

# ETF Selections & Timing

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## The Start or the End

When the stock market rolls over sharply like it has the last week, the question quickly comes up whether it is the beginning of a full-fledged bear market where eventual losses may range from -20% to -50% (or worse) from the peak or is it merely the pause

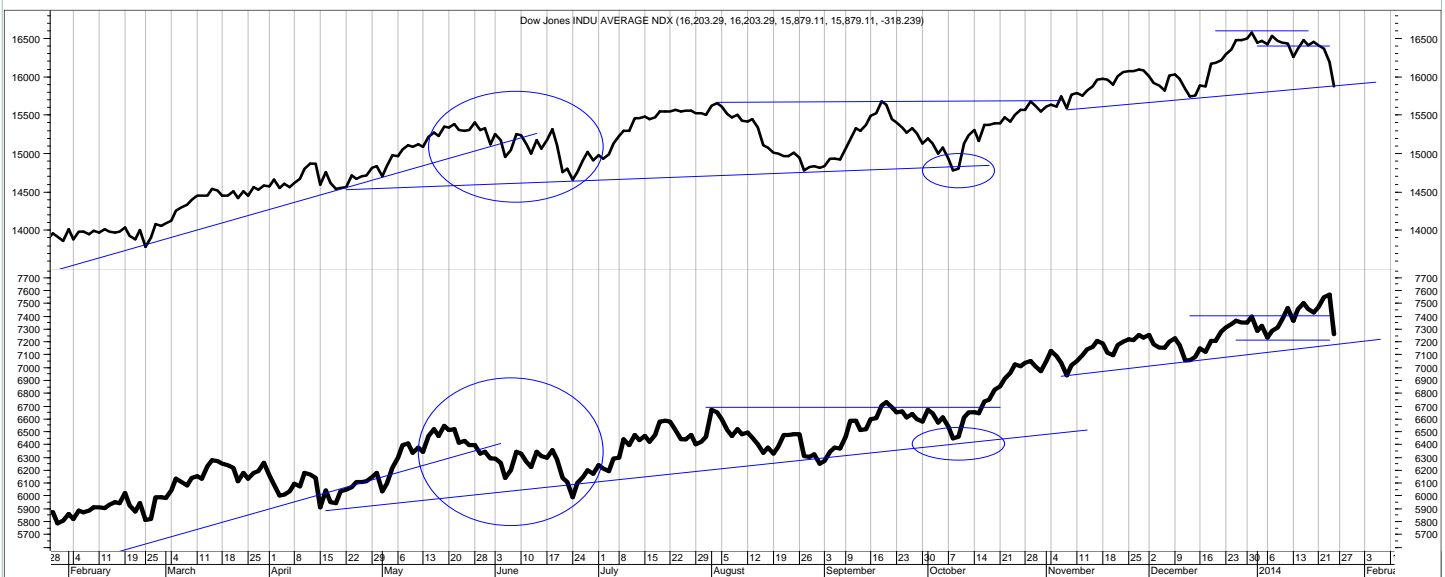
in the bull market that refreshes the soon continuation of the up-trend?

The market has met all of the criteria that have coincided with previous major tops. See last week's letter where I again mention the negative divergence in major indexes, Fed pulling

support (tapering), too bullish investor sentiment, rising interest rates, over valuation, over bought for more.

Just a note on Fed tapering versus Fed tightening. They aren't the same, but perhaps

*(Continued on bottom right on page 12 see REVIEW on top)*



This is the daily chart of the Dow Industrials (upper) and Dow Transports (lower)

## SCOREBOARD (returns year to date and past weeks to date)

Model	YTD	52-week	26-week	13-week	4-week	1-week
ETF Income Portfolio	0.0%	1.4%	1.2	-0.3	0.0	-0.8%
ETF Growth Portfolio	0.1%	18.4%	9.4	0.9	0.1	-1.8%
<b>Index</b>						
Aggrgt Bond (AGG)	1.1%	-0.5%	1.4	0.2	1.1	0.3%
S&P 500 TR (SPY)	-2.7%	21.5%	6.9	2.2	-2.7	-2.6%
World Growth Index	-2.5%	19.7%	8.2	1.2	-2.5	-2.5%

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# Income Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 1/24/2014							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Stop Loss as of 1/27	Description	Start Price	End Price	# of Shares	Current Value	Percent of Total
4-Dec	sell	AGG	106.68	537	57,277								0.0%
9-Dec	buy	AGG	106.76	537	57,340								
9-Dec	buy	PCY	26.86	2,120	56,953								
these two will move the portfolio to fully invested													
26-Dec	sell	AGG	106.39	537	57,121	JNK	40.20						
27-Jan	buy	JNK		285		PCY	26.80		26.86	26.87	2,129	57,207.04	49.7%
this will be about 10% of portfolio													
Money Market										1.00	57,796	57,796.00	50.3%
Total Valuation=												115,003.04	100.0%

## WEEKLY REVIEW

1/27 PCY getting close to its stop level. Buy JNK as noted above.

1/20 No changes.

1/13 No changes.

1/6 No portfolio changes.

12/30 Stopped out of AGG last week. Will stand aside for now (half in and half out).

12/23 Updated the stop level on PCY. These are tight because the economy is stronger than expected, thus rates should generally begin to increase.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Income Portfolio	4.8%	3.6	4.8	1.1	0.0	15.0
Aggregate Bond	6.4%	7.7	3.9	-2.2	1.1	17.8

This shows the total returns of previous years, year to date (ytd), and from inception (incptn). It also shows standard deviation (SD).

