

Stock Selections & Timing

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Volume 1
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Minor Divergence

So far the expected pullback has come and gone in November. It was more shallow than anticipated, and so I didn't act on it.

Since then the market has roared back and the S&P 500 is now at a recovery high.

The question is whether to follow the market and buy more or to continue to wait for a fur-

ther pullback.

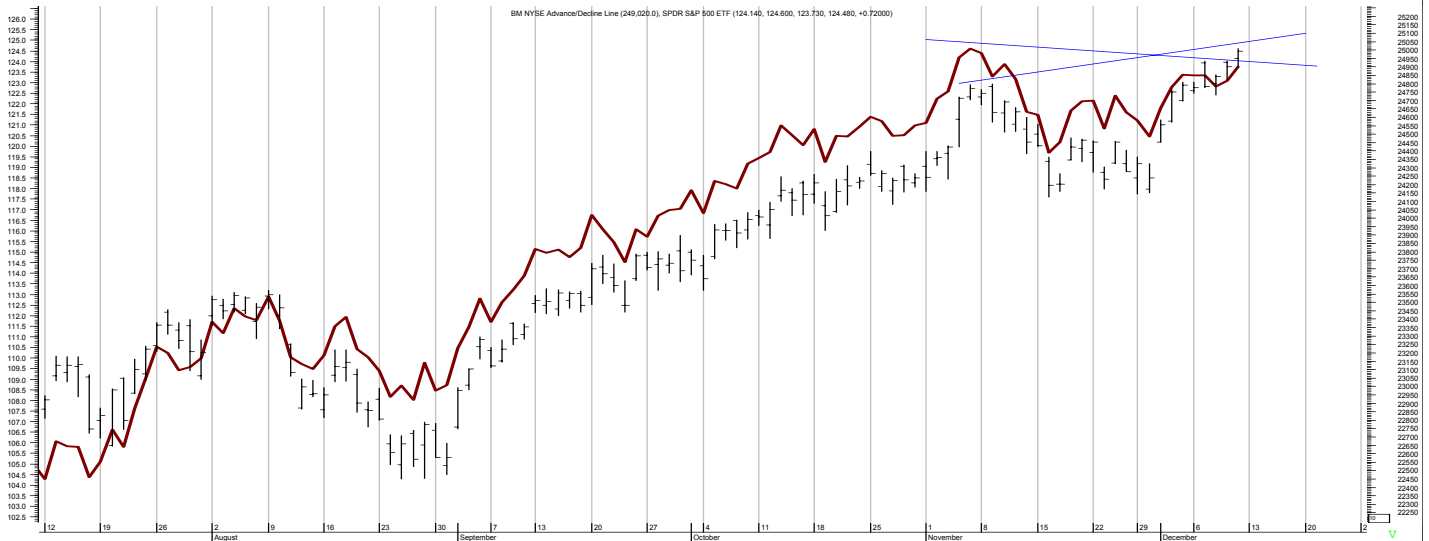
To answer that, I see the same conditions lining up that were evident back at early November's peak, but are even more pronounced since then.

For example, the VIX index is trading below 18, a number associated with tops. The advance-decline line, shown on the chart below, is diverging

negatively from the market's advance. This suggests the advance is narrowing, another sign of a top. Investor sentiment is still very bullish, which is a contrary indicator. On top of that, interest rates are now rising.

All of those things still suggest a market that is topping, rather than a market that is

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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	11.9%		8.4%	10.5%	6.6%	-0.3%
Dow30 Portfolio	6.7%		8.4%	6.1%	1.1%	0.9%
Wilshire 5000	14.0%		14.3%	13.5%	4.0%	1.4%
Dow Industrials	9.4%		11.7%	9.1%	1.9%	0.2%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS				Value as of date:			12/10/2010	
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	
6/14 -	buy	QCC	1.41	7,092	10,010									
		name change to SILU												
5-Aug	buy	TAXI	7.11	1,406	10,000	DRAD			1.95	2.04	6,128	12,501.12	11.2%	
23-Aug	buy	ANH	6.86	1,449	9,952	ECGI			0.98	0.78	10,204	7,959.12	7.1%	
25-Aug	stop	ANH	6.72	1,449	9,747	GENC			7.73	7.05	1,478	10,419.90	9.3%	
1-Nov	buy	DRAD	1.95	1,000	1,960	SILU			1.41	1.82	7,092	12,907.44	11.5%	
						TAXI		8.6%	7.11	8.51	1,406	11,965.06	10.7%	
15-Nov	buy	GENC	7.18	200	1,446	CLCT		9.1%						
		buy up to \$7.25												
29-Nov	sell	TIII	2.20	7,813	17,199									
			\$2.10 or better											
29-Nov	buy	OXPS	17.20	300	5,170									
			up to											
7-Dec	sell	OXPS	\$20.82	300	6,256									
12/313	buy	CLCT	\$14.30	800										
			up to											
						Money Market					1.00	56,180	56,180.00	50.2%
												<u>Total Valuation=</u>	<u>111,932.64</u>	<u>100.0%</u>

REVIEW since last issue

12/13/10 I traded OXPS, gaining about 20% on the trade.

