

Bill Gunderson's Weekly "Best Stocks Now" Newsletter

Straightforward, honest research and advice for successful people...

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Bill@pwstreet.com Let me hear from you!

September 28, 2012



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

Now the Hangover...

Two weeks ago the markets guzzled expensive French champagne on the tab of the responsible and austere European countries. Before the bubbly buzz wore off, Ben Bernanke bought another round of America's finest, courtesy of the U.S. taxpayers and consumers.



Note the chart of Spain below, first the celebration-then the hangover...



See in the graph below, the 5%-7% sell-off in Greece, Spain, and Italy after their big run upwards over the last several weeks. The slight sell off in the U.S markets this past week, was tame by comparison. Our bond market caught a nice bid, and was up for the week as interest rates dropped.

	Fri. 9/21/12	Fri. 9/28/12	Week	Week Pct.
	Close	Close	Change	Change
S&P500	1460.15	1440.67	-19.48	-1.33%
DJIA	13,579.37	13,435.13	-144.24	-1.06%
NASD	3179.96	3116.23	-63.73	-2.00%
S&P600 (Small)	478.10	468.00	-10.10	-2.11%
S&P400 (Mid-Cap)	1006.10	988.96	-17.14	-1.70%
Emg. Mkts (ADRE)	39.63	39.21	-0.42	-1.06%
Spain (EWP)	29.68	27.69	-1.99	-6.70%
Italy (EWI)	12.75	12.04	-0.71	-5.57%
Greece (GREK)	15.52	14.64	-0.88	-5.67%
U.S. 10yr. Tr.	1.76%	1.64%	-0.12%	6.82%
Greece 10yr. Bond	20.58%	20.58%	0.00%	0.00%
Italy 10yr. Bond	5.04%	5.04%	0.00%	0.00%
Spain 10yr. Bond	5.81%	5.81%	0.00%	0.00%
Oil	91.95	92.09	0.14	0.15%
Gold	1775.30	1778.50	3.20	0.18%

You can see from the chart below that the markets remain in a solid uptrend for now.



There is an awful lot out there on the horizon, however. On Wednesday we begin a series of four debates that could go a long ways toward determining our next president. This Friday we get the second to last non-farm payroll jobs report before the big election. Then of course, there is the big election coming up on Tuesday, November 6th.

If that is not enough, we have the big December 31st financial cliff looming out there. As of now we have no idea where capital gains taxes, taxes on dividends, or inheritance taxes will be. We will also have substantial cuts in government spending that will kick in automatically if nothing is done.



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Is it time to go to the sidelines and just sit in cash? I addressed this in an article that I wrote for **TheStreet.com** this past week.

The Street



Investing

Time to Go to Cash in Your 401(k)?

<http://www.thestreet.com/story/11718722/1/time-to-go-to-cash-in-your-401k.html>

The answer to this question lies in the fact that many of the leading stocks in the market continue to hit new highs, helped along by Ben Bernanke's monstrous printing press. I think he knew that many investors would be thinking about this very subject as November approached. I was more than likely a big factor in his decision.

That is not to say that things can't change very rapidly, however. As always, I will be ever vigilant for any signs of an approaching storm and I will continue to take it one stock and one day at a time.

For now, we are entering into a new market cycle that is favoring gold, silver, small-caps, emerging market debt, biotechs, homebuilders, and mid-caps. These are sectors that do well when the dollar is dropping.

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

	12/31/11	Fri. 9/28/12	2012	YTD Pct.
	Value	Close	YTD	Change
S&P500	1257.60	1440.67	183.07	14.56%
DJIA	12,239.74	13,435.13	1195.39	9.77%
NASD	2610.68	3116.23	505.55	19.36%
S&P600 (Small)	415.07	468.00	52.93	12.75%
S&P400 (Mid-Cap)	879.16	970.16	91.00	10.35%
Emg. Mkts (ADRE)	39.89	39.21	-0.68	-1.70%
Spain (EWP)	30.37	27.69	-2.68	-8.82%
U.S. 10yr. Tr.	1.87%	1.64%	-0.23%	12.30%
Spain 10yr. Bond	5.22%	5.81%	0.59%	-11.30%
Oil	98.87	92.09	-6.78	-6.86%
Gold	1565.90	1778.50	212.60	13.58%

As you can see, the U.S. markets are still well in the green as the third quarter of 2012 comes to a close.

