

Stock Selections & Timing

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High Risk

Risk of loss from a major correction or even a bear market remains very high. Interest rates are rising, investor sentiment is very bullish (which is a contrary indicator), stocks are overbought (momentum parabolic up), and

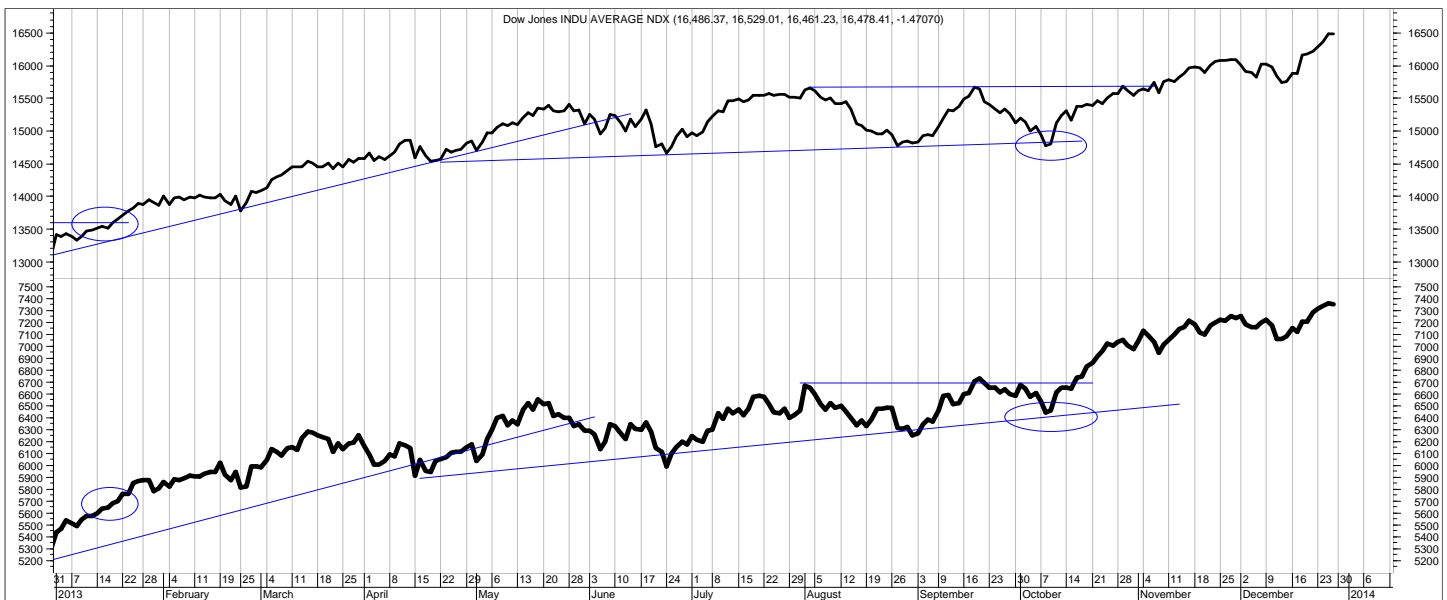
market valuation is rich.

What should happen is a sharp, fast major pullback of 10%-15% and then another rally with more non-confirmations (one or two indexes hitting recovery highs, unaccompanied by other indexes); perhaps even

met with more bullishness. From there a bear market of losses between 30%-60% should unfold for the reasons previously listed.

It's not because the economy is weak, it's not, but because

(Continued on bottom left on page 4)



This is the daily chart of the Dow Industrials (upper) and Dow Transports (lower).

