

ETF Selections & Timing

Watercourse Way Holdings, LLC

P.O. Box 830396
Richardson, TX 75083-0396
972-680-2366

InvestmentST.com

May 12, 2014 (data date through previous Friday close)

Volume 5
Issue 19

Rallying

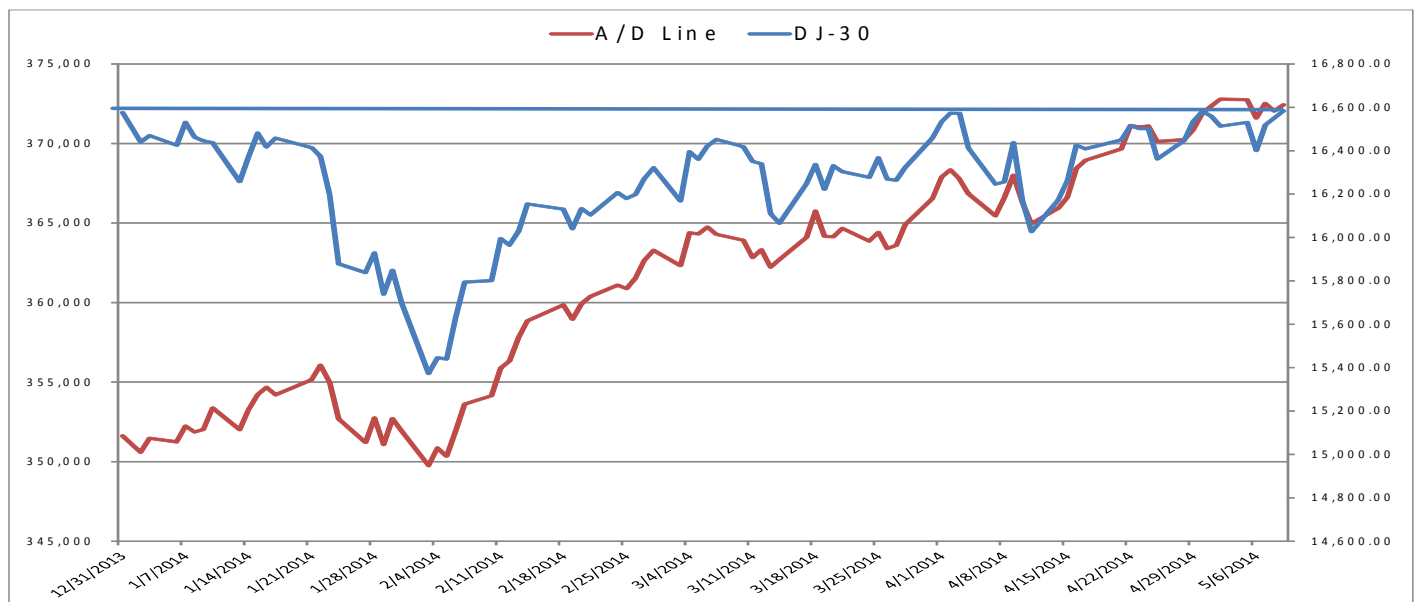
With today's (Monday) rally, the market looks to be hitting on all cylinders again, except for the fact that the previously strong indexes like IWM and QQQ are lagging at the highs set by the other indexes. I don't

think this is too worrisome as a sign of a top, as it is more of a sign of rotation away from the very overvalued domestic area to the less overvalued, and even undervalued in some instances, international markets.

The market is ignoring the Fed tapering so far. It is project-

ed to conclude by October 2014, assuming the economy continues to expand. Given the continued strength and expansion in the leading economic indicators (Conference Board) that project economic activity some six

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



This is the daily chart of the close of the Dow Industrials (blue line) and NYSE advance-decline line (red line)

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	0.9%	2.1%	0.7	0.9	0.1	0.0%
ETF Growth Portfolio	0.3%	11.4%	1.6	1.3	1.5	-0.3%
Index						
Aggrgt Bond (AGG)	2.1%	-0.1%	2.1	1.0	0.2	0.0%
S&P 500 TR (SPY)	2.3%	16.9%	6.6	4.5	3.6	0.0%
World Growth Index	0.1%	14.4%	4.6	2.9	2.2	-0.5%

CONTENTS

Pages 2-5	Income
Pages 6-10	Growth
Page 11	Info Chart
Page 12	Overflow
Page 13	Buy Window
Page 14	Disclaimers

Income Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 5/9/2014								
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Stop Loss as of 4/28	Description	Start Price	End Price	# of Shares	Current Value	Percent of Total	
11-Apr	sell	JNK	41.05	342	14,014								0.0%	
21-Apr	sell	AGG	108.18	130	14,080								0.0%	
21-Apr	sell	PCY	28.27	512	14,464								0.0%	
21-Apr	buy	BSV	80.09	362	29,003								0.0%	
			this new buy w ill be about 25% of total			BSV			80.09	80.24	362.4	29,075.20	25.0%	
28-Apr	sell	LQD	117.87	120	14,176									
						Money Market					1.00	87,033	87,033.00	75.0%
												Total Valuation=	116,108.20	100.0%

WEEKLY REVIEW

5/12 No changes. PCY (international bonds) surged on the news of a form of international QE.

5/5 Given the Fed's tapering (less bond buying), it is interesting to note that bonds continue to rally (higher prices, lower yields).