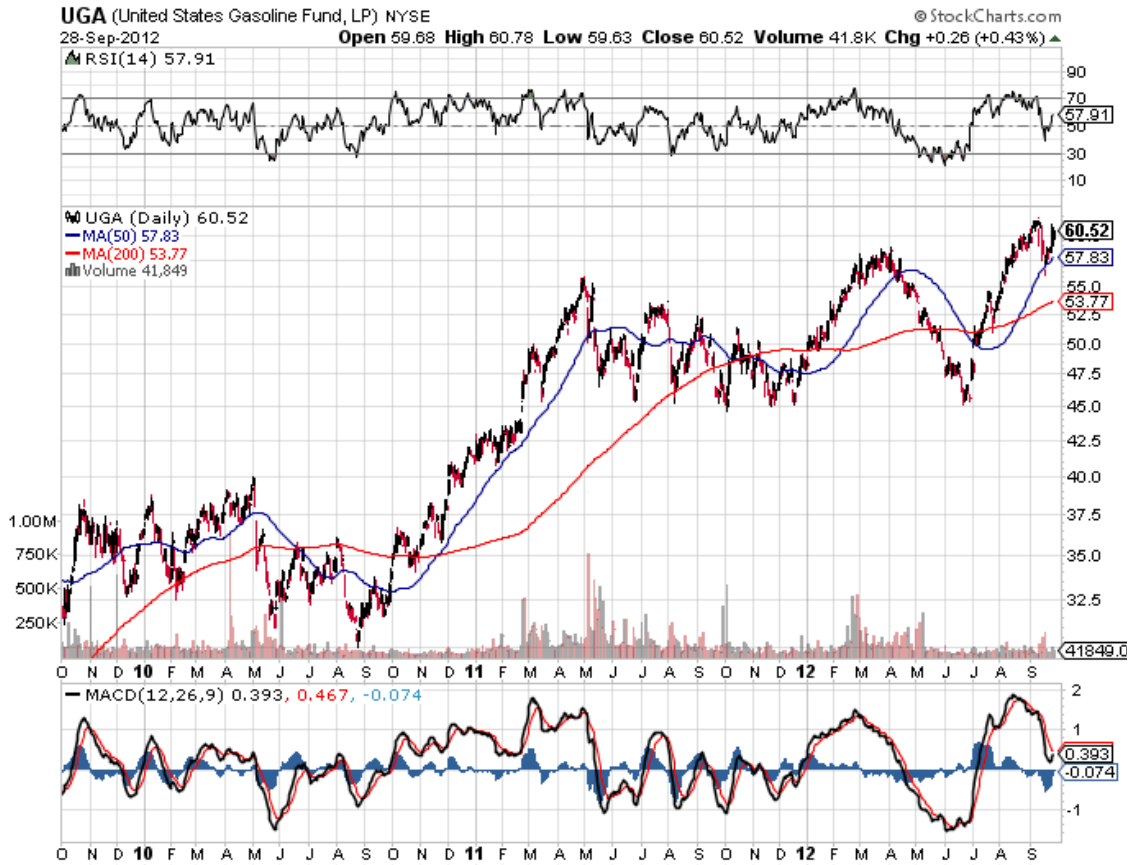
Here is what our U.S. dollar currently looks like...



Here is how gold currently looks...



In the meantime, gasoline continues to soar...



I think that it is prudent to put up a yellow caution flag right now. It is also vital to be invested in the **BEST STOCKS NOW...** wherever they may be!



@billgunderson



The S&P 500?

Please follow me on Twitter, Facebook, or LinkedIn throughout the week for any changes in my current stance on the market or individual stocks. My tweets are also found on my **BEST STOCKS NOW** app every day, and on the [homepage](#) of my website: <http://www.pwstreet.com>



My Best Stocks Now Radio Hour is heard on the Salem Broadcast Network every weekday from 7:00am to 8:00am PST.

You can listen live to the show on the internet through the station's websites:



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In addition to this we will also download the shows to the radio archives on my website <http://pwstreet.com> and send them to iTunes. There is no excuse to not keep up on your investments!



"Shhh! Gunderson's show is starting!"

