

# ETF Selections & Timing

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## Least Expected

The latest monthly data on NYSE margin debt levels came out with May's reading remaining at a lofty level like April's. See the chart on page 11.

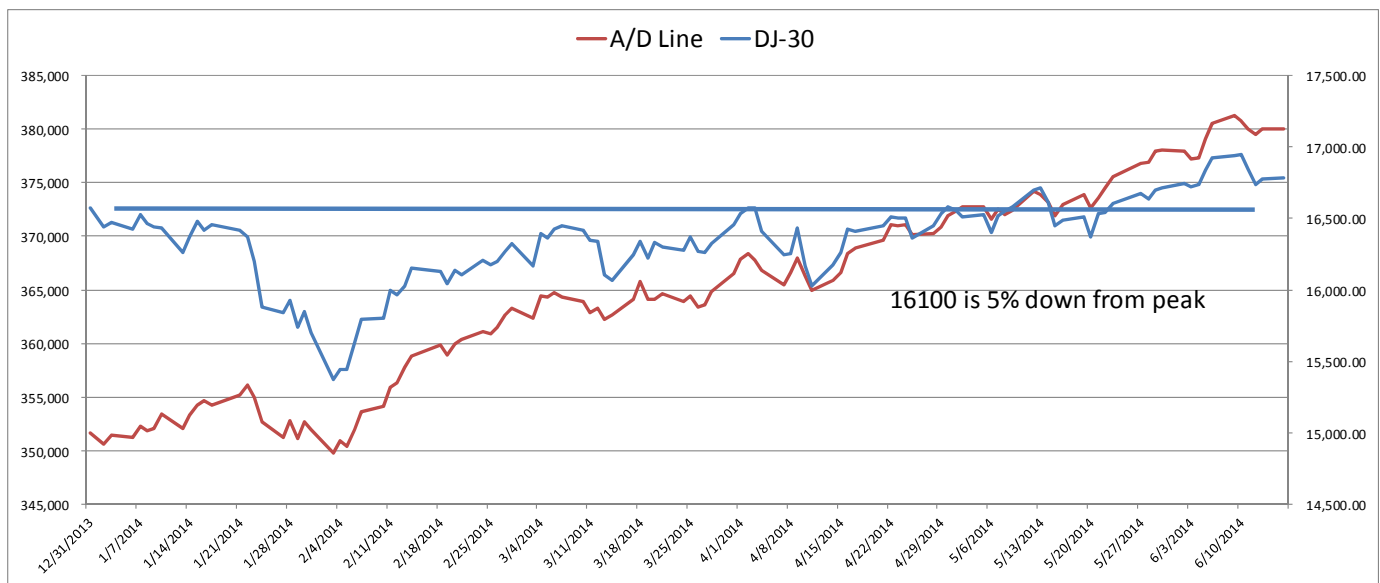
The margin peak was marked three months ago. If this margin peak to market top

time difference falls within the boundaries of the previous two examples at 8/31/2007 and 4/28/2000, then the market should peak this month (June) or next month. Put another way, we have 0-4 weeks to the peak.

Obviously of course, there are no guarantees, but as I've

mentioned, this indicator is the only one that is directly stock price dependent. PE ratios, for example, can move from overvalued to more overvalued, regardless of the market price. But if the market declines, mar-

*(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%	2.9%	1.0	0.4	0.0	0.0%
ETF Growth Portfolio	4.1%	21.3%	4.1	4.5	1.8	-0.2%
<b>Index</b>						
Aggrgt Bond (AGG)	2.8%	3.4%	2.8	1.4	-0.3	0.4%
S&P 500 TR (SPY)	6.4%	23.2%	6.4	5.5	1.5	-0.2%
World Growth Index	4.8%	23.2%	4.8	4.8	1.9	-0.5%

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# Income Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 6/27/2014								
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	80.30	362.7	29,125.21	25.1%	
28-Apr	sell	LQD	117.87	120	14,176									
						Money Market					1.00	87,033	87,033.00	74.9%
												Total Valuation=	116,158.21	100.0%

## WEEKLY REVIEW

6/30 The Fed is floating trial balloons about the strength of the economy and ending of QE and possibly raising rates. No portfolio changes.

6/23 No changes. Inflation is picking up, so it will be interesting to see if bonds start reacting, by selling off.

6/16 No changes.

6/9 The President of the St. Louis Federal Reserve James Bullard said inflation is moving higher. Presumably this is good, a positive sign, for the economy, but bad for interest rate policy. Fed tapering should end in October. When will actual interest rates increase? It may be sooner after that, rather than later, as the market expects. If rates begin to increase (prices fall), this would be the reasoning.

	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	2.8	19.7

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.

