

# ETF Selections & Timing

## Watercourse Way Holdings, LLC

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InvestmentST.com

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Volume 2  
Issue 7

## Updating

I am still in the process of expanding the ETF database. All of the Guggenheim ETFs are completed. Next phase will include more from the other four major carriers of ETFs (Vanguard, iShares, PowerShares, and Select).

Once the database is built

out, we'll run the various selecting and timing models on the ETF.

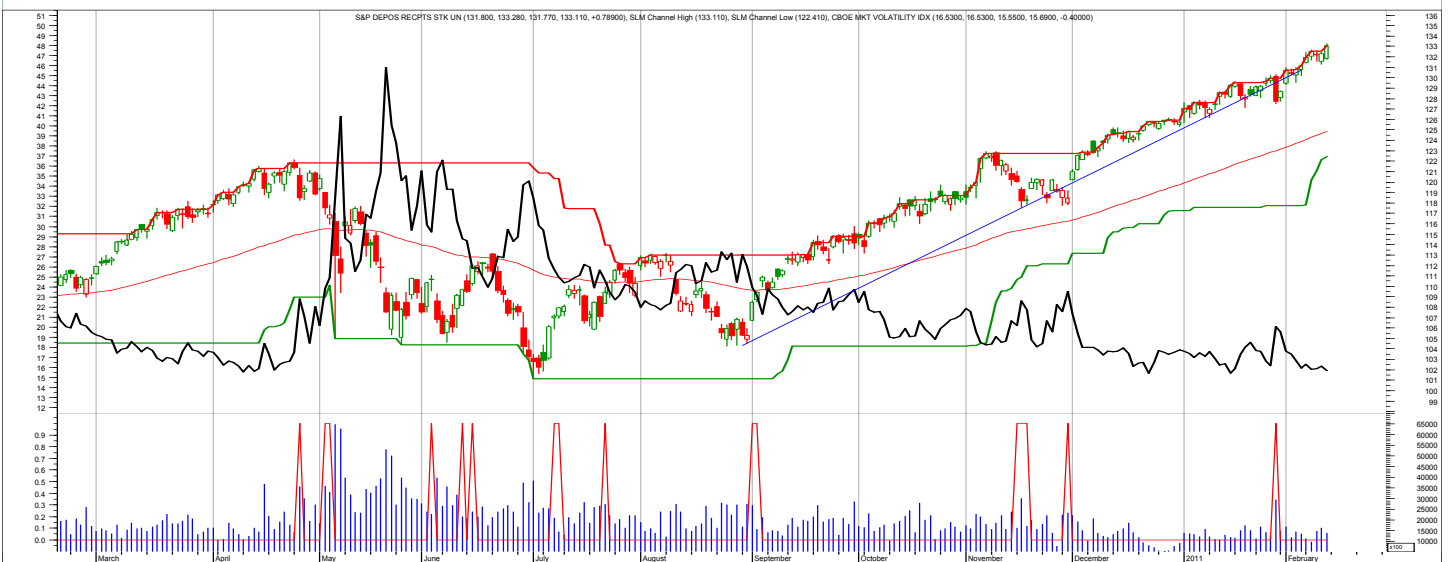
Going forward, this should improve a couple of things.

The strategy will still be to attempt to be invested in the strongest ETFs and to short the weakest ETFs. And to do this

consistently over time. With more to choose from, the selection process should improve.

On a timing basis, I've introduced the bond timing model. The ETF growth model is still being tweaked.

