

Bill Gunderson's Weekly "Best Stocks Now" Newsletter

Straightforward, honest research for successful people...

January 20, 2012

Bill Gunderson-President and Founder of Gunderson Capital Mgt. Inc.



Bill Gunderson & Liz Clayman-January 6th, 2012

It was another good week for the equity market. In fact, the market was up every day during this past holiday shortened week. Here is a summary of just how we the markets fared over the last four trading days:

	Fri. 1/13/12	Fri. 1/20/12	Week	Week Pct.
	CLOSE	CLOSE	Change	Change
S&P500	1286.11	1315.38	29.27	2.28%
DJIA	12,386.94	12,720.40	333.46	2.69%
NASD	2707.08	2786.70	79.62	2.94%
S&P600 (Small)	426.76	438.65	11.89	2.79%
10yr Bd.	1.85%	2.03%	0.18%	9.73%
Oil	99.01	98.19	-0.82	-0.83%
Gold	1636.90	1667.20	30.30	1.85%

The more aggressive Nasdaq and Small-cap indexes performed the best, once again this week. I have been saying for the last several weeks that I believe this will be a year that will favor more aggressive stocks after large-cap dividend payers led the way in 2011.

So far, that theory of mine is showing up in the early results of the market so far:

	12/31/11	Fri. 1/20/12	2012	YTD Pct.
	Value	Close	YTD	Change
S&P500	1260.37	1315.38	55.01	4.36%
DJIA	12,239.74	12,720.40	480.66	3.93%
NASD	2610.68	2786.70	176.02	6.74%
S&P600 (Small)	415.07	438.65	23.58	5.68%
10yr Bd.	1.87%	2.03%	0.16%	8.56%
Oil	98.87	98.19	-0.68	-0.69%
Gold	1565.90	1667.20	101.30	6.47%

As you can see, the Nasdaq has opened a fairly sizeable lead on the Dow so far in 2012. Remember, the Dow is made up of the huge mega-cap stock, while the Nasdaq is heavily salted with tech stocks. Notice too how the S&P 600 Small-cap index has jumped out in front of the S&P 500 so far this year.

The bond market got clipped pretty good this past week as interest rates are back above 2.0% once again. Oil is slightly down for the year, while gold is up 6.47% so far. My forecast for a soft year in gold is wrong so far. I see a very soft year for the bond market as it is hard to imagine interest rates going lower from here.

Earnings

It was a very busy week of earnings reports as many of the market's largest companies weighed in with their current earnings and future forecasts.

It began on Tuesday with Wells Fargo (WFC) and it ended on Friday with General Electric (GE). Wells Fargo beat their earnings estimates, while Citigroup once again missed forecasts. Bank of America (BAC) returned to profitability and the stock is on a mini roll.

Google was the big miss of the week and the stock was down over \$50 per share on Friday. Intel, Microsoft, and IBM all beat forecasts and the stocks are all currently breaking out.

Yahoo! saw its founder, Jerry Yang leave the company on Tuesday while Eastman Kodak (EK) filed for BK on Wednesday. No surprise that GE missed forecasts once again, as Jeffrey Immelt continues to be a very ineffective CEO at the company.

Here is a current 12 month chart of the Nasdaq:



As you can see, the Nasdaq has broken out of its ascending triangle and will soon start to run into resistance. We will deal with that if and when it gets there.

Here is what the small-cap Russell 2000 index looks like right now:



It also broke out of an ascending triangle and it looks like it has a way to go before running into resistance.

Here is a chart of Intel, which reported this past week:



The stock is breaking out to the upside along with a lot of other semiconductor related stocks. While I am not a fan of Intel's stock, this bodes well for the technology sector in general.

Here is a chart of the stock of Microsoft:



I don't like Microsoft either, but these breakouts are indicative of a lot of moves taking place amongst the more aggressive stocks right now.

Now for the most important chart of all-the euro:



Notice the bounce in the Euro over the last two weeks. This has coincided with the bounce in our markets.

Next week is the super bowl week of earnings. We will hear from the likes of CSX, Texas Instruments, Altera, Apple, Dupont, J&J, McDonald's, Verizon, Abbott Labs, Boeing, Netflix, Xerox, 3M, Amgen, AT&T, Caterpillar, Lockheed, Starbux, Ford, etc.

