

Stock Selections & Timing

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The More Things Change, The More They Remain The Same

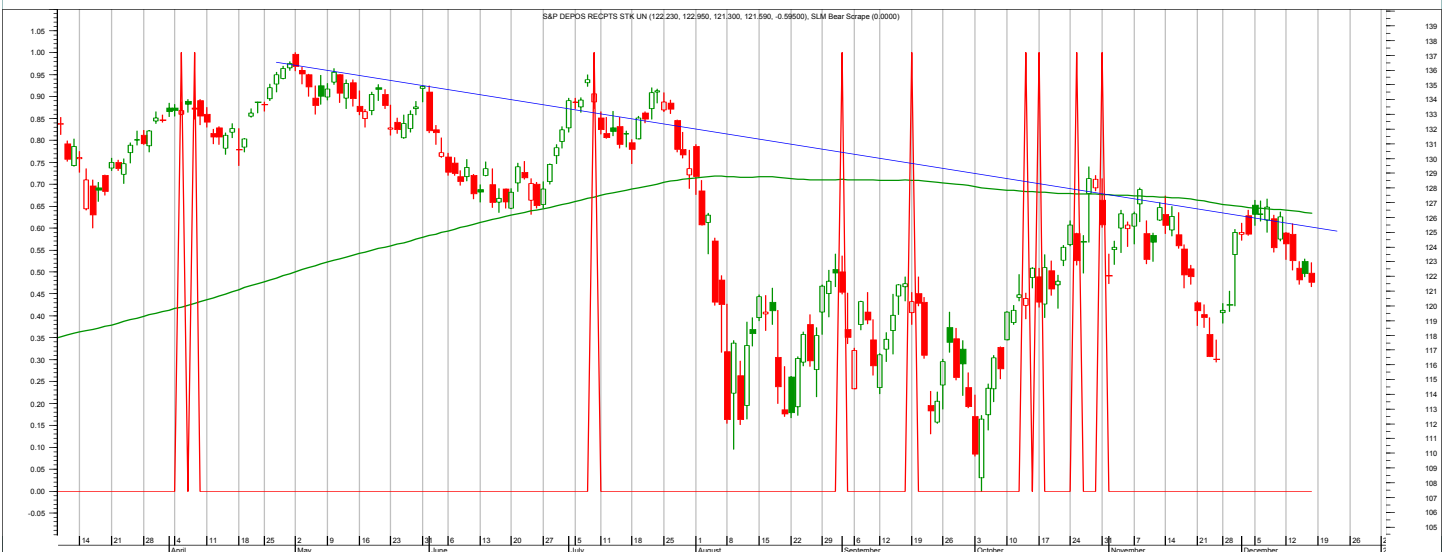
Time Magazine may have declared 2011's Person of the Year "The Protes-tor", but by all indications 2011 will go down as the year of The Muddler. The domestic economy has muddled through 2011. The European Union has muddled through. Stocks have muddled through. Politicians have

muddled along. The Fed has muddled along. The consumer has muddled along. Commodities have muddled through. Nothing is too hot and nothing is too cold. If you ended 2011 where you began, consider yourself a Person of the Year.

So, what might 2012 bring? Probably more of the same.

The Federal Reserve has already signaled its willingness to leave interest rates at rock bottom levels through the middle of 2013. Sometimes muddling means you can't do anything more than just move sideways. The big question is since low rates hasn't stimulated any-

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

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	19.2%	19.8%	4.6%	7.9%	0.5%	-3.5%
Dow30 Portfolio	-0.9%	-0.6%	-3.6%	-3.1%	2.4%	0.0%
Wilshire 5000 TR	-2.4%	-1.3%	-4.0%	0.5%	0.3%	-2.9%
Dow Industrials	2.5%	3.3%	-1.1%	3.1%	0.6%	-1.1%

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Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		12/16/2011					
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		
21-Nov	sell	KCAP	6.32	1,000	6,310									
21-Nov	buy	GLAD	7.48	1,000	7,490	ANIK		5.89	8.61	1,500	12,915.00	9.6%		
21-Nov	buy	GENC	6.97	300	2,101	GENC		7.53	6.81	2,078	14,151.18	10.6%		
						WTT		0.87	1.12	13,000	14,560.00	10.9%		
28-Nov	buy	MRVL	13.28	900	11,962									
28-Nov	buy	ACAS	6.58	900	5,932									
						GLAD		10.8%	7.48	7.58	1,000	7,580.00	5.7%	
5-Dec	sell	ANIK	>8.40	300		PSEC		12.0%	10.15	9.16	1,200	10,992.00	8.2%	
5-Dec	sell	WTT	1.33	3,000	3,980	MCGC	3.90	9.3%	6.44	4.03	2,000	8,060.00	6.0%	
12-Dec	sell	ANIK	8.54	300	2,552	MRVL	12.75		13.28	13.52	900	12,168.00	9.1%	
						ACAS	6.35		6.58	6.81	900	6,129.00	4.6%	
19-Dec	sell	ANIK	>8.60	300										
19-Dec	sell	WTT	>1.10	2,000										
Dividends											2,065.26	1.5%		
Money Market											1.00	45,317	45,317.00	33.8%
Total Valuation=											133,937.44	100.0%		

REVIEW since last issue

12/19 GENC reported flat earnings. Still trading below net cash. Monitor the trades as noted above.

12/5/ 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.

	2010	ytd 2011	Incptn	SD
Stock Portfolio	12.3%	19.2	33.9	12.3
W5000 TR	17.7%	-2.4	14.9	9.6

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: 12/16/2011							
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								0.0%	
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									
8-Dec	sell	DIA	119.94	500	59,960									
			stopped out											
						Money Market					1.00	106,305	106,305.00	100.0%
												Total Valuation=	106,305.00	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

12/19 No changes

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.

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)

thing more than muddling along, what would change in 2012 to improve things? On the other hand, things haven't worsened either.

Politicians around the globe have continued to muddle along, trying desperately to appear to be doing something, while accomplishing nothing. I suppose this might be a blessing in disguise.

With 2012 an election year here in the US, does anyone really think things will change on the political front? The most likely course is to tinker here and there without really addressing underlying issues like structural deficits and entitlement programs.

Housing continues to scrap along also without much improvement, but again, without much of an appearance of getting worse.

For consumers, again, sideways seems to be the message. Joblessness has stabilized, definitely not getting worse, but nothing like it has been in previous recoveries. Spending is also moving sideways. Repairing balance sheets (debt loads) continues.

If these macro factors continue in the New Year, and by all accounts they should, stocks and bonds should generally continue in 2012 as they have in 2011; that is, stocks should generally move

sideways to down and bonds should generally move sideways to up.

The big unknowns, however, continue. What will happen to the European Union? Is there a recession around the corner? These things would tip the sideways muddler into a downtrend. Caution remains a key. Trading remains the strategy.

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, 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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