

ETF Selections & Timing

Watercourse Way Holdings, LLC

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InvestmentST.com

January 31, 2011 (data through previous Friday close)

Volume 2
Issue 5

Correction

Some of the changes I've been mentioning are being implemented and a few refinements are still being worked on.

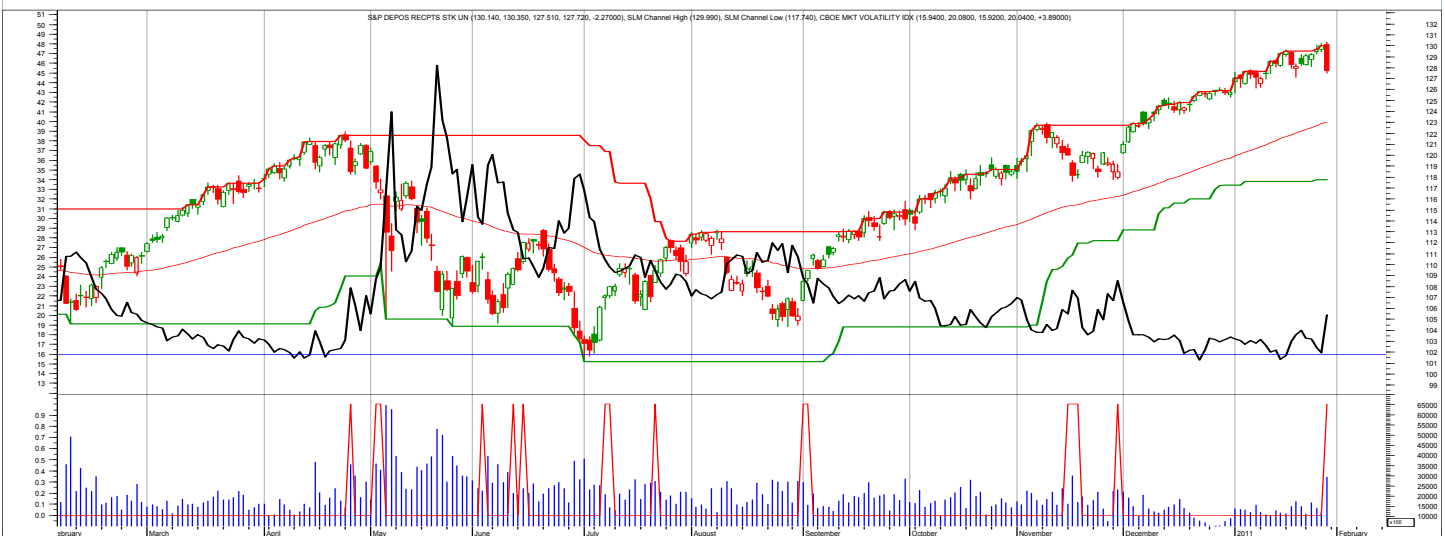
In the meantime, the stock market took a bit of a hit last week mainly because of troubles in Egypt that spill into the energy market.

One lesson to learn, like one from back in the Thirties in the USA, when the authorities want to shut down what was commonly perceived to be a "right", they have the power. In the Thirties, gold was confiscated. So any plan to use it as some sort of emergency cur-

rency was quickly nixed. In Egypt the internet and cell phones were shut off. No communication. Just an interesting observation.

So, stocks took a hit. Is it the beginning of the long-

(Continued on bottom right on page 6 see REVIEW)



The chart shows the daily S&P 500 with red smoothed line an 80-day moving average. The black is the VIX index. The lower part shows blue volume and red spikes as possible trading signals.

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
ETF Income Portfolio	0.0%	5.2%	0.5	-2.3	0.0	0.2%
ETF Growth Portfolio	0.3%	10.1%	5.4	1.1	0.3	0.3%
Aggrgt Bond (AGG)	0.1%	1.2%	-1.8	-2.5	0.1	0.2%
Wilshire 5000	1.2%	20.4%	17.0	8.4	1.2	-0.4%