4/28 There's a good possibility that the LQD position will close below its sell stop level today. Watch it at quarter to the close for a signal. If its below it, we'll sell back to cash.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Income Portfolio	4.8%	3.6	4.8	1.1	0.9	16.1
Aggregate Bond	6.4%	7.7	3.9	-2.2	2.1	19.0

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 (under construction)

<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	*

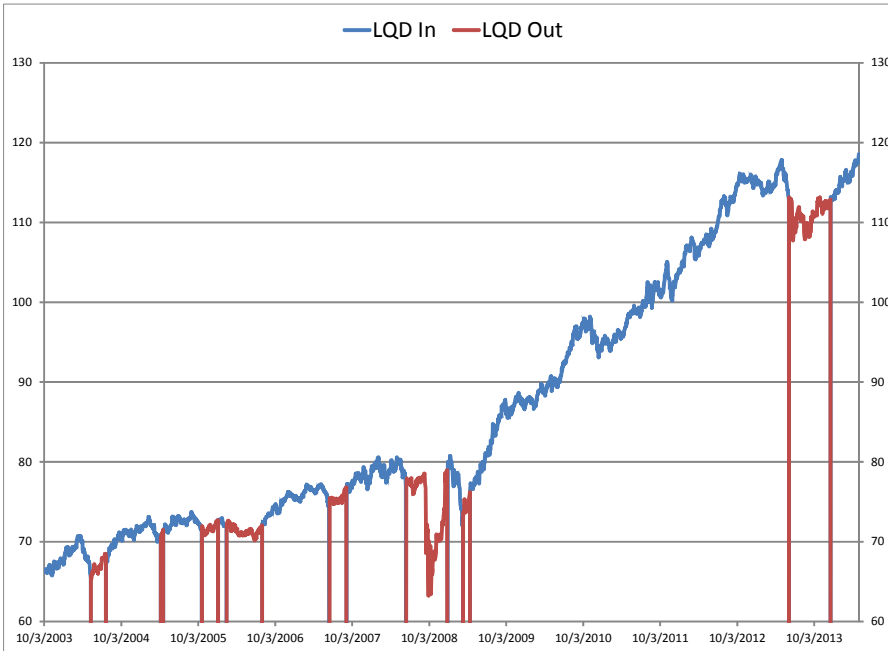
This is the ETF Income Database and Ranking. It shows performance over the last 12, 9, 6, 3, and 1 months through the previous month's end. V is Volatility. NAV is price. CS is Comet Strength (not shown). C is Comet (not shown), which is an ETF's risk-adjusted performance; the higher the better. V, CS,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



The chart above is LQD from 10/2003 through the present. The blue portion represents bullish on bond prices (yields falling). The red portion (red prices between red spikes) represents bearish on bond prices (yields rising).

The chart to the left reflects the beginnings of the new Bond Timing model. Right now it is based on LQD (corporate bond ETF).

The reason for the change was there were too many whipsaws in the old model. And I plan to incorporate more information like international bonds, if the back test proves useful.

I plan to also back test this on information before the recent 30-year secular bull market in bonds. In other words, I don't want a model that only works because the wind of lower and lower and lower yields (higher and higher and higher prices) was at its back.

WEEKLY REVIEW

5/12 No changes.

5/5 The chart reflects the beginnings of the new World Income Model (timing). The selecting based on C of the bond ETFs still needs completing.

4/4 No updates.

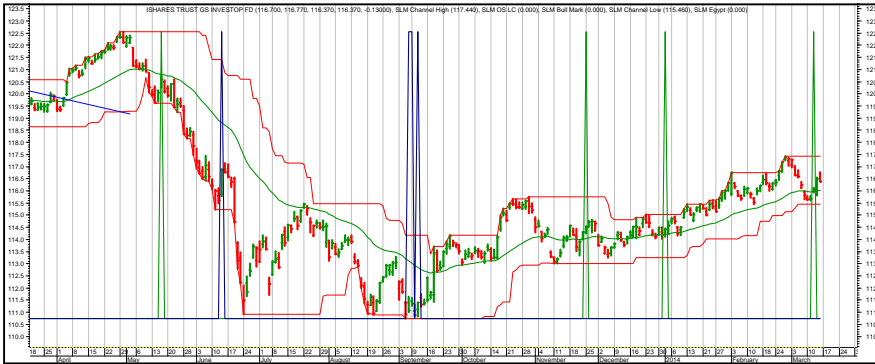
3/24 As previously mentioned, I am planning to introduce the new World Income Model ASAP. So, this chart and the charts on the next page are not updated. (Trend is still bullish.)

3/17 No changes. Still trending bullish.

3/10 No changes.

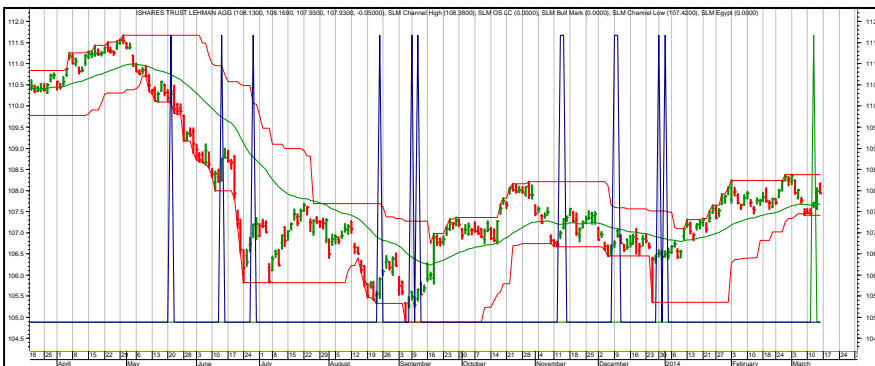
3/3 The bond model is still bullish, unfortunately I'm out. Will try to find a reentry area.