*(Continued on bottom right on page 7 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	-0.8%	5.8%	0.2	-2.3	-0.8	0.1%
ETF Growth Portfolio	1.0%	10.8%	7.3	1.6	0.8	0.3%
Aggrgt Bond (AGG)	-1.4%	0.3%	-3.4	-3.0	-1.4	0.0%
Wilshire 5000	5.7%	26.0%	25.4	11.5	2.7	1.6%

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# Income Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 2/4/2011							
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	
10-Jan	sell	PHB	18.31	561	10,274	AGG	103.00		105.13	104.30	170.3	17,761.25	17.1%	
10-Jan	buy	TLT	92.85	101	9,378									
10-Jan	sell	PCY	26.69	357	9,528	TIP	104.00							
14-Jan	sell	TIP	107.76	121	13,061	TLT	87.00							
14-Jan	sell	BSV	80.62	205	16,543									
24-Jan	buy	TIP	106.93	125	13,366									
3-Feb	sell	TLT	89.72	202	18,113									
4-Feb	sell	TIP	105.83	125	13,219									
14-Feb	buy	TIP		200										
14-Feb	buy	AGG		200										
14-Feb	buy	TLT		230										
						Money Market					1.00	86,216	86,216.00	82.9%
												Total Valuation=	103,977.25	100.0%

