

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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Volume 4  
Issue 1

## Cliff and Mountain

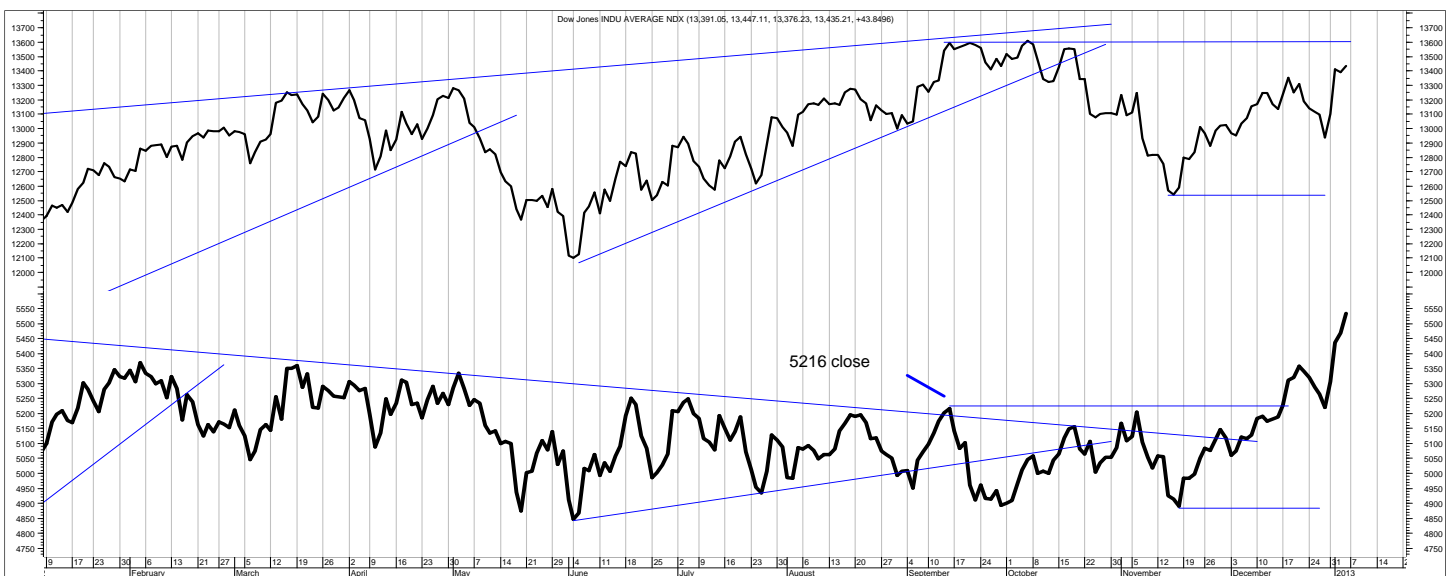
The New Year started off with a bang for the stock market as it jumped about 4% for the week. It was probably a relief rally caused by higher taxes that came in less than feared, as the politicians dealt with the Fiscal Cliff. For

example, taxes on dividends went to 20% from 15%, but not to 40%. It's not unlike being grateful to your perpetrators for their only pinching two fingers, rather than all five.

The other hand will come into play by the end of March

when politicians deal with the Debt Mountain.. How much austerity is ahead? What programs will be cut back? Who will be impacted? I suppose if we start thinking it will be severe and the market pulls back,

*(Continued on bottom left on page 4)*



This is the daily chart of the Dow Industrials (top) and Transports (bottom).

## SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	1.8%	5.1%	2.9%	0.7%	1.8%	1.8%
Dow30 Portfolio	2.0%	-1.5%	0.8%	0.8%	0.8%	2.0%
S&P 500 TR	4.6%	17.4%	9.5%	1.0%	3.6%	4.6%
Dow Industrials	3.8%	8.7%	4.2%	-1.3%	2.1%	3.8%

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# Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 1/4/2013		
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 9/7	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total
1-Oct	buy	O	40.76	180	7,347	GENC			8.00	7.56	7.61	2,278	17,335.58	11.9%
1-Oct	buy	MVC	12.80	600	7,690	WTT			1.00	0.87	1.23	9,000	11,070.00	7.6%
both positions will be roughly 5% of total portfolio						OPLK			13.00	12.84	15.84	600	9,504.00	6.5%
15-Oct	buy	GAIN	7.48	1,000	7,490	MCGC		12.9%	4.40	4.38	4.69	1,500	7,035.00	4.8%
this will be about 5% of total portfolio						NGPC		8.7%	7.15	7.04	7.25	2,000	14,500.00	10.0%
						MVC		3.8%	13.00	12.80	12.27	600	7,362.00	5.1%
12-Nov	buy	NGPC	7.05	1,000	7,060	GAIN		8.0%	7.55	7.48	7.23	1,000	7,230.00	5.0%
3-Dec	sell	O	40.250	180	7,235	TAXI		7.0%	11.40	11.36	12.19	600	7,314.00	5.0%
4-Dec	buy	SILU	1.40	500	710	WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT NEW FROM 12/10/12								
	sell	SILU	>1.58											
10-Dec	buy	TAXI	11.36	600	6,826	SILU			1.44			5,000		5.0%
14-Dec	sell	SILU	1.59	500	785									
Dividends												4,010.50	2.8%	
Money Market												1.00 60,341	60,341.00 41.4%	
Total Valuation=												145,702.08	105.0%	

## REVIEW since last issue

1/7 Big rallies in a couple of holdings, like TAXI and OPLK, for the week, along with the market. Keep collecting the dividends.

