

# ETF Selections & Timing

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May 19, 2014 (data date through previous Friday close)

Volume 5

Issue 20

## Two Strongs Don't Make a Right

**F**rom overbought to more overbought. From over valued to more over valued. The stock market keeps climbing. What is even more odd is the coincident bond market rally.

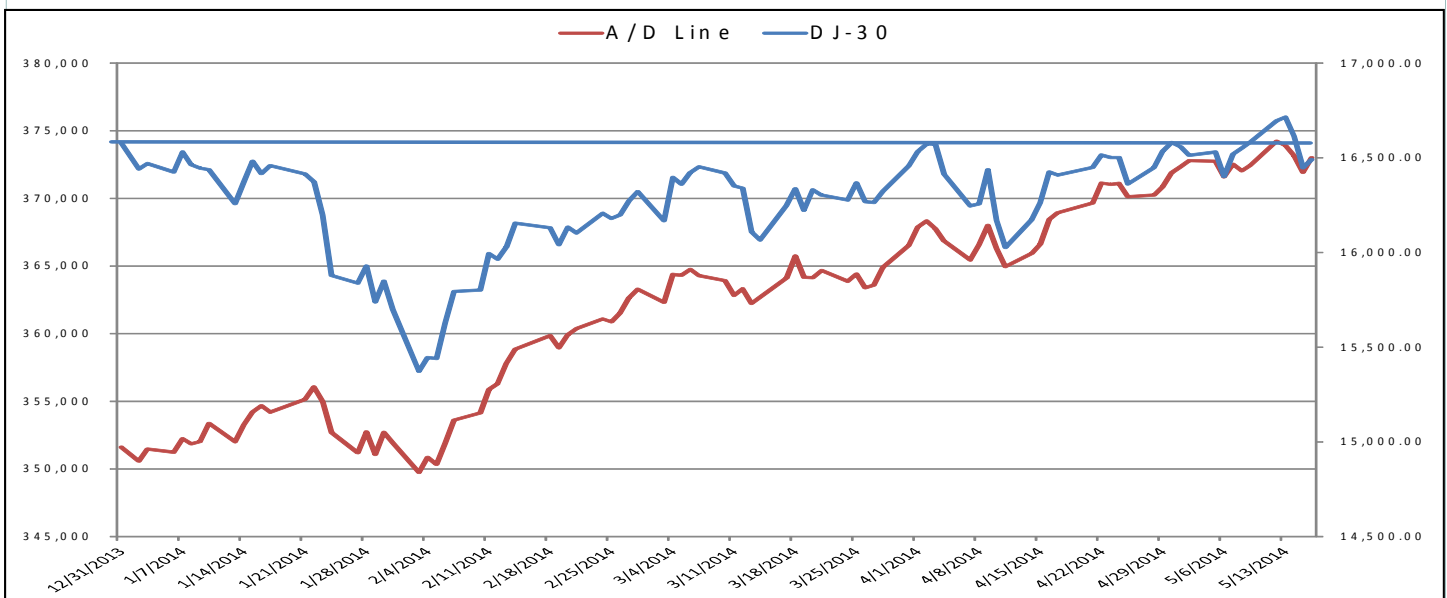
The Federal Reserve is tapering, ending their bond buy-

ing. The big influential buyer is vacating the space. But bonds are rallying. By all indications (job growth and GDP expansion), the Fed will completely end QE by this October. As well, the leading economic indicators are heading higher. There is no recession in sight (see page

11). Yet, bonds are rallying and yields are falling.

These things are an "odd" disconnect because if you look only at bond strength, you might conclude it is signaling economic weakness, even a recession.

*(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	1.0%	2.1%	0.7	0.8	0.1	0.0%
ETF Growth Portfolio	1.0%	10.7%	1.1	1.6	0.7	0.7%
<b>Index</b>						
Aggrgt Bond (AGG)	2.6%	0.5%	2.1	1.3	0.9	0.5%
S&P 500 TR (SPY)	2.3%	14.4%	5.0	2.2	0.9	0.0%
World Growth Index	0.5%	13.0%	3.3	0.5	0.3	0.4%

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# Income Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 5/16/2014								
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%	
28-Apr	sell	LQD	117.87	120	14,176								0.0%	
						BSV			80.09	80.37	362.4	29,122.31	25.1%	
						Money Market					1.00	87,033	87,033.00	74.9%
												Total Valuation=	116,155.31	100.0%

## WEEKLY REVIEW

5/19 No changes. Awaiting final completion of the newish bond model before making much change.