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Income Portfolio

ACTION FOR			PORTFOLIO DETAILS						Value as of date: 1/28/2011				
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
4-Oct	sell	PHB	18.28	1,000	18,280	TIP	106.40		106.93	107.51	125.0	13,438.75	12.8%
18-Oct	buy	TLT	101.08	100	10,108	AGG			105.13	105.86	169.9	17,980.32	17.1%
22-Nov	sell	PHB	18.20	500	9,100	TLT	90.00		96.97	91.92	202	18,590.45	17.7%
22-Nov	sell	PCY	27.44	300	8,232								
10-Jan	sell	PHB	18.31	561	10,274								
10-Jan	buy	TLT	92.85	101	9,378								
10-Jan	sell	PCY	26.69	357	9,528								
14-Jan	sell	TIP	107.76	121	13,061								
14-Jan	sell	BSV	80.62	205	16,543								
24-Jan	buy	TIP	106.93	125	13,366								
Money Market									1.00		54,884	54,884.00	52.3%
									Total Valuation=		104,893.52	100.0%	

PERFORMANCE RANK

Fund Name	Symbol	Style
iShares 1-3yr Trsry	SHY	BS
iShares High Yld	HYG	BH
PS High Yield	PHB	BH
SPDR Intrntl TBond	BWX	BW
iShares 3-7yr Trsry	IEI	BI
iShares 7-10yr Trsry	IEF	BI
iShares Agg Bond	AGG	BI
iShares Inter Gov	GVI	BU
iShares Intrntl Tbond	IGOV	BW
iShares Long Corp Bond	LQD	BL
iShares Trsry Inflt	TIP	BI
PS Emrg Mrkt Bnd	PCY	BW
PS Laddrd 1-30 T	PLW	BF
Vngrd Intrmdt Bond	BND	BI
Vngrd ShrtTrm Bond	BSV	BS
iShares 10-20yr Trsry	TLH	BI
iShares 20+ yr Trsry	TLT	BL
iShares Inter Bond	MBB	BI

INCOME DATABASE

iShares Agg Bond	AGG
Vngrd TTL Bond	BND
Vngrd ShrtTrm Bond	BSV
SPDR Intrntl TBond	BWX
iShares Inter Gov	GVI
iShares High Yld	HYG
iShares Intrntl Tbond	IGOV
iShares Long Corp Bond	LQD
iShares Inter Bond	MBB
PS Emrg Mrkt Bnd	PCY
PS High Yield	PHB
PS Laddrd 1-30 T	PLW
iShares 1-3 yr Trsry	SHY
iShares 3-7 yr Trsry	IEI
iShares 7-10yr Trsry	IEF
iShares 10-20 Trsry	TLH
iShares 20+ yr Trsry	TLT
iShares Trsry Inflt	TIP

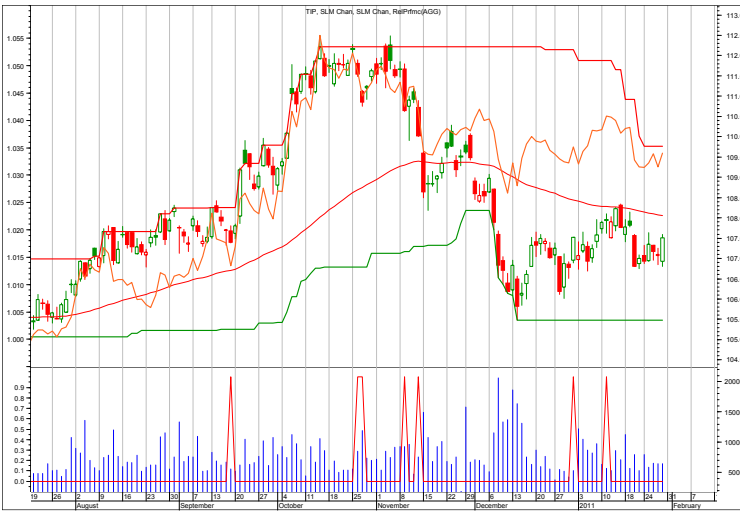
WEEKLY REVIEW

No changes this week to the portfolio.

These two columns above show the income database and its risk-adjusted performance rank for the month. Generally, we will want to own the leaders and avoid the laggards, but this is mitigated by expected turns in the ETFs.