12/31 No changes.

12/24 My data provider (Reuters) stopped reporting the Wilshire 5000 Total Return, so I am now using the S&P 500 Total Return.

12/17 GENC reported 4th q and full year results. Still the cheapest stock out there I'm aware of. Market cap around \$70 million and net cash in the bank \$85 million. Business should improve in 2013.

Took profits on SILU and raised the buy limit.

WTT authorized additional buy backs of stock. Probably more companies will lean this way, rather than increase dividends in 2013.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	1.8	45.7
S&P 500 TR	na	na	14.1	4.6	40.2

This shows the returns of previous years, year to date (ytd), and from inception (incptn). It also shows standard deviation (SD).

# Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:				1/4/2013			
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 12/10	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
10-Dec	buy	DD	43.22	241	10,435	DD	40.15		43.22	45.73	241	11,020.93	10.5%	
10-Dec	buy	INTC	20.08	519	10,435	INTC	18.27		20.08	21.16	519	10,982.04	10.5%	
10-Dec	buy	MRK	44.48	234	10,435									
10-Dec	buy	MSFT	26.94	387	10,435	MSFT	24.95		26.94	26.74	387	10,348.38	9.8%	
10-Dec	buy	T	33.73	309	10,435	T	31.07		33.73	35.23	309	10,886.07	10.4%	
17-Dec	buy	WMT	69.20	150	10,390	WMT	65.74		69.20	69.06	150	10,359.00	9.9%	
17-Dec	buy	KO	37.50	278	10,435	KO	35.63		37.50	37.66	278	10,469.48	10.0%	
26-Dec	sell	MRK	41.34	234	9,664									
									Money Market		1.00	41,012	41,012.00	39.0%
									Total Valuation=				105,077.90	100.0%

Company	Symbol
Alcoa	AA
American Express	AXP
Boeing	BA
Bank of America	BAC
Catepillar	CAT
Cisco	CSCO
Chevron	CVX
DuPont	DD
Disney	DIS
GE	GE
Home Depot	HD
Hewlett Packard	HPQ
IBM	IBM
Intel	INTC
Johnson & Johnson	JNJ

Company	Symbol
JP Morgan	JPM
Kraft	KFT
Coca-Cola	KO
McDonalds	MCD
3M Company	MMM
Merck	MRK
Microsoft	MSFT
Pfizer	PFE
Proctor & Gamble	PG
ATT	T
Travelers	TRV
United Technologies	UTX
Verizon	VZ
Wal-Mart	WMT
Exxon Mobil	XOM

For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials . We also will use the ETF that tracks the same. The symbol is DIA.

We monitor the underlying individual stocks for buys and sells in order to overweight the portfolio to what is expected to outperform and underweight the portfolio with what is expected to underperform.

## REVIEW since last issue

1/7 No changes.

12/31 Stopped out of MRK. The other positions should rally, if the market turns up on a successful Fiscal Cliff compromise.

12/24 No changes.

12/17 Buy the two new positions.

# Feature Company

None new.

*(Continued from page 1)*

we can again set it up for a relief rally.

In all seriousness though, between the Cliff and the Mountain is the real impact to the consumer and business because of these changes. We will be pinched with less money in our pockets due to higher taxes and less revenue due to lower government spending.

But this is what we need for long-term solvency. Will austerity be painless or painful? At least

given the market's reaction to higher taxes, the former.

Against the domestic backdrop, however, is the improving news from the rest of the world. Europe really does seem to have solved its Euro issues, even if they still are in recession. China is improving. Japan too. The Central Banks around the world are pumping liquidity into the system to stave off depression.

And so far, it is working. We may not be back to historic recovery trends, but we can say

we are recovering. Unemployment is falling. Corporate earnings are recovered to near record highs. Housing has stabilized.

It's just the next step up the Mountain to be worried about.

Please see the individual portfolio pages for any actions to take.

# Descriptions & Disclosures

## **PORTFOLIO DESCRIPTIONS (pages 2 and 3)**

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

The two portfolios were started on 1/1/10 with \$100,000. Beginning in 2012 (12/31/11), the official portfolio for measuring the newsletter performance is the Stock Portfolio only.

Portfolio changes will usually be made at the close on Monday (the day this eNewsletter is posted), or if a position is stopped out, the close that day, unless otherwise noted.

Portfolios are updated through the preceding Friday's close.

Stock dividends are paid in cash. Interest is assumed to be zero for the money market (cash) position. Commission costs to buy and sell are assumed to be \$10.00 per trade.

The S&P 500 TR (total return) includes dividend reinvestment.

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