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	1.0	16.2
Aggregate Bond	6.4%	7.7	3.9	-2.2	2.6	19.5

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.

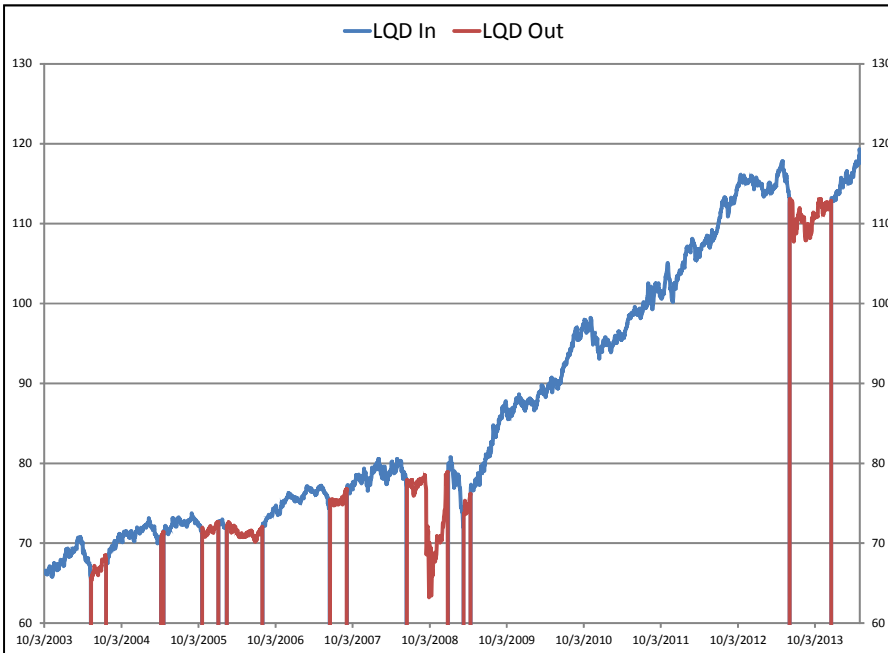
### ETF LEGEND for pages 3 (Bond), and 7, 8, 9, and 10 (Equity):

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

5/19 No changes. Bonds continue to rally.

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.

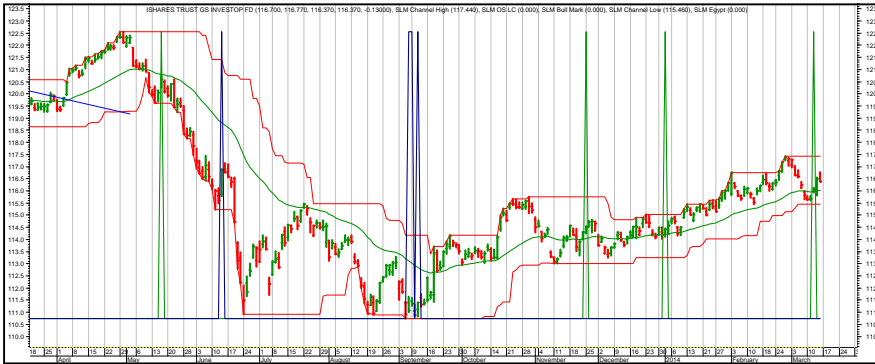
3/24 As previously mentioned, I am planning to introduce the new World Income Model ASAP. So, this chart and the charts on the next page are not updated. (Trend is still bullish.)

3/17 No changes. Still trending bullish.

3/10 No changes.

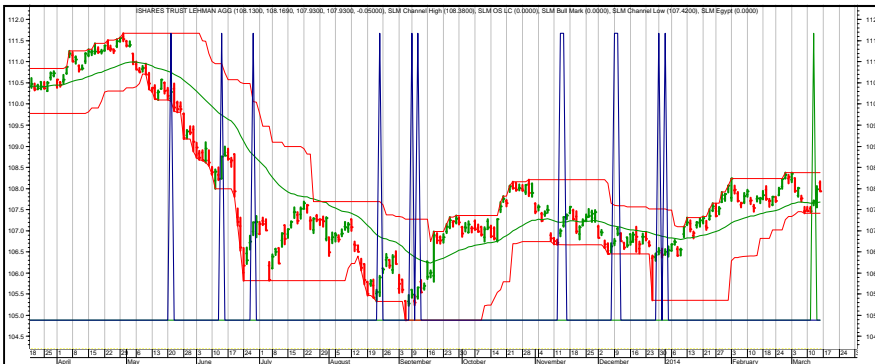
3/3 The bond model is still bullish, unfortunately I'm out. Will try to find a reentry area.