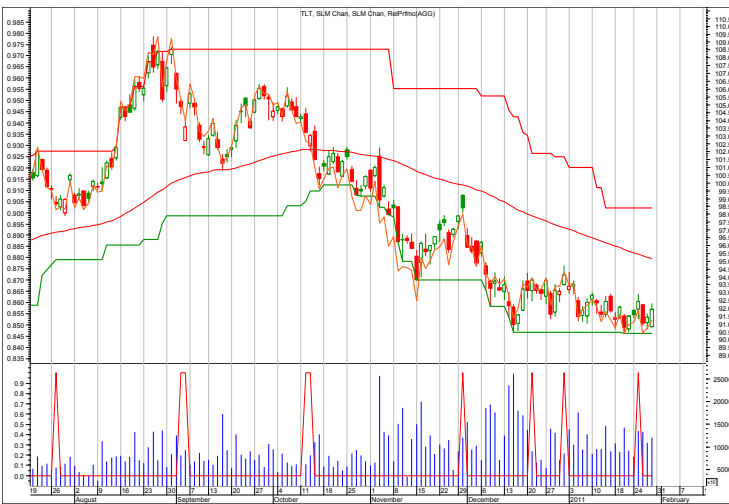
Annual Performance	2010	2011
ETF Income Portfolio	4.8	
Aggregate Bond	2.5	

Income Charts



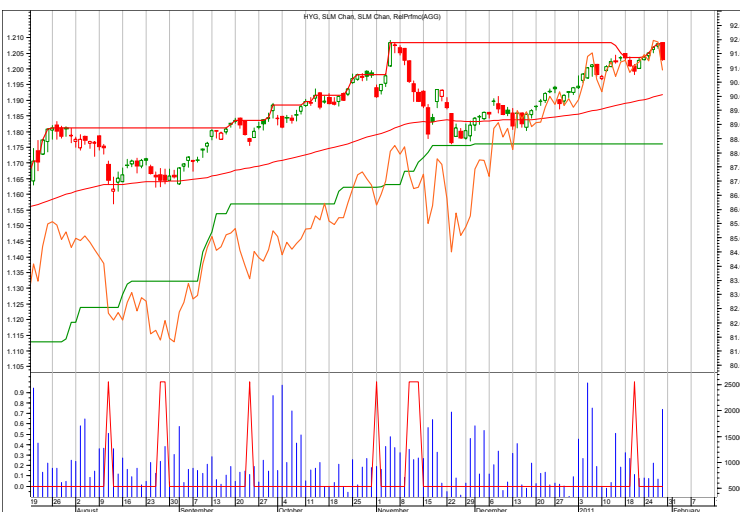
TIP—Inflation Protected

1/31/11 Watch for rally.
1/24/11 Pullback to uptrend. Good entry point.



TLT--20 year Treasury bond

1/31/11 Bouncing along a bottom or a ledge on the way down?
1/24/11 Still weak.
1/18/11 Potential trend change.



HYG—High Yield

1/31/11 Still waiting.
1/24/11 Waiting for a pullback to buy.

Each chart shows daily prices (top portion), volume (bottom portion), a moving average (smoothed red line on price portion, a relative strength indicator between the ETF and AGG (Aggregated bond ETF) (orange line), and red spikes. The spikes show potential places to buy and sell short. If the moving average is trending down, the spike shows a potential sell shorts. If the moving average is trending up, the spike shows potential buys. The charts do not show selling or covering signals.

Growth Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 1/28/2011					
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 1/28 Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
6-Dec	short	EWP	37.64	(100)	(3,754)	LONG ETFs-						
						ICF	67.00	63.72	67.53	100.0	6,753.00	6.2%
						SLV	26.00	26.36	27.30	200	5,460.00	5.0%
20-Dec	sell	EWS	13.45	400	5,390	XLE	69.50	70.36	71.11	70	4,977.70	4.6%
						DEM	57.00	58.63	57.02	90	5,131.80	4.7%
3-Jan	cover	EWP	36.55	100	3,665	RSW	35.50	47.93	37.28	100.0	3,728.00	3.4%
21-Jan	sell	IWR	103.24	122	12,534							
24-Jan	buy	SLV	26.36	200	5,262							
24-Jan	buy	XLE	70.36	70	4,915							
24-Jan	buy	DEM	58.63	90	5,267							
31-Jan	short	EWP		(100)		SHORT ETFs-						
						RSW is a 200% short position						
						EWP	43.00			(100.0)		
						Cash from short						
									1.00	-	-	0.0%

PERFORMANCE RANK

GROWTH DATABASE

WEEKLY REVIEW

The Growth Portfolio database and rankings are on page six. Generally speaking, we will want to own the leaders and avoid or short the laggards, but this is mitigated by expected turns in the ETFs.