Bill Gunderson's Model Portfolio for Conservative Growth Investors:



This model is made up of mostly mid-cap and large cap companies that I consider suitable for investors who have a conservative growth risk profile. Time

horizon of at least 3-5 years would be appropriate. This portfolio is up **16.2%** year-to-date (after all trading and mgt. fees, while the S & P 500 is up **14.4%** (as of 9:30am on Friday), and the Dow is up **9.9%**. I am selling...

THIS SECTION IS FOR CLIENTS AND SUBSCRIBERS ONLY

All changes made to the portfolio this year can be found later in the newsletter.

Bill Gunderson's Model Portfolio for Investors seeking AGGRESSIVE Growth



Are you Aggressive?

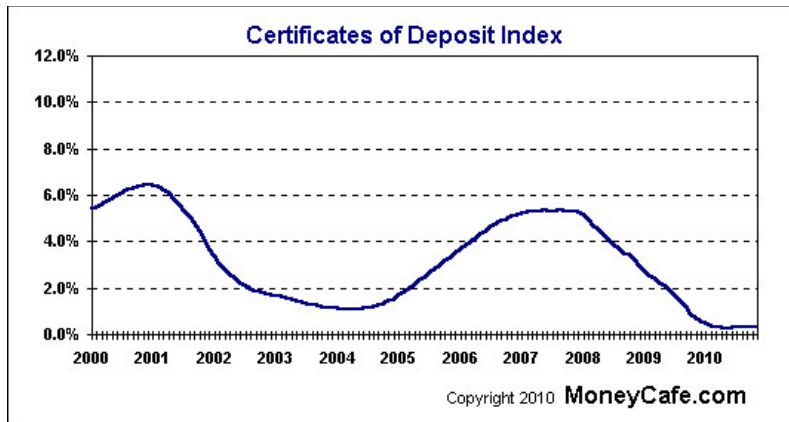
This is my most aggressive portfolio. It is designed for investors with long-term time horizons, seeking maximum growth. This portfolio is made up mainly of small and mid-cap stocks with superior growth potential.

This portfolio is much more volatile than the *Conservative Growth Portfolio* and the *Income/Growth Portfolio*. This portfolio also carries more risk than the other two. It also has a higher turnover rate. It also has the most upside potential, however.

This portfolio is up **15.0% YTD (after all trading fees and mgt. expenses)**, while the S & P 500 is up **14.7%** and the S&P 600 small-cap index is up **13.2%** Cash level is now **0.2%**. I am

THIS SECTION FOR CLIENTS AND SUBSCRIBERS ONLY

Bill Gunderson's Model Portfolio for investors seeking Income along with the possibility of Growth. This is a good mix for retirees who are seeking a CD alternative-albeit with greater risk.



Three-month CD rate chart

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. They also *underperform* during a go-go market, however. **It is also important to remember, that even very conservative, income producing stocks still fluctuate with the markets!**

This portfolio is designed as ***a bond or CD alternative***, albeit with more risk. This portfolio currently has an average yield of 5.6%. Compare this with the current U.S. Treasury yield of 1.8% and current CD yields.

This portfolio is up **14.1%** since its August 5, 2011 inception, not bad for an income account. The current yield is approximately **5.7%**. I am selling

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Bill Gunderson is a professional fee-based money manager. Gunderson Capital Management manages hundreds of accounts all across the country. Minimum account size is \$50,000. Annual Mgt. fees are 2% on accounts under \$250,000, 1.5%-1.75% on accounts between \$250k and \$1 million, and 1% on accounts over \$1 million. Call us for a portfolio evaluation and more info. (855)611-BEST.

Bill Gunderson is also columnist for *The Street.com*, *MarketWatch.com*, and *SeekingAlpha.com*. Here is a copy of this week's article.

The Street

MarketWatch
From **DOW JONES**

Seeking Alpha α

Look for a big BREAKING Solar Stock STORY in the NY POST on Monday!



I track just over 3,000 stocks, funds, eff's, etc. I spend several hours looking at them each day. I especially focus in on the ones I own, the stocks rising in rank, and the A- or better rated stocks (usually about the top 200). I like Performance and Value. Here is a good example of what I mean by this...