# Income Charts (DAILY) (under construction)



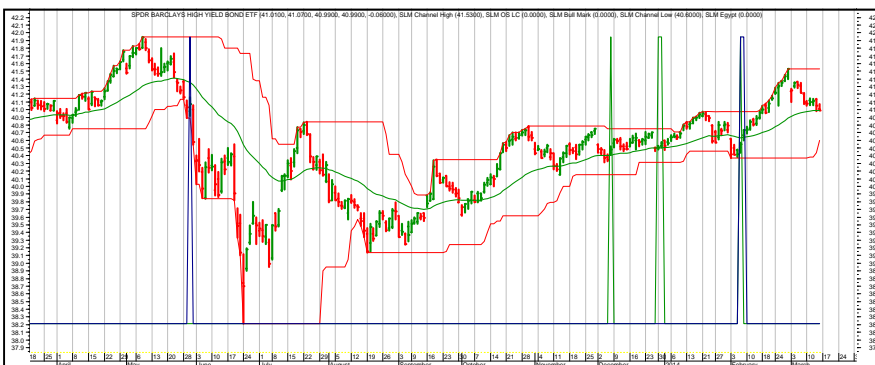
## LQD—Investment Grade Corporate

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.



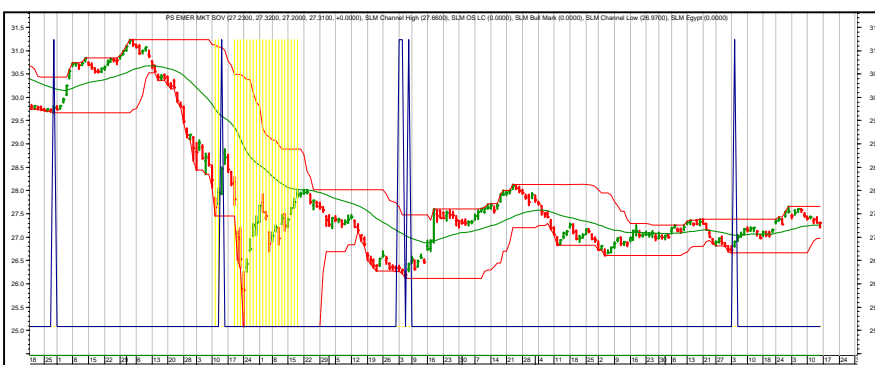
## AGG—Aggregate Bond Market

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:				5/16/2014			
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	<b>World Growth</b>							
3-Mar	buy	PBE	45.05	129	5,821	EEM		Emrg Mrkt	39.13	42.94	539.000	23,144.66	16.1%
			this will be about 4% of ttl			EFA		Euro Asia	66.28	68.49	318.000	21,779.82	15.2%
17-Mar	sell	PBE	44.55	129	5,737	IWM		Rusl 2000	113.68	109.56	185.490	20,322.28	14.2%
17-Mar	buy	DBA	28.45	200	5,700	QQQ		Nsdq 100	89.54	87.71	235.540	20,659.21	14.4%
			this will be about 4% of ttl			SPY		S&P 500	182.85	188.05	115.520	21,723.54	15.1%
7-Apr	sell	PJP	55.10	99	5,445	<b>C-lect 5</b>							
7-Apr	buy	PSI	20.46	278	5,698	ICF			85.25	87.88	67.000	5,887.96	4.1%
			this will be about 4% of ttl			PFF			39.00	39.65	144.710	5,737.75	4.0%
14-Apr	sell	PSI	19.91	278	5,525	GULF			22.09	23.80	258.240	6,146.11	4.3%
14-Apr	buy	PGF	17.89	314	5,627	PGF			17.89	18.05	317.170	5,724.92	4.0%
14-Apr	sell	UNG	25.36	215	5,442	DBA			28.45	28.35	200.000	5,670.00	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: "window to buy" may open or timing model signals buy.							
28-Apr	buy	ICF	85.25	67	5,722	<b>C-lect Short</b>							
			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	4.6%
									Total Valuation=		143,453.26	100.0%	

## WEEKLY REVIEW

5/19 Typically the distance to stop loss will change slightly each week. No ETF C-lect 5 rotations this week.

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.

