

ETF Selections & Timing

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Volume 5
Issue 5

Two Sell Type Signals

With the stock market rolling over, I want to talk about the equity stop level I use and clarify some points.

There are two potential ways to sell. One is the stop level and the second is the timing model going on a sell signal.

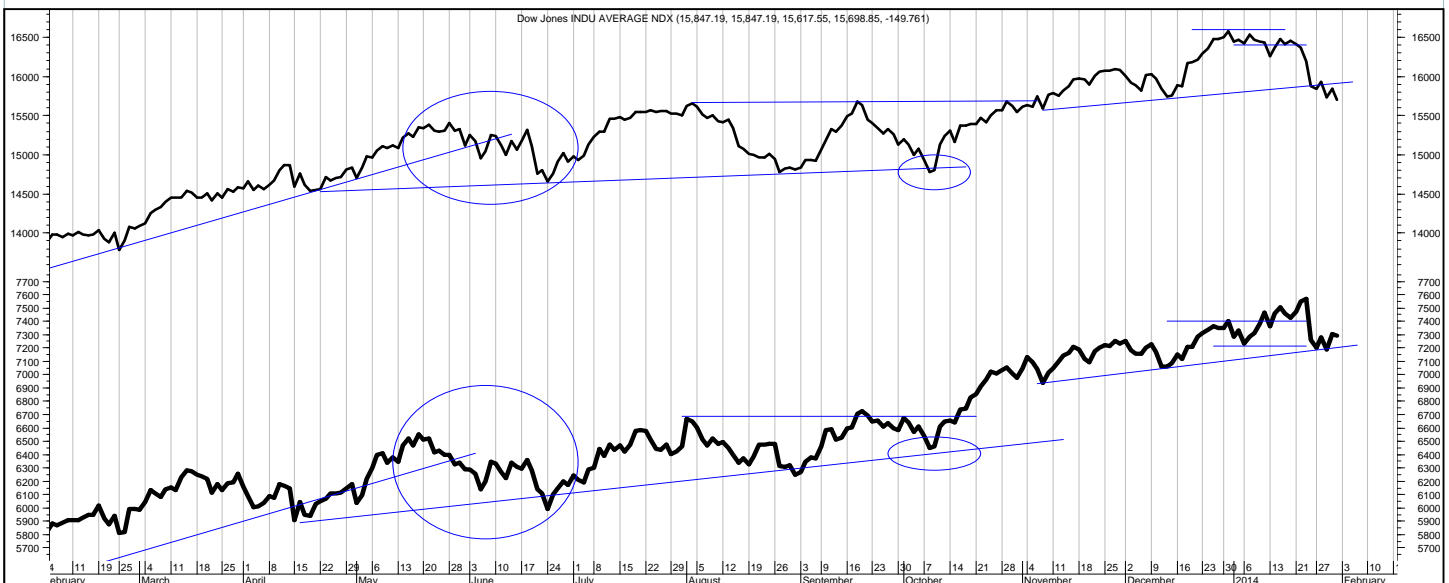
These two things operate independently of each other.

The initial stop loss level is always 10% away from the buy price. The buy price is the value of the portfolio, not the individual ETFs. This means one ETF could go down 10%, while the others go up 10%, and there is

no stop hit. It is based on the portfolio as a whole.

That 10% was back tested with the question should it be 2% or 15% or somewhere in between? The end result was that 10% is close enough to hopeful-

(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%	1.6%	1.2	-0.2	-0.2	0.0%
ETF Growth Portfolio	0.2%	17.6%	8.3	1.6	-0.8	0.1%
Index						
Aggrt Bond (AGG)	1.3%	0.2%	1.9	0.8	1.3	0.2%
S&P 500 TR (SPY)	-3.1%	20.2%	5.3	1.7	-2.6	-0.4%
World Growth Index	-3.1%	18.2%	6.3	1.3	-2.2	-0.6%

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Income Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 1/31/2014								
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		40.57	40.57	285.0	11,562.45	10.1%	
27-Jan	buy	JNK	40.57	285	11,572								0.0%	
this will be about 10% of portfolio														
31-Jan	sell	PCY	26.78	2,138	57,249									
										Money Market	1.00	103,473	103,473.00	89.9%
												Total Valuation=	115,035.45	100.0%

WEEKLY REVIEW

2/3 PCY stopped out. JNK may be next. Bond market getting a bit bifurcated or trifurcated.

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).

	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	1.3	18.0

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 Infltn	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 Insrđ CA Muni	PWZ	BI	-6.48	-9.21	-8.53	-7.65	-2.25	1.29	22.72	**
PS Insrđ 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	**
Vngrđ 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 Insrđ 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.