EWP has rallied into what appears to be a good shorting area.

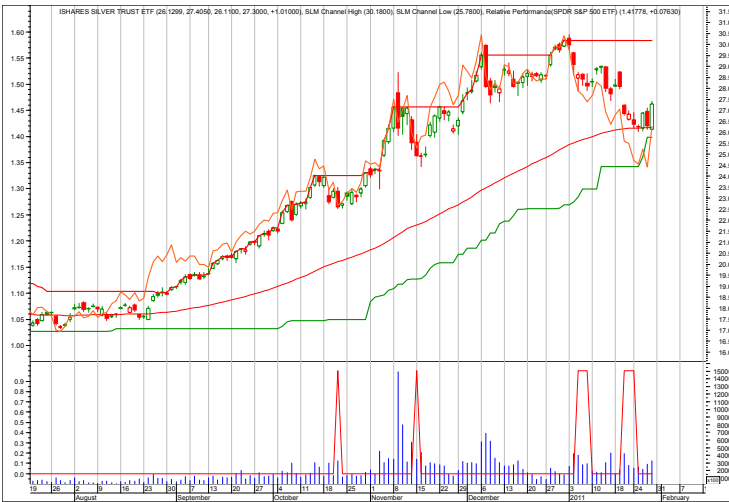
Please note all of the new stops. At quarter to the close, if the ETF looks like it will close below (or above if short) the stop price, then sell (or cover) that day.

Annual Performance	2010	2011
Wilshire 5000	15.5	
ETF Growth Portfolio	8.1	

Growth Charts

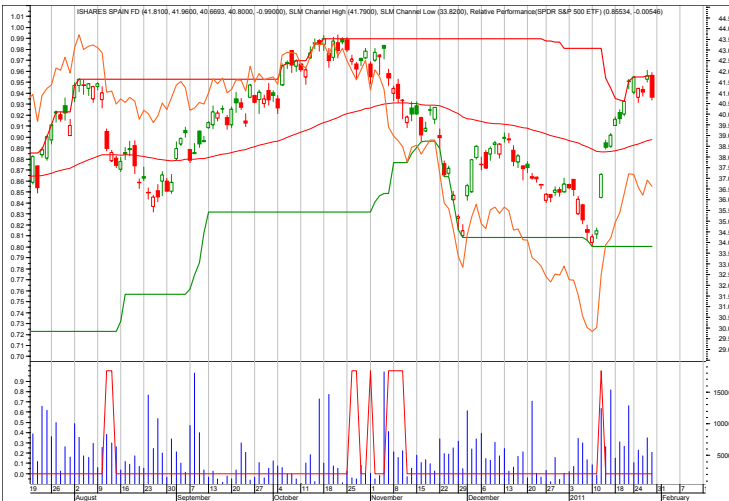
SLV—Silver

1/31/11 Long SLV in the portfolio. Expect rally back to recovery highs.
1/24/11 Buy on the correction.