AT&T 4G 10:02 AM 52%

Search wpi

BEST STOCKS NOW! APP

Watson Pharmaceuticals

Sector	Drug
Market Cap	10,870,000,000
Size	Mid-Cap
Risk Profile	Moderate

Valuation 09/28/12

Last Closing Price	\$85.16
Next Yr EPS Est	\$8.10
Forward PE Ratio	10.51
Est 5Yr Annual Gr	12.58%

Best Stocks Sectors Dow Search

AT&T 4G 10:02 AM 52%

Search wpi

Valuation 09/28/12

Last Closing Price	\$85.16
Next Yr EPS Est	\$8.10
Forward PE Ratio	10.51
Est 5Yr Annual Gr	12.58%
PEG Ratio	0.84
5Year Target Price	\$142.76
Dividend Yield	0.00%
5Yr Tot Ret Pot	67.6%

Gunderson Value Grade

C-

Best Stocks Sectors Dow Search



I have had my eye on Watson Pharm. for several weeks. While it is not as highly rated as most stocks that I take a position in. I love the chart of the stock and the sector that it is in.



Watson Pharmaceuticals, Inc., a specialty pharmaceutical company, engages in the development, manufacture, marketing, sale, and distribution of generic and brand pharmaceutical products in the United States, western Europe, Canada, Australasia, Asia, South America, and South Africa. The company offers its products for therapeutic categories, such as central nervous system, cardiovascular, hormones and synthetic substitutes, anti-infective agents, and urology. It operates in

three segments: Global Generics, Global Brands, and Distribution. The Global Generics segment develops, manufactures, and sells generic pharmaceutical products, as well as distributes generic versions of third parties' brand products. This segment offers various dosage forms, such as oral solids, transdermals, injectables, inhalation products, and transmucosals for indications, including pregnancy prevention, pain management, depression, hypertension, and smoking cessation. The

Global Brands segment promotes and co-promotes Rapaflo, Gelnique, Trelstar, Androderm, Crinone, ella, INFeD, Generess, sodium ferric gluconate, AndroGel, and Femring branded products; and markets its products through sales professionals. It also sells various non-promoted products. The Distribution segment distributes generic and select brand pharmaceutical products, vaccines, injectables, and over-the-counter medicines to independent pharmacies, alternate care providers, pharmacy chains, and physicians' offices. The company sells its generic and brand pharmaceutical products primarily to drug wholesalers, retailers, and distributors, including national retail drug and food store chains, hospitals, clinics, mail order, government agencies, and managed healthcare providers, such as health maintenance organizations and other institutions. Watson Pharmaceuticals, Inc. was founded in 1983 and is headquartered in Parsippany, New Jersey.

Let's now do a quick top-down look at the overall market. We begin with my current ranking of the various asset classes and indexes:

Rank	Asset Class	Symbol
1	Silver	SLV-(44)
2	Gold Bullion	GLD-(374)
3	Goldminer's Index	GDX-(524)
4	Emerging Mkt. Debt Index	PCY-(679)
5	Gold denominated in U.S.	GTU-(717)
6	Smallcap Dividend Index (DES-(823)
7	Mid Cap Growth	IJK-(1119)
8	Largecap Dividend Index (DLN-(1129)
9	Commodity Index	

Rank	Index	Symbol
1	Nasdaq 100 Index	QQQ-(904)
2	Dow Jones Ind. Avg. Dia...	DIA-(1218)
3	S P 500 Sm. Cap Idx.	^SML-(1257)
4	S P 500 Spider	SPY-(1262)
5	Russell 2000 Index	IWM-(1267)
6	S P 400 Mid-Cap Index	^MID-(1455)
7	Russell 2000 Small Cap In	^RUT-(1474)
8	U.S. Treasuries 7-10 Yr I	IEF-(1497)
9	MLP Index - JP Morgan/AI	

The highest ranked asset classes are now dominated by the precious metals. Silver has stormed to the top. Emerging Market debt, small-caps, and mid-caps are next. Emerging market equities and bonds are absent. The NASDAQ, small and mid-cap indexes continue to sit at the top. International Indexes are still missing from the top tier.