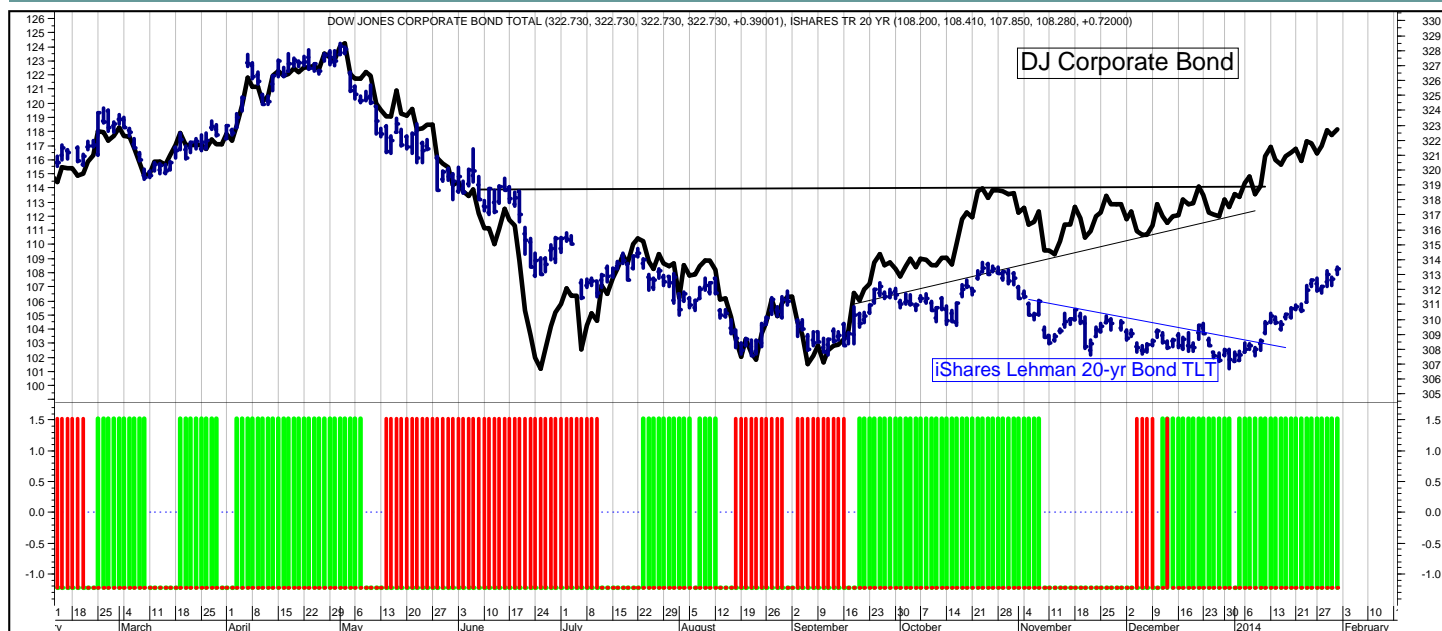
ETF LEGEND for pages 3 (Bond), and 7, 8, 9, and 10 (Equity):

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

2/3 The corporate and Treasury bond markets are doing better than foreign and junk. Unfortunately, don't own any. I was expecting more weakness, rather than strength.

1/27 No changes.

1/20 No changes.

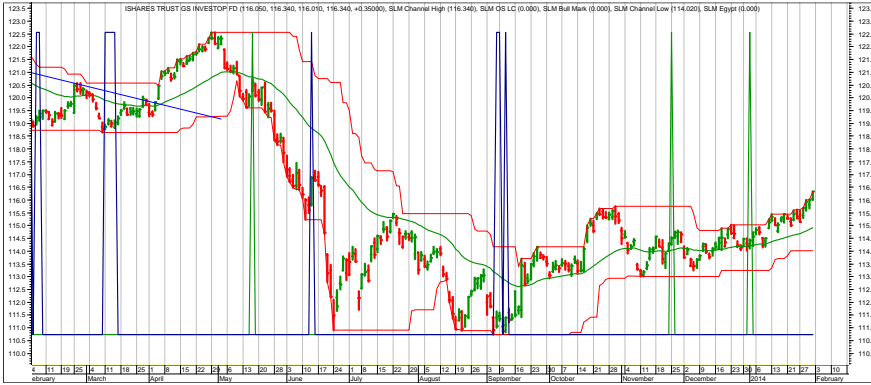
1/13 Bond prices look like they've broken to the upside (lower rates). If we get a pullback, I expect to reenter.

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.

