

Stock Selections & Timing

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October 8, 2012 (data through previous Friday's close)
Volume 3
Issue 35

Discounting

Despite the ongoing negative divergence between the Dow Industrials and the Dow Transportation indexes, regardless of the upcoming Fiscal Cliff wherein automatic tax increases and spending cuts are automatically

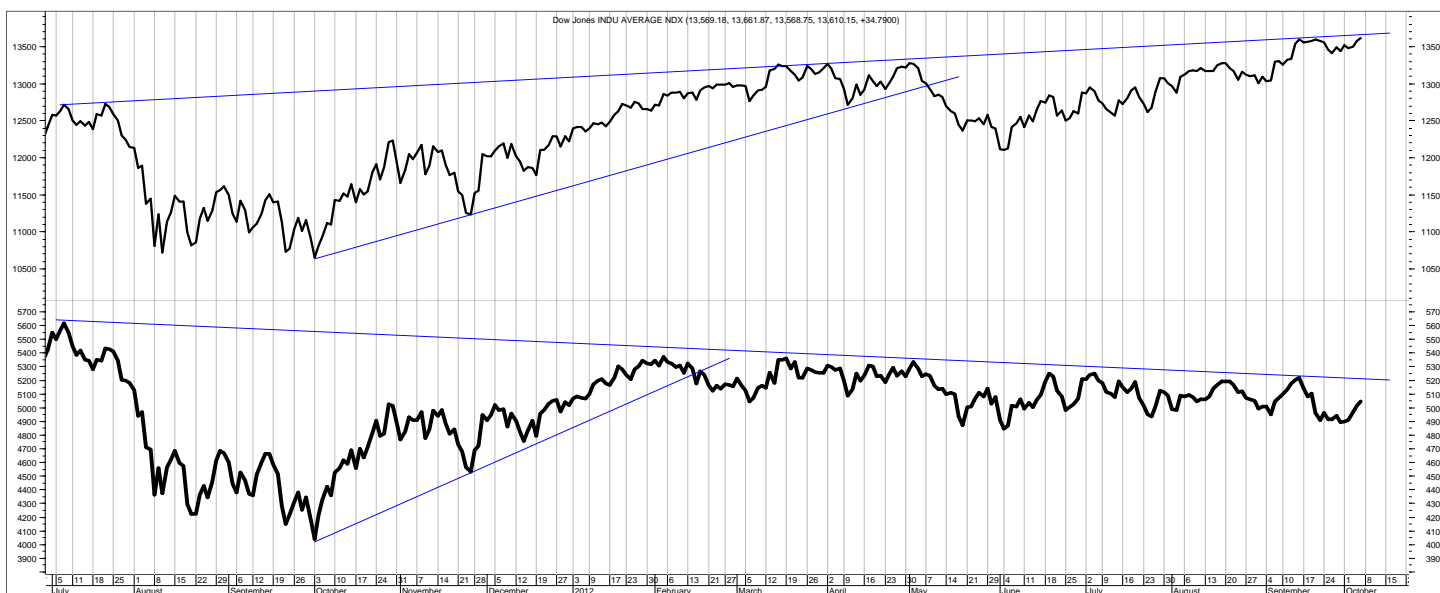
scheduled to take effect on 1/1/13, the stock market continues to hang in there. Some indexes have rallied to recovery highs.

Clearly the market has finally fixated solely on Fed activities and plans of keeping in-

terest rates low through 2015.

To be sure, low interest rates have been helping consumers, businesses, and the government. Housing, for example, appears to have finally hit bottom. Prices are down to where

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This is the daily chart of the Dow Industrials (top) and Transports (bottom).

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	6.1%	20.6%	0.4%	2.2%	-1.0%	-0.3%
Dow30 Portfolio	-1.7%	1.2%	-2.4%	0.0%	0.0%	0.0%
Wilshire 5000 TR	17.7%	29.0%	4.9%	7.8%	1.5%	1.4%
Dow Industrials	11.4%	22.6%	4.2%	5.6%	2.3%	1.3%

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Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		10/5/2012				
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	7.19	2,278	16,378.82	11.3%
1-Aug	bought	OPLK	13.00	300	3,910	WTT		1.00	0.87	1.25	9,000	11,250.00	7.8%
						OPLK		13.00	12.84	15.19	600	9,114.00	6.3%
20-Aug	buy	NGPC	7.030	500	3,525	MCGC	12.9%	4.40	4.38	4.83	1,500	7,245.00	5.0%
23-Aug	buy	MCGC	4.37	500	2,195	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	O	4.4%	41.50	40.76	41.24	180	7,423.20	5.1%
1-Oct	buy	O	40.76	180	7,347	MVC	3.8%	13.00	12.80	12.77	600	7,662.00	5.3%
1-Oct	buy	MVC	12.80	600	7,690								
both positions will be roughly 5% of total portfolio					WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT NEW FROM 8/18/12								
					none								
					Dividends								
					Money Market								
					Total Valuation=								
					3,374.82 2.3%								
					1.00 74,407 74,407.00 51.4%								
					144,734.84 100.0%								

REVIEW since last issue

10/8 GENC has really fallen back, becoming cheaper and cheaper. Its market cap is priced below its net cash in the bank and it has a profitable business.

The buy limits shaded in light green above show where current prices are below buy limits.

10/1 Make the two new buys as noted above. They pay a decent dividend and appear relatively cheap.

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.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	6.1	44.7	16.4
W5000 TtlRtrn	17.7%	0.5	17.7	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: 10/5/2012							
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 (REITERATION)

MVC is another business development company, making equity and debt investments.

Its NAV at 7/31/12 is \$16.42, while the market price is currently \$12.76.

The stock yields 3.8%.

With a recent sale of a portfolio company, I expect them to buy back shares because of the wide difference between the NAV and stock price. This should not only support prices, but begin to close the gap.

Strong resistance is at \$13.00 while major support is around \$12.50 area. Upside target is back to about \$16.00

We have owned O (Realty Income Corp) in the past. It currently pays a monthly dividend to yield 4.4%.

The company announced about a month ago an accretive acquisition. After initially rallying, the stock has pulled back to major support around \$40. We will buy.

The two companies above are reiterations from last week. They are not new buys. See the individual portfolio pages for recommendations.

(Continued from page 1)

rising rents are pretty close to supporting each other, like in the Seventies when rents would cover mortgage payments with only 10% down.

In turn, housing should help consumers feel wealthier, which in turn, should support spending.

The job market also appears to be getting stronger, not weaker, as the rate of unemployment finally dips below 8%.

European problems are receding from the headlines. As examples, see the Greek market's

ETF (GREK) that is bouncing back over the last three months. Spain is too (EWP), but has a long way to go before fully recovering to where it was even a year ago.

So, things are improving and the market is recognizing it. What it has yet to discount is the real possibility of a domestic recession next year. Stay tuned.

Please see the specific portfolio pages for changes.

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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