Here is my current ranking of the sectors:



Data from Best Stocks Now App

Now we drill down further and take a look at my top 200 ranked stocks:

THIS SECTION FOR CLIENTS AND SUBSCRIBERS ONLY



Bill Gunderson's

Best Stocks Now

Top 200 as of 9/28/2012

		Three	Two	Six	One	Two	One	Yest.	Current	
		Mos. Ago	Mos. Ago	Wks. Ago	Mo. Ago	Wks. Ago	Wk. Ago	Rank	Rank	
		Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank	
B+	NEU	Newmarket Corp.	74	60	118	115	90	96	133	151
B+	PCLN	Priceline.com Inc	82	90	157	277	459	86	161	152
B+	PCN	PIMCO Corporate Income Fund	233	59	53	137	205	183	181	153
B+	DISCA	Discovery Holding Co.	69	386	242	172	216	155	183	154
B+	RVBD	Riverbed Technology	1399	2028	594	163	267	212	185	155
B+	AME	Ametek Inc	125	211	231	187	106	139	221	156
B+	AMT	American Tower Corp	41	54	112	164	78	202	222	157
B+	SWC	Stillwater Mining Co	2061	2332	1559	435	532	524	207	158
B+	URBN	Urban Outfitters Inc	813	297	370	240	69	127	155	159
B+	JHS	John Hancock Income Securities Trust	149	141	251	1136	452	342	296	160
B+	SBW	Western Asset Worldwide Income Fund Inc	300	194	284	527	365	445	160	161
B+	BSET	Bassett Furniture Inds	637	250	286	784	528	320	182	162
B+	XXIA	IXIA	585	559	445	199	341	265	69	163
B+	UGL	Gold Bullion 2X	0	0	0	0	0	0	273	164
B+	V	Visa Inc.	84	81	90	271	236	107	145	165
B+	SNSS	Sunesis Pharmaceuticals	1924	1684	1287	1240	888	346	163	166
B+	BGS	B & G Foods	61	108	37	42	65	80	102	167
B+	FORTY	Formula Systems Ltd Adr	537	1397	1276	1745	1632	631	165	168
B+	LKQ	LKQ Corp	78	209	125	94	81	207	166	169
B+	AYI	Acuity Brands Inc	851	253	220	112	107	153	146	170
B+	HCSG	Healthcare Services Grp Inc	315	217	320	488	333	720	210	171
B+	SCSS	Select Comfort Corp	1073	119	94	81	202	272	153	172
B+	SHOO	Stephen Madden	416	703	185	122	259	273	265	173
B+	POOL	Pool Corp.	204	392	431	263	159	145	109	174
B+	DX	Dynex Capital	94	82	180	170	60	112	169	175
B+	PKO	Pimco Income Opp. Fund	331	53	71	396	357	73	170	176
B+	PETM	Petsmart Inc	4	31	33	25	82	157	147	177
B+	UCC	Consumer Services Index 2X	2169	357	51	355	190		139	179
B+	GPS	Gap Inc Del	472	510	169	103	168	241	206	180
B+	IT	Gartner Inc CIA	92	36	29	34	32	16	251	181
B+	OKE	Oneok	238	285	203	390	403	260	177	182
B+	TREX	Trex Company Inc	438	353	764	449	174	262	113	183
B+	WAB	Wabtec Corp	176	190	129	62	114	152	287	184
B+	BIIB	Biogen Idec Inc	23	102	84	179	59	110	178	185
B+	DUSA	DUSA Pharmaceuticals	843	310	421	287	176	132	152	186
B+	ESRX	Express Scripts Inc	213	145	91	78	57	186	141	187
B+	KTCC	Key Tronic Corp	514	622	703	189	87	125	179	188
B+	NTES	Netease.Com Inc Adr	102	516	353	871	1235	1146	264	189
B+	MHD	BlackRock MuniHoldings Fund Inc.	337	76	238	915	1092	533	214	190
B+	TTF	Thai Fund	279	390	536	601	326	287	218	191
B+	AGNC	American Capital Agency	20	8	155	741	130	237	187	192
B+	GNC	G N C Holdings	85	52	247	479	104	64	345	193
B+	KSU	Kansas City Southern	171	213	162	72	55	46	168	194
B+	SAP	SAP Ag Adr	841	554	256	258	275	316	215	195
B+	FAST	Fastenal Co	389	96	50	195	200	98	190	196
B+	PDCE	Petroleum Dev Corp	2405	1348	2191	1285	227	245	217	197
B+	UTEK	Ultratech Inc	553	607	566	705	261	118	204	198
B+	GGG	Graco Inc	792	965	329	165	171	164	250	200

Bill Gunderson's Top 200 is a new feature in the newsletter. I can tell you from experience that it is very powerful. The Top 200 is a reflection of the market and the economy. These trends can remain in place for a long time. Sometimes bonds are at the top, sometimes cash is at the top, and there are even times when inverse funds rule the roost. Study this list carefully each week.

