

# Stock Selections & Timing

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November 15, 2010 (data through previous Friday's close)  
Volume 1  
Issue 25

## Buy on Rumor and Sell on News

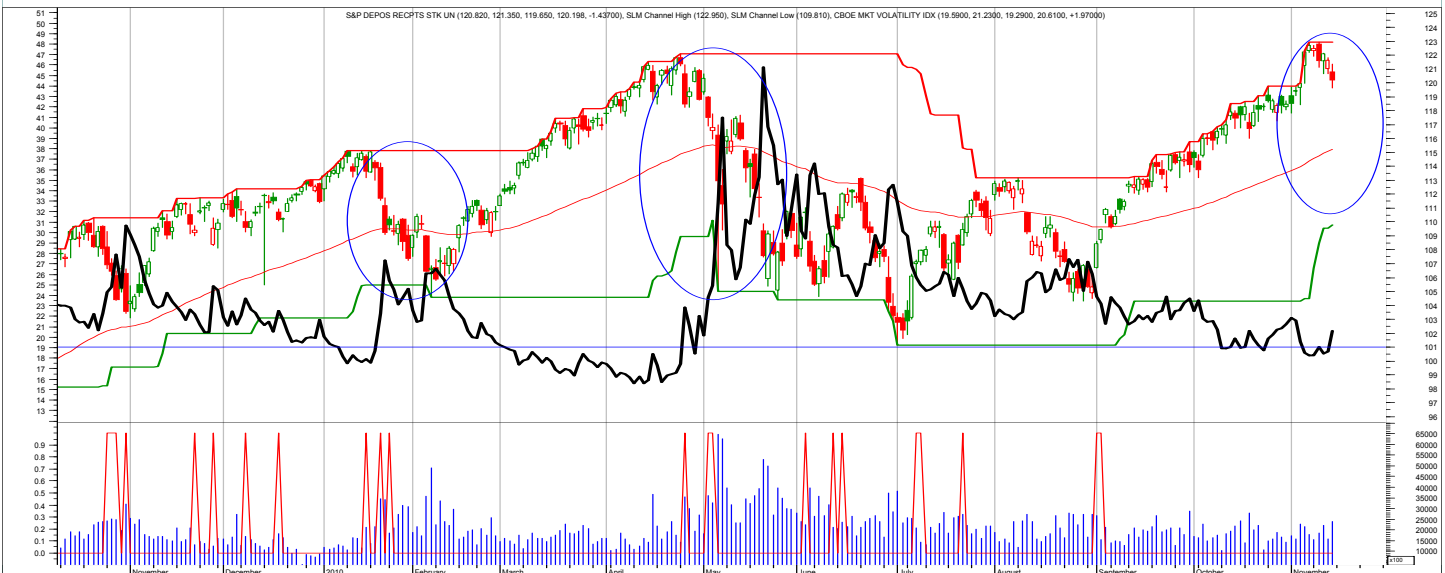
As we all know, the Federal Reserve has begun its quantitative easing round II program (QE II). It will buy some \$600 billion of bonds in an effort to expand the money supply, bring down long-term interest rates, and stimulate the economy. So far, however, bonds have tumbled and the stock market has marked a peak at the announce-

ment on November 4. Classic case of buy the rumor and sell the news. But what's ahead?

The chart below shows the S&P 500 and the VIX index. Over the last year, each time the VIX index fell below 19 and then rallied back above 19, it marked a top. I've circled the two previous occurrences and subsequent corrections.

The first time this happened the S&P 500 fell about 9% to its low. The second time it fell about 15%. I've circled the current one we are in. If the market also declines this time by about 10%, then the low is projected around 110 on the S&P 500. In Dow Jones Industrials terminology, that would be a pullback of

*(Continued on bottom left on page 4)*



The chart is the daily S&P 500 with an 80-day moving average and other objects.

## SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	5.0%		-1.2%	3.2%	1.4%	2.2%
Dow30 Portfolio	5.5%		3.4%	6.4%	0.7%	-0.6%
Wilshire 5000	9.6%		6.1%	12.4%	2.2%	-2.1%
Dow Industrials	7.3%		5.4%	8.6%	1.2%	-2.2%

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# Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS				Value as of date: 11/12/2010			
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	1.41	7,813	11,016.33	10.5%
2/22--	buy	DRAD	1.95	5,128	10,000	DRAD			1.95	2.20	6,128	13,481.60	12.8%
4/5 -	buy	ECGI	0.98	10,204	10,010	ECGI			0.98	0.91	10,204	9,285.64	8.8%
6/1 -	buy	GENC	7.82	1,278	10,004	GENC			7.82	7.03	1,278	8,984.34	8.6%
6/14 -	buy	QCC	1.41	7,092	10,010	SILU			1.41	1.76	7,092	12,481.92	11.9%
5-Aug	buy	TAXI	7.11	1,406	10,000	TAXI		8.6%	7.11	8.44	1,406	11,866.64	11.3%
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								
1-Nov	buy	DRAD	1.95	1,000	1,960								
		buy up to \$2.00											
15-Nov	buy	GENC		200									
		buy up to \$7.25											
						Money Market							
									1.00		37,895	37,895.00	36.1%
									Total Valuation=			105,011.47	100.0%

## REVIEW since last issue

11/15/10 DRAD is up about 20% since 11/1.

11/1/10 DRAD reported earnings on 10/28/10. The past news was pretty well expected, but the company seems fairly optimistic 2011. Time to buy more. Buy another 1000 shares up to a limit price of \$2.00/share.

11/15/10 GENC is still undervalued. I will buy more as noted above.

11/15/10 TIII reported great earnings today and jumped 26%.

# Dow 30 Portfolio

ACTION FOR						PORTFOLIO DETAILS				Value as of date: 11/12/2010			
Action Date	Action	Symbol	Action 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	112.16	385.52	43,239.92	41.0%
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	16.85	227	3,824.95	3.6%
2-Aug	sell	T	26.69	120	3,213	AA			13.15	13.49	231	3,116.19	3.0%
2-Aug	sell	VZ	29.56	155	4,592	XOM			65.11	70.99	46	3,265.54	3.1%
2-Aug	buy	BAC	14.44	200	2,898	BAC			14.44	12.12	200	2,424.00	2.3%
2-Aug	buy	JNJ	58.72	50	2,946	JNJ			58.72	63.67	50	3,183.50	3.0%
4-Oct	sell	DIA	107.57	385.52	41,480								
						Money Market			1.00		46,465	46,465.00	44.0%
								Total Valuation=				105,519.10	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

No changes. I will wait for the steeper correction to buy more.

# Feature Company

NONE THIS ISSUE

*(Continued from page 1)*

about 1,100 points or to 10,400.

I actually don't expect that much of a correction here for a couple of reasons. The main one is that the economy is showing some improvements. Retail is doing better. Job growth is doing

better. Interest rates are declining.

So, a stock market pullback is needed to offset investor complacency, to raise some fear, to rebuild the wall of worry, but after that, I expect the market to move higher.

# 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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