	2010	2011	2012	2013	ytd 2014	Incptn
ETF Growth Portfolio	8.1%	6.9	-2.1	25.7	1.0	43.5
World Growth Index	17.2%	-4.1	15.1	30.5	0.5	69.6

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>
Wtree Middle East Div	GULF	EW	21.77
PS DB Agriculture	DBA	EA	20.99
PS Fincl Pfd	PGF	EGI	17.83
iShares Cohen&Str REIT	ICF	ERE	17.68
iShares Prfrd	PFF	EGI	17.20
SPDR Wlsh REIT	RWR	ERE	16.90
Vngrd REIT	VNQ	ERE	16.56
iShares REIT	IYR	ERE	15.47
PS US REIT	PSR	ERE	14.74
Wtree India	EPI	EWR	14.48
Select SPDR Utilities	XLU	EA	13.44
Vngrd Utilities	VPU	EA	13.32
Guggnhm Candn Enrg Incm	ENY	EWR	12.37
PS India	PIN	EW	11.77
Wtree Intrntl Utilities	DBU	EW	11.68
Guggnhm Dfnsv Eqty	DEF	EV	11.38
iShares Italy Indx	EWI	EW	11.32
PS Dynmc Semicndctr	PSI	EA	10.63
SPDR S&P Oil & Gas Expl. & Prod.	XOP	EA	10.22
PS Dynmc Utilities	PUI	EA	10.13
PS Dynmc Energy	PXI	EA	8.98
Alerian MLP	AMLP	EGI	8.95
PS Hi Yld Eqty Div	PEY	EGI	8.86
PS Dynmc Energy Explor	PXE	EA	8.86
Wtree Eqty Income	DHS	EGI	8.82
Wtree Eur SC Div	DFE	EW	8.58
iShares DJ Slct Div	DVY	EGI	8.57
Wtree Div Ex Fincl	DTN	ELC	7.88
PS S&P SmlCap Energy	PSCE	EA	7.84
Market Vectors Semiconductor	SMH	EA	7.84
Wtree Intrntl Div Ex Fincl	DOO	EW	7.77
iShares Australia	EWA	EW	7.76
Select SPDR Cnsmr Stpl	XLP	EA	7.64
Select SPDR Enrgy	XLE	EA	7.63
Vngrd Consmr Stpls	VDC	EA	7.61
Guggnhm Glbl Div	LVL	EW	7.55
US Natural Gas	UNG	EA	7.35
PS S&P 500 LowVolatility Portfolio	SPLV	ELC	7.34
iShares Singapore	EWS	EW	7.13
iShares Brazil Indx	EWZ	EW	7.05
iShares Russel MidVal	IWS	EMC	6.82
iShares Slct Div	IDV	ELC	6.77
iShares Canada	EWC	EW	6.76
Wtree DEFA Eqty Incm	DTH	EW	6.72
Wtree Intrntl REIT	DRW	ERE	6.69

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

PS Gbl Water	PIO	EW	6.68
iShares Latin Amr	ILF	EW	6.61
iShares Pacific ex Jpn	EPP	EW	6.58
Wtree MidCap Div	DON	EMC	6.57
Market Vectors Oil Services	OIH	EA	6.49
Guggnhm Gbl Wtr	CGW	EW	6.48
PS DB Oil	DBO	EA	6.45
Guggnhm Intrntl A Incm	HGI	EW	6.28
Guggnhm Multi Ast In	CVY	EV	6.13
PS Gbl Gold Precious Mtls	PSAU	EG	6.08
PS Dynmc Oil & Gas Srvcs	PXJ	EA	6.08
iShares Spain	EWP	EW	6.00
PS Gbl Clean Enrgy	PBD	EW	5.85
Vngrd Emrg Mrkt	VWO	EW	5.69
PS Intrntl Dvdnd	PID	EW	5.69
US Oil Fund	USO	EA	5.67
PS Dividend Achievers	PFM	EGI	5.56
PS FTSE RAFI Asia Pac xJpn	PAF	EW	5.56
iShares Taiwan Indx	EWT	EW	5.50
Wtree Emrg Mrkt SC Div	DGS	EW	5.48
PS BLDR Emrg Mkt 50 ADR	ADRE	EW	5.43
Wtree World Ex US Grth	DNL	EW	5.40
Wtree LrgCap Div	DLN	ELC	5.35
PS Dynmc Lrg Cap Value	PWV	ELC	5.28
SPDR Gold	GLD	EG	5.27
iShares Gold	IAU	EG	5.26
PS Dynmc Pharma	PJP	EA	5.19
Wtree Gbl Eqty Incm	DEW	EW	5.18
PS DB Gold	DGL	EG	5.15
Market Vectors Gold Minors	GDX	EG	5.08
iShares Emrg Mrkt Stk	EEM	EW	5.08
PS S&P SmlCap Mtrls	PSCM	EA	5.04
Wtree Intrntl LC Div	DOL	EW	5.03
PS FTSE RAFI Emrg Mrkt	PXH	EW	4.94
Select SPDR Matrls	XLB	EA	4.91
Select SPDR Div	SDY	EGI	4.80
PS Dynmc Networking	PXQ	EA	4.74
PS Gbl Agriculture	PAGG	EA	4.66
Select SPDR Health	XLV	EA	4.65
Vngrd Materials	VAW	EA	4.64
PS Aerospace & Def	PPA	EA	4.62
Vngrd Health	VHT	EA	4.57
Wtree DEFA	DWM	EW	4.52
PS DB Commodity	DBC	EA	4.44
iShares Europe 350	IEV	EW	4.39
Vngrd European Indx	VGK	EW	4.27
iShares Russell 1000 Value Indx	IWD	ELC	4.23
PS Dynmc Basic Matr	PYZ	EA	4.19
PS Dynmc Food & Bev	PBJ	EA	4.11
PS S&P 500 BuyWrite	PBP	ELC	4.08
Wtree Intrntl SC Div	DLS	EW	3.97
PS DB Precious Metals	DBP	EG	3.93
Guggnhm Frntr	FRN	EW	3.93
SPDR Euro Stoxx 50	FEZ	EW	3.89
Wtree Intrntl MC Div	DIM	EW	3.81



