

Bill Gunderson's Weekly "Best Stocks Now" Newsletter

Straightforward, honest research for successful people...

February 3, 2012



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

We now have a full-blown rally under way! Readers of my weekly newsletter should not be surprised, as I have been pointing out big changes in the market over the last few months. This has become a *risk-on* market that is favoring small-cap, technology, biotech, growth, and emerging market stocks. This is a big change from the large-cap dividend paying market that we had last year.

The non-farm payroll report came in better than expected on Friday and this helped the week end with a big bang. Planned layoffs are up 40% over this same time last year, however. It seems that the voters will decide in November as to the health of our economy and the direction of our country.

I reminded my children who are in college that Mark Zuckerberg invented Facebook in his dorm room. He will be worth a cool \$16 billion when the company goes public. He also created over 1,000 millionaires. Here is how the markets fared for the week:

	Fri. 1/27/12	Fri. 2/3/12	Week	Week Pct.
	CLOSE	CLOSE	Change	Change
S&P500	1316.32	1342.50	26.18	1.99%
DJIA	12,660.46	12,838.58	178.12	1.41%
NASD	2816.55	2902.97	86.42	3.07%
S&P600 (Small)	444.79	463.73	18.94	4.26%
Emg. Mkts (ADRE)	42.80	43.86	1.06	2.48%
10yr Bd.	1.90%	1.95%	0.05%	2.63%
Oil	99.66	97.70	-1.96	-1.97%
Gold	1735.50	1727.50	-8.00	-0.46%

As you can see, once again the Nasdaq and the S & P 500 small-cap index fared the best for the week. Take a look at a current chart of the Russell 2000 small-cap index:



The small-caps broke out of an ascending triangle back in January and have not looked back since. Beware of resistance ahead, however. Interest rates drifted a bit higher for the week, while gold and oil held steady. The emerging markets continue to emerge in a big way.

Here is where the markets stand year-to-date:

	12/31/11	Fri. 2/3/12	2012	YTD Pct.
	Value	Close	YTD	Change
S&P500	1260.37	1342.50	82.13	6.52%
DJIA	12,239.74	12,838.58	598.84	4.89%
NASD	2610.68	2902.97	292.29	11.20%
S&P600 (Small)	415.07	463.73	48.66	11.72%
Emg. Mkts (ADRE)	39.89	43.86	3.97	9.95%
10yr Bd.	1.87%	1.95%	0.08%	4.28%
Oil	98.87	97.70	-1.17	-1.18%
Gold	1565.90	1727.50	161.60	10.32%

The Nasdaq is up an eye-popping 11.2% so far this year, while the S &P 600 small-cap index is up 11.7%. Emerging markets are up 9.9%, while the much tamer S &P 500 is up 6.5% year-to-date.

This past week also saw the debt ceiling in the United States raised by another \$1.2 trillion, this works out to \$3,843 for every man, woman, and child in America. Earnings for the most part continue to come in better than expected with the notable exception of Amazon.com. I wrote an [article](#) back in December warning of Amazon's extremely high PE ratio. You may want to check it out, it is a good lesson on valuation.

Amazon was down 10% after their disappointing earnings report earlier this week. The PE ratio of Amazon is still ridiculous at 133! Pardon me while I grab a Kleenex, I think I am getting a nosebleed. By contrast, tech giants like Apple, Ebay, and Google trade around 16 times earnings. Why the pedestal for Amazon? I followed up with another [article](#) about Amazon after the earnings miss. Caution, do not try to short Amazon however, as the *greater fool theory* is still in place!

This week we will get earnings reports from companies like AGNC, Anadarko, Hasbro, Humana, Viasat, Yum! Brands, Coca-Cola, Panera Bread, Disney, Cisco, Sprint, Alexion, and Lufkin Ind. to name a few.

Here is current one-year chart of the Dow Jones Industrial Average:



Notice that the Dow is now hitting resistance. It could easily blow through that resistance, but it would not surprise me to see some profit-taking set in. We do not have a lot of real big earnings reports coming up this week and many stocks are quite extended right now.

Here is a current one-year chart of the Nasdaq:



The Nasdaq broke out on Friday, but on a short-term basis, it too looks extended here. Now let's look at a five-year chart of the S & P 500:



The S & P 500 has a long way to run before it gets back to its 2008 level of 1575. The S&P 500 closed at 1,335 today. I think we still have significant upside potential in the equity markets this year, barring some big, unforeseen event.

Lastly, let's look at a current chart of the U. S. Dollar (UUP):



The U.S. Dollar has been selling off over the last four weeks. This has been bullish for our market, the foreign markets, and commodities. As you can see however, the Dollar has landed on support for now, and may be ready to rebound a bit. This too would cause some profit-taking in the markets.

I remain extremely BULLISH, but have turned short-term cautious however.

**THE BEST STOCKS
NOW! 2011**
UNCONVENTIONAL PICKS FROM A PRO
The list will **shock** you! | By Bill Gunderson

Professional money manager
and radio talk show host's
best secrets revealed

As not seen on TV. Advice you
won't hear from the analysts
on the business networks

Why sitting on the sidelines
may be hurting your portfolio

How to own stocks of
today and not yesterday

Do your stocks
make the grade?

