

# Stock Selections & Timing

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## Mental

They, that is government, appeared to be solving their deadlock last week. Strange to create a problem and then rejoice when you solve it.

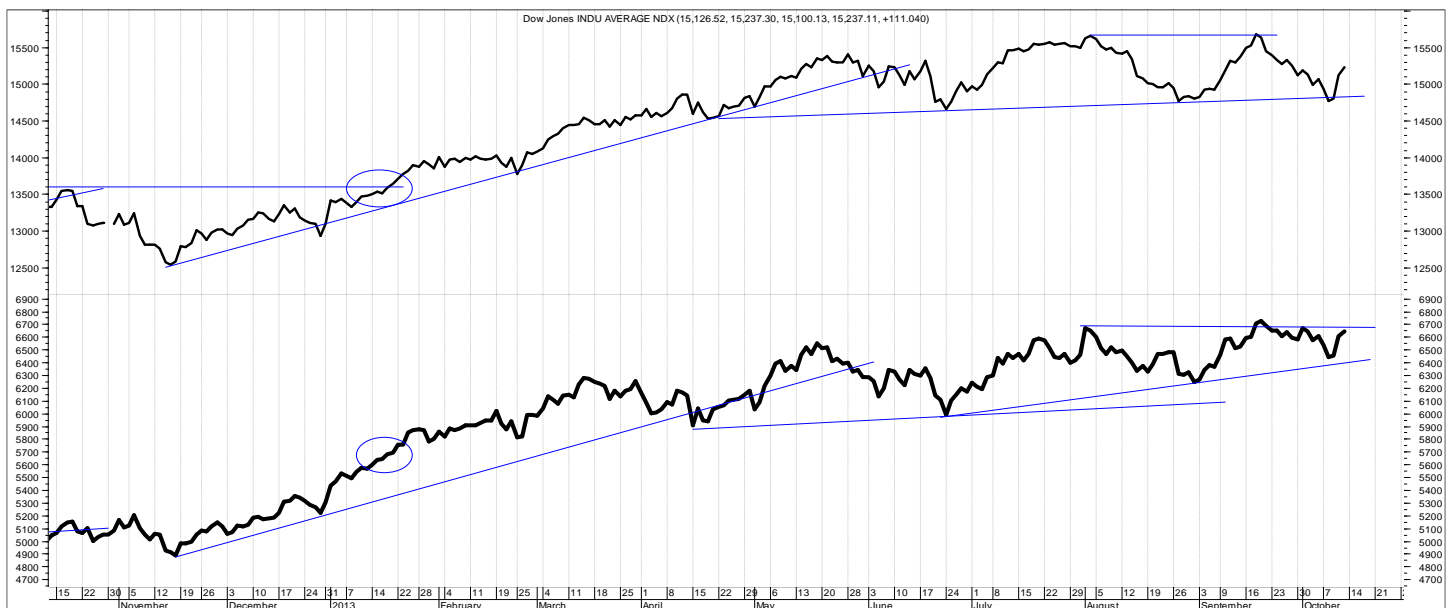
Whatever the neurosis, the stock market loved its possible solution; last week it jumped

some 300 points in a day and then tacked on another 100 the next day for good measure. All this rally did, however, was move the market back to where it was when the shutdown began on October 1. In other words, like the talks, there really has

been no net progress.

To be sure, there hasn't been any net loss in the stock market either. This is so because we all still assume they will solve the issues of spending cuts and debt ceiling by

*(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	16.4%	15.9%	6.9%	6.7%	2.8%	1.0%
Dow30 Portfolio	5.8%	4.6%	0.5%	0.0%	0.0%	0.0%
<b>Index</b>						
S&P 500 TR	22.1%	20.5%	7.2%	1.6%	0.5%	0.8%
Dow Industrials	17.8%	14.3%	3.9%	-1.5%	-0.9%	1.1%