## ETF Income Database and Ranking to 8/30/13 (pending change)

<i>Fund Name</i>	<i>Symbol</i>	<i>Style</i>	<i>12m</i>	<i>9m</i>	<i>6m</i>	<i>3m</i>	<i>1m</i>	<i>V</i>	<i>NAV</i>	<i>Rank</i>
iShares 1-3yr Trsry	SHY	BS	0.03	0.03	-0.07	-0.03	-0.10	0.08	84.28	*****
Vngrd ShrtTrm Bond	BSV	BS	-0.19	-0.45	-0.60	-0.38	-0.27	0.23	79.96	*****
iShares 3-7yr Trsry	IEI	BI	-2.51	-2.67	-2.49	-1.82	-0.77	0.51	119.88	****
iShares Agg Bond	AGG	BI	-2.85	-3.32	-3.05	-2.12	-0.83	0.61	106.01	****
iShares Inter Bond	MBB	BI	-3.09	-2.81	-2.91	-1.77	-0.67	0.43	104.17	****
iShares Inter Gov	GVI	BI	-1.51	-2.04	-1.92	-1.35	-0.64	0.46	109.11	****
Wtree Dryfs Chns Yuan	CYB	BF	4.62	2.26	2.23	0.54	0.42	0.42	26.16	****
Currency Euro	FXE	BF	4.69	1.36	1.04	1.60	-0.68	1.85	130.84	***
iShares 10-20yr Trsry	TLH	BL	-8.69	-8.69	-6.33	-4.80	-0.97	1.55	123.42	**
iShares 7-10yr Trsry	IEF	BI	-6.40	-6.61	-5.56	-4.27	-1.42	1.08	100.26	**
iShares High Yld	HYG	BH	5.38	2.88	0.18	-0.17	-1.27	1.56	90.87	**
iShares Intrntl Tbond	IGOV	BW	-1.59	-3.73	-1.85	-0.50	-0.73	1.54	97.93	**
iShares Long Corp Bond	LQD	BL	-2.90	-4.84	-4.30	-3.17	-1.00	1.39	112.68	**
iShares Trsry Inflt	TIP	BI	-7.29	-8.84	-7.78	-4.71	-1.83	1.18	110.64	**
PS 1-30 Ldr Trsry	PLW	BI	-8.64	-8.31	-5.99	-4.31	-0.96	1.45	29.88	**
PS Bld America	BAB	BI	-5.98	-7.40	-8.54	-7.83	-1.41	1.59	27.14	**
PS DB Dollar Bearish	UDN	BF	-1.27	-2.51	0.04	1.65	-0.49	1.29	26.42	**
PS DB Dollar Bullish	UUP	BF	-0.49	1.23	-0.80	-1.86	0.41	1.28	22.19	**
PS DB G10 Currency	DBV	BF	-0.76	-4.00	-7.09	-6.64	-2.44	1.72	24.75	**
PS Fdmntl Hi Yield Corp	PHB	BH	3.25	1.31	-0.10	-0.99	-0.88	1.23	18.71	**
PS Insr CA Muni	PWZ	BI	-6.48	-9.21	-8.53	-7.65	-2.25	1.29	22.72	**
PS Insr NY Muni	PZT	BI	-9.02	-11.54	-10.28	-8.91	-2.61	1.51	21.68	**
PS Prfd	PGX	BF	-0.95	-2.38	-4.30	-4.81	-1.65	1.18	13.68	**
SPDR High Yield	JNK	BH	5.27	2.46	0.00	-0.75	-1.03	1.56	39.46	**
SPDR Intrntl TBond	BWX	BW	-4.13	-5.75	-2.63	-0.53	-1.15	1.48	56.79	**
Vngrd Intrmdt Bond	BND	BI	-2.94	-3.28	-2.96	-2.12	-0.86	0.62	79.99	**
Wtree Dryfs Comdty Cur	CCX	BF	-6.19	-7.08	-8.09	-3.79	-2.15	1.55	19.55	**
Wtree Dryfs Emrg Crrncy	CEW	BF	-3.44	-5.57	-6.78	-3.77	-2.82	1.44	19.65	**
iShares 20+ yr Trsry	TLT	BL	-14.79	-13.35	-9.34	-6.72	-1.34	2.46	105.71	**
PS Emrg Mrkt Svrgn Debt	PCY	BW	-8.80	-13.37	-11.06	-7.86	-3.36	2.67	26.24	**
PS Insr Natl Muni	PZA	BI	-8.56	-11.75	-10.49	-9.01	-1.56	1.56	22.52	**
Wtree Dryfs Brazil Real	BZF	BF	-10.67	-7.36	-15.28	-9.16	-3.29	2.37	16.75	**
Wtree Emrg Mrkt Lcl Debt	ELD	BF	-7.81	-11.12	-12.85	-8.94	-4.35	2.09	45.45	**
Wtree Dryfs Indn Rupee	ICN	BF	-11.22	-13.71	-15.13	-13.34	-5.23	2.58	18.12	*

This is the ETF Income Database and Ranking. It shows performance over the last 12, 9, 6, 3, and 1 months through the previous month's end. V is Volatility. NAV is price. CS is Comet Strength (not shown). C is Comet (not shown), which is an ETF's risk-adjusted performance; the higher the better. V, CS, and C are proprietary tools. Rank column shows the number of comets.

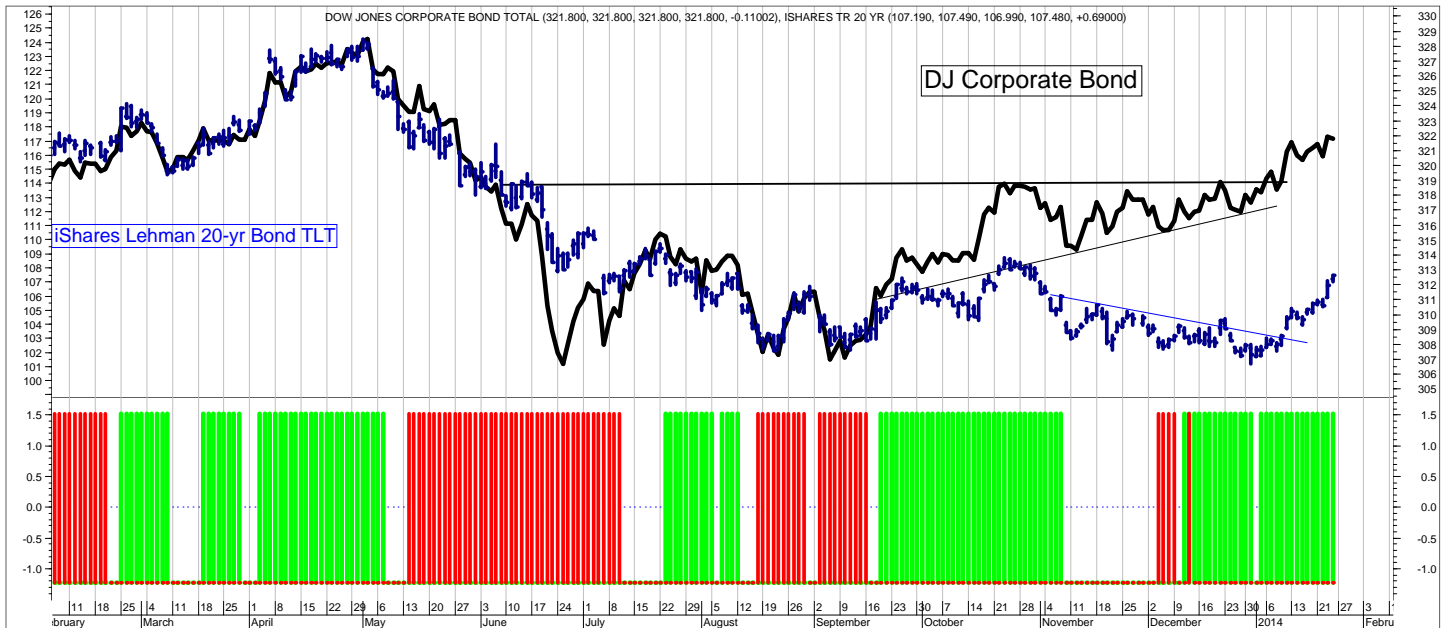
### ETF LEGEND for pages 3 (Bond), and 7, 8, 9, and 10 (Equity):