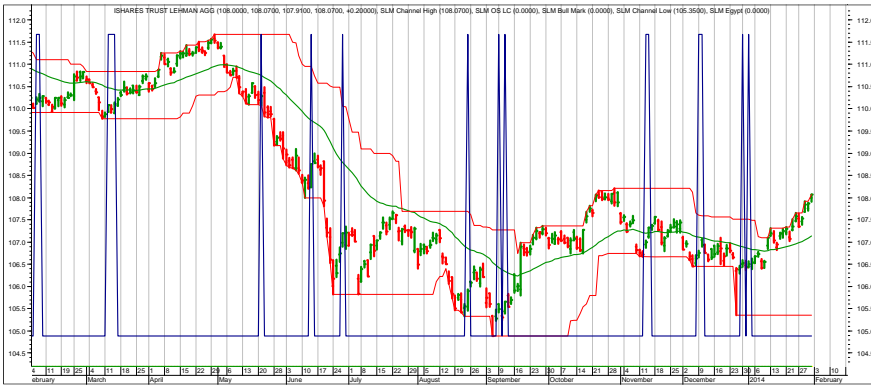
12/23 Bonds rallied on the taper news. I will maintain close stops however.

Income Charts (DAILY)



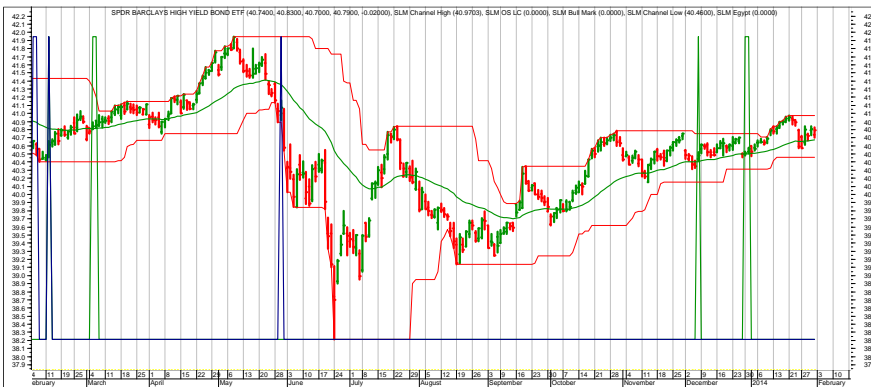
LQD—Investment Grade Corporate

2/3 No changes.
 1/27 Watching for a pullback.
 1/20 No changes.
 1/13 No changes.
 1/6 No changes.



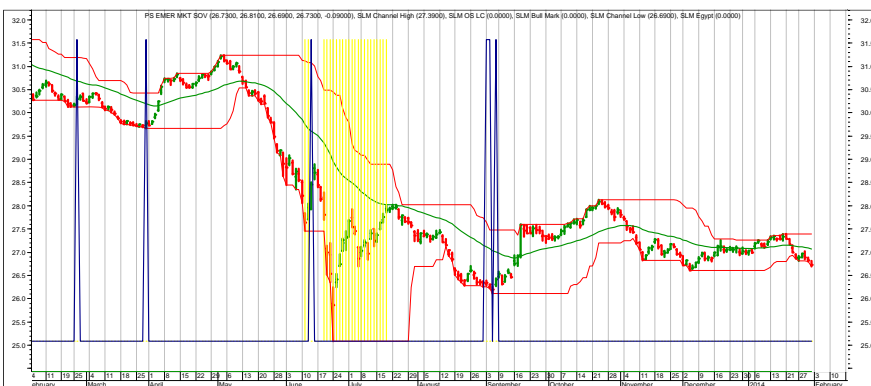
AGG—Aggregate Bond Market

2/3 No changes.
 1/27 Watching for a pullback.
 1/20 No changes.
 1/13 No changes.
 1/6 No changes.



JNK—hi-yield bonds

2/3 No changes.
 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.



PCY—International Bonds

2/3 Watch for PCY to go below December lows and then possible reversal.
 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.

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:				1/31/2014			
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	World Growth							
30-Dec	buy	EWP	38.48	201	7,744	EEM		Emrg Mrkt	43.03	38.16	180,980	6,906.20	4.8%
buy will be about 5.5% of total portfolio						EFA		Euro Asia	55.55	64.71	117,210	7,584.66	5.3%
6-Jan	sell	EWP	37.94	204	7,731	IWM		Rusl 2000	82.54	112.09	71,340	7,996.50	5.6%
6-Jan	buy	CSD	44.37	174	7,730	QQQ		Nsdq 100	65.12	86.24	96,680	8,337.68	5.9%
buy will be about 5.5% of total portfolio						SPY		S&P 500	142.47	178.10	45,130	8,037.65	5.6%
						C-lect 5							
13-Jan	sell	PNQI	66.85	118	7,878	DFE			53.54	57.99	145,490	8,436.97	5.9%
13-Jan	buy	PJP	54.92	142	7,809	PSCH			53.97	54.90	140,000	7,686.00	5.4%
13-Jan	sell	CSD	44.26	176.27	7,792	GULF			21.33	21.48	381,000	8,183.88	5.7%
13-Jan	buy	PBD	12.66	620	7,859	PJP			54.92	54.69	142,000	7,765.98	5.5%
buys will be roughly 5.5% of total portfolio						TAN			30.50	39.36	233,390	9,186.23	6.4%
21-Jan	sell	PBD	12.87	620	7,969	Two potential ways to sell: stop loss about 6% 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						C-lect Short							
3-Feb	sell	TAN		all		(under construction)							
3-Feb	buy	PPA		255									
buy will be about 5.5% of total portfolio													
						Cash from short			1.00	-	-	0.0%	
						Money Market			1.00	62,304	62,304.00	43.7%	
									Total Valuation=		142,425.75	100.0%	