## CONTENTS

Page 2...Stock  
 Page 3...Dow 30  
 Page 4...Featured  
 Page 5...Disclaimers

# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS						Value as of date: 10/11/2013						
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	8.80	2,278	20,046.40	12.0%	
18-Jun	sell	TAXI	14.41	600	8,636	WTT			1.00	0.87	1.89	4,500	8,505.00	5.1%	
20-Jun	buy	SILU	1.35	10,000	13,510	OPLK			13.00	12.84	18.91	600	11,346.00	6.8%	
16-Aug	sell	SILU	2.47	5,000	12,358										
		exchange finalized	0.15	10,000	1,500										
9-Sep	buy	IRET	8.35	950	7,943	MCGC		12.9%	4.40	4.38	5.13	1,500	7,695.00	4.6%	
9-Sep	buy	O	39.96	200	8,002	NGPC		8.7%	7.15	7.04	7.61	2,000	15,220.00	9.1%	
						MVC		3.8%	14.50	12.71	13.91	1,200	16,692.00	10.0%	
						GAIN		8.0%	7.55	7.48	7.16	1,000	7,160.00	4.3%	
						IRET	7.85	6.3%	8.50	8.35	8.53	950	8,103.50	4.9%	
23-Sep	sell	WTT	1.89	2,000	3,770	O	38.00	5.5%	41.00	39.96	40.65	200	8,130.00	4.9%	
23-Sep	sell	MCC	13.48	1,000	13,470										
30-Sep	sell	WTT	2.01	1,000	2,000										
14-Oct	raise buy limit on MVC (NAV is \$17.56)														
14-Oct	sell	MCGC	>5.10	1,500											
Dividends												7,481.90	4.5%		
Money Market												1.00	56,301	56,301.00	33.8%
Total Valuation=												166,680.80	100.0%		

Above in green shows end price still below buy limit.  
 Shown below is watch list for potential purchase at or below buy limit.

## REVIEW since last issue

10/14 I've raised the buy limit on MVC in reaction to its positive news. GAIN raised its monthly dividend from 0.05 to 0.06. I'll take some gains on MCGC in reaction to the first page article.

10/7 MVC announced it is selling its largest portfolio holding. The dividend may "materially" change, the company said. As of 7/31/13, it's NAV was \$17.36. Stock is still priced at nearly a 25% discount.

9/30 WTT rallied back and we will take further profits.

9/23 MCC is trading above its NAV (net asset value). It pays an excellent dividend, but time to look for an exit. WTT rallied back up and time to take more profits there.

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.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	16.4	66.7
S&P 500 TR	15.0%	1.9	14.1	22.1	63.3

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: 10/11/2013							
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

- 10/14 No changes.
- 10/7 No changes.
- 9/30 No changes.
- 9/23 Time to review this portfolio for strategy 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)*

Wednesday before the deadline of 10/17 (Thursday). Two days to go. If they do make an agreement, what happens? But, if they don't, then what?

If they solve the problem, the market should initially rally on relief, but the consequences of shutting things down for 17 days are not yet felt. Plus there are costs to ramp back up everything. These are fairly significant and are not yet factored in. This is bearish.

Two, in the worst case, they fail to solve their issues and the US defaults. This is significantly bearish, which would lead to a

substantial waterfall decline in the Dow Industrials projected in the neighborhood of 25% down.

Either they solve the problem or not, either way it looks like the result would lead to an eventual decline or an immediate decline. If they solve it, we may get a rally back up that sets up negative divergences because of the underlying issues mentioned before that still abound. If they don't solve it, the market plunges overnight.

So, either way, it looks like the best course today is to raise some cash in a defensive move.

Bottom line, the downside risk is huge, while the upside gain

appears limited. This is the reason to sell.

I will say here that I don't believe they will be so mental as to let the US default, which is one reason I'm only raising a small amount of cash. If they solve the issue, we always look for more bargains. If they don't solve the issue, the losses would be just too immediate and large with a gap down to have done nothing.

Please see the individual portfolio pages for any updates and 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 S&P 500 TR (total return) includes dividend reinvestment.

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