Column headings: The first column shows the ETF name, the second column shows its symbol. The third column shows the ETF Style. The first letter is always either B (Bond) or E (Equity) or H (Hybrid). The next letter(s) is the style. So, BS-bond short, BI-bond intermediate, BL-bond long, BF-flexible, BW-world, BH-high yield. And for Equity, EA-equity aggressive, EC-equity contrary, EG-equity gold (precious metals), ESC-small cap, EMC-mid cap, ELC-large cap, EW-world, EGI-growth/income, ERE-real estate, EV-value.

Columns 4-8 show percentage returns for the periods shown (12 months, 9, 6, 3, and 1 month). Column 9 is V (volatility); a measure of risk; the lower the V, the less risk. Column 10 is the NAV. Column 11 is the C (comet) ranking. C is the risk-adjusted (V) relative performance (CS). The higher the C indicates the most return for the amount of risk taken.

Generally, our ETF strategy is to own the top ranked ETFs (shown in green) and avoid or short the lower ranked ETFs (shown in red).

# SLM Bond Timing Model



The SLM Bond Timing Model is based on the expected direction of the Corporate Bond market. The green bars are bullish (expect higher prices and lower yields) and the red bars are bearish (expect lower prices and higher yields). White spaces indicate that the previous signal is still in effect.

## WEEKLY REVIEW

1/27 No changes.

1/20 No changes.

1/13 Bond prices look like they've broken to the upside (lower rates). If we get a pullback, I expect to reenter.

1/6 Corporates rallied back to resistance. As you can see on the chart above, the "spring" is tightening. Which way will it go? Best estimate is downward for prices and up for yields.

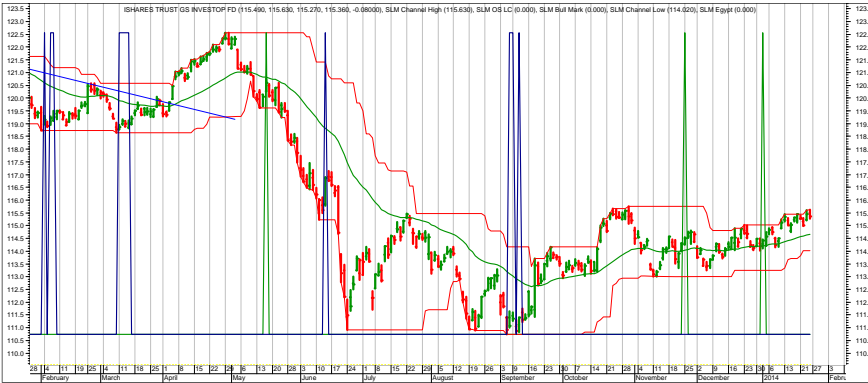
12/30 Corporate bonds fell back from their attempted "break out" last week. Remain cautious.

12/23 Bonds rallied on the taper news. I will maintain close stops however.

12/16 No changes. Watch the close stops noted on page 2.

12/9 Bonds may be at a cross road. If the Fed announces its tapering program, presumably bonds will sell off quickly and sharply. If it doesn't, they should rally for a bit longer.

# Income Charts (DAILY)



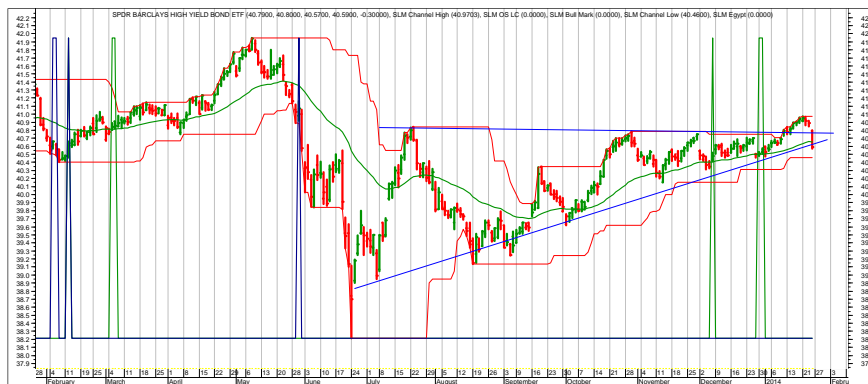
## LQD—Investment Grade Corporate

1/27 Watching for a pullback.  
 1/20 No changes.  
 1/13 No changes.  
 1/6 No changes.  
 12/30 No changes.  
 12/23 Slight rally.  
 12/16 No changes.  
 12/9 No changes.  
 11/2 No changes.



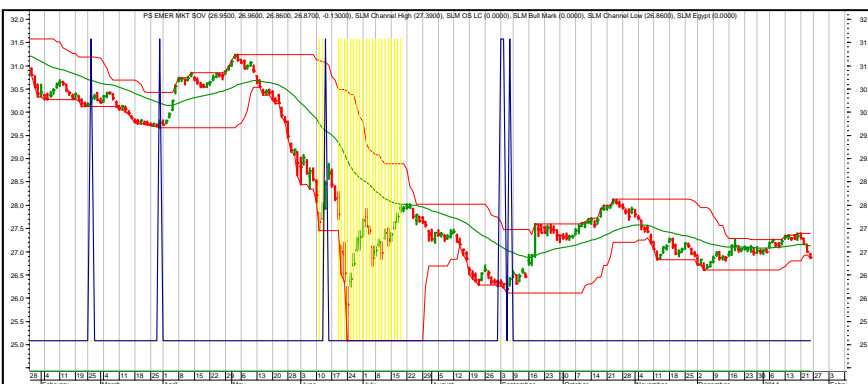
## AGG—Aggregate Bond Market

1/27 Watching for a pullback.  
 1/20 No changes.  
 1/13 No changes.  
 1/6 No changes.  
 12/30 Corporates and Treasuries comprise AGG, so with tapering, Treasuries are getting hit, so too AGG.  
 12/23 Expecting more.



