

# Stock Selections & Timing

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November 18, 2013 (data through previous Friday's close)  
Volume 4  
Issue 46

## Why Buy?

Amongst other things this weekend, I looked at market corrections over the last 100 years. What I found was that the market behaves differently in secular bull markets than it does in secular bear markets. This is not a surprise.

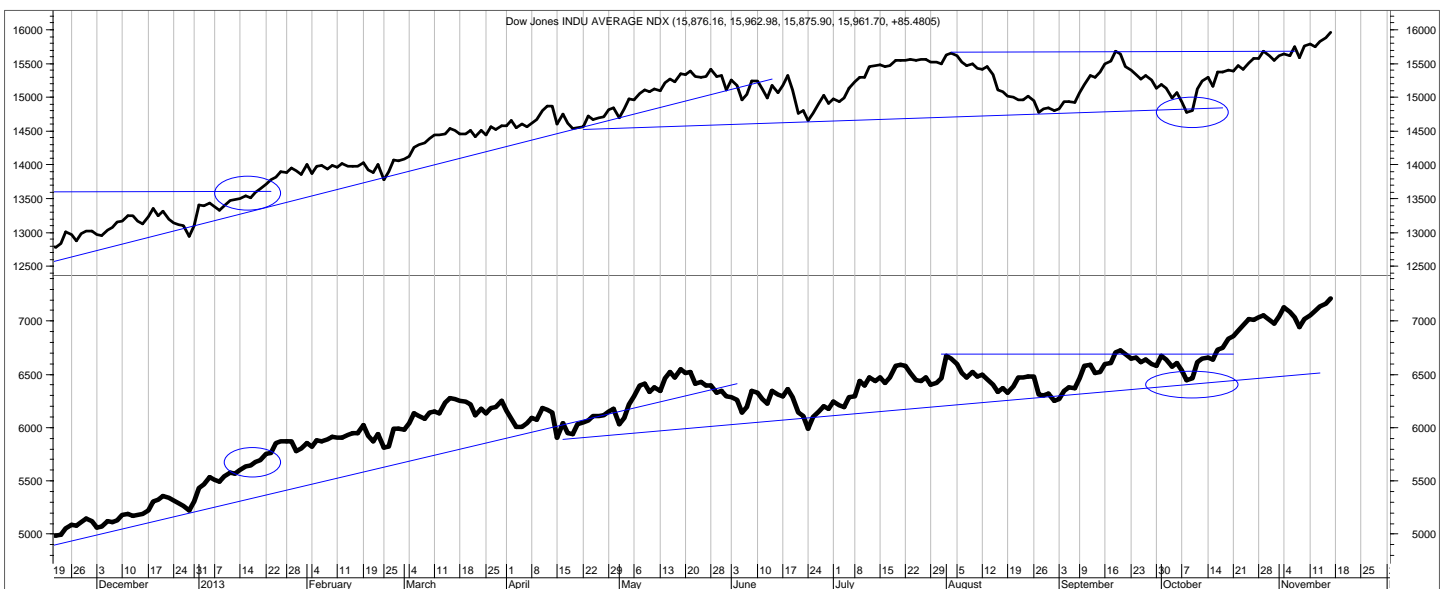
What was surprising was that the frequency, duration, and depth of percentage declines are much different between the two types of markets.

Secular means long-term, extending anywhere from 5 to 30 years. The last secular bear

stock market began in 2000 and may or may not still be taking place. This is important for formulating buying strategies.

