

Stock Selections & Timing

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Volume 3

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Past Projected

While the Dow Industrials seems to be moving up, the Dow Transports have yet to make a higher high, which is circled below. This negative divergence is well known amongst investors and traders.

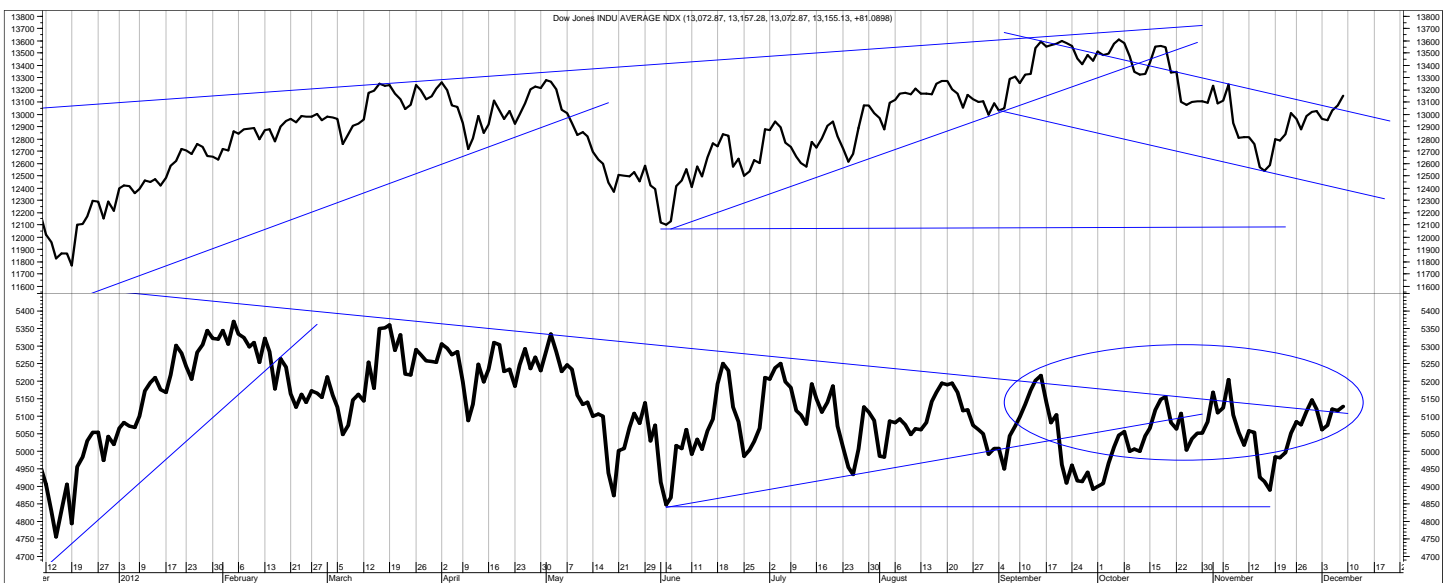
Does it matter? So far, the answer is not really, unless you've been holding the Transports, but the rest of the market has trended higher.

Historically, however, negative divergences resolve to the downside, while positive diver-

gences (an index makes a new low, while the other does not), resolve to the upside. So, while it may not matter much now, given its history, it still bears a close watch.

The other big well-known

(Continued on bottom left on page 4)



This is the daily chart of the Dow Industrials (top) and Transports (bottom).

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	5.0%	3.1%	2.3%	-2.1%	0.4%	-1.0%
Dow30 Portfolio	-1.7%	-1.9%	-0.3%	0.0%	0.0%	0.0%
Wilshire 5000 TR	13.2%	13.3%	6.4%	0.1%	1.4%	0.0%
Dow Industrials	7.7%	9.7%	4.8%	0.5%	2.7%	1.0%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 12/7/2012		
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 9/7	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total
1-Oct	buy	O	40.76	180	7,347	GENC			8.00	7.56	7.78	2,278	17,722.84	12.4%
1-Oct	buy	MVC	12.80	600	7,690	WTT			1.00	0.87	1.24	9,000	11,160.00	7.8%
both positions will be roughly 5% of total portfolio						OPLK			13.00	12.84	15.07	600	9,042.00	6.3%
15-Oct	buy	GAIN	7.48	1,000	7,490	MCGC	12.9%		4.40	4.38	4.51	1,500	6,765.00	4.7%
this will be about 5% of total portfolio						NGPC	8.7%		7.15	7.04	6.69	2,000	13,380.00	9.3%
						MVC	3.8%		13.00	12.80	11.68	600	7,008.00	4.9%
12-Nov	buy	NGPC	7.05	1,000	7,060	GAIN	8.0%		7.55	7.48	7.02	1,000	7,020.00	4.9%
						SILU	4.0%		1.40	1.40	1.55	500	775.00	0.5%
3-Dec	sell	O	40.250	180	7,235									
4-Dec	buy	SILU	1.40	500	710									
WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT NEW FROM 12/10/12														
						TAXI			11.40			600		5.0%
						SILU			1.40			4,500		5.0%
												Dividends	3,930.50	2.7%
											Money Market	1.00 66,382	66,382.00 46.4%	
												Total Valuation=	143,185.34	110.0%