I had two articles published on Marketwatch this past week. One was on [Yahoo!](#) and the other one was on [Cisco](#). I do not own either stock, but I weighed in Yahoo's founder leaving and on the breakout in Cisco's chart.

I also had one article published on Seeking Alpha this past week. I wrote about a good Peruvian mining [stock](#) that currently offers an 8% dividend.

Once again, this was not a very good week for economic reports as the initial jobless claims came in higher than expected, and the Philly Fed lower than

expected. I remain BULLISH, however.



Bill Gunderson's Model Portfolio for Conservative Growth Investors:

This model is made up of the mostly mid-cap and large cap companies that I consider to be suitable for investors who have a conservative risk profile, but still want growth.

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Bill Gunderson's Model Portfolio for investors seeking Income along with the possibility of Growth.

This model is my most conservative model. It is designed for risk-adverse investors that want income first and growth second. Income producing investments have proven themselves over time to be much less volatile than pure growth investments. If you look back at the year 2008, when the overall market was down 38.5%, income producers held up much better.

I do like some growth with my income, however. I have written several articles on this subject recently. Here is [one](#) that I wrote for Seeking Alpha. I just don't see where bond investors are going to get any growth going forward.

The list below contains the best examples of such stocks that I can find in the market right now.

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It should be noted that the average yield of this portfolio is 6.8%. This compares with a ten year U.S. treasury at a current rate of 1.8%, CD's offering next to nothing, and corporate bonds offering about 5.0% with very little chance of growth. There is more risk in investing in a portfolio like this, but the reward potential is greater.

Dividend stocks continue to underperform the market so far in 2012.

Bill Gunderson's Model Portfolio for Investors seeking AGGRESSIVE Growth

This is my most aggressive portfolio. It is designed for investors with long-term time horizons seeking maximum growth. This portfolio is mainly made up of small and mid-cap stocks with superior growth potential. This portfolio is much more volatile than the Conservative Portfolio and the Income Portfolio. This portfolio also has more risk than the aforementioned ones.

I still feel like aggressive growth can be the best place to be this year as it had a lousy year in 2011. I am seeing green shoots all over the place in the aggressive arena.

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Bill Gunderson's Featured Stock of the Week 1/20/2012

I currently have about 2,700 in my database. Every day when I am done doing my radio show, I spend several hours looking at them. I especially focus in on the ones I own and the "A" rated stocks.

My proprietary grading system consists of Value, Performance, and Safety. I like stocks that have performed much better than the rest and still offer good value. I spent years developing this grading system and I am thrilled with the results!

This week's pick:

1. Description

AT&T 7:30 AM 20%

Search osis

OSI Systems Inc	
Sector	Misc.
Market Cap	1,100,000,000
Size	Small-Cap
Risk Profile	Aggressive
Valuation 01/20/12	
Last Closing Price	\$55.91
Last Change	0.86
Next Yr EPS Est	\$2.72
Forward PE Ratio	20.56

Best Stocks Sectors Dow Search

2. Valuation

AT&T 7:31 AM 20%

Search osis

Valuation 01/20/12	
Last Closing Price	\$55.91
Last Change	0.86
Next Yr EPS Est	\$2.72
Forward PE Ratio	20.56
Est 5Yr Annual Gr	20.00%
5Year Target Price	\$98.70
Dividend Yield	0.00%
5Yr Tot Ret Pot	76.5%
Gunderson Value Grade	
R.	

Best Stocks Sectors Dow Search

3. Performance

Performance of osis vs S&P 500		
1 Mo Total Return	1.6%	0.1%
3 Mo Total Return	24.7%	8.2%
12 Mo Total Return	65.5%	2.7%
Momentum Grade	B	C
3 Yr Avg Tot Ret	64.1%	17.8%
5 Yr Avg Tot Ret	21.5%	-1.7%
10 Yr Avg Tot Ret	10.9%	1.6%
Performance Grade	A-	C
2008 Total Return	-47.7%	-38.5%
Safety Grade	C-	C

4. Overall Grade

Gunderson Stock Grade

A-

Overall Ranking: 44 / 2673

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Data from Bill Gunderson's best Stocks Now App

O S I Systems (OSIS) develops medical monitoring and anesthesia systems, security and inspection systems and optoelectronic devices. The company is headquartered in Hawthorne California and currently has a market capitalization of \$1.1 billion (small-cap).