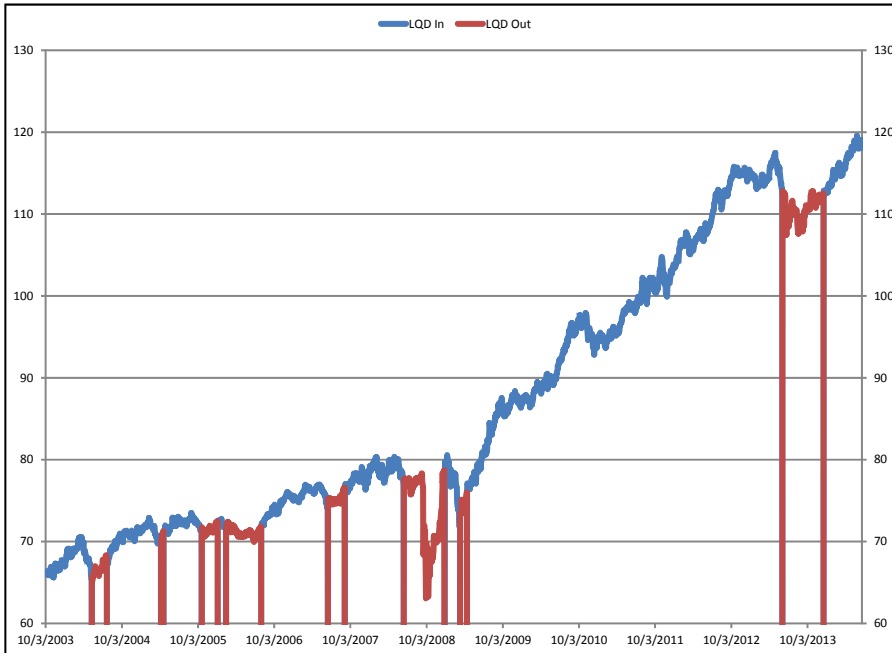
### ETF LEGEND for pages 3 (Bond), and 7, 8, 9, and 10 (Equity):

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 (corporate bonds) 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

6/30 No changes. Amazing the bond rally in the face of QE termination and economy pickup and inflation strength. Either that, or all the statistics are in error.

6/23 No changes.

6/16 No changes.

6/9 As mentioned on page 2, if inflation is picking up, we should begin to see this reflected by the market in the form of higher interest rates and lower bond prices.

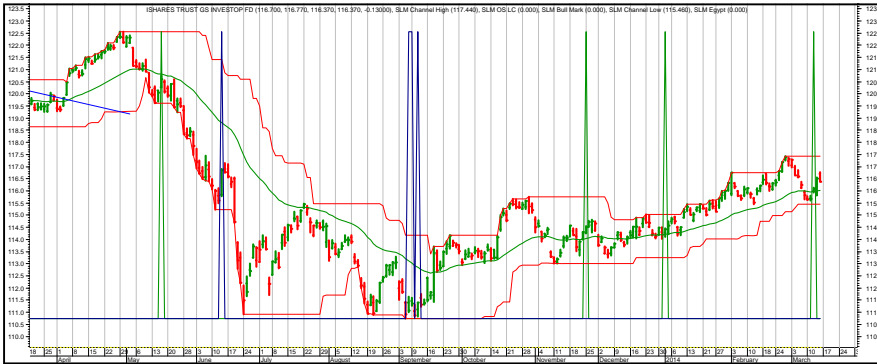
6/2 No changes.

5/26 No changes. Yields still falling, despite Fed tapering.

5/19 No changes. Bonds continue to rally.

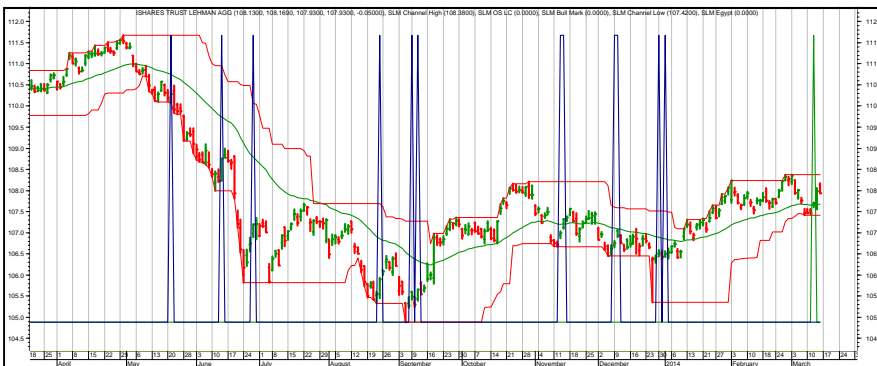
5/12 No changes.