## JNK—hi-yield bonds

1/27 Will nibble on JNK on its pullback.  
 1/20 Junk (hi-yield) bonds may be in a sweet spot with a stronger economy, if rates don't spear higher, but only drift higher over the years.  
 1/13 Possible break to the upside.  
 1/6 Like corporates, hi-yield is winding a spring before a breakout. And like corporates, expect the result to be down.



## PCY—International Bonds

1/27 Watch the stop level.  
 1/20 Still expecting more rally.  
 1/13 No changes.  
 1/6 Still long. International Central Banks are still easing.  
 12/30 Watch stop. Still expect rally.  
 12/23 Expecting more.  
 12/16 Monitor close stop on page 2.  
 12/9 Buy as shown on page 2.

Each chart shows daily (or weekly if noted in page title at top) prices, a moving average (smoothed green line on price portion), and blue or green spikes. The spikes show potential buy signals. The red lines are price channels. The charts do not show sell signals.

# Growth Portfolio (changed as of 12/10/12, 9/23/13)

ACTION FOR			PORTFOLIO DETAILS			Value as of date:				1/24/2014			
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Stop Loss	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
30-Dec	sell	PGJ	30.12	258	7,751	<b>World Growth</b>							
30-Dec	buy	EWP	38.48	201	7,744	EEM		Emrg Mrkt	43.03	38.24	180.980	6,920.68	4.9%
buy will be about 5.5% of total portfolio						EFA		Euro Asia	55.55	64.85	117.210	7,601.07	5.3%
6-Jan	sell	EWP	37.94	204	7,731	IWM		Rusl 2000	82.54	113.45	71.340	8,093.52	5.7%
6-Jan	buy	CSD	44.37	174	7,730	QQQ		Nsdq 100	65.12	86.74	96.680	8,386.02	5.9%
buy will be about 5.5% of total portfolio						SPY		S&P 500	142.47	178.89	45.130	8,073.31	5.7%
						<b>C-lect 5</b>							
13-Jan	sell	PNQI	66.85	118	7,878	DFE			53.54	58.26	145.490	8,476.25	6.0%
13-Jan	buy	PJP	54.92	142	7,809	PSCH			53.97	55.50	140.000	7,770.00	5.5%
13-Jan	sell	CSD	44.26	176.27	7,792	GULF			21.33	21.23	381.000	8,088.63	5.7%
13-Jan	buy	PBD	12.66	620	7,859	PJP			54.92	54.84	142.000	7,787.28	5.5%
buys will be roughly 5.5% of total portfolio						TAN			30.50	37.46	233.390	8,742.79	6.1%
21-Jan	sell	PBD	12.87	620	7,969	Two potential ways to sell: stop loss about 6.5% lower or timing model signals sell							
21-Jan	buy	GULF	21.33	381	8,137	Two potential ways to buy: "lower-risk window" may open or timing model signals buy.							
buy will be about 5.5% of total portfolio						<b>C-lect Short</b> (under construction)							
						<b>Cash from short</b>							
						1.00 - - 0.0%							
						<b>Money Market</b>							
						1.00 62,304 62,304.00 43.8%							
						Total Valuation= 142,243.54 100.0%							

## WEEKLY REVIEW

1/27 No changes. Stop loss narrowing to 6.5%. The "window to buy" is still closed, though getting close to opening. The combination of these two things presents a lower risk opportunity to buy (loss to the stop is narrower and upside is greater).

1/21 Make the latest sell and buy as noted above. Window to buy still closed, though it is getting close to being cracked open. If it dows, we will look to reduce cash levels and increase exposure. This may sound counter to the market warnings I have been noting the past month or so, but I also mentioned the timing model is weighted more toward trends. Right now, the trend is still up.

1/13 Make the two sells and buys as shown above. Window to buy (additional shares) is still closed. Risk of a loss of 9% on new purchases is too wide to make additional buys. To buy more, will wait for a pullback and watch if timing model remains bullish.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Growth Portfolio	8.1%	6.9	-2.1	25.7	0.1	42.2
World Growth Index	17.2%	-4.1	15.1	30.5	-2.5	64.6

The ETF Growth Portfolio changed as of 12/10/12 and again 9/23/13. It is following the new World Growth Model (WGM), which uses the same 5 etfs (EEM, EFA, IWM, QQQ, SPY) as the World Growth Index (WGI). The difference between the two is WGM uses timing and WGI is always fully invested and WGI is rebalanced to 20% in each position daily (this accounts for the different returns when WGM is invested and held). Based on the successful back testing strategy, C-lect 5 was added to the portfolio. Returns are of previous years (to last Friday in year), year to date (ytd) (from last Friday in previous year), and from inception (incptn). It also shows standard deviation (SD). The green highlight (2013, 2014) is to highlight the aforementioned changes.

