

Stock Selections & Timing

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Market Volatility and Timing

The stock market remains very volatile, swinging widely on a daily and weekly and monthly basis with the greed and fear emotions driven by Greece, Europe, and at home. And now to top it off, there's the new question of whether the US is months, if not weeks, away from entering an-

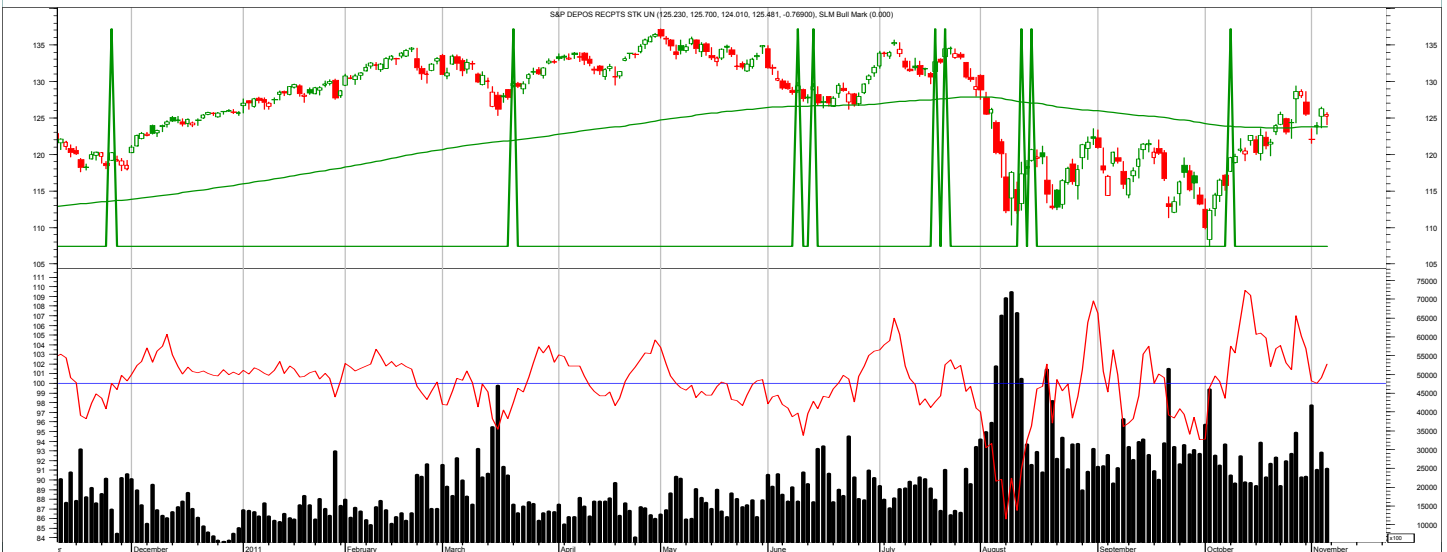
other recession.

It is a very difficult, short term way to invest on headline news, on whether another debt crisis will be resolved or not. Yet to ignore it, one does so at one's peril, as we saw recently with the bankruptcy of MF Global who wrongly bet that things would improve.

For my part, I am continuing to work on a short-term timing model. Keep in mind that this is a trading tool, rather than a selecting model. Preliminary buys are shown on the chart below to begin to give you a sense of their viability and frequency.

As you can see, there are

(Continued on bottom left on page 4)



The chart is the DAILY S&P 500 with 200-day exponential moving average.