# Income Charts (DAILY) (under construction)



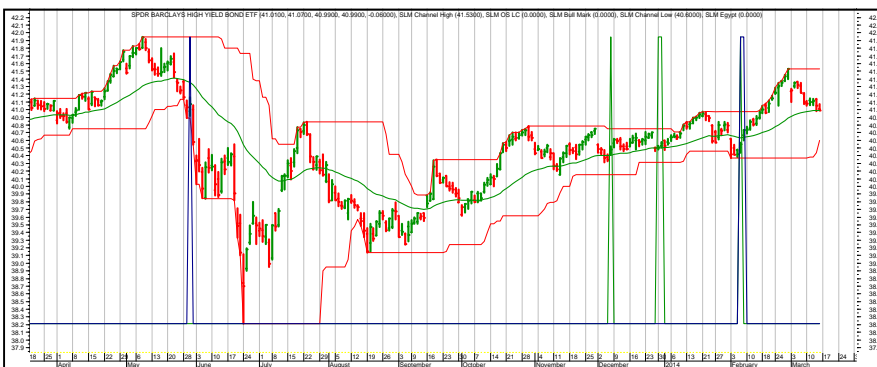
## LQD—Investment Grade Corporate

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.



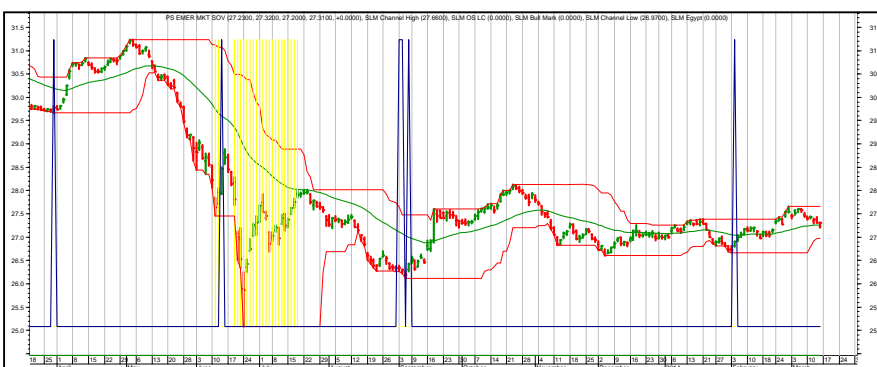
## AGG—Aggregate Bond Market

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:				6/27/2014			
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
7-Apr	sell	PJP	55.10	99	5,445	<b>World Growth</b>							
7-Apr	buy	PSI	20.46	278	5,698	EEM		Emrg Mrkt	39.13	42.31	543.690	23,003.52	15.6%
			this will be about 4% of ttl			EFA		Euro Asia	66.28	68.31	326.040	22,271.79	15.1%
14-Apr	sell	PSI	19.91	278	5,525	IWM		Rusl 2000	113.68	118.34	185.490	21,950.89	14.8%
14-Apr	buy	PGF	17.89	314	5,627	QQQ		Nsdq 100	89.54	93.68	236.200	22,127.22	15.0%
14-Apr	sell	UNG	25.36	215	5,442	SPY		S&P 500	182.85	195.67	116.110	22,719.24	15.4%
14-Apr	buy	PFF	39.00	144	5,626	<b>C-lect 5</b>							
			both buys (above) will be about 4% of ttl			ICF			85.25	87.31	67.000	5,849.77	4.0%
28-Apr	sell	DFE	61.55	93	5,716	RWR			82.93	82.84	70.000	5,798.80	3.9%
28-Apr	buy	ICF	85.25	67	5,722	ENY			16.75	17.36	354.000	6,145.44	4.2%
			this buy above will be about 4% of ttl			EPI			21.91	22.22	254.000	5,643.88	3.8%
27-May	sell	PGF	18.16	317	5,750	DEF			37.68	37.81	158.000	5,973.98	4.0%
27-May	buy	EPI	21.91	254	5,575	Two potential ways to sell: Stop loss 10% lower or timing model signals sell							
27-May	sell	PFF	39.67	145	5,731	Two potential ways to buy: "Window to buy" may open or timing model signals buy.							
27-May	buy	RWR	82.93	70	5,815								
			both buys (above) about 4% of ttl										
9-Jun	sell	GULF	23.16	258	5,971	<b>C-lect Short</b>							
9-Jun	buy	ENY	16.75	354	5,940	(under construction)							
			this buy above will be about 4% of ttl										
23-Jun	sell	DBA	27.80	200	5,550								
23-Jun	buy	DEF	37.68	158	5,963								
			this buy above will be about 4% of ttl										
<b>Cash from short</b>									1.00	-	-	-	0.0%
<b>Money Market</b>									1.00	6,366	6,366.00	4.3%	
<b>Total Valuation=</b>											147,850.53	100.0%	

## WEEKLY REVIEW

6/30 No changes.