## ETF Rankings by C to previous week's end

<i>Fund Name</i>	<i>Symbol</i>	<i>Style</i>	<i>C</i>
PS Dynmc Pharma	PJP	EA	9.68
Wtree Eur SC Div	DFE	EW	9.13
Wtree Middle East Div	GULF	EW	8.96
PS S&P SmICap Hlth Care	PSCH	EA	6.96
Guggnhm Solar	TAN	EA	6.66
PS Aerospace & Def	PPA	EA	6.41
PS QQQ	QQQ	ELC	5.79
PS S&P SmICap Indstrils	PSCI	EA	5.74
Select SPDR Indl	XLI	EA	5.66
PS Gbl Clean Enrgy	PBD	EW	5.42
PS Dynmc Media	PBS	EA	5.33
iShares Spain	EW P	EW	5.27
PS Dyn Mrkt	PWC	ELC	5.15
PS Lux Nanotech	PXN	EA	5.09
Vngrd Tech	VGT	EA	5.07
iShares Germany Indx	EW G	EW	5.07
PS Dynmc Healthcare	PTH	EA	5.06
SPDR S&P Regional Banking	KRE	EA	5.00
PS Dyn OTC	PWO	ESC	5.00
PS Dynmc Lrg Cap Grth	PWB	ELC	4.76
PS NASDAQ Intrnt	PNQI	EA	4.72
PS S&P SmICap Cnsmr Dis	PSCD	EA	4.70
PS Dynmc Fncl	PFI	EA	4.65
Guggnhm Spin Off	CSD	EMC	4.55
Vngrd Health	VHT	EA	4.22
PS Gbl Listd Prvt Eqty	PSP	EW	4.11
Select SPDR Technlgy	XLK	EA	3.97
PS Dynmc Software	PSJ	EA	3.92
Guggnhm Shipping	SEA	EA	3.92
Select SPDR Health	XLV	EA	3.85
PS Cleantech	PZD	EA	3.61
PS MENA Frntr Countries	PMNA	EW	3.41
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	3.31
PS Dynmc Biotech	PBE	EA	3.31
PS S&P SmICap Mtrls	PSCM	EA	3.27
Guggnhm China Sml	HAO	EW R	3.25
iShares Italy Indx	EW I	EW	3.24
Select SPDR Cnsmr Disc	XLY	EA	3.18
PS Dynmc Energy Explor	PXE	EA	3.16
PS S&P SmICap Info Tech	PSCT	EA	3.16
Guggnhm RJ All	RYJ	ELC	3.12
PS Gbl Water	PIO	EW	3.07
PS Water Resources	PHO	EA	2.98
SPDR S&P Metals & Mining	XME	EA	2.94
Vngrd Cnsmr Dis	VCR	EA	2.87
iShares Russell 1000 Grwth Indx	IWF	ELC	2.80
Wtree MidCap Earn	EZM	EMC	2.69
PS Zacks Micro Cap	PZI	ESC	2.66
PS Dynmc Bldg Cnstrctn	PKB	EA	2.61
Wtree S&P 500	EPS	ELC	2.58

This page and the next three show the equity ETF database rankings from high to low based on C. C is Comet, which is the risk-adjusted relative performance; the higher the C ranking, the better. Comet, not stars, because comets come into and out of prominence over time.

The first column shows the name. The second column shows the symbol. The third column shows the style; it begins with E for Equity and then the style (A is aggressive, W is world, WR is world regional, SC is small cap, MC is mid cap, LC is large cap, GI is growth/income, V is value). The fourth column shows the C level.



## ETF Rankings by C to previous week's end

SPDR S&P Bank	KBE	EA	2.54
Vngrd Grth	VUG	ELC	2.51
PS Dynmc Basic MatrI	PYZ	EA	2.31
Vngrd Small Cap Value	VBR	ESC	2.31
PS WilderHill CIn Enrgy	PBW	EA	2.21
iShares EMU Indx	EZU	EW	2.17
Guggnhm Insdrr Sent	NFO	EMC	2.16
SPDR Euro Stoxx 50	FEZ	EW	2.16
PS Dynmc Semicndctr	PSI	EA	2.06
PS Dynmc Energy	PXI	EA	2.06
PS Buyback Achievers	PKW	EGI	2.01
Wtree Ttl Earn	EXT	ELC	2.00
US Natural Gas	UNG	EA	1.99
Guggnhm Gbl Wtr	CGW	EW	1.93
Vngrd Materials	VAW	EA	1.90
iShares Core S&P 500	IVV	ELC	1.83
Vngrd Extnd 4500	VXF	ELC	1.81
SPDR S&P 500	SPY	ELC	1.80
PS FTSE RAFI US 1500 Sml-Mid	PRFZ	EMC	1.78
PS Gldn Drgn USX China	PGJ	EW	1.77
iShares Russell 2000	IWM	ESC	1.73
Select SPDR MatrIs	XLB	EA	1.72
Vngrd TTL Stock	VTI	ELC	1.68
Wtree Intrntl SC Div	DLS	EW	1.67
Vngrd Large Cap	VV	ELC	1.66
PS WilderHill Prgsv Enrgy	PUW	EA	1.64
PS Dyn MagniQuant	PIQ	ELC	1.62
iShares S&P 100 Indx	OEF	ELC	1.59
Vngrd Small Cap	VB	ESC	1.49
iShares DJ US Home Constr.	ITB	EA	1.48
Select SPDR Financls	XLF	EA	1.40
PS Dynmc Technology	PTF	EA	1.32
iShares Slct Div	IDV	ELC	1.28
Wtree Sml Cap Div	DES	ESC	1.27
iShares Russell 2000 Value Indx	IWN	ESC	1.27
Vngrd Small Cap Grth	VBK	ESC	1.26
SPDR DJ Industrials	DIA	ELC	1.23
Wtree India	EPI	EW R	1.21
Market Vectors Semiconductor	SMH	EA	1.19
PS Dynmc Lrg Cap Value	PWV	ELC	1.12
PS Dynmc Leisure & Enter	PEJ	EA	1.08
PS BLDR Europe 100 ADR	ADRU	EW	0.96
Wtree DEFA Eqty Incm	DTH	EW	0.94
Wtree Intrntl Div Ex Fincl	DOO	EW	0.90
Vngrd European Indx	VGK	EW	0.90
PS DWA Tech Ldr	PDP	ELC	0.89
Vngrd Fincl Srv	VFH	EA	0.89
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	0.87
Guggnhm Timber	CUT	EA	0.83
PS S&P SmlCap Fincl	PSCF	EA	0.83
iShares Russell 1000 Value Indx	IWD	ELC	0.81
Vngrd MidCap Val	VO	EMC	0.73
iShares Europe 350	IEV	EW	0.73
iShares Core S&P Mid Cap	IJH	EMC	0.70
SPDR S&P Homebuilders	XHB	EA	0.67