WEEKLY REVIEW

2/3 C-lect 5 has a new buy/sell as noted above. Stop loss on portfolio has narrowed further to 6%. The timing model itself, however, is much closer to a sell signal. If one is triggered between issues, we will send an emailed hotline. You should have received an email from us last Wednesday. If you didn't, send me an email at SMcKee@InvestmentST.com to update yours. The "window to buy" is open if you are inclined to add to positions or start your investing. I am standing pat for now.

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 does, 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.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Growth Portfolio	8.1%	6.9	-2.1	25.7	0.2	42.4
World Growth Index	17.2%	-4.1	15.1	30.5	-3.1	63.6

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>
W tree Middle East Div	GULF	EW	11.94
PS Dynmc Pharma	PJP	EA	10.62
W tree Eur SC Div	DFE	EW	9.40
PS Aerospace & Def	PPA	EA	7.13
PS S&P SmICap Hlth Care	PSCH	EA	7.01
PS Lux Nanotech	PXN	EA	6.61
PS QQQ	QQQ	ELC	6.40
PS Dynmc Healthcare	PTH	EA	6.15
Select SPDR Indl	XLI	EA	5.78
PS Dyn OTC	PW O	ESC	5.71
Vngrd Tech	VGT	EA	5.63
PS S&P SmICap Indstrils	PSCI	EA	5.55
PS Dynmc Media	PBS	EA	5.45
PS Dyn Mrkt	PWC	ELC	5.34
Guggnhm Solar	TAN	EA	5.31
Vngrd Health	VHT	EA	5.24
PS Dynmc Lrg Cap Grth	PWB	ELC	5.09
PS NASDAQ Intrnt	PNQI	EA	5.04
PS Dynmc Software	PSJ	EA	4.96
SPDR S&P Regional Banking	KRE	EA	4.92
PS Gbl Clean Enrgy	PBD	EW	4.77
Select SPDR Health	XLV	EA	4.72
PS Dynmc Biotech	PBE	EA	4.70
iShares Germany Indx	EWG	EW	4.66
PS Dynmc Fncl	PFI	EA	4.60
PS S&P SmICap Cnsmr Dis	PSCD	EA	4.54
Select SPDR Technlgy	XLK	EA	4.42
iShares Spain	EW P	EW	4.40
Guggnhm Spin Off	CSD	EMC	4.31
Guggnhm Shipping	SEA	EA	3.92
PS Gbl Listd Prvt Eqty	PSP	EW	3.73
Guggnhm RJ All	RYJ	ELC	3.55
PS S&P SmICap Mtrls	PSCM	EA	3.51
PS Water Resources	PHO	EA	3.30
PS Cleantech	PZD	EA	3.29
US Natural Gas	UNG	EA	3.29
SPDR S&P Metals & Mining	XME	EA	3.21
PS Dynmc Bldg Cnstrctn	PKB	EA	3.18
Select SPDR Cnsmr Disc	XLY	EA	3.17
iShares Russell 1000 Grwth Indx	IW F	ELC	3.14
PS Gbl Water	PIO	EW	3.07
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	3.05
PS Zacks Micro Cap	PZI	ESC	2.98
PS S&P SmICap Info Tech	PSCT	EA	2.92
Vngrd Grth	VUG	ELC	2.87
Vngrd Cnsmr Dis	VCR	EA	2.87
PS Dynmc Energy Explor	PXE	EA	2.78
W tree MidCap Earn	EZM	EMC	2.73
iShares Italy Indx	EW I	EW	2.71
PS Dynmc Basic MatrI	PYZ	EA	2.70