If the secular bear is over and the secular bull begun, for those waiting on a 20% or more

*(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	16.1%	17.0%	8.1%	4.1%	-0.8%	0.1%
Dow30 Portfolio	5.8%	4.6%	-3.2%	0.0%	0.0%	0.0%
Index						
S&P 500 TR	29.1%	33.5%	7.8%	8.5%	3.3%	1.5%
Dow Industrials	23.4%	26.8%	4.0%	5.8%	3.7%	1.3%

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# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS						Value as of date: 11/15/2013					
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
23-Sep	sell	WTT	1.89	2,000	3,770	GENC			8.00	7.56	9.04	2,278	20,593.12	12.4%
23-Sep	sell	MCC	13.48	1,000	13,470	WTT			1.00	0.87	1.88	4,500	8,460.00	5.1%
30-Sep	sell	WTT	2.01	1,000	2,000	OPLK			13.00	12.84	15.77	600	9,462.00	5.7%
14-Oct	raise buy limit on MVC (NAV is \$17.56)													
14-Oct	sell	MCGC	5.16	1,500	7,730	MCGC		10.8%	4.80	4.79	4.74	3,300	15,642.00	9.4%
						NGPC		8.7%	7.15	7.04	7.62	2,000	15,240.00	9.2%
4-Nov	buy	MCGC	4.79	3,300	15,817	MVC		3.8%	14.50	12.71	13.95	1,200	16,740.00	10.1%
						GAIN		8.0%	7.55	7.48	7.32	1,000	7,320.00	4.4%
						IRET	7.85	6.3%	8.50	8.35	8.39	950	7,970.50	4.8%
						O	38.00	5.5%	41.00	39.96	40.82	200	8,164.00	4.9%
<div style="background-color: #e0ffe0; padding: 2px; margin-bottom: 5px;">Above in green show s end price still below buy limit.</div> <div style="background-color: #ffe0e0; padding: 2px;">Shown below is watch list for potential purchase at or below buy limit.</div>														
Dividends												8,436.40	5.1%	
Money Market												1.00 48,214	48,214.00 29.0%	
Total Valuation=												166,242.02	100.0%	

## REVIEW since last issue

11/18 No changes.

11/11 No changes.

11/4 OPLK tumbled on weaker than expected earnings. I will watch for rebounds. Reenter MCGC as its numbers have come in on target. NAV is \$5.10 and they will purchase stock on the open market.

10/28 No changes. O tumbled on the news of a secondary offering, but has rebounded.

10/21 No changes.

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.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	16.1	66.2
S&P 500 TR	15.0%	1.9	14.1	29.1	72.5

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: 11/15/2013					
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
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%
TO BE ADDED, IF ABOVE SELL STOP												
TO BE ADDED, IF BELOW BUY LIMIT												
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

11/18 No changes.

11/11 Added "NOT" to last week's comment. No other changes.

11/4 When things are NOT working, a change is required. I am in the process of testing a new trading strategy for the Dow 30 Portfolio.

10/28 No changes.

## Feature Company (none)

Finding “cheap” stocks is getting harder and harder. No new recommendations for now.

*(Continued from page 1)*

decline to get into the market, it may be a long (measured in years) wait. This assumes we are now in a secular bull market.

If we are still in the secular bear market, then we will eventually decline substantially again. That “normal” cyclical bear market decline in a “normal” secular bear market would be in the neighborhood of at least a 40% drop from top to trough and up to 80%. It won't be pretty either way.

This is why stops, which we use, are necessary. (Some stops are printed; others are mentally maintained.)

In other words, if the market is going to continue up (secular bull intact), then we want more exposure. So, we are buying more today. A large pullback

may not materialize. The advance may continue to an eventual doubling from here in the years ahead.

If the market turns and declines (secular bear still intact), however, we will sell. That decline may turn into a 50% loss.

At this point, I can argue either way for the secular trend. There are certain characteristics of both evident today. The main support is the turn from war to peace (spending cut) and domestic oil boom. The main problem is the market is too expensive (PE north of 20).

So, all of this is to say the market may or may not continue its trend. For this Newsletter's purposes, I continue to look for undervalued stocks. These, as noted per the PE comment above, are harder to find.

To the Dow 30 Portfolio, it is undergoing some revisions. It will be more market trend dependent than the Stock Portfolio.

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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