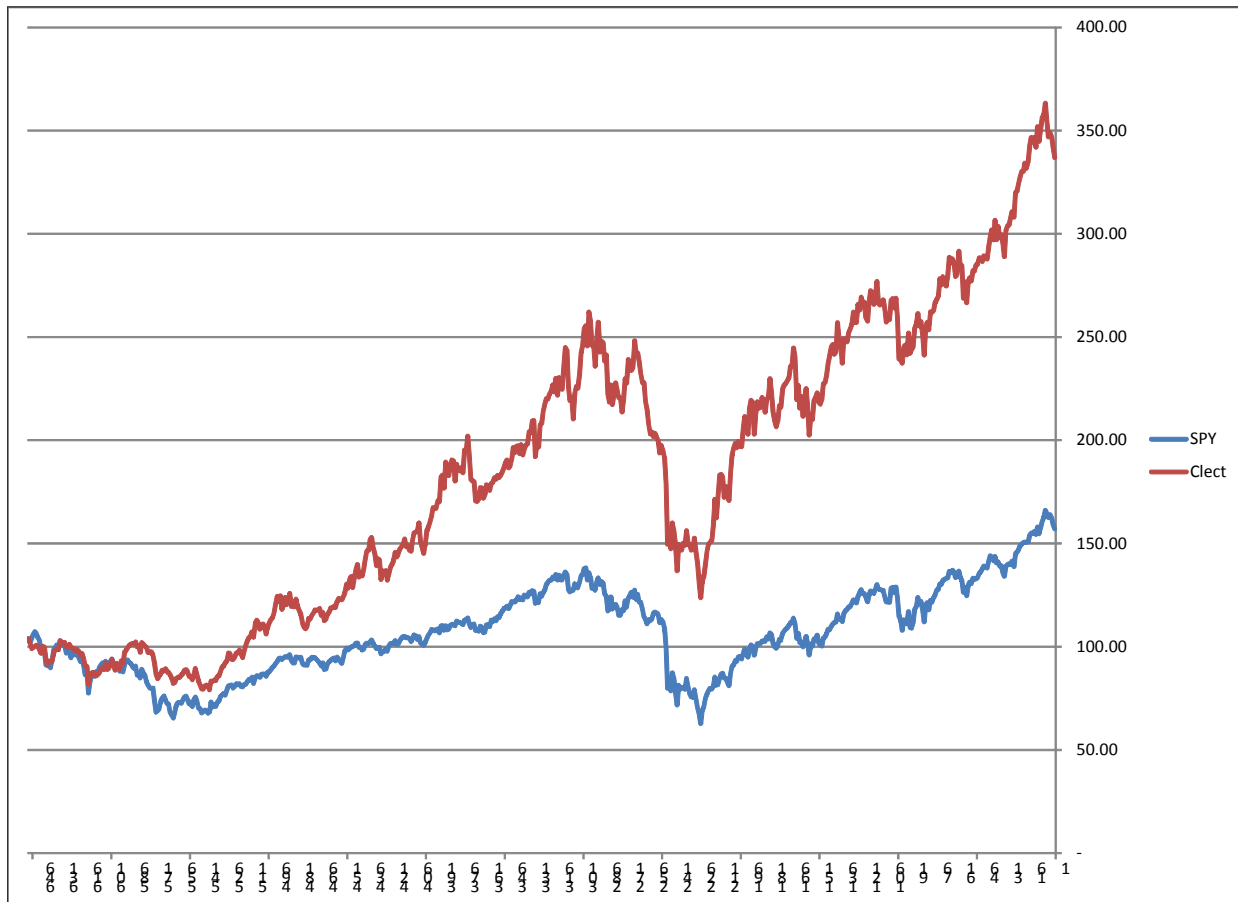
## ETF Rankings by C to previous week's end

PS S&P SmICap Utilities	PSCU	EA	0.66
PS Fincl Pfd	PGF	EGI	0.66
Wtree Japan Hedge Eqty	DXJ	EC	0.63
PS S&P SmICap Energy	PSCE	EA	0.60
SPDR Mid Cap Trust	MDY	EMC	0.60
SPDR S&P Retail	XRT	EA	0.58
iShares DJ Slct Div	DVY	EGI	0.55
iShares Prfrd	PFF	EGI	0.49
Guggnhm MidCap Core	CZA	EMC	0.48
Wtree Intrntl MC Div	DIM	EW	0.42
iShares Russel MidVal	IWS	EMC	0.41
PS Hi Yld Eqty Div	PEY	EGI	0.39
Wtree DEFA	DWM	EW	0.38
PS Dynmc Networking	PXQ	EA	0.35
SPDR DJ Gbl Titans	DGT	EW	0.35
Vngrd Div Apprctn	VIG	EGI	0.34
Guggnhm China All	YAO	EW R	0.31
Wtree LrgCap Div	DLN	ELC	0.31
Wtree Intrntl LC Div	DOL	EW	0.29
PS Dynmc Utilities	PUI	EA	0.22
PS S&P SmICap Cnsmr Stpl	PSCC	EA	0.19
PS S&P 500 BuyWrite	PBP	ELC	0.18
Wtree MidCap Div	DON	EMC	0.15
Select SPDR Cnsmr Stpl	XLP	EA	0.11
Guggnhm Intrntl A Incm	HGI	EW	0.07
Wtree Div Ex Fincl	DTN	ELC	0.07
Vngrd Cnsmr Stpls	VDC	EA	0.07
Select SPDR Div	SDY	EGI	0.05
PS BLDR Dvlpd Mrkt 100 ADR	ADR D	EW	-0.01
iShares South Korea Indx	EWY	EW	-0.01
SPDR S&P Oil & Gas Expl. & Prod.	XOP	EA	-0.02
Vngrd Europe Pacific	VEA	EW	-0.05
PS FTSE RAFI Dvlp Mrkt xUSA Sml	PDN	EW	-0.16
iShares EAFE Indx	EFA	EW	-0.19
Wtree Gbl Eqty Incm	DEW	EW	-0.20
Vngrd TTL Intrntl Stk	VXUS	EW	-0.21
PS India	PIN	EW	-0.21
PS Dynmc Retail	PMR	EA	-0.21
PS Dynmc Oil & Gas Srvcs	PXJ	EA	-0.25
PS Dividend Achievers	PFM	EGI	-0.25
Market Vectors Oil Services	OIH	EA	-0.26
Wtree Eqty Income	DHS	EGI	-0.27
PS Intrntl Dvdnd	PID	EW	-0.47
Guggnhm Gbl Div	LVL	EW	-0.48
PS S&P 500 Low Volatility Portfolio	SPLV	ELC	-0.49
Guggnhm Multi Ast In	CVY	EV	-0.53
Wtree Intrntl Utilities	DBU	EW	-0.57
PS Gbl Agriculture	PAGG	EA	-0.58
iShares Pacific ex Jpn	EPP	EW	-0.58
Alerian MLP	AML P	EGI	-0.61
PS Dynmc Cnsmr Staples	PSL	EA	-0.63
Select SPDR Enrgy	XLE	EA	-0.74
PS FTSE RAFI Asia Pac xJpn	PAF	EW	-0.76
Guggnhm Dfnsv Eqty	DEF	EV	-0.78
Market Vectors Russia	RSX	EW	-0.84