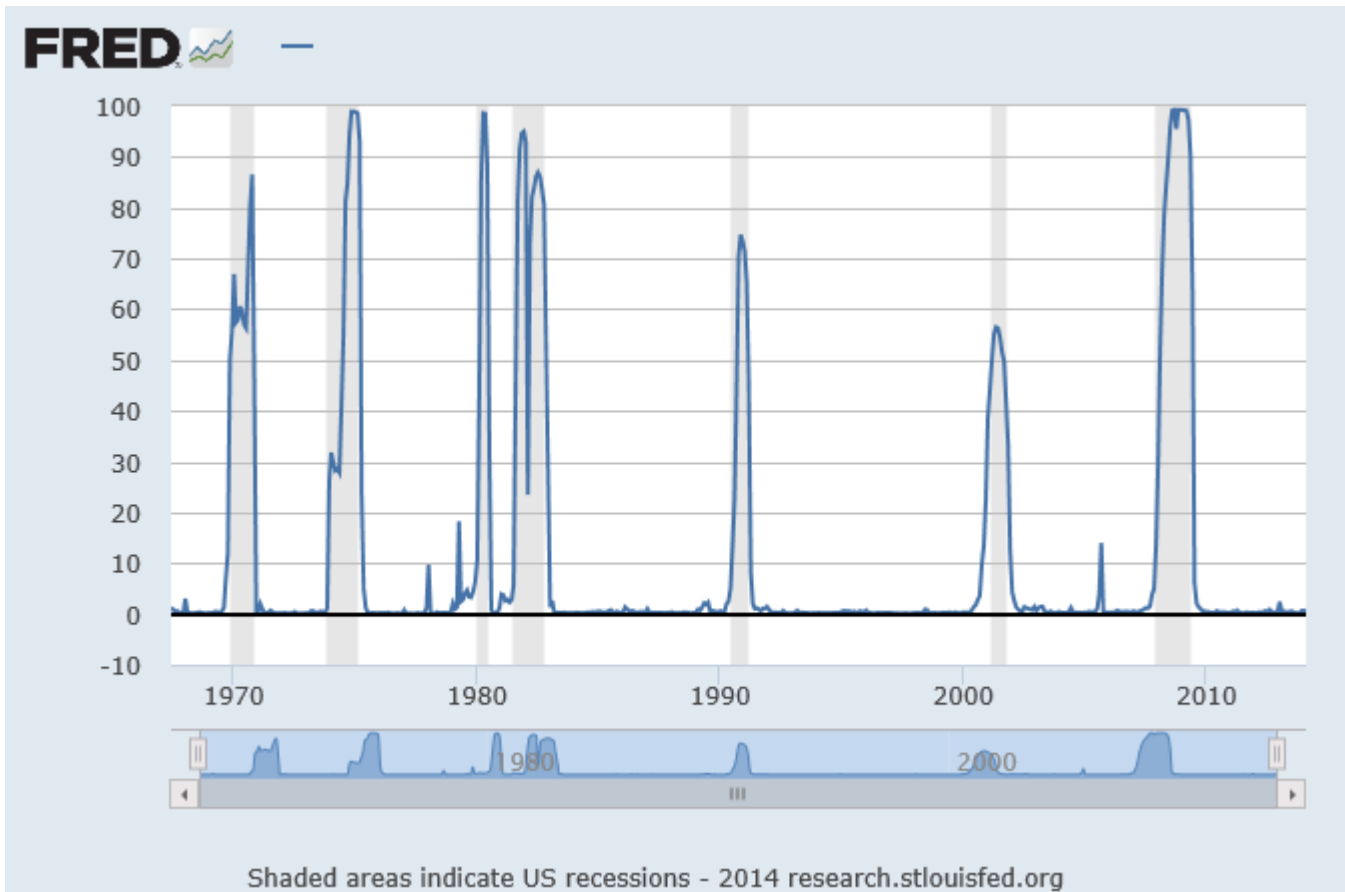
## ETF Rankings by C to previous week's end

