Bull and Bear Portfolio Update 11.17.2017

Model Guidance: No Changes for the Week

My short-term Bull & Bear Portfolio consists of 9 equally-weighted long positions and 3 equally-weighted short positions. Both the long and short stocks are selected from the Dow Jones Industrial Average. If the Dow advances over the period in which my 12-Dow stock portfolio is open, the model will make money with the stocks that advance and will lose money with the stocks that decline. And the opposite will prevail for the short stocks. Each week, I will review the model portfolio for potential changes. If no changes are required, I'll simply post no changes for the week. You can read more about my Bull & Bear Portfolio here.

Symbol	Description	L / S	Initial Investment	Starting Price	Qty L/S	Prior Day Close	Current Price	Current Value	% Chg. Day	% Chg. Inception
AAPL US	Apple Inc	Long	10,000.00	165.70	60.34	187.00	187.00	11,283.49	0.00	12.83

Symbol	Description	L / S	Initial Investment	Starting Price	Qty L/S	Prior Day Close	Current Price	Current Value	% Chg. Day	% Chg. Inception
CSCO US	Cisco Systems Inc	Long	10,000.00	44.10	226.81	43.50	43.50	9,857.11	0.00	-1.43
HD US	Home Depot Inc	Long	10,000.00	177.00	56.49	185.30	185.30	10,470.03	0.00	4.70
INTC US	Intel Corp	Long	10,000.00	51.50	194.06	54.80	54.20	10,523.97	-1.06	5.24
JPM US	Jpmorgan Chase & Co	Long	10,000.00	111.50	89.71	113.00	113.00	10,133.67	0.00	1.34
TRV US	Travelers Cos Inc/The	Long	10,000.00	136.80	73.08	130.70	130.70	9,552.76	0.00	-4.47
UNH US	Unitedhealth Group Inc	Long	10,000.00	235.10	42.54	243.00	243.00	10,336.08	0.00	3.36
UTX US	United Technologies Corp	Long	10,000.00	123.10	81.25	124.60	124.60	10,124.31	0.00	1.24
WMT US	Walmart Inc	Long	10,000.00	87.00	114.97	84.50	84.20	9,683.84	-0.31	-3.16
VZ US	Verizon Communications Inc	Long	10,000.00	47.90	208.77	47.90	47.90	9,989.56	0.00	-0.10
KO US	Coca-Cola Co/The	Short	-8,000.00	43.70	-182.90	42.30	42.30	-7,736.63	0.00	3.40
CVX US	Chevron Corp	Short	-8,000.00	122.30	-65.41	129.50	129.50	-8,467.66	0.00	-5.52
DWDP US	Dowdupont Inc	Short	-8,000.00	66.04	-121.14	68.16	68.16	-8,256.81	0.00	-3.11
MRK US	Merck & Co. Inc.	Short	-8,000.00	58.83	-135.99	59.07	59.07	-8,032.64	0.00	-0.41
IBM US	Intl Business Machines Corp	Short	-8,000.00	144.90	-55.21	144.50	144.50	-7,977.92	0.00	0.28
	Longs		100,000.00					101,955.00	-0.14	1.95
	Shorts		-40,000.00					-40,471.66	0.00	-1.17

Featured Company: General Electric (NYSE:GE)

America’s Most Venerable Blue-Chip No Longer

GE, America’s most venerable blue-chip industrial company, and the Dow’s oldest constituent, had what may be the company’s worst week on record this week. For only the second time since the Great Depression, GE announced a dividend cut. The 50% dividend cut was announced in conjunction with a restructuring program delivered by new CEO Jim Flannery on Monday.

Sadly, the dividend cut wasn’t the worst of the news. The restructuring program that Flannery hyped up for months fell flat with Wall Street. GE shares plunged during the presentation. After months of buildup, investors were looking for something spectacular, but Flannery delivered a plan for basic blocking and tackling that he could have announced the first week he took over as CEO.

He told shareholders, GE will focus on three primary areas moving forward, Power (in need of help), Aviation (today's crown jewel), and Health. GE will look to exit its remaining businesses.

Young Research has followed GE for decades and advised it on and off in *Intelligence Report*. GE has most often been a reliable dividend payer, with a rock-solid balance sheet, and a solid record of making regular annual dividend increases. The company did cut its dividend during the financial crisis as its finance arm had to tap government liquidity programs, but that looked like a one-off. Dividend growth resumed soon after the crisis passed.

GE has always had strong franchises, and it has been a market leader in the industries it has participated in. The company was one of *Fortune's* most admired companies for years and it was once viewed as America's best run big company. GEs managers were sought after to fill CEO roles, its management training program was the envy of corporate America, and it received high marks for efficiency and profitability.

GE still has strong franchises, but under the leadership of former CEO Jeff Immelt, GE's reputation has suffered immensely and so has its stock price. Immelt was a disaster. He waited too long to exit the financial business, then sold near the bottom and entered the oil business near the industry's top, only to participate in the oil downturn. You couldn't have done worse if you tried. Immelt also allowed expenses to inflate, and cash flow to dwindle, which led to the mess GE finds itself in today.

Flannery’s promise to maintain the dividend and his hype of the analyst meeting were obviously mistakes, but his back to basics plan for the company is a move in the right direction. GE needs to get simpler and more profitable. Unfortunately, that doesn’t happen overnight and Flannery’s plan isn’t without risk.

Turnarounds take time and often don’t go as smoothly as management or shareholders would like. For conservative investors and those in or nearing retirement, GE’s dividend cut and now significant execution risk are disqualifying. Predictability, reliability, dividend growth, and low-risk are what we look for in dividend stocks, and GE offers none of the above today.