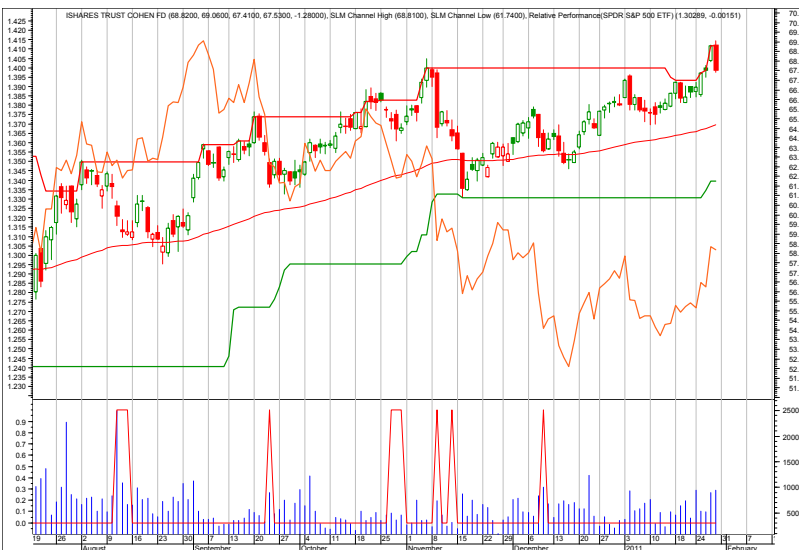
EWP—Spain

1/31/11 Will reshoot with a close stop.
1/24/11 There's a change in sentiment.
1/18/11 Bounce on good news.
1/10/11 Very weak. Spain back in the news.
1/3/11 Cover for now.
12/27/10 Heading back down.
12/20/10 Watch the dominant trend line.
12/13/10 Hold the short.
12/6/10 Reshort.
11/29/10 I shorted this fund on the news of financial troubles.



ICF—REIT

1/31/11 Expect a rally.
1/24/11 Watch for a breakout either way.
1/18/10 Raised stop level.
1/10/11 May be topping.
1/3/11 Expect recovery highs.
12/27/10 Main trend still up.



Each chart shows daily prices (top portion), volume (bottom portion), a moving average (smoothed red line on price portion), a relative performance indicator between the ETF and S&P 500 (orange line), and red spikes. The spikes show potential buy and sell short signals. Generally speaking, if the moving average is trending down, the spike shows a potential sell short. If the moving average is trending up, but the ETF declines, the spike shows a potential buy. The charts do not show selling or covering signals.

ETF Growth Performance Page

See page 7.

(Continued from page 1) REVIEW

anticipated correction or a simple blip in a strong uptrend? Given that investor sentiment is still very bullish and hence somewhat complacent and given that the VIX index was trading at toppy levels, I'd suggest the former. I still look for a correction of up to 15%.

Having said that, I also see the market as "in gear" to the upside on a longer term basis. Any selloff would be used as a buying opportunity. Similar to buying SLV in the precious metals correction. So, even if it corrects 5-10%, the next move would be back up. It would be on that move, however, to watch again for any negative divergences that might signal a broadening top that would lead to a bear market (defined as a greater than 20% drop).

I'll be watching closely for any clues for its direction. If needed, I'll send emailed hotline reports between issues.