iShares Malaysia Indx	EWM	EW	3.80
Vngrd MidCap Val	VO	EMC	3.76
iShares EMU Indx	EZU	EW	3.75
PS Dyn Mrkt	PWC	ELC	3.51
Wtree S&P 500	EPS	ELC	3.49
PS DB Energy	DBE	EA	3.31
Vngrd TTL Intrntl Stk	VXUS	EW	3.28
Guggnhm Shipping	SEA	EA	3.17
PS S&P SmlCap Cnsmr Stpl	PSCC	EA	3.11
Wtree Ttl Earn	EXT	ELC	3.08
Wtree Emrg Mrkt Eincm	DEM	EW	3.06
Vngrd Div Apprctn	VIG	EGI	3.06
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	3.00
PS S&P SmlCap Utilities	PSCU	EA	3.00
iShares South Korea Indx	EWY	EW	2.99
Vngrd Small Cap Value	VBR	ESC	2.87
SPDR DJ Gbl Titans	DGT	EW	2.82
Select SPDR Technlgy	XLK	EA	2.77
Select SPDR Indl	XLI	EA	2.75
PS DWA Tech Ldr	PDP	ELC	2.68
PS Emrg Mrkt Infrastrctr	PXR	EW	2.68
PS BLDR Dvlpd Mrkt 100 ADR	ADRD	EW	2.68
PS WilderHill Prgsv Enrgy	PUW	EA	2.60
Vngrd Extnd 4500	VXF	ELC	2.58
iShares Core S&P 500	IVV	ELC	2.50
iShares S&P 100 Indx	OEF	ELC	2.47
Vngrd Large Cap	VV	ELC	2.46
SPDR S&P 500	SPY	ELC	2.45
PS QQQ	QQQ	ELC	2.45
Vngrd Tech	VGT	EA	2.41
iShares EAFE Indx	EFA	EW	2.32
Vngrd Europe Pacific	VEA	EW	2.30
PS Dynmc Bldg Cnstrctn	PKB	EA	2.30
Wtree MidCap Earn	EZM	EMC	2.27
Pro Shares Short Russell 2000	RWM	ESC	2.20
iShares Core S&P Mid Cap	IJH	EMC	2.16
Guggnhm MidCap Core	CZA	EMC	2.16
PS Cleantech	PZD	EA	2.16
Vngrd Grth	VUG	ELC	2.15
PS Dynmc Biotech	PBE	EA	2.11
SPDR Mid Cap Trust	MDY	EMC	2.10
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	2.04
SPDR S&P Metals & Mining	XME	EA	2.04
Vngrd TTL Stock	VTI	ELC	2.03
iShares Hong Kong Indx	EWK	EW	2.00
PS Dynmc Lrg Cap Grth	PWB	ELC	1.87
Vngrd Small Cap	VB	ESC	1.82
PS DWA Emrg Mrkt T Ldrs	PIE	EW	1.81
Vngrd Small Cap Grth	VBK	ESC	1.79
iShares Russell 1000 Grwth Indx	IWF	ELC	1.72
PS Water Resources	PHO	EA	1.71
SPDR DJ Industrials	DIA	ELC	1.69
iShares Telecomm	IYZ	EA	1.66
PS FTSE RAFI Dvlp Mrkt xUSA Sml	PDN	EW	1.64
Guggnhm RJ All	RYJ	ELC	1.62