## ETF Rankings by C to previous week's end

Guggnhm Frntr	FRN	EW	-0.88
iShares Canada	EW C	EW	-0.89
iShares Australia	EW A	EW	-0.94
iShares Hong Kong Indx	EW H	EW	-0.97
iShares Taiwan Indx	EW T	EW	-0.99
PS Dynmc Consmr Discr	PEZ	EA	-1.06
Wtree Japan SC Div	DFJ	EW R	-1.09
Vngrd Utilities	VPU	EA	-1.16
Guggnhm BRIC	EEB	EW	-1.17
Select SPDR Utilities	XLU	EA	-1.31
PS FTSE RAFI Emrg Mrkt	PXH	EW	-1.40
Guggnhm Candn Enrg Incm	ENY	EW R	-1.40
iShares Japan	EW J	EW	-1.48
PS Dynmc Food & Bev	PBJ	EA	-1.49
PS BLDR Asia 50 ADR	ADRA	EW	-1.51
PS DB Agriculture	DBA	EA	-1.65
Wtree World Ex US Grth	DNL	EW	-1.66
iShares Malaysia Indx	EW M	EW	-1.70
PS BLDR Emrg Mkt 50 ADR	ADRE	EW	-1.74
iShares Emrg Mrkt Stk	EEM	EW	-1.90
PS DB Commodity	DBC	EA	-1.98
Vngrd Emrg Mrkt	VWO	EW	-2.04
PS DB Energy	DBE	EA	-2.15
PS DB Base Metals	DBB	EG	-2.17
iShares Singapore	EW S	EW	-2.20
PS Emrg Mrkt Infrastrctr	PXR	EW	-2.21
iShares Mexico	EW W	EW	-2.29
Wtree Emrg Mrkt Eincm	DEM	EW	-2.46
Wtree Intrntl REIT	DRW	ERE	-2.49
PS DB Oil	DBO	EA	-2.52
iShares REIT	IYR	ERE	-2.54
Wtree Emrg Mrkt SC Div	DGS	EW	-2.65
iShares China	FXI	EW	-2.67
Vngrd REIT	VNQ	ERE	-2.81
PS US REIT	PSR	ERE	-3.00
SPDR Wlsh REIT	RWR	ERE	-3.18
iShares Cohen&Str REIT	ICF	ERE	-3.38
Pro Shares Short S&P 500	SH	EC	-3.45
iShares Latin Amr	ILF	EW	-3.55
PS DWA Emrg Mrkt T Ldrs	PIE	EW	-3.84
Guggnhm China REIT	TAO	EW R	-4.16
Pro Shares Short Russell 2000	RWM	ESC	-4.86
iShares Brazil Indx	EW Z	EW	-4.91
iShares Gold	IAU	EG	-5.88
SPDR Gold	GLD	EG	-5.91
US Oil Fund	USO	EA	-6.11
PS DB Gold	DGL	EG	-6.39
PS DB Precious Metals	DBP	EG	-6.75
iShares Silver	SLV	EG	-9.22
PS DB Silver	DBS	EG	-10.27
PS Gbl Gold Precious Mtls	PSAU	EG	-16.30
Market Vectors Gold Minors	GDX	EG	-21.16
iPath S&P 500 VIX Shrt Trm	VXX	EC	-35.00
Market Vectors Junior Gold Miners	GDXJ	EG	-41.48

## C-lect 5 Backtesting Chart (reiteration)



The chart shows the result from evolving through the top 5 ETFs out of a constant basket of 214 ETFs. No timing was employed.

As you can see, the idea of staying with the risk-adjusted relative performance leaders works over time. \$100,000 of a buy/hold of SPY grew to about \$160,000, while a C-lect 5 portfolio grew from \$100,000 to nearly \$350,000.

# Overflow from Page 1, Definitions, and Newsletter Updates

(Continued from page 1) *REVIEW*

they really are to a degree this time. Historically market tops were accompanied by tightening (raising interest rates). This time around the Fed is not tightening per se, but they are pulling support. Given that QE has been a stimulus for the rally (and especially the rally's extension in 2013), then it amounts to essentially the same thing as historical tightening as they withdraw QE.

So, the top in December 2013 for this rally since March, 2009 certainly appears in place. There really is nothing to suggest otherwise, except an abhorrence to making a safe 0.1% in "cash".

For our part, the timing mod-

el has not yet signaled a sell. This is because it is based more on trends, rather than the aforementioned "contrary" items. I am working on a combination of the two that may be even more timely at marking lows and tops. In the meantime, the longer-term trend is still up.

Right now the timing model sell-stop level is about 6.5% away from current prices. This is down from 10% over the last couple weeks. As the market drops, the stop loss typically gets closer.

No one knows the future. What we can do is manage the risk of loss that comes inherently with investing. If the timing model stays on a buy, then we'll

continue to hold and may buy more if the "window to buy" opens (it is still closed, but may soon open). Or the timing model may signal sell, and we will raise cash. Subsequent to any sell signal, if the market continues downward and losses 50% over the remainder of 2014, then so be it. We'd be in cash. If the market reverses course instead, and we get another buy signal, we'll get back in.

The point is to have a strategy to sell and buy near tops and bottoms, which we attempt, rather than to panic out at the bottom or panic in at the top.

See the individual portfolio pages for any changes.

Just to clarify a couple of terms that I use regularly.

Short-term is days to weeks.

Intermediate-term is weeks to months.

Long-term is months to years.

Cyclical is 1-5 years.

Secular is 5 years to decades.

Bull market is a series of higher highs and higher lows.

Bear market is a series of lower lows and lower highs.

Neutral market is sideways without a discernible pattern.

Oddly, bull and bear markets may occur simultaneously, but only over different time periods. For example, we may be in a secular bear market, but there are cyclical bull and bear markets within that.

Closing stops are "mental". I look at the position at quarter to the close. If it is trading below the stop (or above if short), then I act with the assumption the security will trigger that closing stop on that day. I sell (or cover) at the close that day.

Portfolio stops for the World Growth Model are internally maintained; they are based on the World Growth Index, not the individual ETFs. Stops will be emailed when close or if triggered.

1/27 Work continues on that combined timing model (trends and contraries). See comment/letter 12/2.

1/21 No changes.

1/13 No updates.

1/6 No changes.

12/30 Happy New Year.