Income Charts (DAILY) (under construction)



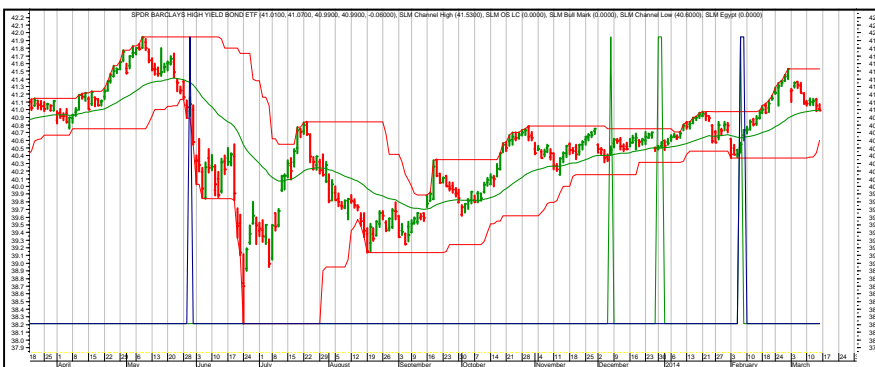
LQD—Investment Grade Corporate

3/17 See page 2.
 3/10 No changes.
 3/3 No changes.
 2/24/ No changes.
 2/18 No changes.
 2/10 No changes.
 2/3 No changes.



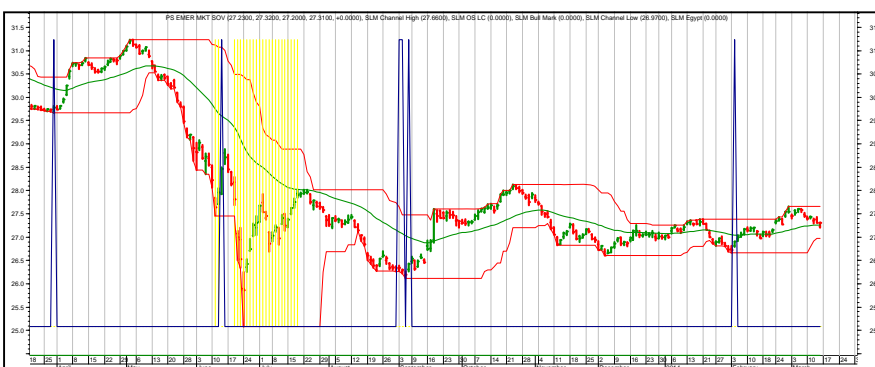
AGG—Aggregate Bond Market

3/17 See page 2.
 3/10 No changes.
 3/3 No changes.
 2/24 No changes.
 2/18 No changes.
 2/10 No changes.
 2/3 No changes.



JNK—hi-yield bonds

3/17 See page 2.
 3/10 No changes.
 3/3 Overextended. Will take profits.
 2/24 No changes.
 2/18 Since JNK is the only bond ETF notching recovery highs here of the 4 shown, I've put a very tight stop on the position. See page 2.



PCY—International Bonds

3/17 See page 2.
 3/10 No changes.
 3/3 No changes.
 2/24 No changes.
 2/18 No changes.
 2/10 The last blue spike is the 'buy' from last week's comment. I am standing aside, however.

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:				5/9/2014			
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
3-Mar	sell	PPA	32.64	177	5,767	World Growth							
3-Mar	buy	PBE	45.05	129	5,821	EEM		Emrg Mrkt	39.13	41.63	539.000	22,438.57	15.7%
			this will be about 4% of ttl			EFA		Euro Asia	66.28	68.22	318.000	21,693.96	15.2%
17-Mar	sell	PBE	44.55	129	5,737	IWM		Rusl 2000	113.68	110.07	185.490	20,416.88	14.3%
17-Mar	buy	DBA	28.45	200	5,700	QQQ		Nsdq 100	89.54	86.86	235.540	20,459.00	14.4%
			this will be about 4% of ttl			SPY		S&P 500	182.85	188.01	115.520	21,718.92	15.2%
7-Apr	sell	PJP	55.10	99	5,445	C-lect 5							
7-Apr	buy	PSI	20.46	278	5,698	ICF			85.25	87.21	67.000	5,843.07	4.1%
			this will be about 4% of ttl			PFF			39.00	39.50	144.710	5,716.05	4.0%
14-Apr	sell	PSI	19.91	278	5,525	GULF			22.09	23.75	258.240	6,133.20	4.3%
14-Apr	buy	PGF	17.89	314	5,627	PGF			17.89	18.08	315.580	5,705.69	4.0%
14-Apr	sell	UNG	25.36	215	5,442	DBA			28.45	28.48	200.000	5,696.00	4.0%
14-Apr	buy	PFF	39.00	144	5,626	Two potential ways to sell: stop loss about 8.75% lower or timing model signals sell							
28-Apr	sell	DFE	61.55	93	5,716	Two potential ways to buy: lower-risk "window to buy" may open or timing model signals buy.							
28-Apr	buy	ICF	85.25	67	5,722	C-lect Short							
			this buy above will be about 4% of ttl			(under construction)							
									Cash from short	1.00	-	-	0.0%
									Money Market	1.00	6,657	6,657.00	4.7%
									Total Valuation=		142,478.34	100.0%	

WEEKLY REVIEW

5/12 The distance to "stop loss" expanded slightly as noted above. No ETF rotations this week.