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

iShares DJ US Home Constr.	ITB	EA	1.60
PS Buyback Achievers	PKW	EGI	1.46
PS Gbl Listd Prvt Eqty	PSP	EW	1.40
Wtree Sml Cap Div	DES	ESC	1.28
Select SPDR Financs	XLF	EA	1.22
Vngrd Fincl Srv	VFH	EA	1.17
PS S&P SmlCap Info Tech	PSCT	EA	1.07
Guggnhm Insdr Sent	NFO	EMC	1.05
iShares Mexico	EWV	EW	0.93
PS Dynmc Software	PSJ	EA	0.92
iShares Russell 2000 Value Indx	IWN	ESC	0.79
PS FTSE RAFI US 1500 Sml-Mid	PRFZ	EMC	0.79
PS WilderHill Cln Enrgy	PBW	EA	0.78
PS Dynmc Leisure & Enter	PEJ	EA	0.71
Guggnhm Solar	TAN	EA	0.70
Guggnhm BRIC	EEB	EW	0.67
iShares Germany Indx	EWG	EW	0.66
Pro Shares Short S&P 500	SH	EC	0.53
PS Dynmc Consmr Staples	PSL	EA	0.49
Guggnhm Spin Off	CSD	EMC	0.34
iShares Russell 2000	IWM	ESC	0.16
PS Zacks Micro Cap	PZI	ESC	0.12
Guggnhm China REIT	TAO	EWR	0.08
PS NASDAQ Intrnt	PNQI	EA	0.00
SPDR S&P Bank	KBE	EA	-0.01
PS Dynmc Consmr Discr	PEZ	EA	-0.02
SPDR S&P Homebuilders	XHB	EA	-0.07
SPDR S&P Regional Banking	KRE	EA	-0.19
iShares Silver	SLV	EG	-0.25
Guggnhm Timber	CUT	EA	-0.28
PS S&P SmlCap Cnsmr Dis	PSCD	EA	-0.32
PS S&P SmlCap Fincl	PSCF	EA	-0.32
Vngrd Consmr Dis	VCR	EA	-0.43
PS S&P SmlCap Indstrils	PSCI	EA	-0.53
Market Vectors Junior Gold Miners	GDXJ	EG	-0.65
PS Dynmc Retail	PMR	EA	-0.70
PS DB Silver	DBS	EG	-0.72
PS Dynmc Healthcare	PTH	EA	-0.72
Select SPDR Cnsmr Disc	XLY	EA	-0.74
SPDR S&P Retail	XRT	EA	-0.76
PS DB Base Metals	DBB	EG	-0.77
Wtree Japan SC Div	DFJ	EWR	-0.97
PS Gldn Drgn USX China	PGJ	EW	-1.14
PS Dynmc Fncl	PFI	EA	-1.33
PS S&P SmlCap Hlth Care	PSCH	EA	-1.73
PS Dynmc Technology	PTF	EA	-1.99
Guggnhm China Sml	HAO	EWR	-2.10
iShares China	FXI	EW	-2.11
PS Dynmc Media	PBS	EA	-2.15
Guggnhm China All	YAO	EWR	-2.16
iShares Japan	EWJ	EW	-2.37
Wtree Japan Hedge Eqty	DXJ	EC	-2.51
Market Vectors Russia	RSX	EW	-8.62

# Odds of a Recession



The chart shows the recession probabilities from June 1967 through the February 2014.

As you can see, the odds of a recession happening are none and nada. The indicator needs to clear at least 10% and completely 20%.

From FRED about the graph:

“ Smoothed recession probabilities for the United States are obtained from a dynamic-factor markov-switching model applied to four monthly coincident variables: non-farm payroll employment, the index of industrial production, real personal income excluding transfer payments, and real manufacturing and trade sales. This model was originally developed in Chauvet, M., "An Economic Characterization of Business Cycle Dynamics with Factor Structure and Regime Switching," *International Economic Review*, 1998, 39, 969-996. (<http://faculty.ucr.edu/~chauvet/ier.pdf>) “

## Overflow from Page 1, Definitions, and Newsletter Updates

(Continued from page 1) **REVIEW**

If you look only at stock strength, you might conclude economic boom times are here.

There seems to be a contradictory disconnect between the two series. How can both be strong at the same time? Economic boom or weakness? Evidently the old goldilocks' time is here again.

I suppose also another point we might draw in all of this crosscurrent is logic doesn't always take the cake, at least in the intermediate term.