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	15.8%	26.6%	0.1%	8.9%	8.4%	3.2%
Dow30 Portfolio	-3.2%	-2.2%	-9.9%	-2.0%	0.8%	0.0%
Wilshire 5000	-1.1%	2.2%	-7.1%	4.6%	9.4%	-2.3%
Dow Industrials	3.5%	4.7%	-5.8%	4.7%	7.9%	-2.0%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 11/4/2011						
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 9/2	Yield	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
22-Aug	buy	ANIK	5.89	1,800	10,612	ANIK			5.89	7.27	1,800	13,086.00	10.1%
19-Sep	sell	O	34.50	150	5,165	GENC			7.62	7.09	1,778	12,606.02	9.7%
19-Sep	buy	KCAP	6.10	1,000	6,110	WTT			0.87	0.99	16,000	15,840.00	12.2%
19-Sep	sell	SNDK	43.67	150	6,541								
17-Oct	sell	SILU	1.400	7,092	9,919	PSEC		12.0%	10.15	9.48	1,200	11,376.00	8.7%
24-Oct	buy	MRVL	13.80	900	12,430	MCGC		9.3%	6.44	4.62	2,000	9,240.00	7.1%
24-Oct	buy	GENC	7.08	300	2,134	KCAP		11.9%	6.10	6.60	1,000	6,600.00	5.1%
						MRVL			13.80	14.24	900	12,816.00	9.9%
Dividends												1,943.26	1.5%
Money Market												46,578.00	35.8%
Total Valuation=												130,085.28	100.0%

REVIEW since last issue

11/5 No portfolio changes. ANIK and WTT have both jumped noticeably the last few weeks and are above buy zones.

10/24 Buy MRVL and buy more GENC as noted above.

10/3 No changes. Waiting for a bottom.

9/19 O has rallied back to the top of its trading range, so time to take profits. Same scenario with SNDK, but for a small loss. Buy KCAP as noted (about 5% of the portfolio) and see page 4.

9/6 No changes.

8/22 Will purchase a new position. Please note the new sell stop on SNDK.

8/8 The portfolio got hit in the market's downdraft. No changes now. Positions are basically cheap compared to their fundamentals.

	2010	ytd 2011	incptn
Stock Portfolio	12.5%	15.8	30.1
W5000	15.5%	-1.1	14.4

Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 11/4/2011								
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 9/2	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
13-Sep	buy	T	28.05	400	11,230									
19-Sep	sell	AA	11.58	900	10,412									
19-Sep	sell	IBM	173.13	70	12,109									
22-Sep	sell	DIA	107.07	500	53,525									
22-Sep	sell	CAT	73.90	130	9,597									
22-Sep	sell	DD	41.65	250	10,403									
3-Oct	buy	HPQ	22.20	500	11,110									
17-Oct	sell	HPQ	24.86	500	12,420									
17-Oct	sell	T	29.02	400	11,598									
						Money Market					1.00	103,775	103,775.00	100.0%
												Total Valuation=	103,775.00	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

10/24 Will look to buy on pullbacks.

10/3 With HPQ at 5x earnings, I have to buy just as a matter of principle. T yields 6%.

9/19 I'll get out of AA to get out of the margin position and raise some cash. Monitor the stops.

9/6 Note the sell stops.

Feature Company

No new recommendations.

STOCK PORTFOLIO UPDATES (page 2)

No new recommendations

Continue to accumulate GENC. It is still the cheapest stock out there, trading below net cash in the bank with a profitable business.

(Continued from page 1)

times it coincides with the bottom and turn. But there are some times (like in July) that the market rolled over a few days after the buy signal and fell.

This simply confirms what took me years long ago to learn; that is, no trading tool is perfect. Stops and where to place them will have to continue to be employed. There is no “right” or “wrong” in the market, but more of an approach to try to simply “be with the trend”.

Anyway, we avoided the de-

cline in August, but missed the rally in October. Hence a timing model modification.

In synchronous use to this new timing model, I will continue to use the same selecting processes, one of which is to try to find value stocks where the spread between their intrinsic value and market price is wide. GENC, ANIK, WTT are examples. Only GENC is still in its buy zone.

In the meantime, I am fairly content with the performance of the Stock Portfolio over the past

two years. It was up 13% in 2010 and 16% ytd 2011. See page 2. The Dow 30 Portfolio needs some changes. I plan to use the new timing model there.

So, at this point, the sidelines remain an excellent spot to watch others trade the news and battle the volatility and lack of clarity. As to the aforementioned recession risk, that will bear very close watching. The stock market has not discounted this possibility at all.

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.

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.

Dividends are paid in cash. Interest is assumed to be zero for the money market (cash) position.

Index dividends are ignored.

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