5/5 No ETF rotations this week. Because the market rallied (as measured by the World Growth Index), the portfolio stop widened to 8.5% from 7.5%. The 'window to buy' remains closed.

4/28 There is one sell and buy today as noted above.

4/21 No changes this week.

4/14 With the market pullback, the sell stop distance narrowed to about 6%. The "window to buy" has also reopened. In the portfolio, we will sell and buy the two new positions noted above.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Growth Portfolio	8.1%	6.9	-2.1	25.7	0.3	42.5
World Growth Index	17.2%	-4.1	15.1	30.5	0.1	68.9

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>
Wtree Middle East Div	GULF	EW	23.52
PS DB Agriculture	DBA	EA	20.97
PS Fincl Pfd	PGF	EGI	17.35
iShares Prfrd	PFF	EGI	16.53
iShares Cohen&Str REIT	ICF	ERE	16.27
SPDR Wlsh REIT	RWR	ERE	15.67
Vngrd REIT	VNQ	ERE	15.47
iShares REIT	IYR	ERE	14.41
PS US REIT	PSR	ERE	13.36
Select SPDR Utilities	XLU	EA	13.29
Vngrd Utilities	VPU	EA	13.25
iShares Italy Indx	EWI	EW	11.94
Wtree India	EPI	EW R	11.91
Guggnhm Candn Enrg Incm	ENY	EW R	11.18
PS Dynmc Semicndctr	PSI	EA	11.03
PS Dynmc Utilities	PUI	EA	10.51
Wtree Intrntl Utilities	DBU	EW	10.38
Guggnhm Dfnsv Eqty	DEF	EV	9.85
SPDR S&P Oil & Gas Expl. & Prod.	XOP	EA	9.78
Wtree Eur SC Div	DFE	EW	9.75
US Natural Gas	UNG	EA	9.64
PS India	PIN	EW	9.40
PS Dynmc Energy	PXI	EA	8.68
PS Dynmc Energy Explor	PXE	EA	8.45
PS Hi Yld Eqty Div	PEY	EGI	8.33
Market Vectors Semiconductor	SMH	EA	8.21
Alerian MLP	AMLP	EGI	8.13
iShares DJ Slct Div	DVY	EGI	8.10
Wtree Eqty Income	DHS	EGI	7.97
PS S&P SmICap Energy	PSCE	EA	7.72
Wtree Div Ex Fincl	DTN	ELC	7.14
PS Gbl Gold Precious Mtls	PSAU	EG	7.07
Wtree Intrntl Div Ex Fincl	DOO	EW	6.86
PS Gbl Water	PIO	EW	6.80
iShares Russel MidVal	IWS	EMC	6.74
Select SPDR Enrgy	XLE	EA	6.71
iShares Australia	EW A	EW	6.70
Select SPDR Cnsmr Stpl	XLP	EA	6.64
PS S&P 500 Low Volatility Portfolio	SPLV	ELC	6.61
Vngrd Cnsmr Stpls	VDC	EA	6.59
PS Gbl Clean Enrgy	PBD	EW	6.56
Guggnhm Gbl Wtr	CGW	EW	6.51
Guggnhm Gbl Div	LVL	EW	6.46
Market Vectors Gold Minors	GDX	EG	6.33
PS Dynmc Networking	PXQ	EA	6.20

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. Comets, not stars, because comets come into and out of prominence over time. We want the metaphor to match reality.