So, whatever the reason is for strength in both stocks and bonds at the same time at this stage in the economic cycle start-

ing from March 2009, and however it might play out down the road, the trends in both markets remain up for now.

See the individual portfolio pages for more information.

My workshops at the MoneyShow in Las Vegas went well. Good to meet some of you. We are firming up my participation at the next MoneyShow in San Francisco in August. As well, I have been invited to speak at an AAII (American Association of Individual Investors) chapter in Los Angeles about the same time. More details will be forthcoming.

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.

5/19 No changes.

5/12 No changes.

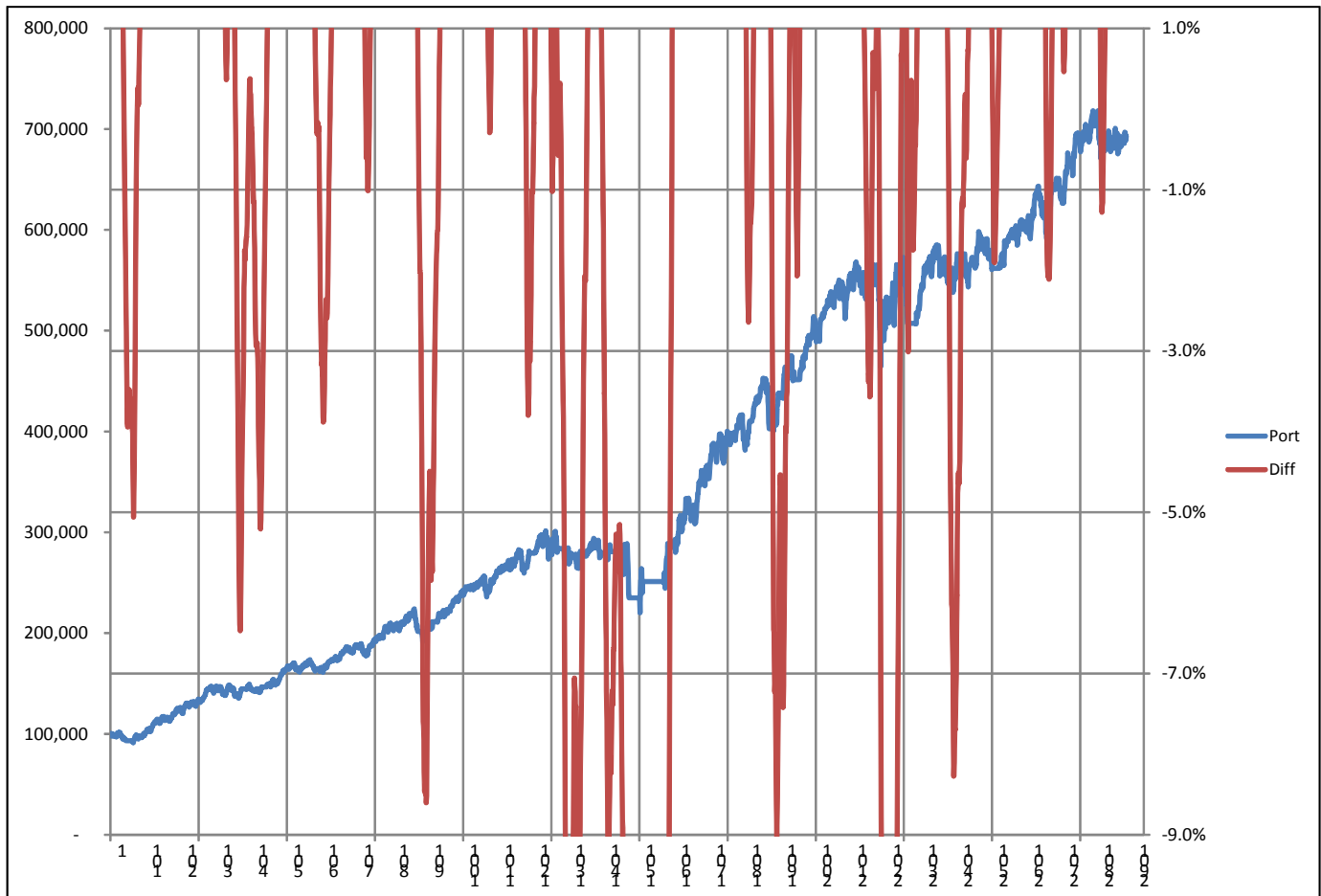
5/5 See new information on Bond Timing on page 4.

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.

## Window to Buy (closed as of 5/19/14)



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.

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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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