401-K Section

Everyone has different choices to them in their 401-ks. The choices basically fall into about broad categories however:

Large Cap, Mid-Cap, Small-Cap, Govt. Bond, Corp. Bond, Inflation Protected Bond, International, Emerging Market, and maybes sectors like technology, natural resources, etc.

I have added a number mutual funds to my **Best Stocks Now** database that are representative of the various categories of funds that are available in most 401k plans. I grade them on a daily basis. I only want to own funds that are ranked 850 or higher, overall.

Of the funds that I am tracking, here is my current basic recommendation. One change this week-I am getting rid of the 10% position in the REIT (real estate fund) and adding 5% to small-cap and 5% to Gold.

GUNDERSON				Suggested
Best Stocks Now				
401-K Allocation 9/28/12			Rank	Allocation
A-	BIPIX	Profunds Biotech Ultra	55	
A-	FBIOX	Fidelity Biotech	118	15.0%
A-	RYOIX	Rydex Biotech Class I	137	
A-	PRHSX	T. Rowe Price Health Science	143	15.0%
B+	TGLDX	Tocqueville Gold	231	
B+	FBDIX	Franklin Biotech Discovery	286	
B+	FBMPX	Fidelity Sel. Multimedia	368	10.0%
B+	UOPIX	Profunds Ultra NASDAQ	405	
B	FSHOX	Fidelity Select Const. & Housing	445	15.0%
B	FBTIX	Fidelity Advisor Biotechnology	472	
B	FSCRX	Fidelity Small Cap Discovery	508	15.0%
B	BUFOX	Buffalo Micro-Cap Fund	509	
B	FSAGX	Fidelity Select Gold	520	15.0%
B	FDFAX	Fidelity Select Consumer Staples	709	
B	FMFAX	Fidelity Materials A	746	
B	FDLSX	Fidelity Select Leisure	767	
B	BTTRX	Amer. Cent. Zero 2025	832	
B	FADTX	Fidelity Advisor Technology B	928	15.0%
B	PRPFX	Permanent Portfolio	957	
B-	FMKAX	Fidelity Adv. Emerging Markets A	1,005	
B-	RSNRX	R.S. Natural Resources	1,006	
				<u>100.0%</u>

INTERNATIONAL AND EMERGING MARKET WATCH:

As of September 28, 2012

		<u>2012 ytd</u>
Thailand	THD	26.2%
India	INP	25.9%
Mexico	EWW	21.6%
Peru	EPU	15.5%
United States	^GSPC	14.6%
Vietnam	VNM	10.3%
Russia	RSX	8.0%
Canada	EWC	7.1%
Europe	EFA	7.0%
Greece	GREK	4.4%
Emerging Mkts.	ADRE	3.0%
Chile	CH	2.3%
Japan	EWJ	0.7%
Italy	EWI	0.4%
China	FXI	-0.8%
Brazil	EWZ	-5.8%
Spain	EWP	-8.5%

COMMODITIES (as of Sept. 28, 2012)

Time to buy again!

		<u>2012 YTD</u>
Grains	JJG	33.6%
Gasoline	UGA	25.2%
Silver	SLV	24.2%
Corn	CORN	15.3%
Gold	GLD	13.1%
Copper	JJC	8.1%
Steel	SLX	-7.7%
Livestock	COW	-8.6%
Oil	USO	-10.5%
Cotton	BAL	-17.3%
Coal	KOL	-27.6%

Watch for Bill Gunderson on:



Here are snippets on all of the stocks I have talked about on my radio show, and articles that I have written over the last few months. They are in alphabetical order.

<http://pwstreet.com/good-bad-stocks/>

MORTGAGE RATES remain at all-time lows. "Craig Brock, our local mortgage expert and bond market commentator on Positively Wall Street is actually closing HARP-2 loans for people (while many banks are hopelessly backlogged). Are you under water on your property? These new rules are helping folks who may not have otherwise qualified for a new loan at these historic low rates!

Talk to Craig! (855) 900-EASY"

To order my book, Best Stocks Now, click the link below:

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