## PERFORMANCE RANK

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

## INCOME DATABASE

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

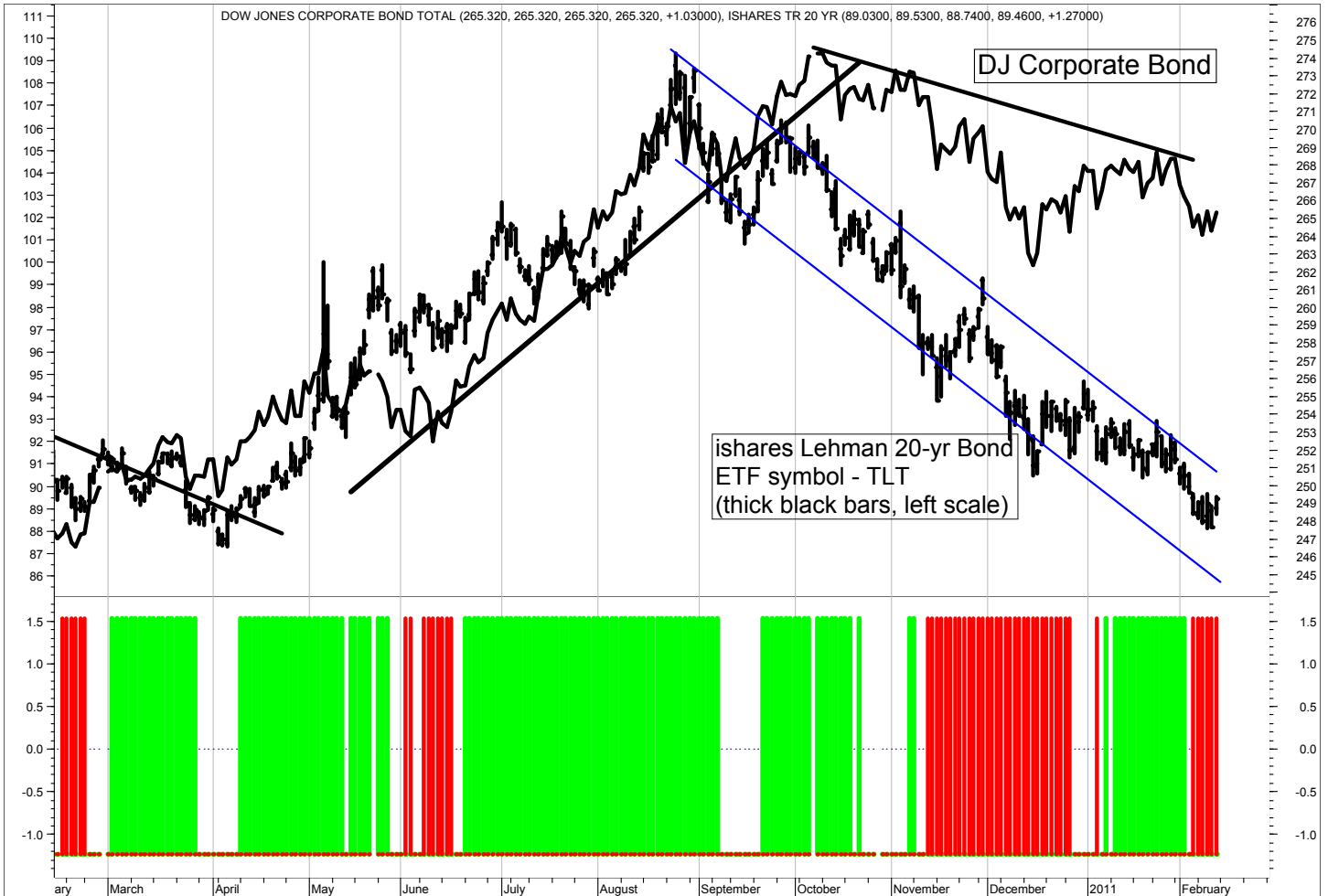
## WEEKLY REVIEW

I'll reenter the bond market again with some contrary oriented buys. Please note the sell stops near recent lows.

These two columns above show the ETF 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	

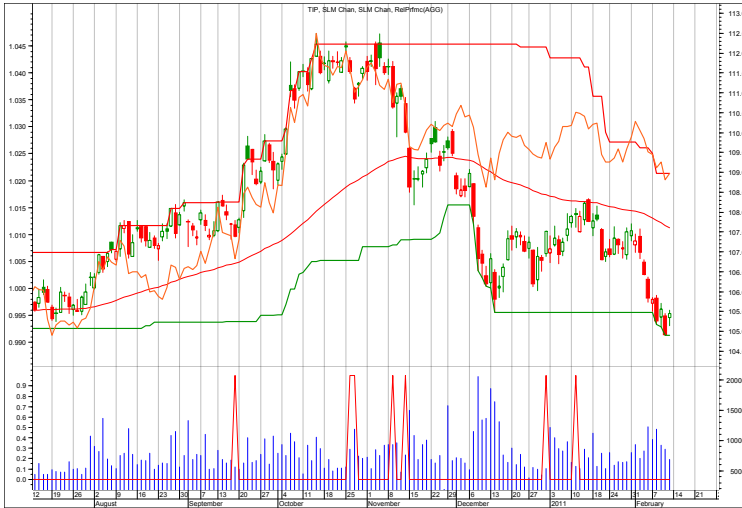
# SLM Bond Timing Model



The SLM Bond Timing Model is still bearish. But on a longer term chart the TLT (treasuries) is at major support levels around 88-90. That level was support back in June, 2008, June, 2009, and winter 2010. So I will begin to accumulate in anticipation of a trend change.

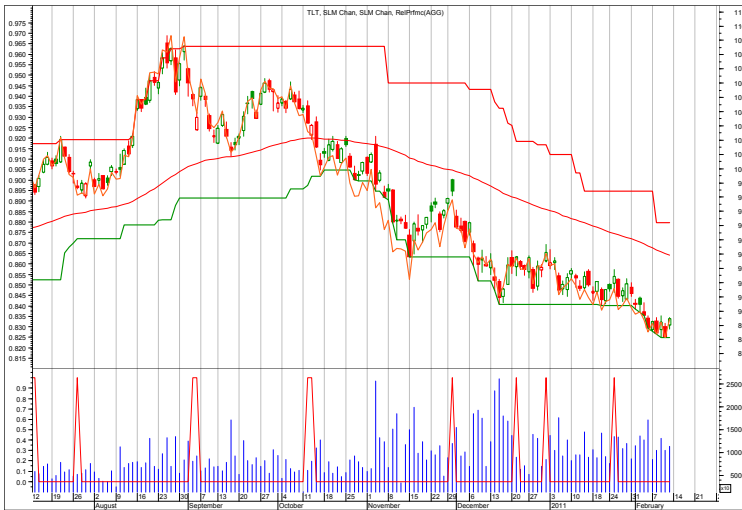
The SLM Bond Timing Model is based on the expected direction of the Corporate Bond market. The green bars are bullish (expect higher prices and lower yields) and the red bars are bearish (expect lower prices and higher yields). White spaces indicate that the previous signal is still in effect.

