

# Stock Selections & Timing

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## Coordinated Easing's Impact

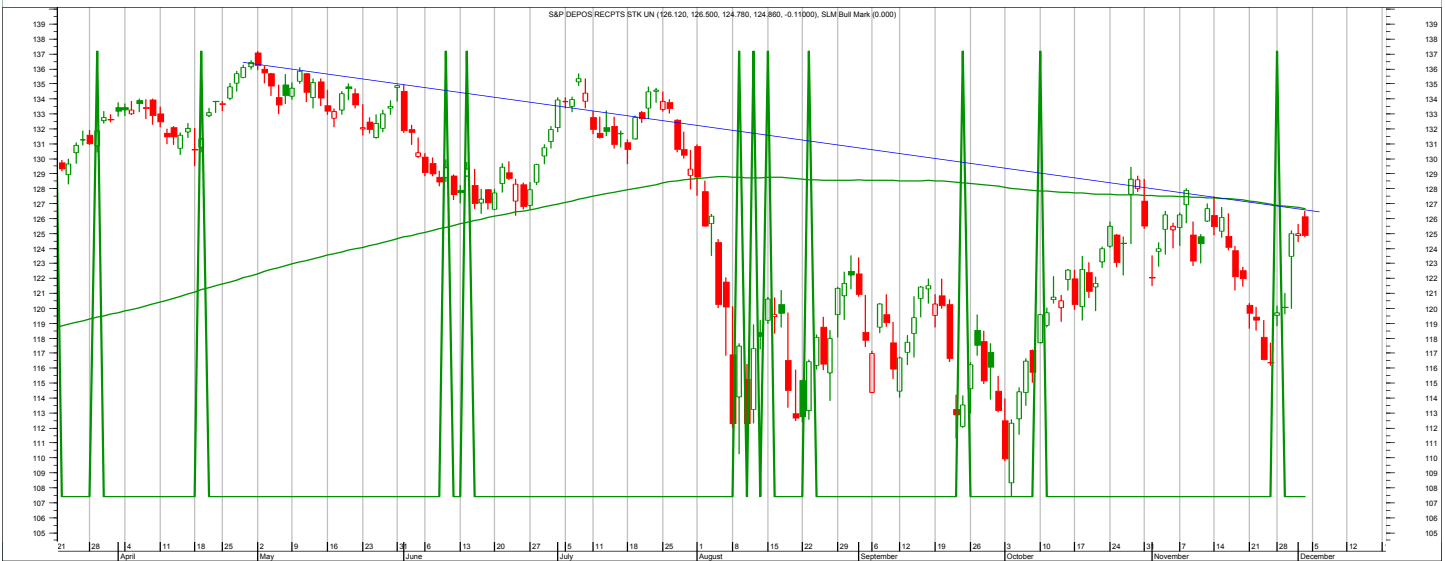
The world's central banks decided last week to act, to do something about slowing economies, ballooning deficits, and tightening liquidity, even as their politicians continue to talk, talk, talk. The banks are lowering interest rates, making the cost of money less. It is a coordinated easing from

the six biggies (Canada, ECB, England, Japan, Swiss, and US). This is expected to continue through 2/1/13. Additionally, the Federal Reserve is still maintaining its 2013 target before even considering raising domestic interest rates. In addition last week, for the first time since 2008 China reduced the

required reserves for its largest banks from 21.5% to 21%. This is coordinated easing.

On the one hand I have to say this show of unity is quite remarkable because it implies things like the economy and asset valuations are really fairly bad out there. To heck with in-

*(Continued on bottom left on page 4)*



The chart is the DAILY S&P 500 with 200-day simple moving average. The green spikes are potential buy signals.

## SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	22.9%	22.9%	6.2%	13.6%	6.1%	4.4%
Dow30 Portfolio	-0.8%	0.6%	-5.2%	-1.4%	2.5%	2.5%
Wilshire 5000 TR	-0.4%	2.5%	-4.4%	6.5%	-0.8%	7.7%
Dow Industrials	3.8%	5.6%	-1.1%	6.9%	0.3%	6.8%