The stock has been a runaway freight train recently and has gotten a bit over-valued, but I think we could see multiple expansion going forward.



One year chart of OSIS

O SI is best known for its Rapiscan scanning systems. In fact, they are the global leader in this area. Have you been scanned lately? If not, you have not been to the airport, Qualcomm Stadium, the San Diego County Fair, etc., etc. I don't think that the world is getting any safer and I would not be surprised if O S I is not a \$2 billion dollar company several years from now.

Previously featured stocks: (As of 1/20/2012)

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I have been featuring stocks in my newsletter for over five years now. The average featured stock of the week has beaten the S & P 500 by 21.1%. The list above is the current active list. The stocks that have been deleted from this list are listed later in the newsletter.



Global Markets as of 1/20/2012

		<u>2012 ytd</u>
India	INP	16.5%
Brazil	EWZ	13.3%
Vietnam	VNM	12.4%
China	FXI	10.9%
Emerging Mkts.	ADRE	10.1%
Chile	CH	9.4%
Peru	EPU	8.6%
Russia	RSX	8.6%
Mexico	EWX	6.5%
Europe	EFA	4.8%
Canada	EWC	4.3%
Japan	EWJ	3.7%
Thailand	THD	3.5%

Don't look now, but here come the international and emerging markets! India and Brazil are suddenly on fire. I will be looking for ways to get some exposure in these markets going forward. I still have decent exposure to Brazil. The news out of China on Monday was good for these markets.



Commodities as of 1/20/2012

		<u>2012 YTD</u>
Steel	SLX	14.3%
Silver	SLV	15.9%
Copper	JJC	9.6%
Gold	GLD	6.6%
Cotton	BAL	7.9%
Coal	KOL	7.9%
Oil	USO	-0.9%
Grains	JJG	-4.6%

Commodities are also off to a good start in 2012. This is a good sign for the overall market. It is good to see copper up 9.6% so far this year. Copper is good indicator of the overall global economy. It is also good to see the steel stocks starting to rebound after a miserable year last year. Silver also had a mini breakout this past week.

Bill Gunderson's Current Basic Recommended 401-k Allocation

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WORST STOCKS NOW! Short Ideas

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Shorting stocks is merely the practice of borrowing and selling a stock today and selling at a later date. Borrowing and buying First Solar on May 27, 2011 at its then price of \$121.37 has netted a profit of 68.3% so far! Buying puts is also a good way to go. Sears got absolutely hammered earlier this week. I saw that one coming from a mile away!

These are the stocks that I have deleted from my Conservative Model Portfolio so far this year.

These are the stocks that I have deleted from my INCOME Model Portfolio so far this year.

These are the stocks that I have eliminated from my Aggressive Portfolio this year:

If you are looking for a good CPA to do some tax-planning or financial planning, give Randy Goodsell a call. Randy has been my CPA for many years. Randy is a frequent guest on my daily radio show. Randy can be reached at (619)238-4343. His website is

<http://www.goodsellcpa.com>

Scott Voak, our show's Real Estate expert continues to find double-digit returns on income properties all throughout San Diego. You can reach Scott at (888)311-6311. Scott's website is

<http://www.voakhomes.com> covered a lot of interesting topics on my daily radio this past week. To listen to the archives, you can visit <http://www.pwstreet.com/radio-show-archives>

I also noted several stocks that looked very good this past week on my website

<http://www.pwstreet.com/stocks-of-the-day/>

To download my Best Stocks Now App, visit the Apple Store

<http://itunes.apple.com/us/app/best-stocks-now-lite/id438336421?mt=8>

We are working really hard to try to get the Android version of the app ready by Thanksgiving and the PC version ready by the end of the year.

I wrote several articles for on individual stocks this past week. Visit <http://www.seekingalpha.com> to read them.

To order my book BEST STOCKS NOW-Click Here:

<http://pwstreet.com/book/>

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