# Income Charts



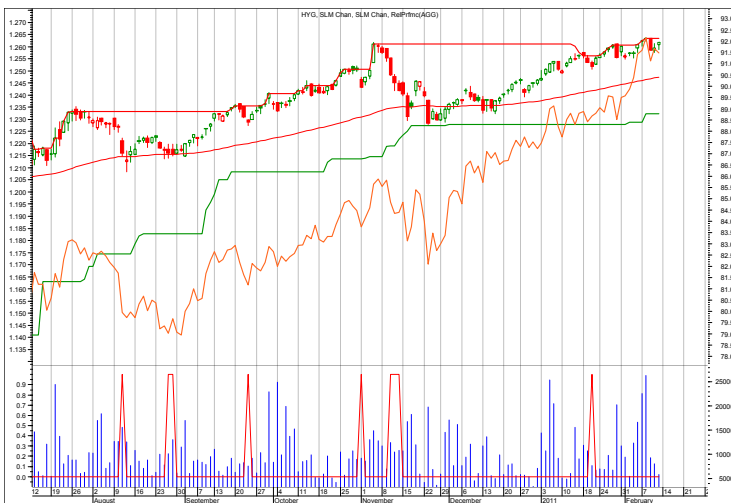
## TIP—Inflation Protected

2/14/11 Looking for a reversal.  
 2/4/11 Got stopped out. Bear market.  
 1/31/11 Watch for rally.  
 1/24/11 Pullback to uptrend. Good entry point.



## TLT--20 year Treasury bond

2/14/11 Looking for a reversal.  
 2/4/11 A ledge.  
 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

2/14/11 Standing aside.  
 2/4/11 Investors are stretching for 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: 2/4/2011						
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
						<b>LONG ETFs-</b>							
6-Dec	short	EWP	37.64	(100)	(3,754)	ICF	68.00		63.72	70.09	100.0	7,009.00	6.4%
						SLV	27.50		26.36	29.21	200	5,842.00	5.4%
20-Dec	sell	EWS	13.45	400	5,390	XLE	71.50		70.36	74.11	70	5,187.70	4.8%
						DEM	57.00		58.63	57.24	90	5,151.60	4.7%
3-Jan	cover	EWP	36.55	100	3,665								
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	41.87	(100)	(4,177)								
						<b>SHORT ETFs-</b>							
4-Feb	sell	RSW	35.30	100	3,520	EWP	42.50		41.87	41.40	(100.0)	(4,140.00)	-3.8%
						<b>Cash from short</b>							
									1.00	4,177.0	4,177.00	3.8%	

## PERFORMANCE RANK

## GROWTH DATABASE

## WEEKLY REVIEW

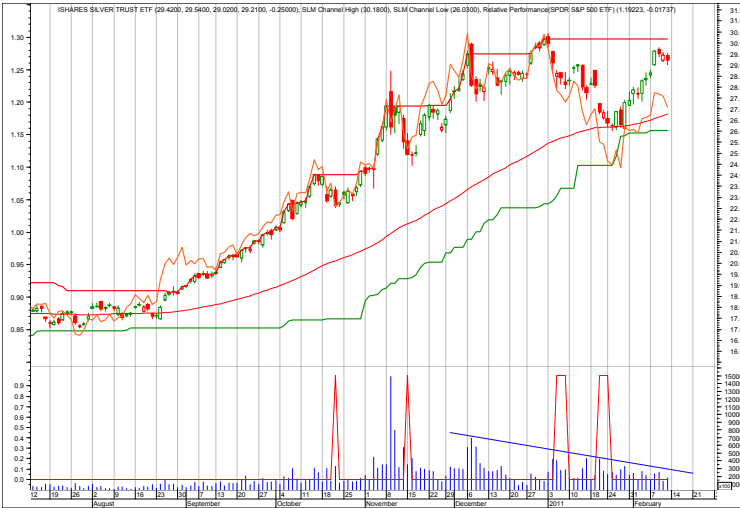
The Growth Portfolio database and rankings are on page six. Generally speaking, we will want to own the leaders and avoid or short the laggards, but this is mitigated by expected market timing turns in the ETFs.