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

Wtree S&P 500	EPS	ELC	2.63
PS Fincl Pfd	PGF	EGI	2.62
iShares DJ US Home Constr.	ITB	EA	2.62
Vngrd Small Cap Value	VBR	ESC	2.61
SPDR S&P Bank	KBE	EA	2.58
PS Dynmc Semicndctr	PSI	EA	2.46
Vngrd Extnd 4500	VXF	ELC	2.33
Guggnhm Insdr Sent	NFO	EMC	2.27
Guggnhm Gbl Wtr	CGW	EW	2.18
Wtree Ttl Earn	EXT	ELC	2.14
iShares Prfrd	PFF	EGI	2.10
Guggnhm China Sml	HAO	EW R	2.05
PS Dynmc Energy	PXI	EA	2.04
Vngrd Materials	VAW	EA	2.03
PS Buyback Achievers	PKW	EGI	1.99
iShares Core S&P 500	IVV	ELC	1.94
SPDR S&P 500	SPY	ELC	1.91
Vngrd Small Cap	VB	ESC	1.89
PS Dyn MagniQuant	PIQ	ELC	1.89
Vngrd TTL Stock	VTI	ELC	1.88
Vngrd Small Cap Grth	VBK	ESC	1.86
Vngrd Large Cap	VV	ELC	1.83
iShares Russell 2000	IWM	ESC	1.81
Select SPDR MatrIs	XLB	EA	1.78
PS FTSE RAFI US 1500 SmI-Mid	PRFZ	EMC	1.67
PS WilderHill Cln Enrgy	PBW	EA	1.66
iShares S&P 100 Indx	OEF	ELC	1.65
PS Dynmc Networking	PXQ	EA	1.62
PS WilderHill Prgsv Enrgy	PUW	EA	1.59
PS Dynmc Technology	PTF	EA	1.59
PS Dynmc Utilities	PUI	EA	1.52
iShares EMU Indx	EZU	EW	1.52
Select SPDR FinancIs	XLF	EA	1.50
PS DWA Tech Ldr	PDP	ELC	1.45
SPDR Euro Stoxx 50	FEZ	EW	1.42
PS S&P SmICap Utilties	PSCU	EA	1.35
Wtree Intrntl SC Div	DLS	EW	1.34
Market Vectors Semiconductor	SMH	EA	1.32
SPDR DJ Industrials	DIA	ELC	1.31
iShares Russell 2000 Value Indx	IWN	ESC	1.24
Vngrd MidCap Val	VO	EMC	1.21
Wtree SmI Cap Div	DES	ESC	1.20
PS Dynmc Lrg Cap Value	PWV	ELC	1.19
iShares Core S&P Mid Cap	IJH	EMC	1.13
iShares Telecomm	YZ	EA	1.05
SPDR Mid Cap Trust	MDY	EMC	1.05
PS Dynmc Leisure & Enter	PEJ	EA	0.98
Vngrd Fincl Srv	VFH	EA	0.98
SPDR S&P Homebuilders	XHB	EA	0.97
iShares Russel MidVal	IWS	EMC	0.91
PS Gldn Drgn USX China	PGJ	EW	0.89
iShares Russell 1000 Value Indx	IWD	ELC	0.88
PS S&P SmICap Fincl	PSCF	EA	0.88
PS BLDR Europe 100 ADR	ADRU	EW	0.80
iShares DJ Slct Div	DVY	EGI	0.75

