

# Stock Selections & Timing

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## What Was Once Support Is Now Resistance

After the plunge in August, the stock market moved sideways for about seven weeks. In early October it then confirmed itself to the downside. But instead of immediately following through and moving lower, it reversed direction. October proved to be a strong up month, rather than

another down month.

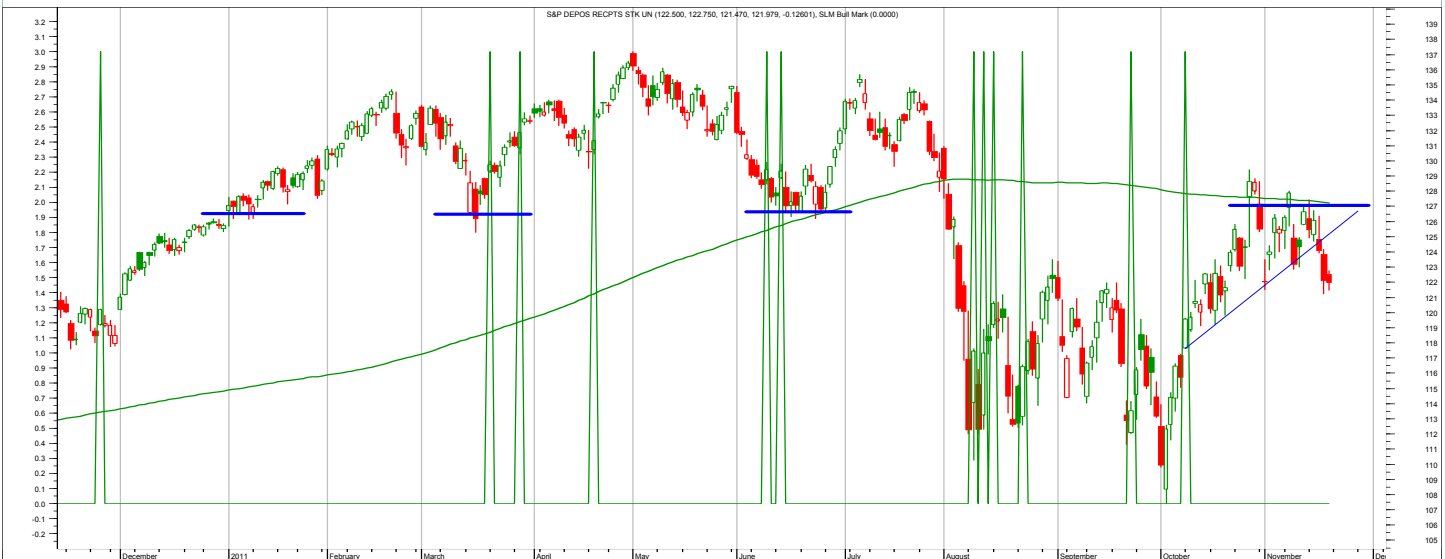
Since then, the market has again moved sideways, but over the last few days it has broken down. This suggests that the October lows will at best be tested and at worst taken out with the market moving much lower.

From a technical perspec-

tive, it is interesting to note that previous support in January and March and June where buying took place have turned into resistance where selling recently took place. This is shown on the chart on page 1 by the blue horizontal lines.

From a fundamental view,

*(Continued on bottom left on page 4)*



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

### SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	18.6%	23.5%	5.1%	11.2%	6.0%	0.6%
Dow30 Portfolio	-3.2%	-1.6%	-9.7%	-0.3%	0.0%	0.0%
Wilshire 5000 TR	-2.7%	2.7%	-8.8%	9.0%	-1.3%	-3.7%
Dow Industrials	1.9%	5.3%	-5.7%	9.0%	-0.1%	-2.9%

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# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:		11/18/2011					
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	stop as of 11/18 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	7.90	1,800	14,220.00	10.7%		
19-Sep	sell	O	34.50	150	5,165	GENC		7.62	6.92	1,778	12,303.76	9.2%		
19-Sep	buy	KCAP	6.10	1,000	6,110	WTT		0.87	1.15	16,000	18,400.00	13.8%		
19-Sep	sell	SNDK	43.67	150	6,541									
17-Oct	sell	SILU	1.400	7,092	9,919	GLAD	11.3%			1,000	-	0.0%		
						PSEC	12.0%	10.15	9.36	1,200	11,232.00	8.4%		
24-Oct	buy	MRVL	13.80	900	12,430	MCGC	9.3%	6.44	4.36	2,000	8,720.00	6.5%		
24-Oct	buy	GENC	7.08	300	2,134	KCAP	11.9%	6.10	6.48	1,000	6,480.00	4.9%		
16-Nov	sell	MRVL	14.88	900	13,382									
18-Nov	sell	KCAP	at close	1,000										
18-Nov	buy	GLAD	< 7.50	1,000										
18-Nov	buy	GENC	< 7.05	300										
Dividends											1,943.26	1.5%		
Money Market											1.00	59,960	59,960.00	45.0%
Total Valuation=											133,259.02	100.0%		

## REVIEW since last issue

11/21 Sell KCAP (too much uncertainty). Accumulate more GENC (valuation below net cash).  
 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.

	2010	ytd 2011	incptn
Stock Portfolio	12.3%	18.6	33.3
W5000	17.7%	-2.7	14.5

# Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 11/18/2011								
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

11/21 No changes.

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

None.

*(Continued from page 1)*

the background remains very mixed. In a nutshell, we might observe that corporate balance sheets are strong and consumers are mixed, while governments are weak.

In short, housing seems to be stabilizing, which is a positive. Job growth remains stable. Retail sales are improving. But none show strength like they have in previous recoveries. To be sure, we are not in a recession, but neither are we in boom times, not even close.

The main problem remains the debt or more accurately the aftermath of “marking down to the market” the value of the assets that the debt had bought. The debt is still there, but the asset isn’t. When they mark it down, at worst the question of solvency arises. In other words,

if I buy a house for \$200,000 with 10% down and borrow the remainder, and then months later find the value at \$150,000, my housing net worth goes negative. Someone has to make up the difference. Multiply this issue around the globe.

So, as investors continue to grapple with these unresolved issues, the market appears to have rolled over from bull to bear over the last few months. This isn’t surprising; we know it happens, but after all, we have been up since March, 2009. The recovery, the money expansion, has been discounted.

The question is what is ahead? If we look at Europe, austerity (spending cuts) appear to be the norm. If we look domestically, the same situation may apply in the form of government cut backs and tax raises. Far from

helping, these things will hinder recovery. Yet, they are necessary and in the longer term (couple years) they should prove to be beneficial. But, we may have a ways to go to resolve all of these issues.

In the meantime, I will continue to try to “buy in fear” and “sell in greed”. This is also known as buy low and sell high, but with some “method” of knowing when those things take place.

# 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.

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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