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 MidCap Div	DON	EMC	6.19
PS DB Oil	DBO	EA	6.16
PS Dynmc Pharma	PJP	EA	6.16
iShares Canada	EW C	EW	6.00
iShares Slct Div	IDV	ELC	6.00
Market Vectors Oil Services	OIH	EA	5.91
iShares Spain	EW P	EW	5.87
Wtree DEFA Eqty Incm	DTH	EW	5.86
iShares Singapore	EW S	EW	5.74
Guggnhm Intrntl A Incm	HGI	EW	5.68
Guggnhm Multi Ast In	CVY	EV	5.67
SPDR Gold	GLD	EG	5.58
iShares Gold	IAU	EG	5.57
PS Dynmc Oil & Gas Srvcs	PXJ	EA	5.57
iShares Pacific ex Jpn	EPP	EW	5.53
US Oil Fund	USO	EA	5.52
PS DB Gold	DGL	EG	5.44
Wtree Intrntl REIT	DRW	ERE	5.32
Vngrd Health	VHT	EA	5.28
PS Aerospace & Def	PPA	EA	5.27
PS S&P SmICap Mtrls	PSCM	EA	5.17
Select SPDR Health	XLV	EA	5.12
PS Dividend Achievers	PFM	EGI	4.90
iShares Taiwan Indx	EW T	EW	4.84
PS Dynmc Lrg Cap Value	PWV	ELC	4.72
iShares Brazil Indx	EW Z	EW	4.71
Wtree LrgCap Div	DLN	ELC	4.71
Wtree Emrg Mrkt SC Div	DGS	EW	4.70
iShares Latin Amr	ILF	EW	4.69
PS Intrntl Dvdnd	PID	EW	4.64
Select SPDR Matrls	XLB	EA	4.55
Vngrd Materials	VAW	EA	4.45
PS DB Commodity	DBC	EA	4.43
Wtree World Ex US Grth	DNL	EW	4.41
PS FTSE RAFI Asia Pac xJpn	PAF	EW	4.35
Select SPDR Div	SDY	EGI	4.27
Wtree Intrntl SC Div	DLS	EW	4.20
Vngrd Emrg Mrkt	VWO	EW	4.19
PS DB Precious Metals	DBP	EG	4.18
PS Dynmc Basic MatrI	PYZ	EA	4.13
Wtree Glbl Eqty Incm	DEW	EW	4.13
Wtree Intrntl LC Div	DOL	EW	4.12
PS Dynmc Food & Bev	PBJ	EA	4.08
iShares Europe 350	IEV	EW	4.01
Vngrd European Indx	VGK	EW	3.97
PS Dynmc Biotech	PBE	EA	3.97
iShares Russell 1000 Value Indx	IWD	ELC	3.93
PS BLDR Emrg Mkt 50 ADR	ADRE	EW	3.90
Guggnhm Shipping	SEA	EA	3.88
Vngrd MidCap Val	VO	EMC	3.84
Wtree DEFA	DWM	EW	3.84
PS Glbl Agriculture	PAGG	EA	3.79
Wtree Intrntl MC Div	DIM	EW	3.71
iShares EMU Indx	EZU	EW	3.67
PS S&P 500 BuyWrite	PBP	ELC	3.67

ETF Rankings by C to previous week's end

iShares Emrg Mrkt Stk	EEM	EW	3.61
PS S&P SmICap Utilities	PSCU	EA	3.56
PS Dyn Mrkt	PWC	ELC	3.52
SPDR Euro Stoxx 50	FEZ	EW	3.50
PS DB Energy	DBE	EA	3.45
PS FTSE RAFI Emrg Mrkt	PXH	EW	3.43
Wtree S&P 500	EPS	ELC	3.19
PS S&P SmICap Cnsmr Stpl	PSCC	EA	3.12
Vngrd Small Cap Value	VBR	ESC	3.09
Vngrd Tech	VGT	EA	3.07
Vngrd Extnd 4500	VXF	ELC	3.07
PS QQQ	QQQ	ELC	3.03
PS Dynmc Bldg Cnstrctn	PKB	EA	2.98
Wtree Ttl Earn	EXT	ELC	2.93
Guggnhm Frntr	FRN	EW	2.93
PS DWA Tech Ldr	PDP	ELC	2.85
Select SPDR Technlgy	XLK	EA	2.85
PS WilderHill Prgsv Enrgy	PUW	EA	2.76
Vngrd Div Apprctn	VIG	EGI	2.67
Vngrd TTL Intrntl Stk	VXUS	EW	2.64
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	2.59
iShares Malaysia Indx	EW M	EW	2.53
Vngrd Small Cap Grth	VBK	ESC	2.47
PS WilderHill Cln Enrgy	PBW	EA	2.39
Select SPDR Indl	XLI	EA	2.38
PS Cleantech	PZD	EA	2.37
Wtree MidCap Earn	EZM	EMC	2.36
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	2.35
PS BLDR Dvlpd Mrkt 100 ADR	ADRD	EW	2.31
iShares Core S&P Mid Cap	IJH	EMC	2.30
Vngrd Grth	VUG	ELC	2.29
SPDR DJ Gbl Titans	DGT	EW	2.27
Vngrd Small Cap	VB	ESC	2.26
Vngrd Large Cap	VV	ELC	2.26
iShares Core S&P 500	IVV	ELC	2.25
Guggnhm Solar	TAN	EA	2.24
Guggnhm RJ All	RYJ	ELC	2.24
SPDR Mid Cap Trust	MDY	EMC	2.22
SPDR S&P 500	SPY	ELC	2.20
iShares DJ US Home Constr.	ITB	EA	2.16
SPDR S&P Metals & Mining	XME	EA	2.15
iShares S&P 100 Indx	OEF	ELC	2.10
Guggnhm MidCap Core	CZA	EMC	2.09
PS Emrg Mrkt Infrastrctr	PXR	EW	2.07
Vngrd TTL Stock	VTI	ELC	2.02
PS Dynmc Lrg Cap Grth	PWB	ELC	2.00
PS Gbl Listd Prvt Eqty	PSP	EW	1.92
PS Dynmc Software	PSJ	EA	1.91
PS S&P SmICap Info Tech	PSCT	EA	1.90
iShares EAFE Indx	EFA	EW	1.89
Wtree Emrg Mrkt Eincm	DEM	EW	1.87
Vngrd Europe Pacific	VEA	EW	1.85
PS Water Resources	PHO	EA	1.81
iShares Russell 1000 Grwth Indx	IWF	ELC	1.79
PS FTSE RAFI Dvlp Mrkt xUSA SmI	PDN	EW	1.64