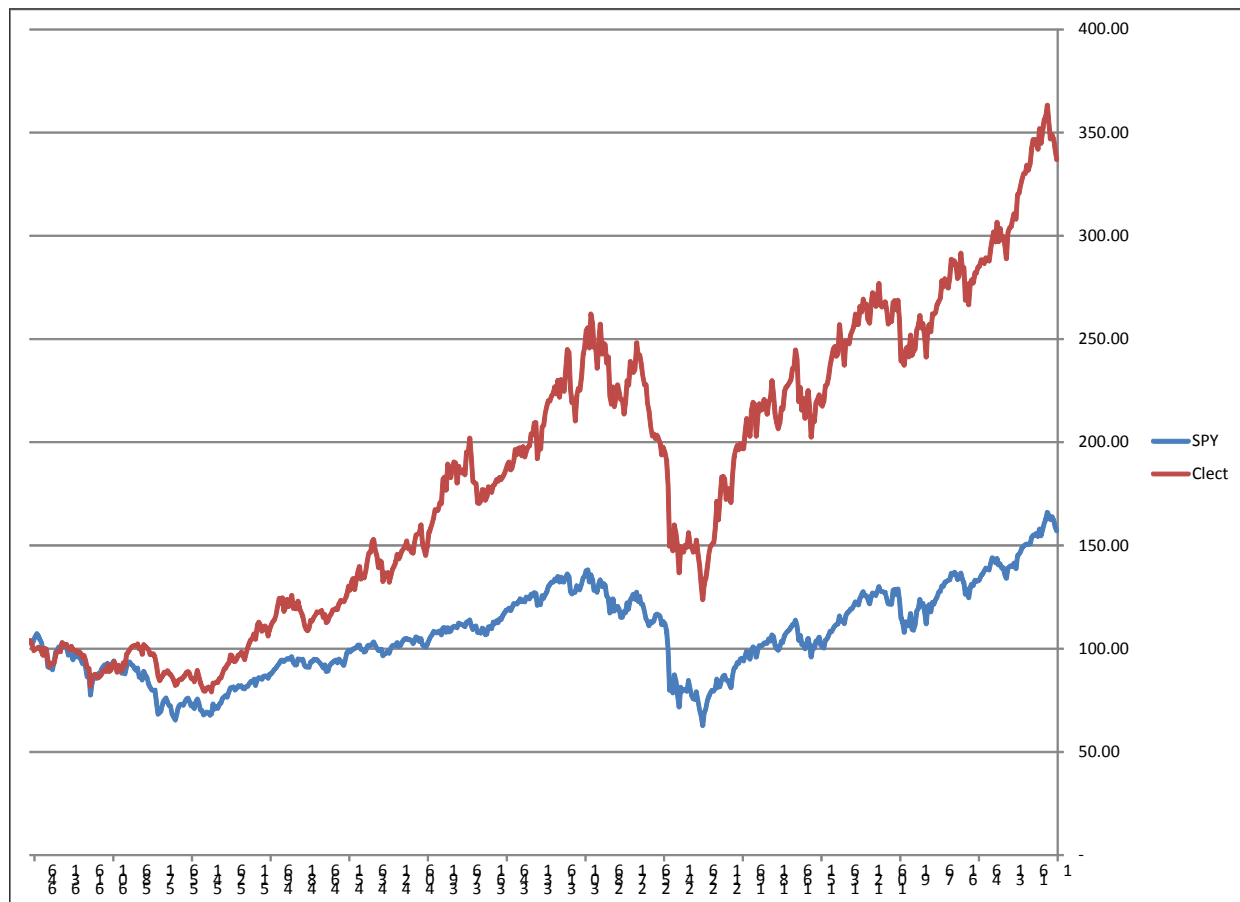
ETF Rankings by C to previous week's end

Guggnhm MidCap Core	CZA	EMC	0.69
Wtree India	EPI	EW R	0.67
Vngrd European Indx	VGK	EW	0.64
Guggnhm Timber	CUT	EA	0.61
Wtree MidCap Div	DON	EMC	0.53
PS Hi Yld Eqty Div	PEY	EGI	0.52
iShares Slct Div	IDV	ELC	0.51
PS S&P 500 BuyWrite	PBP	ELC	0.49
Alerian MLP	AML P	EGI	0.49
iShares Europe 350	IEV	EW	0.46
Wtree Japan Hedge Eqty	DXJ	EC	0.45
SPDR S&P Retail	XRT	EA	0.44
Wtree LrgCap Div	DLN	ELC	0.37
Vngrd Div Apprctn	VIG	EGI	0.35
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	0.32
Wtree Intrntl Div Ex Fincl	DOO	EW	0.32
Wtree DEFA Eqty Incm	DTH	EW	0.29
Wtree Div Ex Fincl	DTN	ELC	0.25
Select SPDR Cnsmr Stpl	XLP	EA	0.17
PS S&P SmICap Cnsmr Stpl	PSCC	EA	0.13
Select SPDR Div	SDY	EGI	0.12
Vngrd Cnsmr Stpls	VDC	EA	0.12
SPDR DJ Gbl Titans	DGT	EW	0.10
Wtree Intrntl MC Div	DIM	EW	0.00
Vngrd Utilities	VPU	EA	-0.05
Wtree DEFA	DW M	EW	-0.10
PS BLDR Dvlpd Mrkt 100 ADR	ADR D	EW	-0.14
Guggnhm Intrntl A Incm	HGI	EW	-0.15
Wtree Intrntl LC Div	DOL	EW	-0.16
Wtree Eqty Income	DHS	EGI	-0.17
PS Dividend Achievers	PFM	EGI	-0.20
Select SPDR Utilities	XLU	EA	-0.26
Guggnhm Multi Ast In	CVY	EV	-0.35
PS S&P 500 Low Volatility Portfolio	SPLV	ELC	-0.35
PS S&P SmICap Energy	PSCE	EA	-0.38
Vngrd Europe Pacific	VEA	EW	-0.44
PS Intrntl Dvdnd	PID	EW	-0.47
iShares EAFE Indx	EFA	EW	-0.48
PS Dynmc Oil & Gas Srvcs	PXJ	EA	-0.55
Wtree Gbl Eqty Incm	DEW	EW	-0.56
Market Vectors Oil Services	OIH	EA	-0.56
PS India	PIN	EW	-0.56
PS FTSE RAFI Dvlp Mrkt xUSA SmI	PDN	EW	-0.60
PS Dynmc Cnsmr Staples	PSL	EA	-0.60
PS Gbl Agriculture	PAGG	EA	-0.60
Vngrd TTL Intrntl Stk	VXUS	EW	-0.63
PS Dynmc Retail	PMR	EA	-0.66
Guggnhm Dfnsv Eqty	DEF	EV	-0.67
SPDR S&P Oil & Gas Expl. & Prod.	XOP	EA	-0.72
Guggnhm China All	YAO	EW R	-0.76
Select SPDR Enrgy	XLE	EA	-0.76
Guggnhm Gbl Div	LVL	EW	-0.80
PS DB Agriculture	DBA	EA	-0.84
iShares Canada	EW C	EW	-0.88
PS Dynmc Cnsmr Discr	PEZ	EA	-1.04