REVIEW since last issue

12/10 SILU dipped to \$1.40 where the portfolio was assigned only 500 shares. Hopefully you got more as it has since spiked to \$1.55 for a fast 10% gain. Take profits above \$1.58.

I moved the buy limit on TAXI up from \$11 to \$11.40. Buy today below that.

12/3 New watch SILU a Canadian company lending to the natural resource sector.

11/26 No changes.

11/19 The dividend payers were hit hard the last few weeks because of the fears of upcoming tax changes.

While taxes may be a factor, I suspect the sell off is overdone.

11/12 Buy more NGPC as noted above.

11/5 GENC remains the cheapest stock out there I know of. OPLK reported \$0.26 q1 earnings, beating estimates of \$0.20. WTT is locked in a trading range, but, given good upcoming earnings, should move up.

10/30 MCGC reduced its dividend. Still trades below NAV.

10/22 MVC raised its dividend this payout by 13%.

No other changes of note.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	5.0	43.2	16.6
W5000 TtlRtrn	17.7%	0.5	na	na	12.2

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: 12/7/2012						
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 12/10	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
23-May	sell	AXP	55.99	200	11,188	DD	40.15						about 10%
						INTC	18.27						about 10%
1-Jun	sell	AA	8.29	1,300	10,767	MRK	41.36						about 10%
1-Jun	sell	KFT	37.57	300	11,261	MSFT	24.95						about 10%
1-Jun	sell	IBM	188.78	60	11,317	T	31.07						about 10%
1-Jun	sell	MCD	86.88	125	10,850								
11-Jun	sell	DIS	45.74	250	11,425								
11-Jun	sell	KO	74.55	150	11,173								
11-Jun	sell	MRK	38.51	300	11,543								
10-Dec	buy	DD	43.14	242	10,435								
10-Dec	buy	INTC	20.10	519	10,435								
10-Dec	buy	MRK	44.63	234	10,435								
10-Dec	buy	MSFT	26.90	388	10,435								
10-Dec	buy	T	33.74	309	10,435								
Money Market										1.00	104,247	104,247.00	100.0%
Total Valuation=												104,247.00	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

- 12/10 Buy the new positions noted above.
- 9/4 No changes. The selecting and timing model is undergoing changes.
- 8/20 No changes.
- 7/30 No changes.

Feature Company

New on the Watch List is SILU. It is a Canadian company loaning to the natural resource sector. It's NAV is about \$1.63 with a yield of about 4.4%. Current price is \$1.43. We'll try to buy at or below \$1.40.

(Continued from page 1)

event is the upcoming Fiscal Cliff. Will it matter? Again, judging by the market's reaction so far, the answer is the same, not really.

In both cases, it goes against common sense or past patterns. A recession is projected by some for 2013. One would think if taxes on average increase an additional 4% of income, it would matter. One would think Congressional spending cuts of \$800 billion would matter. This seems like it would hurt the stock mar-

ket, but the market, so far, is ignoring the two patterns. Why?

At this point, let's look at the flip side. What's the bullish case? Look past the valley and the cliff that leads thereto.

The Dow Transports could rally, erasing the negative divergence. Oil prices are sub \$3.00 per gallon, which definitely helps to reduce costs. Also, with interest rates so low without inflation, and with the housing market recovering, and with consumers, states, corporations all in better shape, what the Federal Govern-

ment may conclude about the Cliff, while important, has been less impactful. Europe is perhaps getting better and is historically cheap. Same with China.

For my part, I will move some cash back into the market in the Dow Portfolio shown on page 3. See also page 2 for portfolio 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 Wilshire 5000 TR (total return) includes dividend reinvestment.

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