

Stock Selections & Timing

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Under the Surface

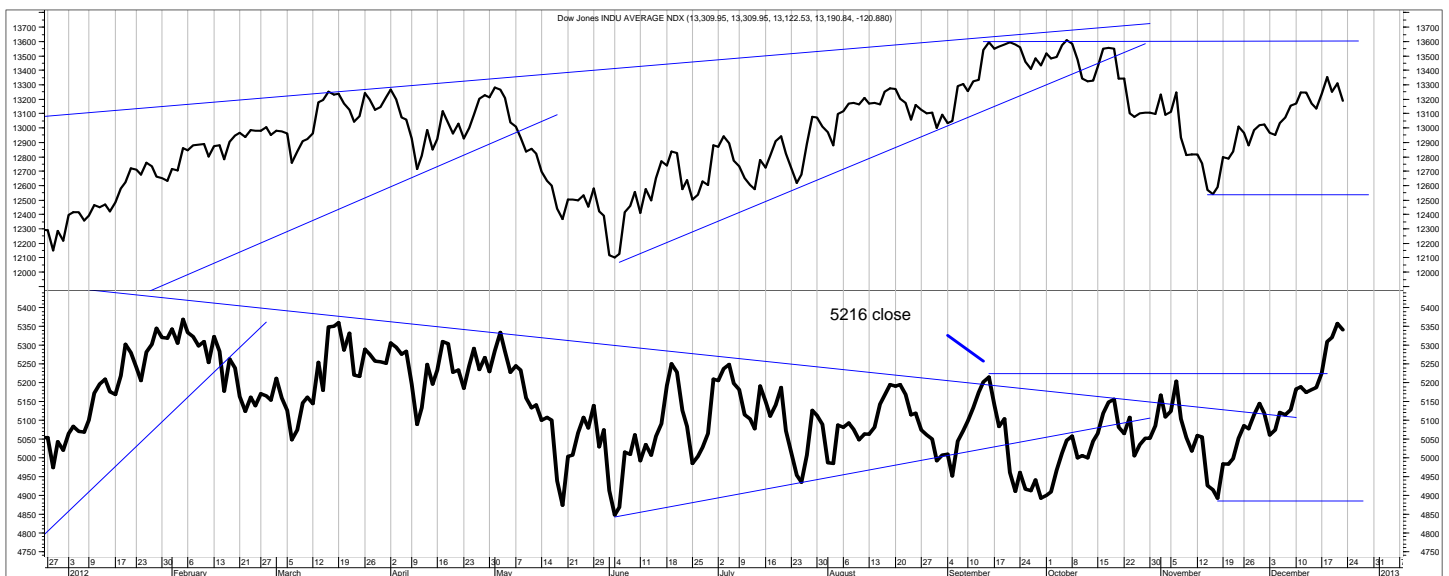
If it's not one thing, it's always another. Market technicians have been watching the negative divergence between the Dow Industrials and Transports, waiting for the Dow Transports to catch up and confirm the Dow Indus-

trials' rally or else, to begin a new downtrend into a bear market. The Transports finally seem to have done so over the last two weeks as it spikes in price. Except now, the Industrials are all of a sudden lagging their rally. See the chart below.

Point of this is still to observe that not everything is all confirmation to the upside. It's still not "in gear" to the upside. A watchful eye is still required.

The obvious fundamental issue in these rotating, ongoing

(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	6.0%	6.3%	2.8%	-1.4%	0.6%	1.3%
Dow30 Portfolio	-1.8%	-2.0%	-0.1%	-0.1%	-0.1%	-0.3%
S&P 500 TR	16.3%	na	8.4%	-1.5%	1.7%	1.2%
Dow Industrials	8.0%	7.3%	4.4%	-2.9%	1.4%	0.4%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 12/21/2012		
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	7.57	2,278	17,244.46	11.9%
1-Oct	buy	MVC	12.80	600	7,690	WTT			1.00	0.87	1.25	9,000	11,250.00	7.8%
both positions will be roughly 5% of total portfolio						OPLK			13.00	12.84	15.00	600	9,000.00	6.2%
15-Oct	buy	GAIN	7.48	1,000	7,490	MCGC	12.9%	4.40	4.38	4.55	1,500	6,825.00	4.7%	
this will be about 5% of total portfolio						NGPC	8.7%	7.15	7.04	7.32	2,000	14,640.00	10.1%	
						MVC	3.8%	13.00	12.80	11.83	600	7,098.00	4.9%	
12-Nov	buy	NGPC	7.05	1,000	7,060	GAIN	8.0%	7.55	7.48	7.10	1,000	7,100.00	4.9%	
3-Dec	sell	O	40.250	180	7,235	TAXI	7.0%	11.40	11.36	11.90	600	7,140.00	4.9%	
4-Dec	buy	SILU	1.40	500	710	WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT NEW FROM 12/10/12								
	sell	SILU	>1.58											
10-Dec	buy	TAXI	11.36	600	6,826	SILU		1.44			5,000		5.0%	
14-Dec	sell	SILU	1.59	500	785									
Dividends												3,960.50	2.7%	
Money Market												1.00 60,341	60,341.00	41.7%
Total Valuation=												144,598.96	105.0%	