6/23 Make the sell and buy as noted above.

6/16 No changes.

6/9 With the rally, the stop loss is still 10% away from current portfolio values. Make the sell and buy as noted above.

6/2 No changes.

5/26 Make the two sells and buys as noted above. Stop loss is at its max distance. Window to buy closed.

	2010	2011	2012	2013	ytd 2014	Incptn
<b>ETF Growth Portfolio</b>	8.1%	6.9	-2.1	25.7	4.1	47.9
<b>World Growth Index</b>	17.2%	-4.1	15.1	30.5	4.8	76.9

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>	<b>C</b>
Wtree India	EPI	EWR	20.90
Guggnhm Candn Enrg Incm	ENY	EWR	17.32
iShares Cohen&Str REIT	ICF	ERE	17.31
Guggnhm Dfnsv Eqty	DEF	EV	14.22
SPDR Wlsh REIT	RWR	ERE	13.79
PS Fincl Prfrd	PGF	EGI	13.52
Wtree Intrntl Utilities	DBU	EW	13.49
iShares Prfrd	PFF	EGI	13.37
SPDR S&P Oil & Gas Expl. & Prod.	XOP	EA	12.69
PS Dynmc Energy	PXI	EA	12.15
Select SPDR Enrgy	XLE	EA	11.86
iShares DJ Slct Div	DVY	EGI	11.10
PS Dynmc Energy Explor	PXE	EA	11.10
PS DB Agriculture	DBA	EA	10.88
Select SPDR Utilities	XLU	EA	10.20
Alerian MLP	AMPLP	EGI	10.11
Wtree Intrntl REIT	DRW	ERE	9.99
Market Vectors Oil Services	OIH	EA	9.89
iShares Canada	EWC	EW	9.79
Wtree Eqty Income	DHS	EGI	9.66
Guggnhm Gbl Div	LVL	EW	9.66
PS Hi Yld Eqty Div	PEY	EGI	9.60
iShares Latin Amr	ILF	EW	9.16
iShares Singapore	EWS	EW	9.13
Vngrd Consmr Stpls	VDC	EA	8.96
Select SPDR Cnsmr Stpl	XLP	EA	8.85
Wtree Middle East Div	GULF	EW	8.81
PS FTSE RAFI Emrg Mrkt	PXH	EW	8.71
Vngrd Emrg Mrkt	VWO	EW	8.70
PS Dynmc Semicndctr	PSI	EA	8.69
Wtree Div Ex Fincl	DTN	ELC	8.61
Market Vectors Semiconductor	SMH	EA	8.50
PS Dynmc Oil & Gas Srvcs	PXJ	EA	8.38
PS S&P 500 LowVolatility Portfolio	SPLV	ELC	7.80
iShares Brazil Indx	EWZ	EW	7.72
PS BLDR Emrg Mkt 50 ADR	ADRE	EW	7.71
PS Dynmc Utilities	PUI	EA	7.58
Guggnhm Intrntl A Incm	HGI	EW	7.56
iShares Taiwan Indx	EWT	EW	7.44
Guggnhm Gbl Wtr	CGW	EW	7.13

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, like funds, 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 Intrntl Dvdnd	PID	EW	7.09
Guggnhm Multi Ast In	CVY	EV	6.96
Wtree Intrntl Div Ex Fincl	DOO	EW	6.84
iShares Pacific ex Jpn	EPP	EW	6.80
PS S&P SmICap Energy	PSCE	EA	6.79
iShares Slct Div	IDV	ELC	6.65
PS FTSE RAFI Asia Pac xJpn	PAF	EW	6.42
PS Dynmc Lrg Cap Value	PWV	ELC	6.41
Wtree Glbl Eqty Incm	DEW	EW	6.37
Wtree DEFA Eqty Incm	DTH	EW	6.25
iShares Italy Indx	EWI	EW	6.25
Wtree LrgCap Div	DLN	ELC	6.20
Wtree Emrg Mrkt SC Div	DGS	EW	6.15
PS Dividend Achievers	PFM	EGI	6.09
Wtree MidCap Div	DON	EMC	6.02
Wtree World Ex US Grth	DNL	EW	5.98
iShares Australia	EWA	EW	5.74
Wtree Emrg Mrkt Eincm	DEM	EW	5.71
iShares Core S&P 500	IVV	ELC	5.48
PS DB Oil	DBO	EA	5.46
SPDR S&P 500	SPY	ELC	5.41
Wtree Intrntl LC Div	DOL	EW	5.40
iShares Spain	EWP	EW	5.39
iShares Emrg Mrkt Stk	EEM	EW	5.16
Guggnhm BRIC	EEB	EW	4.98
Select SPDR Div	SDY	EGI	4.97
iShares Europe 350	IEV	EW	4.90
Guggnhm Shipping	SEA	EA	4.90
iShares Russel MidVal	IWS	EMC	4.85
PS Gbl Agriculture	PAGG	EA	4.68
Guggnhm Frntr	FRN	EW	4.64
iShares Russell 1000 Value Indx	IWD	ELC	4.61
iShares Malaysia Indx	EWM	EW	4.60
iShares South Korea Indx	EWY	EW	4.49
US Oil Fund	USO	EA	4.40
Wtree DEFA	DWM	EW	4.23
Vngrd TTL Intrntl Stk	VXUS	EW	4.05
Guggnhm MidCap Core	CZA	EMC	4.04
Wtree S&P 500	EPS	ELC	3.99
SPDR Euro Stoxx 50	FEZ	EW	3.98
Select SPDR Matrls	XLB	EA	3.92
PS Dynmc Food & Bev	PBJ	EA	3.82
PS QQQ	QQQ	ELC	3.61
SPDR DJ Gbl Titans	DGT	EW	3.60
iShares Mexico	EWX	EW	3.60
Wtree Ttl Earn	EXT	ELC	3.38
PS DWA Emrg Mrkt T Ldrs	PIE	EW	3.33
Vngrd Div Apprctn	VIG	EGI	3.26
iShares S&P 100 Indx	OEF	ELC	3.20
PS S&P SmICap Cnsmr Stpl	PSCC	EA	3.19
PS Emrg Mrkt Infrastrctr	PXR	EW	3.18
PS DB Commodity	DBC	EA	3.13
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	3.07
Vngrd Materials	VAW	EA	3.06
Vngrd European Indx	VGK	EW	3.03