Raised the SLV stop very close. It should either continue its recovery or fail.

Still waiting for a pullback to buy.

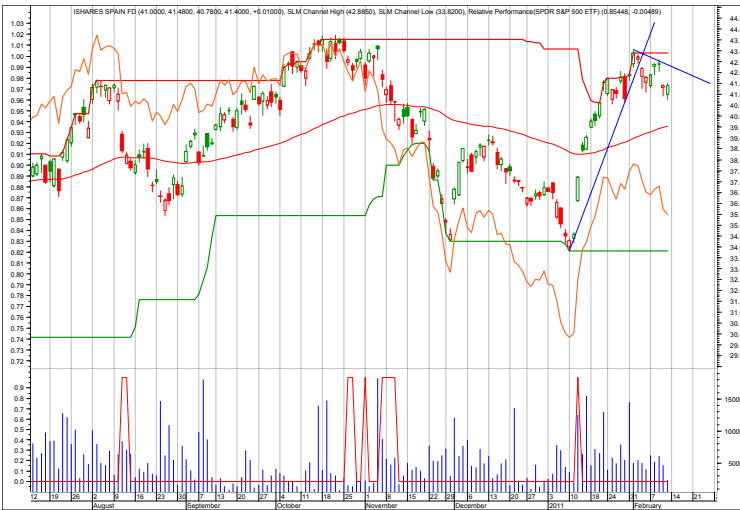
Annual Performance	2010	2011
ETF Growth Portfolio	8.1	
Wilshire 5000	15.5	

# Growth Charts



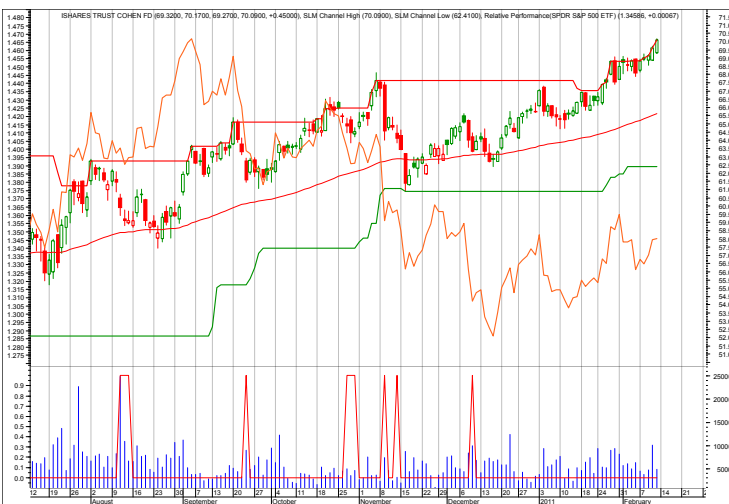
## SLV—Silver

2/14/11 Caught the rally, but watch the declining volume. Watch the stop.  
 2/4/11 Holding.  
 1/31/11 Long SLV in the portfolio. Expect rally back to recovery highs.  
 1/24/11 Buy on the correction.



## EWP—Spain

2/14/11 Hold short.  
 2/4/11 Rally appears over. Hold short.  
 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

2/14/11 Hold long.  
 2/4/11 So far, so good.  
 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 8. Database expanded to nearly 120 ETFs, but will look to expand further. Once completed, page 8 will be expanded.