REVIEW since last issue

12/24 My data provider (Reuters) stopped reporting the Wilshire 5000 Total Return, so I am now using the S&P 500 Total Return.

12/17 GENC reported 4th q and full year results. Still the cheapest stock out there I'm aware of. Market cap around \$70 million and net cash in the bank \$85 million. Business should improve in 2013.

Took profits on SILU and raised the buy limit.

WTT authorized additional buy backs of stock. Probably more companies will lean this way, rather than increase dividends in 2013.

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.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	6.0	44.6	16.6
S&P 500 TR	na	na	16.3	18.7	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: 12/21/2012						
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		43.22	44.93	241	10,828.13	10.4%
1-Jun	sell	AA	8.29	1,300	10,767	INTC	18.27		20.08	20.76	519	10,774.44	10.3%
1-Jun	sell	KFT	37.57	300	11,261	MRK	41.36		44.48	41.52	234	9,715.68	9.3%
1-Jun	sell	IBM	188.78	60	11,317	MSFT	24.95		26.94	27.45	387	10,623.15	10.2%
1-Jun	sell	MCD	86.88	125	10,850	T	31.07		33.73	33.69	309	10,410.21	10.0%
11-Jun	sell	DIS	45.74	250	11,425	WMT	65.74		69.20	68.65	150	10,297.50	9.9%
11-Jun	sell	KO	74.55	150	11,173	KO	35.63		37.50	36.89	278	10,255.42	9.8%
11-Jun	sell	MRK	38.51	300	11,543								
10-Dec	buy	DD	43.22	241	10,435								
10-Dec	buy	INTC	20.08	519	10,435								
10-Dec	buy	MRK	44.48	234	10,435								
10-Dec	buy	MSFT	26.94	387	10,435								
10-Dec	buy	T	33.73	309	10,435								
17-Dec	buy	WMT	69.20	150	10,390								
17-Dec	buy	KO	37.50	278	10,435								
Money Market									1.00	31,247		31,247.00	30.0%
									Total Valuation=		104,151.53	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

12/24 No changes.

12/17 Buy the two new positions.

12/10 Buy the new positions noted above.

Feature Company

None new.

(Continued from page 1)

non-confirmations is the Fiscal Cliff. Tax hikes and spending cuts will automatically take place January 1. The non partisan Office of Management and Budget (OMB) has projected a recession for quarters one and two next year because of their impact on the economy and consumers.

Is this recession discounted? It can't be discounted, unless it's first, even a possibility. Investors are thinking the politicians will get together, just like they always do. In other words, right now, it does not look like, on the surface, that anyone believes the politicians won't "do something". As

such, the market has not gone down. A normal bear market will drop at least 20% from its prior peak. We're not even close, but, given these ongoing divergences, the market obviously has a problem with something. Internally, things are not so obvious.

To be sure, if the politicians "kick the can down the road" by doing nothing, these negative divergences may then begin to confirm, not to the upside, but to the downside.

Please see the specific portfolio pages for changes and updates.

NEXT UPDATE

The next update is still planned for next Monday December 31st.

UNOFFICIAL TRADE

12/24/12 After a one-day jump, AAPL is testing recent support. Needs to clear \$535.

12/17/12 Been watching the plunge of a stock known as AAPL. It appears near support at \$511. Stop at \$500 with upside to at least \$550. Nice risk return ratio for traders.

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 S&P 500 TR (total return) includes dividend reinvestment.

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