ETF Growth Database and Ranking

ETF Name	Symbol	Style	Hybrid Equity Bond	12m	9m	6m	3m	1m	V	NAV	CS	Rank	C
iShares Silver	SLV	EG	E	82.48	76.08	65.73	41.62	9.99	6.98	30.18	276	*****	39.5
PS Agrcltr	DBA	EC	E	22.35	33.57	34.85	17.72	11.21	3.92	32.35	120	*****	30.5
PS Silver	DBS	EG	E	81.16	75.61	65.18	41.47	9.72	6.98	54.51	273	*****	39.1
iShares Gold	IAU	EG	E	29.46	27.49	14.22	8.59	2.51	4.25	13.90	82	****	19.4
iShares Mexico	EWX	EW	E	26.70	16.02	29.30	16.85	4.77	5.48	61.92	94	****	17.1
PS Commodity	DBC	EC	E	11.90	17.13	27.72	14.27	9.89	4.83	27.55	81	****	16.8
PS Gold	DGL	EG	E	27.89	26.32	13.20	8.15	2.35	4.23	50.16	78	****	18.4
Select SPDR Enrgy	XLE	EA	E	19.72	18.65	37.38	21.74	8.83	5.37	68.25	106	****	19.8
SPDR Gold	GLD	EG	E	29.27	27.32	14.00	8.45	2.44	4.25	138.72	81	****	19.2
Vngrd Materials	VAW	ELC	E	21.79	16.70	37.57	16.50	7.37	6.40	82.60	100	****	15.6
Vngrd MidCap Val	VO	EMC	E	24.20	14.34	26.89	12.29	5.62	5.42	74.46	83	****	15.4
Vngrd Small Cap Grth	VBK	ESC	E	30.35	19.51	32.56	16.84	7.49	6.49	78.04	107	****	16.4
Wtree Emrg Mrkt EI	DEM	EW	E	20.07	13.89	30.96	7.20	6.63	4.97	59.69	79	****	15.8
iShares Canada	EWC	EW	E	17.74	11.07	24.65	10.60	5.69	5.20	31.00	70	***	13.4
iShares Cohen&Str REIT	ICF	ERE	E	25.13	14.73	19.69	6.15	4.05	5.51	65.72	70	***	12.7
iShares DJ Sict Div	DVY	EGI	E	13.55	8.34	17.51	6.45	4.40	3.86	49.86	50	***	13.0
iShares EAFE Indx	EFA	EW	E	5.32	4.00	25.18	6.01	7.30	5.16	58.22	48	***	9.3
iShares Emrg Mrkt Stk	EEM	EW	E	14.80	13.10	27.66	6.42	6.39	5.41	47.64	68	***	12.6
iShares Latin Amr	ILF	EW	E	12.70	11.58	30.03	6.57	5.38	5.85	53.86	66	***	11.3
iShares REIT	IYR	ERE	E	21.86	12.41	18.53	5.82	3.46	5.22	55.96	62	***	11.9
iShares Russel 2000	IWM	ESC	E	25.30	15.39	28.02	15.91	7.55	6.36	78.24	92	***	14.5
iShares Russel MidVal	IWS	EV	E	21.81	11.60	23.52	11.49	6.81	5.25	45.01	75	***	14.3
iShares Sict Div	IDV	ELC	E	7.07	6.52	28.35	5.85	6.86	5.47	33.64	55	***	10.0
PS Dynmc Mrkt	PWC	ELC	E	15.66	10.94	25.74	11.90	4.07	4.70	44.01	68	***	14.5
PS Dynmc OTC	PWO	ESC	E	23.11	13.44	24.25	13.23	6.00	5.92	49.80	80	***	13.5
PS Energy	DBE	EA	E	2.63	4.27	16.11	11.26	8.83	5.30	26.88	43	***	8.1
PS High Yield Eqty	PEY	EMC	E	15.82	8.31	15.44	6.17	4.60	3.79	8.86	50	***	13.3
Select SPDR Cnsmr Disc	XLY	EA	E	25.66	13.92	28.42	11.97	3.49	5.76	37.41	83	***	14.5
Select SPDR Cnsmr Stpl	XLP	EA	E	10.73	4.94	14.94	5.13	3.50	2.93	29.31	39	***	13.4
Select SPDR Financs	XLF	EA	E	10.76	0.00	15.50	11.19	10.30	4.99	15.95	48	***	9.6
Select SPDR Indl	XLI	EA	E	25.48	11.62	27.12	11.48	6.93	5.94	34.87	83	***	13.9
Select SPDR Matris	XLB	EA	E	16.43	13.24	35.39	17.18	9.15	6.24	38.41	91	***	14.6
Select SPDR Technlgy	XLK	EA	E	9.86	9.05	23.48	9.43	5.18	5.48	25.19	57	***	10.4
SPDR DJ Gbl Titans	DGT	EW	E	2.52	2.63	20.90	7.76	6.90	4.47	58.46	41	***	9.1
SPDR DJ Industrials	DIA	ELC	E	11.11	6.46	18.32	7.15	4.96	3.98	115.63	48	***	12.1
SPDR NASDAQ 100	QQQQ	ELC	E	19.04	13.08	27.51	10.98	4.56	5.70	54.46	75	***	13.2
SPDR S&P 500	SPY	ELC	E	12.84	7.48	21.83	10.18	6.12	4.44	125.75	58	***	13.2
SPDR Wish REIT	RWR	ERE	E	24.00	13.50	19.62	6.42	3.78	5.44	61.02	67	***	12.4
Vngrd Cnsmr Dis	VCR	EA	E	29.29	15.51	30.20	12.57	3.39	6.07	60.47	91	***	15.0