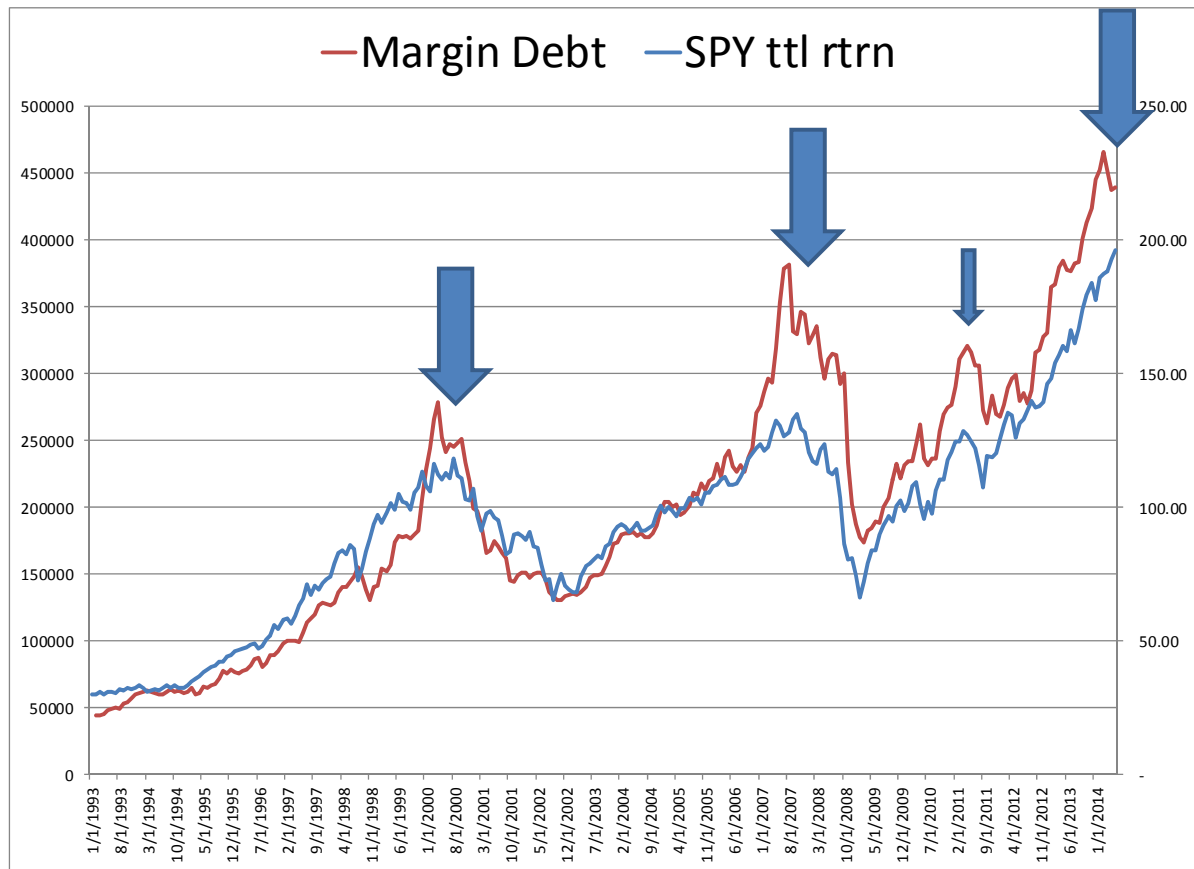
## ETF Rankings by C to previous week's end