Spring/Summer
2011 Edition

Presenting the
Gunderson
grading system
Is it time to get back in?

Coming up on the one-year anniversary of my book, the 53 stocks that I chose are ahead of the market by 6.1%

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.

THIS SECTION FOR CLIENTS AND SUBSCRIBERS ONLY

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-averse 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 an [article](#) that I wrote on Nation Health Investors (NHI) this past week for *Seeking Alpha*. It has been a very healthy *income and growth* stock over the years.

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 7.1%. 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 obviously 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 carries more risk than the aforementioned ones.

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

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Bill Gunderson's Featured Stock of the Week 2/3/2012

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:

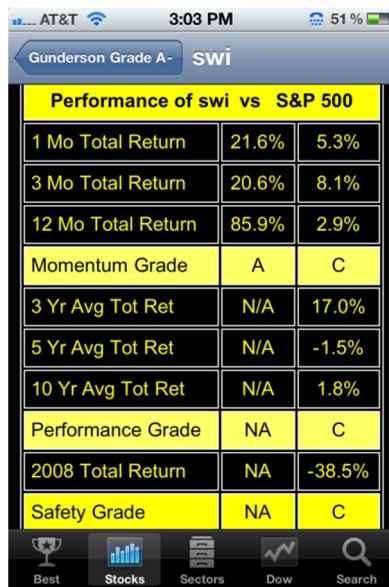
1. Description

Solarwinds Inc.	
Sector	Technology
Market Cap	2,530,000,000
Size	Mid-Cap
Risk Profile	Aggressive
Valuation 02/03/12	
Last Closing Price	\$34.66
Last Change	2.03
Next Yr EPS Est	\$1.13
Forward PE Ratio	30.67

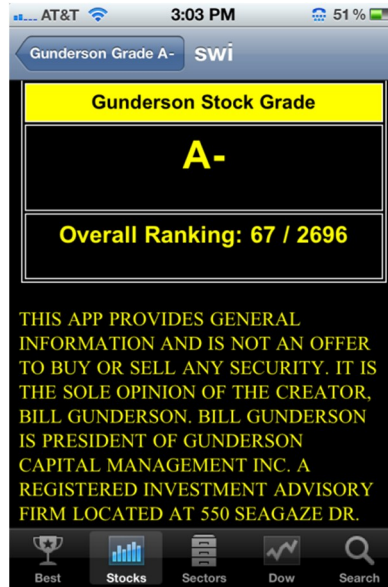
2. Valuation

Valuation 02/03/12	
Last Closing Price	\$34.66
Last Change	2.03
Next Yr EPS Est	\$1.13
Forward PE Ratio	30.67
Est 5Yr Annual Gr	20.00%
5Year Target Price	\$60.92
Dividend Yield	0.00%
5Yr Tot Ret Pot	75.8%
Gunderson Value Grade	
B-	

3. Performance



4. Overall Grade



Data from Bill Gunderson's best Stocks Now App

No, Gunderson has not lost his mind, Solarwinds is not a Green Energy stock. Instead, they develop network management software used by companies to identify and solve network performance issue. This mid-cap company is located in Austin, Texas and it has a terrific chart right now.

Here is a one-year chart of Solarwinds:



The stock has gotten ahead of itself a bit, but with the sudden interest in tech and aggressive growth stocks, I think it could continue to rally for quite some time.

Previously featured stocks: (As of 2/3/2012)

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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 21.3%. 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 2/3/2012-On Fire!

		<u>2012 ytd</u>
India	INP	29.6%
Vietnam	VNM	23.6%
Russia	RSX	19.4%
Brazil	EWZ	19.1%
Peru	EPU	17.4%
Emerging Mkts.	ADRE	15.2%
China	FXI	13.6%
Chile	CH	13.4%
Mexico	EWW	13.2%
Thailand	THD	11.2%
Europe	EFA	8.8%
Canada	EWC	8.2%
Japan	EWJ	6.3%

The Global markets continue on fire. Right now, the U.S. is the worst market in the world. Take a look at a chart of India (INP) an Brazil (EWZ).



Notice the trend reversal in this one-year chart of India.



Notice the breakout in the one-year chart of Brazil.



Commodities as of 2/3/2012

		<u>2012 YTD</u>
Steel	SLX	22.8%
Silver	SLV	21.0%
Coal	KOL	15.7%
Copper	JJC	14.2%
Gold	GLD	10.4%
Cotton	BAL	6.0%
Grains	JJG	0.8%
Oil	USO	-1.6%

Commodities continue to sizzle with the sell-off in the U.S. dollar. We are overdue for a correction however. I would look to get in on some kind of pullback. Here is one-year chart of Copper (JJC).



Notice the breakout of an ascending triangle. Copper is great indicator of the Global Economy.

Bill Gunderson's Current Basic Recommended 401-k Allocation

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WORST STOCKS NOW! Short Ideas

This section for clients and subscribers only.

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 62.53% ! Buying puts is also a good way to go.

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

To order my book BEST STOCKS NOW-Click Here:

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