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KEY TAKEAWAYS

- ⇒ *Superman is driving the market. Who else?*
- ⇒ *We will no longer be cautious...after today*
- ⇒ *Our stock picks have no peer. Daily blogs and 30-30 picks are on fire*
- ⇒ *Indexing will not always be this good. Don't get sucked in*
- ⇒ *We predict the party is over on April 1st*

KEY STATISTICS

Index	Close	2013
DJIA	14397	9.9%
S&P 500	1551	8.8%
NASDAQ	3244	7.4%
Russell 2K	943	11.1%

(figures are rounded)

Up, Up, and Away

Look! Up in the sky! It's a bird! It's a plane! No! It's the stock market!

Maybe you haven't heard, but the stock market is just screaming. It must be led by Superman (whose secret identity is Ben Bernanke) because I can't for the life of me figure out what is going on.

I am a glass half full kinda guy. I am far more bullish than bearish. And I rarely bearish except during obvious periods of consolidation or certain seasonality in the market. Still, I am also a putz. As a newsletter publisher, I have broken the cardinal rule. I went negative on the market. Well, more cautionary than negative, but still, I wasn't exactly positive.

So, I owe you an apology. Why? The cardinal rule that I broke is not to go negative because the end result is that no one will want to read what you write. So, for the past 2-3 weeks our readership is down slightly for the first time in a long time.

What is amazing, is that while we have been cautionary on the market, we have been spot on with regards to our daily blog picks, and even the stocks we have profiled in these pages. ISIG was up 15% last week. LCI is up over 70%. AAMRQ went nuts...I could go on and on. Just this past week 2 of the 3 stocks profiled in our Jan/Feb 30-30 Report busted through the 30% mark.

So, while we may be early on the market, we are still hitting on all cylinders on what we do best. Finding and identifying listed stocks under \$10 that will have a big near term move. On page 2, we are putting in our last installment (we promise) of stock market caution. Please read it and treat it justly. Rest assured, whether the market is up or down, we will continue to churn out documented winning stock picks on a regular basis.

Please pass this along to anyone you know that is invested in stocks.

Indexing Better Than Stock-Picking? No Way

It sure seems as if the stock market is only moving in one direction: up. These new market highs are serving to prove a number of things, right or wrong. First, for those of us that work so hard at picking stocks, when the broader market moves higher and higher day after day it is hard for stock jockeys to distance themselves from the pack. Moreover, in an effort to find a stock that is acting differently, or is somewhat non-correlated with the stock market, we tend to take risks that prompt us to select stocks that blow up rather than go up. Plus, during a period that the broader market is on fire day after day, investors that have only put their money in exchange traded funds (ETFs), index mutual funds or market-correlated funds, have made an unprecedented short-term killing.

It reminds us of when everyone threw money at the index funds 15 years ago, only to get killed since they thought they were safe investments. After all, they only went up. Watch out... Stock picking is still the best way to generate returns. They may not beat indexes every year, but when they do it is a slaughter.

Frankly, it is annoying and unsettling. There are so many reasons why the market will sell off at one point and the fact that it has not even had a taste of real profit-taking should give investors pause about committing *new* money to stocks. When the party is over, it is likely to be a steady decline, preceded by an unfavorable event and a big down day or two. So, batten down the hatches, friends.

How does one do that?

If you haven't taken partial position profits, do so. If you have not sold covered calls, do so.

Separately, refrain from entering new positions in stocks that seem to be great buys. For example, do not engage in bottom-fishing. There will come a time when sold-off stocks that are out of favor will return to favor, but that is not likely to occur for several months.

Instead, in order to achieve success, one must have a quick trigger finger and engage in a tactical strategy with the objective of short holding durations in order to eke out gains, rather than longer holding periods. To that end, (and I hate to say this, but) follow the herd, yet be prepared to step out of a stock if things turn south.

Indexing (cont'd): April Fools' Day

Most markets are not really unique as history tends to repeat itself, and does so often. Therefore, despite the current nosebleed levels, we would not characterize the present uncharted waters as unique. However, what we believe is an accurate depiction is the fact that investors bidding stocks and the market itself higher are doing so with blinders on. Everyone is aware of the economic, geopolitical, and market valuation instability and risks, but has still elected to throw in the towel given the lack of real options to place money elsewhere.

As long as you are aware of the fact that with stocks, what goes up must come down, and you take precautions on current positions and your preparations, your portfolio will sustain minimal damage. Plus, you will be free to have more funds in which to invest in oversold yet very attractive, new stocks.

When the carnage will begin, we cannot say. Wouldn't it be fitting if it began on April Fools' Day?

Until next week...





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