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	18.0%	18.0%	11.4%	2.5%	-1.1%	0.0%
Dow30 Portfolio	5.8%	5.8%	0.0%	0.0%	0.0%	0.0%
Index						
S&P 500 TR	31.9%	31.9%	14.6%	8.9%	1.6%	1.1%
Dow Industrials	27.4%	27.4%	10.5%	8.0%	2.3%	1.6%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS						Value as of date: 12/27/2013						
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 6/9	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total	
23-Sep	sell	WTT	1.89	2,000	3,770	GENC			8.00	7.56	9.58	2,278	21,823.24	12.9%	
23-Sep	sell	MCC	13.48	1,000	13,470	WTT			1.00	0.87	2.15	4,500	9,675.00	5.7%	
30-Sep	sell	WTT	2.01	1,000	2,000	OPLK			13.00	12.84	18.43	600	11,058.00	6.5%	
14-Oct	raise buy limit on MVC (NAV is \$17.56)														
14-Oct	sell	MCGC	5.16	1,500	7,730	MCGC		10.8%	4.80	4.79	4.46	3,300	14,718.00	8.7%	
4-Nov	buy	MCGC	4.79	3,300	15,817	NGPC		8.7%	7.15	7.04	7.59	2,000	15,180.00	9.0%	
						MVC		3.8%	14.50	12.71	13.24	1,200	15,888.00	9.4%	
25-Nov	sell	GAIN	7.47	1,000	7,460	IRET	7.85	6.3%	8.50	8.35	8.78	950	8,341.00	4.9%	
25-Nov	buy	O	38.28	100	3,838	O	38.00	5.5%	41.00	39.96	37.85	300	11,355.00	6.7%	
10-Dec	sell	WTT	>2.4	1,000		Above in green shows end price still below buy limit. Shown below is watch list for potential purchase at or below buy limit.									
Dividends												9,030.47	5.3%		
Money Market												1.00	51,836	51,836.00	30.7%
Total Valuation=												168,904.71	100.0%		

REVIEW since last issue

12/30 No changes.

12/23 No changes.

12/16 No changes. MVC announced its deal fell through. So stock down today. But they have other indications of interest.

12/9 No changes. The Rule of '72 says an investment will double in X number of years given a Y rate of change (all other things being equal). With a yield of 9%, a stock should double in 8 years.

12/2 No changes. Only one recommended stock is still below its buy limit.

11/25 No changes.

11/18 No changes.

11/11 No changes.

11/4 OPLK tumbled on weaker than expected earnings. I will watch for rebounds. Reenter MCGC as its numbers have come in on target. NAV is \$5.10 and they will purchase stock on the open market.

10/28 No changes. O tumbled on the news of a secondary offering, but has rebounded.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	18.0	68.9
S&P 500 TR	15.0%	1.9	14.1	31.9	76.4

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: 12/27/2013							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 6/9	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
24-Jun	sell	AA	7.79	1,500	11,675								0.0%
24-Jun	sell	BAC	12.30	900	11,060								0.0%
24-Jun	sell	INTC	23.58	519	12,228								0.0%
25-Jun	sell	MRK	46.23	265	12,241								0.0%
TO BE ADDED, IF ABOVE SELL STOP													
TO BE ADDED, IF BELOW BUY LIMIT													
Money Market									1.00	108,999	108,998.88	100.0%	
Total Valuation=												108,998.88	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

12/30 No changes.

12/23 The new selecting and timing model for the Dow 30 stocks will attempt to buy these quality stocks on weakness and sell into strength based on specific patterns. Given the current rally, there are no candidates for purchase. We'll wait for a pullback.

12/9 Work is progressing on the new timing model for the Dow 30 stocks.

No new recommendations

No new recommendations.

(Continued from page 1)

the stronger economy is already priced into the market. It is simply confirming the reason stocks are up in the first place. Better economy has meant better earnings and the rising market.

We don't see bad news at the top, but only talk of "moon landings" where the market is expected to head higher and higher and higher still.

Only after the bear begins do we see what caused the fractures. Except in this case, it is the excessive bullishness, valuation, and high prices. The fear is missing the rally, rather than losing portfolio value. These things are already in place.

So, while my actual timing

model is still bullish, I am simply pointing out the reasons for why the market may shortly roll over and head lower. If it does, the timing model will signal a sell. (If the market continues higher, the timing model is still bullish.) (I maintain this model internally, but may begin to show this in 2014 in this letter.)

From an investor point of view, however, a timing model sell signal may appear like a random event; in other words, why turn bearish when "everyone" else and the news is still bullish? But be assured the background to the market's rally and potential top is very familiar.

Historic tops are accompanied by the signs we see today

(competition from rising yields, too much investor complacency and bullishness, fear of missing the rally, rich valuations with PE ratios north of 20x).

So, we are still partially invested, but have a close eye on the timing model to watch for a sell signal to both protect the substantial gains we've made and avoid what probably will turn out to be even more substantial losses in the months ahead.

Please see the individual portfolio pages for any updates and 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 S&P 500 TR (total return) includes dividend reinvestment.

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