ETF Rankings by C to previous week's end

iShares South Korea Indx	EWY	EW	-1.05
Wtree Japan SC Div	DFJ	EW R	-1.19
Wtree Intrntl Utilities	DBU	EW	-1.22
iShares Pacific ex Jpn	EPP	EW	-1.30
Guggnhm Candn Enrg Incm	ENY	EW R	-1.39
PS Dynmc Food & Bev	PBJ	EA	-1.44
iShares REIT	IYR	ERE	-1.50
iShares Taiwan Indx	EWT	EW	-1.57
PS FTSE RAFI Asia Pac xJpn	PAF	EW	-1.60
iShares Hong Kong Indx	EW H	EW	-1.62
iShares Japan	EW J	EW	-1.63
Guggnhm Frntr	FRN	EW	-1.64
iShares Australia	EWA	EW	-1.76
Vngrd REIT	VNQ	ERE	-1.76
PS DB Energy	DBE	EA	-1.81
Wtree World Ex US Grth	DNL	EW	-1.81
Market Vectors Russia	RSX	EW	-1.83
iShares Malaysia Indx	EWM	EW	-1.88
PS DB Commodity	DBC	EA	-1.91
PS US REIT	PSR	ERE	-1.98
PS BLDR Asia 50 ADR	ADRA	EW	-2.08
PS DB Base Metals	DBB	EG	-2.11
PS DB Oil	DBO	EA	-2.16
iShares Mexico	EW W	EW	-2.18
SPDR Wlsh REIT	RWR	ERE	-2.20
PS FTSE RAFI Emrg Mrkt	PXH	EW	-2.31
iShares Cohen&Str REIT	ICF	ERE	-2.32
Guggnhm BRIC	EEB	EW	-2.39
iShares Singapore	EWS	EW	-2.40
PS Emrg Mrkt Infrastrctr	PXR	EW	-2.50
Pro Shares Short S&P 500	SH	EC	-2.53
PS BLDR Emrg Mkt 50 ADR	ADRE	EW	-2.54
iShares Emrg Mrkt Stk	EEM	EW	-2.68
Vngrd Emrg Mrkt	VWO	EW	-2.70
Wtree Intrntl REIT	DRW	ERE	-2.73
Wtree Emrg Mrkt SC Div	DGS	EW	-3.08
Wtree Emrg Mrkt Eincm	DEM	EW	-3.28
iShares China	FXI	EW	-3.66
PS DWA Emrg Mrkt T Ldrs	PIE	EW	-4.16
Pro Shares Short Russell 2000	RWM	ESC	-4.18
iShares Latin Amr	ILF	EW	-4.42
Guggnhm China REIT	TAO	EW R	-4.83
US Oil Fund	USO	EA	-5.20
iShares Gold	IAU	EG	-5.28
SPDR Gold	GLD	EG	-5.31
PS DB Gold	DGL	EG	-5.76
iShares Brazil Indx	EWZ	EW	-6.30
PS DB Precious Metals	DBP	EG	-6.32
iShares Silver	SLV	EG	-9.13
PS DB Silver	DBS	EG	-10.23
PS Gbl Gold Precious Mtls	PSAU	EG	-14.54
Market Vectors Gold Minors	GDX	EG	-18.44
iPath S&P 500 VIX Shrt Trm	VXX	EC	-32.64
Market Vectors Junior Gold Miners	GDXJ	EG	-36.93

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**

ly avoid disaster, but far enough away to maintain positions during normal corrections.

As the market rallies, the 10% is then marked to the new high. Essentially the stop moves along with the market; it's called a trailing stop. For example, the previous high was 12/31/13. 10% below that level is the stop. As of last Friday, the market had dropped about 4%. Thus the stop was about 6% away. On Monday as I write this the 5 ETFs are all down, thus the stop is now about 3% away.

This means if you bought a new position today, the stop to get out, the risk of loss, is 3%.

To be clear about stops, the market could crash, like it did in 1987. The stop is not a guarantee of the loss limit, but is only a trigger point.

Again, the stop is based on the whole portfolio value of the WGM, which is made up of 20% each in EEM, EFA, IWM, QQQ, SPY. It is not based on one ETF.