The other positions may be subject to tax-loss selling. I expect them all to climb in 2011.

11/29/10 TIII jumped further and is up about 75% from purchase price on good earnings. But it looks way ahead of itself. I will sell the full position.

As well, buy the feature company as noted above and on page 4.

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 for 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: 12/10/2010			
Action Date	Action	Symbol	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	114.29	385.52	44,061.08	41.3%
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	17.02	227	3,863.54	3.6%
2-Aug	sell	T	26.69	120	3,213	AA			13.15	14.25	231	3,291.75	3.1%
2-Aug	sell	VZ	29.56	155	4,592	XOM			65.11	72.18	46	3,320.28	3.1%
2-Aug	buy	BAC	14.44	200	2,898	BAC			14.44	12.80	200	2,560.00	2.4%
2-Aug	buy	JNJ	58.72	50	2,946	JNJ			58.72	61.91	50	3,095.50	2.9%
4-Oct	sell	DIA	107.57	385.52	41,480								
29-Nov	sell	AA		all									
29-Nov	sell	JNJ		all									
						Money Market			1.00		46,465	46,465.00	43.6%
									Total Valuation=			106,657.15	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

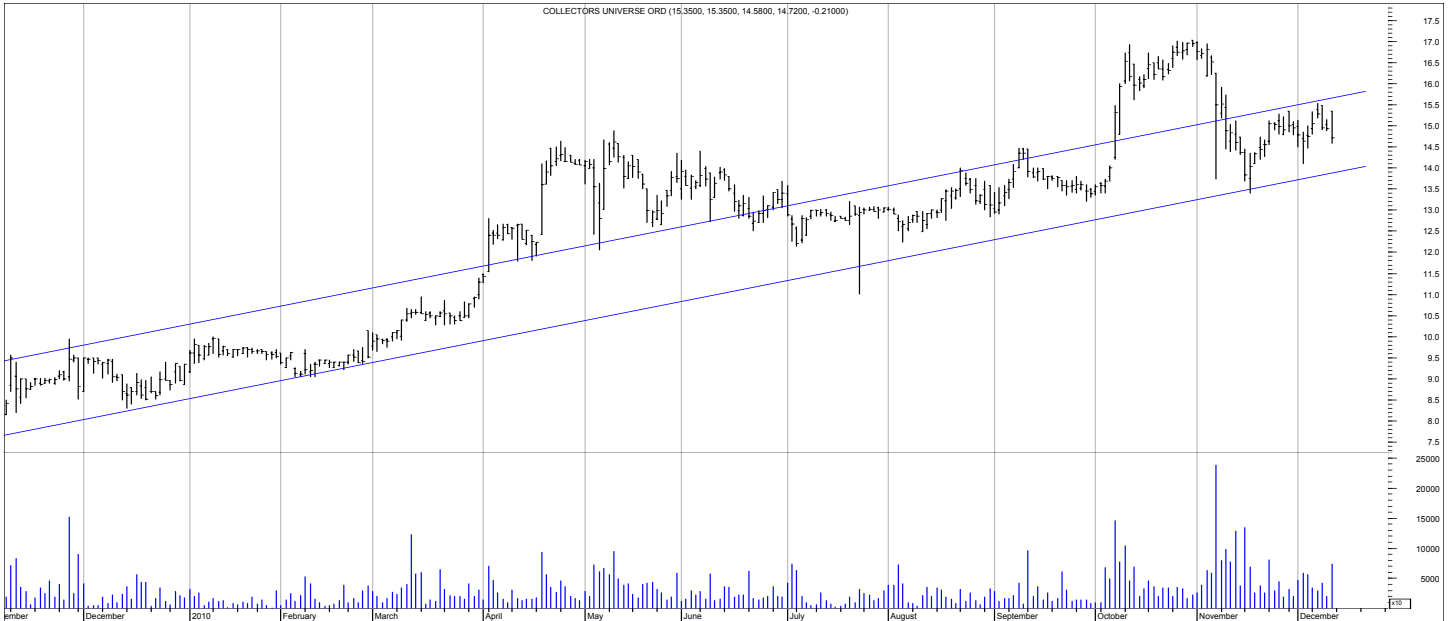
For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

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. The expected pullback has yet to occur.

Feature Company



Collectors Universe, Inc. (CLCT)

has a market cap of \$112 million.

This is an interesting company in a niche industry. It provides authentication and grading services to dealers and collectors of coins, cards, stamps, autographs, and other memorabilia.

This company should continue to benefit from the rise in hard assets as the economy continues to muddle along.

It trades at 7x past 12 month earnings and yields 9.05%. It

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climbing a wall of worry. There are no worries in fact, except for job creation. The economy is recovering, retail sales are improving, housing has stabilized.

So, at this juncture, I am still waiting for a pullback to become

more fully invested as I do think 2011 will be bullish.

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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