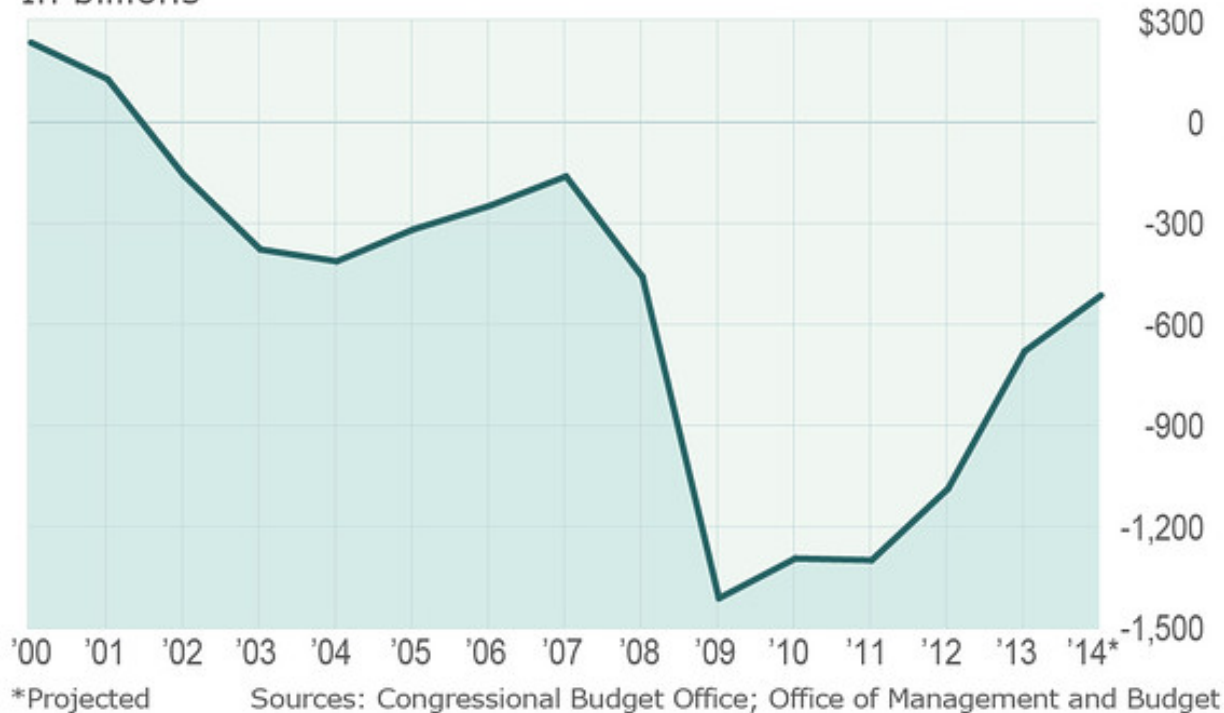
ETF Rankings by C to previous week's end

Pro Shares Short Russell 2000	RWM	ESC	1.62
iShares Telecomm	IYZ	EA	1.60
Market Vectors Junior Gold Miners	GDXJ	EG	1.58
iShares South Korea Indx	EWY	EW	1.52
SPDR DJ Industrials	DIA	ELC	1.48
PS Buyback Achievers	PKW	EGI	1.43
Wtree Sml Cap Div	DES	ESC	1.36
Select SPDR Financs	XLF	EA	1.22
iShares Hong Kong Indx	EW H	EW	1.22
Vngrd Fincl Srv	VFH	EA	1.20
Guggnhm Insdrr Sent	NFO	EMC	1.17
iShares Russell 2000 Value Indx	IWN	ESC	1.11
PS NASDAQ Intrnt	PNQI	EA	1.05
PS FTSE RAFI US 1500 Sml-Mid	PRFZ	EMC	1.03
PS Dynmc Leisure & Enter	PEJ	EA	1.01
PS Zacks Micro Cap	PZI	ESC	0.93
iShares Germany Indx	EWG	EW	0.79
PS DWA Emrg Mrkt T Ldrs	PIE	EW	0.78
Pro Shares Short S&P 500	SH	EC	0.74
SPDR S&P Bank	KBE	EA	0.74
iShares Russell 2000	IWM	ESC	0.71
SPDR S&P Regional Banking	KRE	EA	0.66
PS Dynmc Healthcare	PTH	EA	0.52
PS Dynmc Consmr Staples	PSL	EA	0.47
Guggnhm Spin Off	CSD	EMC	0.43
SPDR S&P Homebuilders	XHB	EA	0.10
PS Dynmc Consmr Discr	PEZ	EA	0.01
iShares Silver	SLV	EG	0.01
PS S&P SmlCap Fincl	PSCF	EA	-0.02
PS S&P SmlCap Indstrils	PSCI	EA	-0.03
iShares Mexico	EW W	EW	-0.18
Guggnhm Timber	CUT	EA	-0.21
PS S&P SmlCap Cnsmr Dis	PSCD	EA	-0.31
Vngrd Consmr Dis	VCR	EA	-0.41
PS DB Silver	DBS	EG	-0.46
Guggnhm BRIC	EEB	EW	-0.68
Select SPDR Cnsmr Disc	XLY	EA	-0.73
PS Gldn Drgn USX China	PGJ	EW	-0.76
PS DB Base Metals	DBB	EG	-0.81
Guggnhm China REIT	TAO	EW R	-0.81
Wtree Japan SC Div	DFJ	EW R	-0.88
SPDR S&P Retail	XRT	EA	-0.97
PS Dynmc Retail	PMR	EA	-1.12
PS S&P SmlCap Hlth Care	PSCH	EA	-1.13
PS Dynmc Fncl	PFI	EA	-1.16
PS Dynmc Technology	PTF	EA	-1.47
PS Dynmc Media	PBS	EA	-1.84
Guggnhm China Sml	HAO	EW R	-1.99
iShares Japan	EW J	EW	-2.38
Wtree Japan Hedge Eqty	DXJ	EC	-2.53
Guggnhm China All	YAO	EW R	-2.59
iShares China	FXI	EW	-3.28
Market Vectors Russia	RSX	EW	-9.25