iShares EAFE Indx	EFA	EW	3.02
Select SPDR Technlgy	XLK	EA	2.99
Select SPDR Indl	XLI	EA	2.90
PS S&P 500 BuyWrite	PBP	ELC	2.85
PS Dynmc Basic MatrI	PYZ	EA	2.85
PS Gbl Water	PIO	EW	2.75
Wtree Intrntl MC Div	DIM	EW	2.72
iShares Core S&P Mid Cap	IJH	EMC	2.63
Guggnhm Insdr Sent	NFO	EMC	2.60
iShares Hong Kong Indx	EW H	EW	2.60
PS Dyn Mrkt	PWC	ELC	2.60
iShares EMU Indx	EZU	EW	2.57
Vngrd Europe Pacific	VEA	EW	2.51
PS S&P SmICap Utilities	PSCU	EA	2.49
Vngrd Large Cap	VV	ELC	2.48
PS DB Energy	DBE	EA	2.38
PS S&P SmICap Mtrls	PSCM	EA	2.30
PS BLDR Dvlpd Mrkt 100 ADR	ADRD	EW	2.23
Vngrd Small Cap Value	VBR	ESC	2.21
SPDR DJ Industrials	DIA	ELC	1.89
PS WilderHill Prgsv Enrgy	PUW	EA	1.86
Guggnhm RJ All	RYJ	ELC	1.85
PS Dynmc Pharma	PJP	EA	1.79
Vngrd TTL Stock	VTI	ELC	1.60
Wtree Eur SC Div	DFE	EW	1.55
Wtree Intrntl SC Div	DLS	EW	1.45
Wtree MidCap Earn	EZM	EMC	1.45
Vngrd Tech	VGT	EA	1.36
Wtree SmI Cap Div	DES	ESC	1.32
iShares Germany Indx	EWG	EW	1.26
iShares Telecomm	IYZ	EA	1.25
Select SPDR Health	XLV	EA	1.20
SPDR Gold	GLD	EG	1.19
Vngrd MidCap Val	VO	EMC	1.17
PS FTSE RAFI Dvlpr Mrkt xUSA SmI	PDN	EW	1.13
Vngrd Grth	VUG	ELC	1.12
PS Buyback Achievers	PKW	EGI	1.00
PS DB Gold	DGL	EG	0.96
Select SPDR FinancIs	XLF	EA	0.94
Vngrd Fincl Srv	VFH	EA	0.90
iShares Gold	IAU	EG	0.89
PS Dynmc Consmr Staples	PSL	EA	0.86
PS Gbl Clean Enrgy	PBD	EW	0.81
SPDR Mid Cap Trust	MDY	EMC	0.78
Wtree Japan SC Div	DFJ	EW R	0.75
Pro Shares Short Russell 2000	RWM	ESC	0.75
iShares Russell 1000 Grwth Indx	IWF	ELC	0.71
Vngrd Health	VHT	EA	0.66
Guggnhm Spin Off	CSD	EMC	0.58
PS Dynmc Retail	PMR	EA	0.57
Guggnhm China REIT	TAO	EW R	0.45
PS DWA Tech Ldr	PDP	ELC	0.44
iShares Russell 2000 Value Indx	IWN	ESC	0.40
Vngrd Small Cap	VB	ESC	0.37
PS DB Precious Metals	DBP	EG	0.24