*(Continued from page 1) REVIEW*

In the meantime, the stock market is still very overbought as investors pile in. Sentiment is running at levels associated with tops, not bottoms. Until that changes, the safety of the sideline is the best place to be, regardless of short-term enthusiasm.

# ETF Growth Database and Ranking

Fund Name	Symbol	Style	Asset	12m	9m	6m	3m	1m	V	NAV	Rank
iShares Silver	SLV	EG	E	72.28	50.01	55.81	13.33	-9.24	7.47	27.39	*****
PS Silver	DBS	EG	E	70.68	48.41	54.58	12.50	-9.85	7.51	49.14	*****
PS Agrcltr	DBA	EC	E	35.53	37.71	31.99	15.45	6.00	4.29	34.29	*****
PS Commodity	DBC	EC	E	25.74	16.73	24.64	13.30	3.56	4.60	28.53	*****
Select SPDR Enrgy	XLE	EA	E	34.22	22.10	35.87	23.48	7.18	5.69	73.15	*****
iShares Canada	EWC	EW	E	28.03	10.84	17.37	8.19	0.94	4.83	31.29	***
iShares Mexico	EWW	EW	E	32.09	14.66	19.23	5.63	-1.87	5.59	60.76	***
Wtree Intrntl SC Div	DLS	EW	E	18.47	9.35	17.53	5.42	0.73	4.59	52.15	***
iShares Russel MidVal	IWS	EV	E	28.08	9.29	18.00	9.78	2.24	5.07	46.02	***
iShares Russel 2000	IWM	ESC	E	29.68	8.79	19.89	10.88	-0.37	5.95	77.95	***
PS Dynmc OTC	PWO	ESC	E	27.08	5.84	17.66	6.35	-1.22	5.68	49.19	***
Vngrd Small Cap	VB	ESC	E	31.97	9.97	20.55	10.77	0.70	5.88	73.14	***
iShares Cohen&Str REIT	ICF	ERE	E	38.89	11.64	13.11	6.17	4.23	5.46	68.50	***
iShares REIT	IYR	ERE	E	33.46	9.44	12.22	5.46	3.57	5.13	57.96	***
SPDR Wish REIT	RWR	ERE	E	36.16	9.78	12.48	5.36	3.36	5.37	63.07	***
iShares Sclt Div	IDV	ELC	E	16.54	11.66	16.54	4.63	3.03	5.42	34.66	***
PS Dynmc Mrkt	PWC	ELC	E	22.63	11.24	20.40	8.98	2.07	4.67	44.92	***
SPDR DJ Industrials	DIA	ELC	E	17.95	7.72	13.28	6.55	2.57	4.14	118.60	***
SPDR NASDAQ 100	QQQQ	ELC	E	30.87	13.73	22.24	7.32	2.83	5.68	56.00	***
SPDR S&P 500	SPY	ELC	E	19.82	8.31	16.70	8.60	2.33	4.47	128.68	***
Vngrd Large Cap	VV	ELC	E	20.48	8.81	17.39	8.87	2.31	4.55	58.94	***
Vngrd TTL Stock	VTI	ELC	E	21.89	8.82	17.80	9.12	2.05	4.72	66.26	***
Wtree LrgCap Div	DLN	ELC	E	16.81	8.07	13.71	5.83	1.13	3.79	46.62	***
Wtree Ttl Div	DTD	ELC	E	17.79	7.74	13.78	6.05	1.18	3.88	47.14	***
iShares DJ Sclt Div	DVY	EGI	E	17.05	5.27	9.80	3.95	0.24	3.78	49.98	***
Wtree Eqty Income	DHS	EGI	E	16.40	8.49	10.60	1.78	-0.21	3.29	38.83	***
PS Energy	DBE	EA	E	18.43	3.82	17.05	16.81	5.21	5.04	28.28	***