Vngrd Cnsmr Stpls	VDC	EA	E	11.72	5.15	14.83	3.83	1.69	2.89	73.39	37	***	12.9
Vngrd Emrg Mrkt	VWO	EW	E	17.43	14.23	26.73	5.91	5.72	4.93	48.15	70	***	14.2
Vngrd Extnd 4500	VXF	ELC	E	26.36	15.96	28.50	14.43	6.29	5.96	54.41	92	***	15.4
Vngrd Fincl Srv	VFH	EA	E	13.22	1.39	16.51	11.01	9.82	5.00	32.88	52	***	10.4
Vngrd Grth	VUG	ELC	E	15.76	10.58	26.27	11.72	5.19	4.94	61.42	70	***	14.1
Vngrd Large Cap	VV	ELC	E	13.70	8.09	22.86	10.62	6.25	4.54	57.61	62	***	13.5
Vngrd Small Cap	VB	ESC	E	26.64	15.30	28.32	14.49	6.61	6.25	72.63	91	***	14.6
Vngrd Small Cap Value	VBR	ESC	E	22.72	11.40	24.04	11.99	5.69	5.95	66.86	76	***	12.7
Vngrd Tech	VGT	EA	E	12.12	9.50	24.38	10.65	4.98	5.82	61.52	62	***	10.6
Vngrd TTL Stock	VTI	ELC	E	15.19	8.96	23.54	11.24	6.39	4.76	64.93	65	***	13.7
Wtree Eqty Income	DHS	EGI	E	12.55	10.85	19.36	4.48	3.95	3.56	38.91	51	***	14.4
Wtree India	EPI	EWR	E	19.57	13.12	16.00	0.08	6.07	5.90	26.39	55	***	9.3
Wtree Intrntl SC Div	DLS	EW	E	15.61	9.87	26.95	9.17	9.92	4.67	51.77	72	***	15.3
Wtree LrgCap Div	DLN	ELC	E	11.68	8.17	20.59	8.04	5.40	3.83	46.10	54	***	14.1
Wtree Sml Cap Div	DES	ESC	E	22.19	11.21	21.10	11.87	5.61	5.50	47.41	72	***	13.1
Wtree Ttl Div	DTD	ELC	E	12.75	8.58	20.73	8.20	5.31	3.96	46.59	56	***	14.0
iShares China	FXI	EW	E	1.96	2.35	10.12	0.63	-0.58	4.29	43.09	14	**	3.4
iShares Europe 350	IEV	EW	E	0.82	2.45	25.30	3.78	7.97	6.11	39.28	40	**	6.6
PS Oil	DBO	EA	E	2.36	0.36	18.52	11.54	9.59	5.66	28.22	42	**	7.5
Select SPDR Health	XLV	EA	E	1.38	-1.96	11.70	3.31	4.06	3.29	31.50	19	**	5.6
Select SPDR Utilities	XLU	EA	E	1.03	5.66	10.90	-0.13	1.89	3.12	31.34	19	**	6.2
SPDR Euro Stoxx 50	FEZ	EW	E	-11.19	-5.30	20.51	0.35	8.23	7.55	36.84	13	**	1.7
Vngrd Health	VHT	EA	E	3.80	-0.78	11.96	3.15	3.59	3.25	56.25	22	**	6.7
Vngrd Utilities	VPU	ELC	E	2.92	6.61	11.99	0.98	2.10	3.14	67.08	25	**	7.8
Wtree DEFA	DWM	EW	E	1.46	2.22	24.07	4.80	7.39	5.49	47.37	40	**	7.3
Currency Euro	FXE	EC	E	-6.87	-1.22	9.21	-2.00	2.93	3.43	133.09	2	*	0.6
iShares Spain	EWP	EW	E	-23.52	-13.02	15.43	-9.62	6.28	8.97	36.74	-24	*	-2.7
PS Short Dow 30	DOG	EC	E	-15.29	-10.66	-17.92	-7.95	-5.24	3.97	44.33	-57	*	-14.4
PS Short Trsry 20yr	TBF	EC	E	-12.39	-11.34	3.36	9.94	3.80	3.35	44.25	-7	*	-2.0
iShares Prfrd	PFF	HB	H	5.72	0.21	4.70	-2.46	-0.92	2.14	38.80	7	**	3.4

This is the Growth 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. C is Comet, which is an ETF's risk-adjusted performance.

Descriptions & Disclosures

PORTFOLIO DESCRIPTIONS (pages 2 and 4)

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

Income Portfolio, page2: 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.

Growth Portfolio, page 3: Uses the same methodologies as in the Income Portfolio, except as it is applied to stock-oriented ETFs.

All portfolios were started on 1/1/10 with \$100,000.

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 1:30pm cst.

Portfolios are updated through the Friday close the week before.

Dividends are reinvested in additional shares. Commissions of \$5/trade and short-term redemption charges, if any, are applied.

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