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

Vngrd Extnd 4500	VXF	ELC	0.22
iShares Russell 2000	IWM	ESC	0.13
PS Aerospace & Def	PPA	EA	0.10
PS Gbl Listd Prvt Eqty	PSP	EW	0.07
PS FTSE RAFI US 1500 SmI-Mid	PRFZ	EMC	0.02
SPDR S&P Metals & Mining	XME	EA	-0.09
iShares China	FXI	EW	-0.10
US Natural Gas	UNG	EA	-0.13
PS Dynmc Lrg Cap Grth	PWB	ELC	-0.19
PS Cleantech	PZD	EA	-0.22
iShares Japan	EWJ	EW	-0.24
PS DB Base Metals	DBB	EG	-0.25
SPDR S&P Retail	XRT	EA	-0.32
PS S&P SmICap Fincl	PSCF	EA	-0.37
PS Dynmc Consmr Discr	PEZ	EA	-0.38
PS S&P SmICap Info Tech	P SCT	EA	-0.45
PS Water Resources	PHO	EA	-0.47
Guggnhm China All	YAO	EW R	-0.55
Wtree Japan Hedge Eqty	DXJ	EC	-0.60
SPDR S&P Bank	KBE	EA	-0.67
SPDR S&P Regional Banking	KRE	EA	-0.69
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	-0.77
PS Gbl Gold Precious Mtls	PSAU	EG	-0.79
Vngrd Consmr Dis	VCR	EA	-0.80
Vngrd Small Cap Grth	VBK	ESC	-0.81
PS S&P SmICap Cnsmr Dis	PSCD	EA	-0.81
Select SPDR Cnsmr Disc	XLY	EA	-0.88
PS Dynmc Fncl	PFI	EA	-0.92
PS S&P SmICap Indstrils	PSCI	EA	-1.15
PS S&P SmICap Hlth Care	PSCH	EA	-1.16
Pro Shares Short S&P 500	SH	EC	-1.28
Guggnhm Timber	CUT	EA	-1.40
PS Dynmc Bldg Cnstrctn	PKB	EA	-1.44
PS Dynmc Networking	PXQ	EA	-1.51
iShares DJ US Home Constr.	ITB	EA	-1.54
PS Dynmc Leisure & Enter	PEJ	EA	-1.57
PS Zacks Micro Cap	PZI	ESC	-1.66
SPDR S&P Homebuilders	XHB	EA	-2.10
iShares Silver	SLV	EG	-2.19
Market Vectors Russia	RSX	EW	-2.20
PS Dynmc Software	PSJ	EA	-2.26
Guggnhm Solar	TAN	EA	-2.27
Market Vectors Gold Minors	GDX	EG	-2.38
PS DB Silver	DBS	EG	-2.43
PS Dynmc Technology	PTF	EA	-2.61
Guggnhm China SmI	HAO	EW R	-2.67
PS Dynmc Media	PBS	EA	-3.26
PS Dynmc Healthcare	PTH	EA	-3.55
PS Dynmc Biotech	PBE	EA	-3.68
PS Gldn Drgn USX China	PGJ	EW	-4.66
PS NASDAQ Intrnt	PNQI	EA	-5.19
PS WilderHill Cln Enrgy	PBW	EA	-6.01
Market Vectors Junior Gold Miners	GDXJ	EG	-9.11

# S&P 500 (SPY) and NYSE Margin Debt (updated)



Last week edit: I went back and looked a third time at the two previous tops. For both, the trigger of the subsequent severe sell off was 5%. So if SPY closes 5% lower than its recent peak at 196.5 (below 186.7), odds are that won't be a buying opportunity.

Last week edit: A member asked about depth of loss and duration to bottom of the previous two signals. The first bear lasted 16 months and lost 51%. The second bear lasted 25 months and lost 45%. So IF the market follows the previous averages and peaks this month, the bottom would fall somewhere between 10/15 and 7/16 with the Dow Industrials around 8,400 (current about 16,800).

Previous week: The chart shows the total return (dividends included) of SPY (the S&P 500 etf) (blue line, right scale) and NYSE margin debt (red line, left scale) from 1/29/1993 through 5/31/2014. I shift the margin debt data forward by one month.

As you can see, the two series are closely correlated. But the point is to show that at the two previous major peaks in 2000 and 2007 (large blue down arrows) that preceded 50% losses in SPY, the debt series peaked from 2 to 4 months ahead of the market's peak.

The smaller down arrow marks a coincident peak in 2011 when the market plunged near 20% but did recover. Again, the major peaks were preceded by reductions in margin debt. This is similar to what is happening now. NYSE margin debt peaked in March 2014 (again I shift the data forward one month to make it more timely). The stock market as measured by SPY has continued to climb during April and May.

So, we are now 2 months from the NYSE margin debt peak and entering month 3 with June. If past parameters hold, we are either peaking now or will peak by 7/31. The move thereafter would be another 50% decline.

The reason for this is maintenance. An account with margin debt must maintain enough equity to offset any market decline. If the equity is not enough, then the account must sell to raise cash (or the holder must add cash).

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

(Continued from page 1) **REVIEW**

gin calls will go out and must be met either by depositing more cash or by selling stock. This in turn sets up the selling cycle of forcing more margin calls and more selling, until the bottom is made.

Previous margin and price peaks were marked with 5% declines to trigger the selling. 16,100 is the DJ Industrials level and 186 is the SPY level to monitor.

Like I said, there are no guarantees, but this will be interesting.

In the meantime, the market does remain “in gear” to the upside as shown on the chart on

page one.

Fundamentally, the economy is expanding nicely. The Fed has recognized that it is on a self-sustaining course. There is no recession in sight. Unemployment is dropping. Inflation is rising. They should end QE by October, a short four months away.