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# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS					Value as of date: 12/2/2011						
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 12/5	Yield at buy	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
24-Oct	buy	MRVL	13.80	900	12,430									
24-Oct	buy	GENC	7.08	300	2,134	ANIK			5.89	8.18	1,800	14,724.00	10.7%	
16-Nov	sell	MRVL	14.88	900	13,382	GENC			7.53	7.02	2,078	14,587.56	10.6%	
18-Nov	sell					WTT			0.87	1.33	16,000	21,280.00	15.4%	
						GLAD		10.8%	7.48	7.70	1,000	7,700.00	5.6%	
						PSEC		12.0%	10.15	9.23	1,200	11,076.00	8.0%	
21-Nov	sell	KCAP	6.32	1,000	6,310	MCGC	3.90	9.3%	6.44	4.52	2,000	9,040.00	6.5%	
21-Nov	buy	GLAD	7.48	1,000	7,490									
21-Nov	buy	GENC	6.97	300	2,101	MRVL	12.75		13.28	13.85	900	12,465.00	9.0%	
						ACAS	6.35		6.58	7.18	900	6,462.00	4.7%	
28-Nov	buy	MRVL	13.28	900	11,962									
28-Nov	buy	ACAS	6.58	900	5,932									
5-Dec	sell	ANIK	>8.40	300										
5-Dec	sell	WTT	1.33	3,000	3,980									
Dividends											1,943.26	1.4%		
Money Market											1.00	38,785	38,785.00	28.1%
Total Valuation=											138,062.82	100.0%		

## REVIEW since last issue

12/5/11 Subscribers should have received the emailed Hotline notifying you to buy MRVL and ACAS on 11/28 as mentioned above. Now, however, given the market's rally back to resistance area (previous tops), it is time to lighten up and take profits on a couple of positions as noted above. The prices are sell limits; for example, sell 300 shares of ANIK at \$8.40 or better. As well, WTT has gained so much as to require sells to bring it back in line; we don't want to be that over weighted in the stock.

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%	22.9	38.1
W5000 TR	17.7%	-0.4	17.2

# Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:		12/2/2011					
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 12/5	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
13-Sep	buy	T	28.05	400	11,230	DIA	121.00		114.84	120.03	500	60,015.00	56.4%	
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									
28-Nov	buy	DIA	114.84	500	57,430									
						Money Market					1.00	46,345	46,345.00	43.6%
												Total Valuation=	106,360.00	100.0%

Company	Symbol
Alcoa	AA
American Express	AXP
Boeing	BA
Bank of America	BAC
Caterpillar	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

12/5 Subscribers should have received the emailed Hotline to buy DIA on 11/28.

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.

Just a clarification. It may seem odd not to be able to recommend at least one stock out of the thousands that trade. My database includes about 9,000 names. They have to pass various screens to be considered, but the market too must “cooperate”. I prefer to buy on pullbacks, rather than chase stocks. I also prefer value. In other words, this isn’t a service that recommends things just to be making recommendations. I take a rifle, an elephant gun, approach, rather than a shotgun strategy. So far, for nearly two years, a gain of 38% versus 17% for the Wilshire 5000 TR seems to bear out this targeting.

*(Continued from page 1)*

flation and the value of the dollar, they are implying, let’s just get things going again seems to be the message.

But, on the other hand, as many of us know on a micro level, if you’ve ever refinanced your home or moved credit card debt from one card to another to lower your interest costs, you know it actually helps. (It helps, assuming you don’t keep piling on the debt. And this, on a country level, is where those yackity politicians reenter the picture. They can talk all they want, but eventually, the road called Fiscal Responsibility down which they kick the can will dead end.)

Anyway, the other thing this easing does, which is most likely the key objective, is to make an asset’s cash flows more valuable. In turn this helps stabilize the asset value. It works just like a

bond. A bond with a coupon of 10% will be higher priced than a bond with a coupon of 5% (all other things being equal). With a house, the rent is, say \$1,000/month, but if your cost to buy that drops, the value at least stays the same, if not increases.

Additionally, if stock prices rise, it allows some companies to issue stock that may be used to refinance debt.

All of the positives from this easing, however, still depends longer term on two things. As mentioned, the politicians must still grapple with deficit spending and tax policy. These items must be handled. Also, there is the assumption that we (America), and everyone else, will not enter a recession going forward. A recession hurts cash flow. Among other things, it ends as businesses close or people move.

So, how does all of this im-

pact the stock and bond and gold markets?

For all three markets, the initial reaction has been up in price the past week. Indeed from the first quantitative easing (QE I) from the Fed back in November 2008, after a four-month lag, stocks moved higher. GLD (gold etf) has moved from \$75 to \$168. Interest rates have dropped and bond prices increased. For QE II the impact has been less dramatic, but still positive. So, this round of easing should also eventually be positive.

In the meantime, there are no changes to the two portfolios. We have bounced back towards the top of the previous trading range as you can see on the chart on page 1. So, I am watching for a pullback here, but will look to reenter or buy more on any weakness.

# 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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