Financial Deficit

U.S. financial deficit since 2000

In billions



The chart above is from the Congressional Budget Office (CBO) via a Marketwatch article.

It shows the shrinking Federal Deficit since 2009. There are three reasons for it; the three are the ending of the wars, the raising of taxes, and the reducing of Federal spending (in addition to the war effort).

The article concluded that this scenario would help keep interest rates low going forward. Their conclusion is precisely the opposite of the one from my Special Report on Secular Bond Market. It is online if you haven't read it.

Today's situation is similar to the last time Federal Debt as a percentage of GDP rose to about 100% back at the end of WW II. Once the war wound down, spending as a percentage of GDP began to decline and the economy grew strongly. Interest rates thus began their secular rise from those levels. It was as if the Federal Reserve was keeping rates low in order to help the government finance the war effort. Once the war ended, rates were "freer" to find their suitable level. This is similar to today.

So I would expect, IF the economy continues to grow and IF the deficit shrinks further, that the falling ratio will actually be bearish for bonds (falling prices, rising interest rates). It is a long-term (secular) process, but plan accordingly.

Overflow from Page 1, Definitions, and Newsletter Updates

(Continued from page 1) *REVIEW*

months out, we are all but assured that the QE experiment will conclude as planned.

I would say it was a success. The Fed averted a recession from morphing into a depression. Now, however, the real work begins to put in place the policies, taxes, and reforms that made America strong in the first place and grew her.

So, at this stage of the bull market measured from the bottom in March 2009, as we know, the market fundamentals remain overvalued, but the technicals appear back in gear. It's like the commercial, a body in motion tends to stay in motion. The mar-

ket continues to climb the "wall of worry". The tapering is the new worry that the market "climbs".

Please see the individual portfolios for more information.

As a reminder, I will be holding two workshops on mutual funds and ETFs and participating on an investment panel of top performing newsletters at the MoneyShow in Las Vegas this week.

I hope to see you there.

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.

5/12 No changes.

5/5 See new information on Bond Timing on page 4.

4/28 I deleted two ETFs this past week due to their low volumes. The bid/ask spread is too great.

4/21 No changes. Work continues on the models in the background.

4/7 No changes.

3/31 No changes.

3/24 Planning to introduce the World Income Model shortly.

3/17 No changes (comment added).

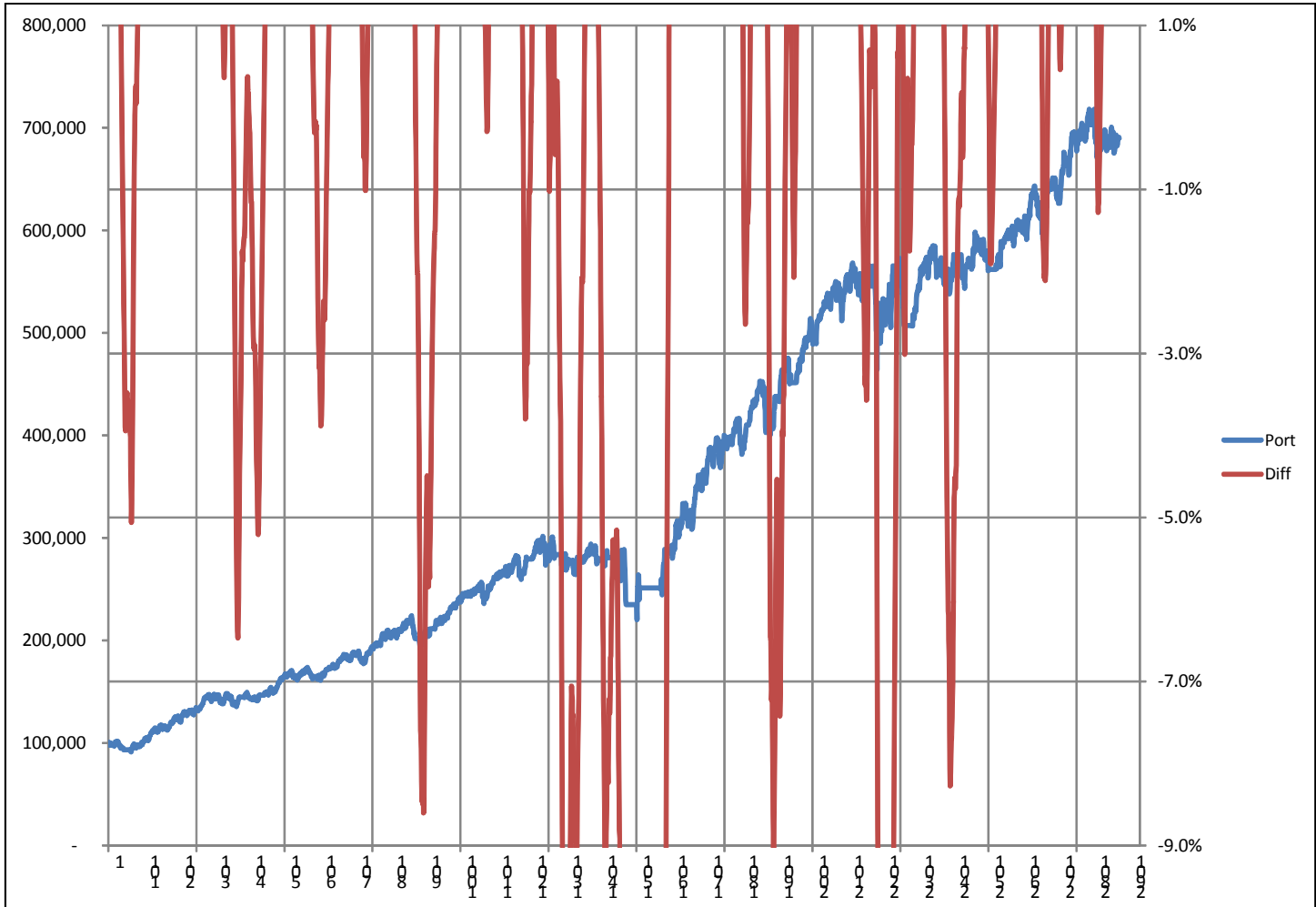
3/10 The "window to buy" chart is updates. See also the new charts on page 11.