As far as their raising rates, that may come sooner than expected. But as usual, this only means the economy is roaring ahead. This too will be interesting to see if they overplayed their hand where the economy moves ahead strongly even in the face of rising rates. It has done so many times before.

So, the remainder of 2014

should be very interesting to see how it all plays out. A falling stock market in the face of a strong economy is most likely the least expected event.

See the portfolio pages for any changes.

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.

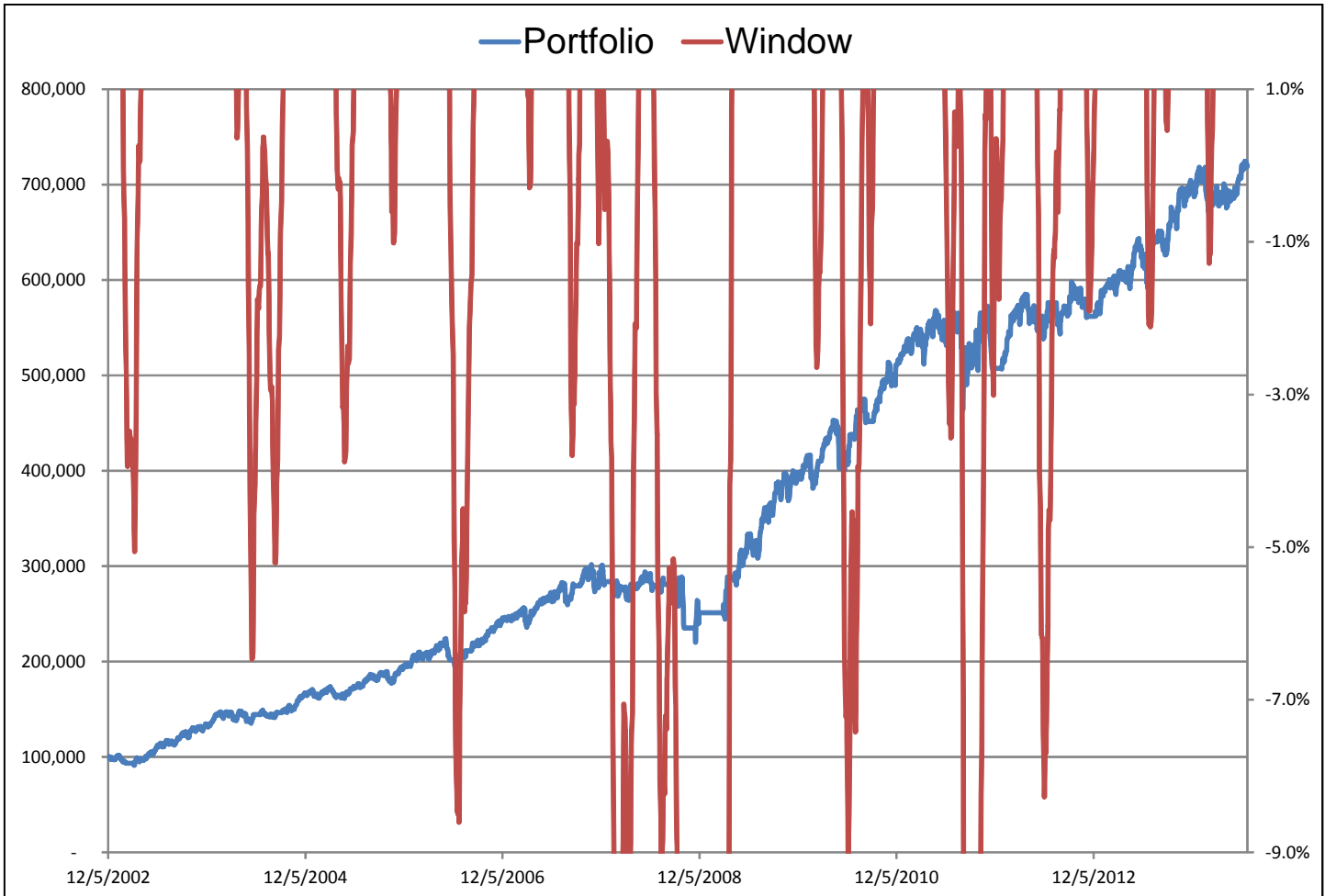
Portfolio stops for the World Growth Model are internally maintained; they are based on the World Growth Index, not the individual ETFs. Stops will be emailed when close or if triggered.

6/30 No changes.

6/23 No changes.

6/16 No changes.

## Window to Buy (closed as of 6/30/14)



The chart above shows the World Growth Model (Portfolio-blue line) and the Window to Buy (Window-red spikes). The chart covers the period from 12/5/2002 through the present.

The Window to Buy is to answer the question, when should I buy if I missed the initial timing model buy signal, or when do I buy more after my initial position to 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 (and bought on the initial buy). 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 -9%. 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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