The next thing to understand is that the timing model may signal a sell before the stop loss is triggered.

For example, right now the stop is about 3% away, but the timing model is closer than that to a sell signal. In fact, 2 of 5 indicators are bearish. The timing model sell is based on 3 of 5 be-

ing triggered.

These two things sound like they are close, but it all depends on the market's action. Waterfall declines, like the current one, brings the two sell points closer, while a market that meanders lower will have wider points between the two sell types.

So, the stop level at this moment is about 3% away. The timing model sell signal is also very close. Between issues, if we get a signal, we will email you. The whole idea with the two sell types is that IF the normal correction turns into a normal bear market with losses ranging from 20% to 50% (or worse), that is what we want to avoid.

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.

2/3 Made an ETF database change. Deleted a low volume ETF and added a larger volume ETF.

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.

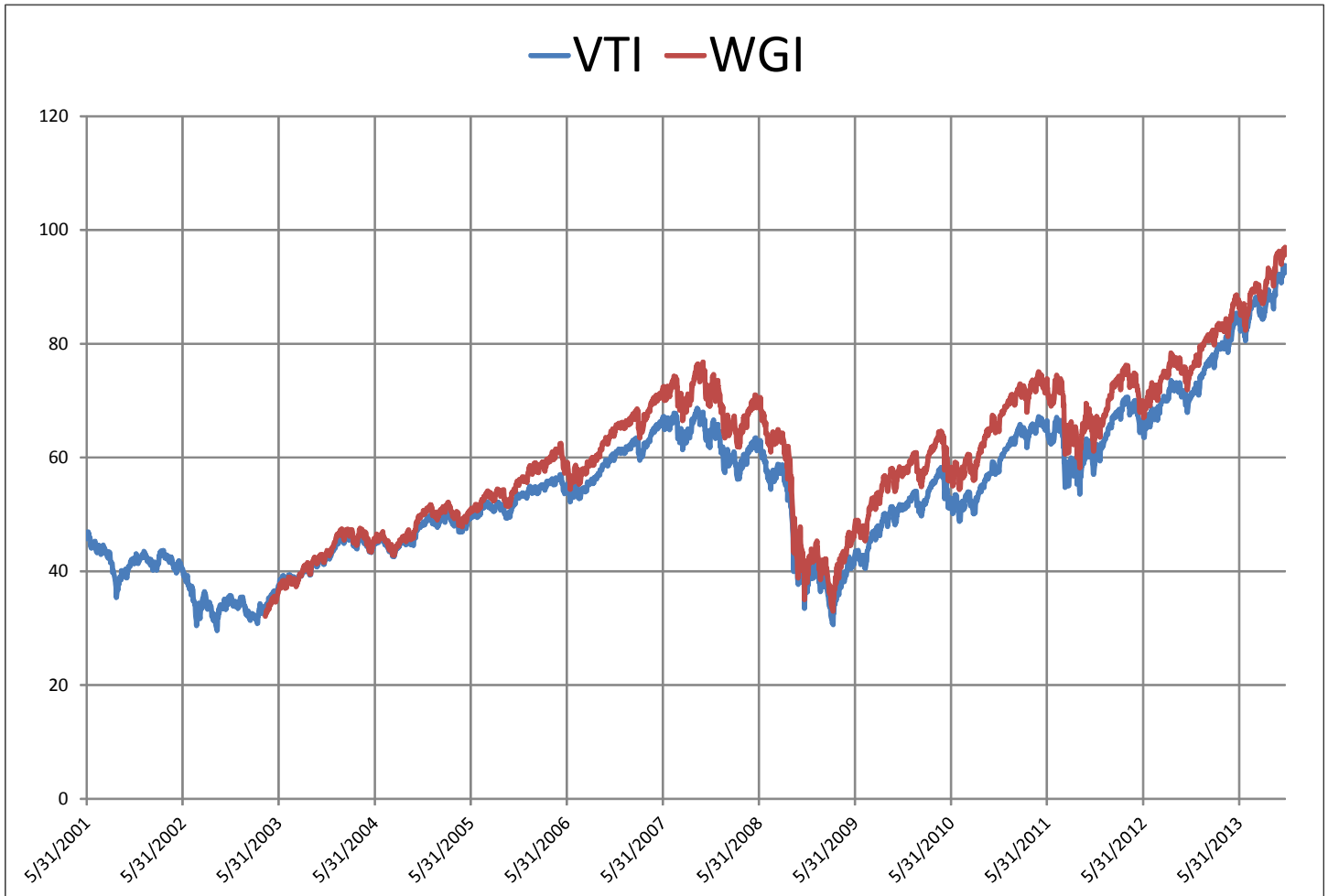
12/23 Correction to 10/21 comment [changed to WGI]. No other changes.

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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