Select SPDR Cnsmr Disc	XLY	EA	E	28.61	6.78	18.26	5.45	-0.61	5.64	37.18	***
Select SPDR Indl	XLI	EA	E	32.36	11.27	19.64	12.62	3.93	5.94	36.24	***
Select SPDR Matrls	XLB	EA	E	27.54	13.09	20.09	10.46	0.08	5.90	38.44	***
Select SPDR Technlgy	XLK	EA	E	24.00	11.12	18.57	6.74	3.18	5.61	25.99	***
iShares Prfrd	PFF	HB	E	5.45	1.43	-0.69	-1.34	0.72	1.92	39.08	**
iShares EAFE Indx	EFA	EW	E	13.26	9.24	14.51	4.26	2.10	5.13	59.44	**
iShares Emrg Mrkt Stk	EEM	EW	E	19.67	8.94	10.65	-0.67	-3.85	5.44	45.81	**
iShares Europe 350	IEV	EW	E	12.70	11.35	14.94	3.51	4.40	6.26	41.01	**
SPDR DJ Gbl Titans	DGT	EW	E	11.57	6.81	14.82	6.75	2.80	4.65	60.09	**
Vngrd Emrg Mrkt	VWO	EW	E	21.57	10.53	11.03	-0.81	-3.44	5.00	46.49	**
Wtree DEFA	DWM	EW	E	11.19	9.17	14.49	3.65	3.76	5.57	49.15	**
Wtree Emrg Mrkt EI	DEM	EW	E	19.35	9.45	11.57	0.09	-3.74	4.91	57.46	**
Wtree Sml Cap Div	DES	ESC	E	23.42	3.70	11.81	6.28	-1.18	5.16	46.85	**
PS High Yield Eqty	PEY	EMC	E	14.74	2.25	6.14	1.81	-2.48	3.65	8.64	**
iShares Gold	IAU	EG	E	22.71	12.72	12.54	-2.03	-6.40	4.42	13.01	**
PS Gold	DGL	EG	E	20.96	11.41	11.76	-2.54	-6.58	4.44	46.86	**
SPDR Gold	GLD	EG	E	22.57	12.58	12.45	-2.07	-6.38	4.43	129.87	**
PS Oil	DBO	EA	E	15.63	-1.56	16.23	14.79	3.01	5.30	29.07	**
Select SPDR Cnsmr Stpl	XLP	EA	E	10.23	4.52	7.04	0.38	-1.47	2.93	28.88	**
Select SPDR Financls	XLF	EA	E	15.66	1.49	11.49	12.65	2.82	4.78	16.40	**
Select SPDR Health	XLV	EA	E	1.28	2.59	10.89	1.64	0.57	3.19	31.68	**
Select SPDR Utilities	XLU	EA	E	7.42	4.20	4.45	0.00	1.21	2.99	31.72	**
Wtree India	EPI	EWR	E	10.81	-0.39	-0.77	-14.78	-12.20	6.13	23.17	*
iShares China	FXI	EW	E	10.92	4.19	3.18	-5.39	-1.25	4.24	42.55	*
iShares Latin Amr	ILF	EW	E	20.53	7.31	10.21	-1.44	-4.62	6.13	51.37	*
SPDR Euro Stoxx 50	FEZ	EW	E	6.70	8.97	13.49	2.49	8.44	7.84	39.95	*
Currency Euro	FXE	EC	E	-1.45	2.72	5.00	-1.67	2.47	3.56	136.38	*
PS Short Dow 30	DOG	EC	E	-20.27	-11.70	-14.13	-7.47	-2.80	4.13	43.09	*
PS Short Trsry 20yr	TBF	EC	E	-7.69	-5.98	5.11	7.58	2.26	3.35	45.25	*

This is the ETF 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; the higher the better.



# 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.

Interest is zero for the money market (cash) position.

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