3/3 No changes.

2/24 Couple of database changes. Deleted PXN that suspended trading. Deleted another that changed symbols, but was not very liquid. Deleted VXX too volatile (doesn't trend well).

2/18 Still working on the World Income Model.

Window to Buy (closed as of 5/12/14)



The chart above shows the World Growth Model (WGM-blue line) and the Window to buy (DIFF Window-red spikes). The chart covers the period from 12/5/2002 through the present. The vertical lines mark off about 1 year increments.

The Window to Buy is to answer the question if I missed the initial timing model buy signal, then when do I either buy my initial position or increase my position with additional money?

Being risk-averse, I wanted a way to answer this sensibly, which is try to buy on measured corrections, rather than chase the market higher and higher. The Window to Buy is the answer. The caveat is that in a strong, early bull market, this approach may miss the early gains, unless you are already following the World Growth Model strategy. But the rest of the time, the Window is a solid approach to managing portfolio risk.

The base line for the Window is 0%. The chart shows +1% to -15%. When the base line is above zero, the Window is closed. It doesn't mean the market can't or won't go higher. It just means that the downside risk to the potential stop or sell signal is fairly wide. When the WGM drops enough, then the Window to buy opens.

When the Window opens, it represents a lower-risk entry period. If the market recovers, the Window will close again. If the market continues lower, either the sell stop will be triggered or the timing model will signal a sell. The timing model sell signal overrides the Window to buy.

What ideally happens in up markets is the timing model remains on a buy, while the market corrects and opens the Window to buy. It then reverses and heads higher with more investment dollars on board for the rally.

Descriptions & Disclosures

PORTFOLIO DESCRIPTIONS (pages 2 and 6)

Our guiding goal is to provide the most return with the least risk consistently 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.

SUBSCRIPTIONS: To receive *ETF Selections & Timing*, you may subscribe in one of three ways. You may subscribe on the web site InvestmentST.com using PayPal or call 1-800-800-6563 for Amex, Visa, MasterCard, or Discover orders or send a check to the address on the front page. Subscriptions may be tax deductible.

The recurring monthly subscription is \$24.00. An annual subscription is \$240.00. Subscribers receive this weekly eNewsletter. There is no mailed issue. Subscribers retrieve the current weekly issue at the web site InvestmentST.com by logging in with a user name and password. There may also be emailed Hotline reports sent between issues.

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.

GUARANTEE: Subscriptions may be cancelled at any time. Annual subscriptions are refundable for the weekly term remaining with a four-week minimum charge, using a 52-week count. Monthly subscriptions just expire.

PUBLISHER: Watercourse Way Holdings, LLC publishes this newsletter.

REPRINTS: This eNewsletter is intended for subscribers only, reprints are not permitted.

DISCLAIMER: The information contained herein is assembled from sources who are believed reliable, but the accuracy of data or advice cannot be guaranteed. Past performance does not guarantee future performance. Portfolio values include a commission of \$10/trade, dividend reinvestment for additional shares, and short-term redemption charges. The World Growth Index and World Income Index are equity and bond indexes and may or may not be useful in comparing returns. Security values fluctuate. Information is provided without consideration for a subscriber's personal situation. Watercourse Way Holdings, LLC its members and associates may or may not invest identically to or at the same time as portfolios or activity shown herein.

COPYRIGHT: Copyright, 2009-14, Watercourse Way Holdings, LLC. All rights reserved.