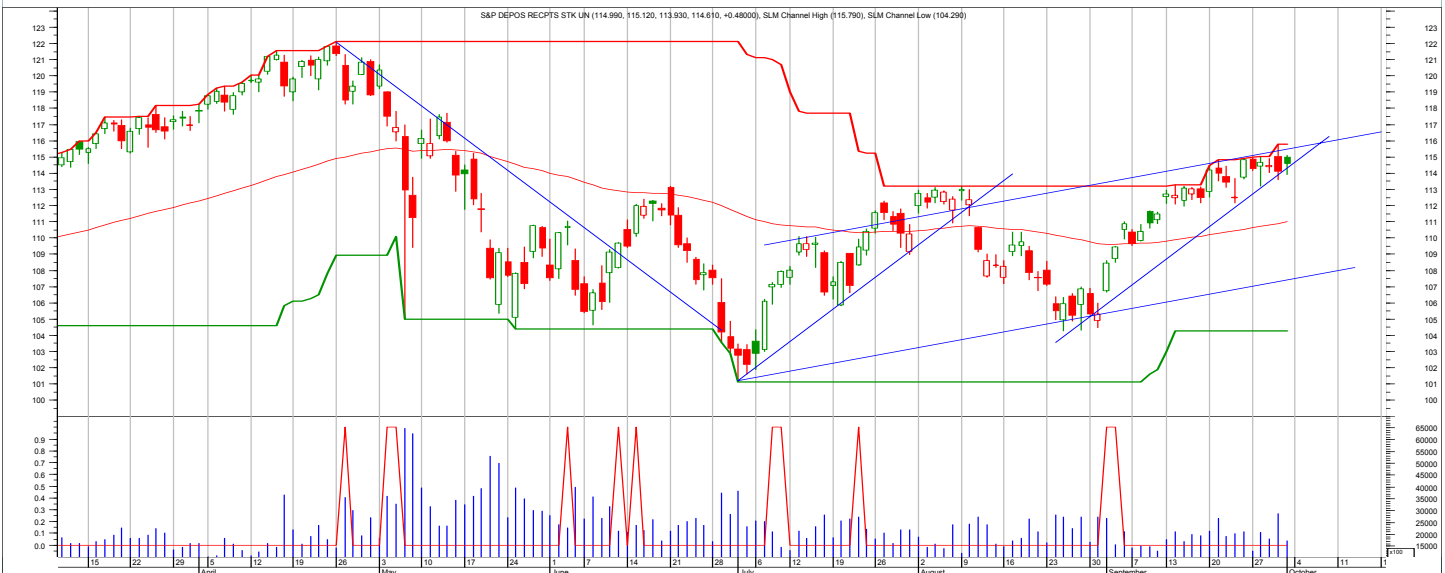
The majority of services became very bearish. I countered that the "new" low was part of the same correction pattern and that the market should instead form a bottom.

More recently we are seeing the opposite. Advisors and investors are increasingly bullish. Yet we are at a market high.

It's not how we want to invest; that is, getting bearish at the lows and bullish at the highs. We want to do the opposite, trying to "buy in fear" and "sell in greed". In other words, we want to try to buy at lows and sell at highs.

The idea works in tandem. To have the capital available at

(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	2.1%		0.8%	-1.0%	2.2%	0.6%
Dow30 Portfolio	3.9%		-1.0%	10.8%	3.5%	0.1%
Wilshire 5000	4.4%		-1.3%	12.6%	5.3%	0.1%
Dow Industrials	3.9%		-0.9%	11.8%	3.7%	-0.3%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 10/1/2010	
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	1.26	7,813	9,844.38	9.6%
2/22--	buy	DRAD	1.95	5,128	10,000	DRAD			1.95	2.05	5,128	10,512.40	10.3%
4/5 -	buy	ECGI	0.98	10,204	10,010	ECGI			0.98	0.86	10,204	8,775.44	8.6%
6/1 -	buy	GENC	7.82	1,278	10,004	GENC			7.82	7.11	1,278	9,086.58	8.9%
6/14 -	buy	QCC	1.41	7,092	10,010	SILU			1.41	1.80	7,092	12,765.60	12.5%
5-Aug	buy	TAXI	7.11	1,406	10,000	TAXI		8.6%	7.11	8.06	1,406	11,332.36	11.1%
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	39.0%
												Total Valuation=	102,111.76 100.0%

REVIEW since last issue

TAXI has had a nice ride.

DRAD starting to stir again.

Dow 30 Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date:		10/1/2010
Action Date	Action	Symbol	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	108.32	771.04	83,519.05	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	17.18	227	3,899.86	3.8%	
2-Aug	sell	T	26.69	120	3,213	AA			13.15	12.23	231	2,825.13	2.7%	
2-Aug	sell	VZ	29.56	155	4,592	XOM			65.11	62.54	46	2,876.84	2.8%	
2-Aug	buy	BAC	14.44	200	2,898	BAC			14.44	13.30	200	2,660.00	2.6%	
2-Aug	buy	JNJ	58.72	50	2,946	JNJ			58.72	61.75	50	3,087.50	3.0%	
						Money Market			1.00		4,985	4,985.00	4.8%	
								Total Valuation=				103,853.38	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

Sell 1/2 DIA today.

Feature Company

NONE THIS ISSUE

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lows, we have to sell at highs.

So, with that in mind, I intend to be a bit more active in the portfolios in the months ahead. For example, the market appears at a short term high. So I will sell part of DIA in the Dow 30 Port-

folio. It is at a short-term resistance area. You can see this on the chart on page 1.

Basically the market was realizing what I've been saying all along. The economy is not in that bad of shape. Yes, things have slowed down, but it is still ex-

panding. As such, it is not contracting, which would imply a recession.

So, I expect a market pull-back here and will look to reenter at lower levels.

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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