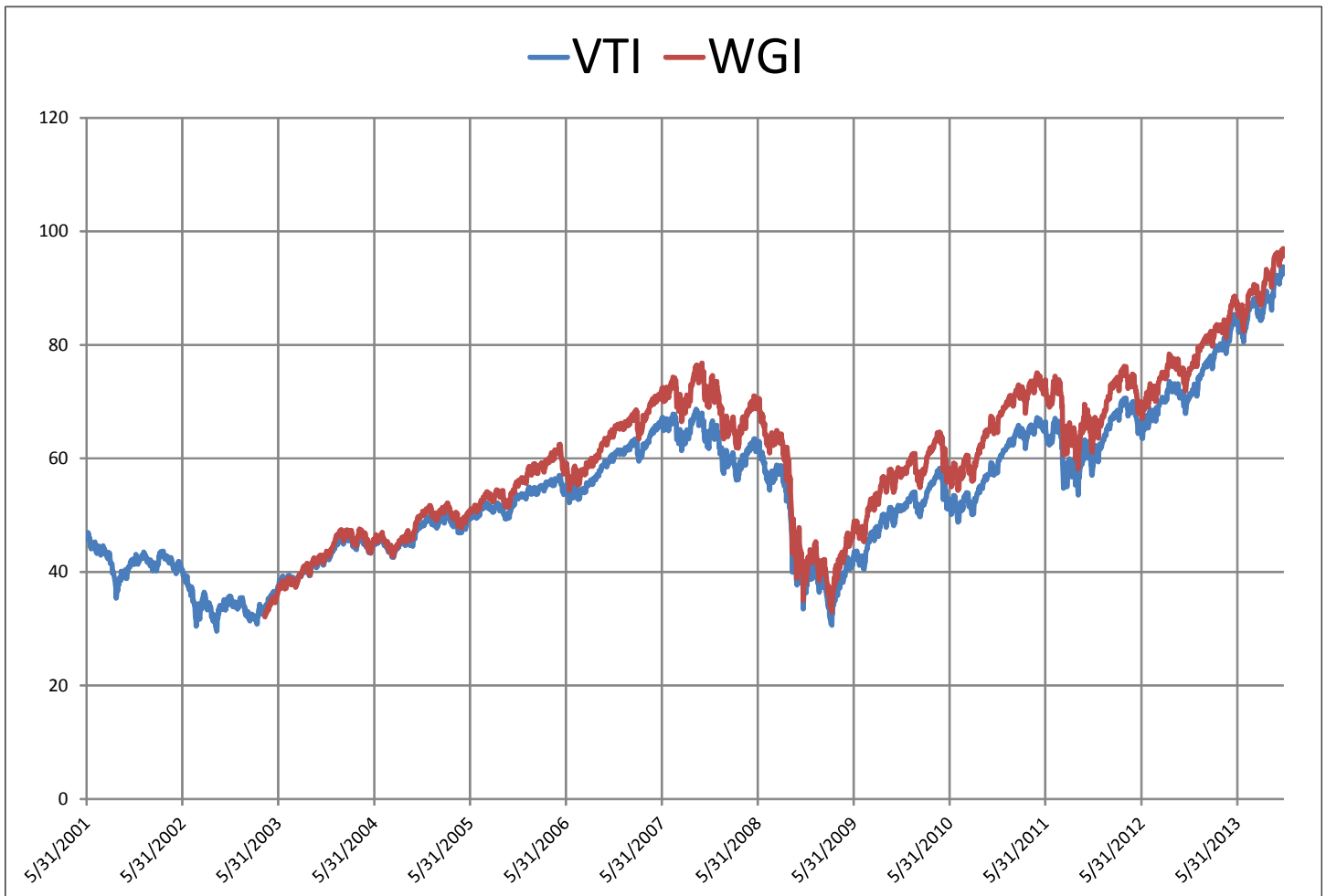
12/23 Correction to 10/21 comment [changed to WGI]. No other changes.

12/16 No changes.

12/9 No changes.

12/2 As mentioned on page 11 (on 12/2), a top test timing model is being constructed. This would be more timely than a trend-following approach.

## VTI and World Growth Index (reiteration)



The chart shows VTI and WGI from 5/1/2003 to the present. VTI is the Vanguard Total Stock Market ETF. It has less than 2% in non-domestic stocks. It is designed to mimic the US market. WGI is the World Growth Index that is made up of 20% each in EEM, EFA, IWM, QQQ, SPY.

As you can see, the two series track each other fairly closely, but because of the international component the WGI has periods of outperformance. The two are recently back in a neck and neck race because the domestic market is currently stronger than the international markets.

# Descriptions & Disclosures

## PORTFOLIO DESCRIPTIONS (pages 2 and 6)

Our guiding goal is to provide the most return with the least risk consistently over time through bull and bear markets.

**Income Portfolio, page 2:** Uses a proprietary selection methodology on all of the monitored bond-oriented ETFs to pick the top ETFs. I then use a proprietary timing model to decide whether to buy, sell, hold, or avoid. From time to time, timing considerations may take precedence over selections; in other words, we may own lower ranked funds because of anticipated timing changes.

**Growth Portfolio, page 6:** As of 12/10/12, it is based on the World Growth Index (WGI), which is made up of a static fully invested 20% in each of five ETFs (EEM, EFA, IWM, QQQ, SPY). The Portfolio will buy and sell the WGI based on proprietary timing signals. On 9/23/13, the new C-lect 5 is also part of this portfolio. It too uses timing.

Both portfolios were started on 1/1/10 with \$100,000. As mentioned, the Growth Portfolio strategy was changed on 12/10/12 to the World Growth Model and again on 9/23/13 to incorporate the C-lect 5 model.

Portfolio changes will usually be made at the close on Monday, unless otherwise noted in any emailed hotline update or triggered stop orders. Issues are normally posted on Mondays by 1:35pm cst (Tuesday if Monday is a holiday, defined as market closed).

Portfolios are updated through the Friday close the week before.

Dividends are reinvested in additional shares.

Commissions of \$10 per trade are applied. Interest is currently zero for the money market (cash) position.

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Unless otherwise noted, the weekly eNewsletter is posted by 1:35 PM central time each Monday, except for holidays (closed stock market) and then on Tuesday. It may contain actionable, specific buy or sell advice to take that day at the Monday (or Tuesday) close in each portfolio. We may also use stop orders. For stops, check the ETF at quarter to the close. If it is below (or above) a stop level, assume it will close there and act on that. Portfolio data will be updated through the previous Friday's close. Fund symbols, rather than names, are the official identification used for activity.

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