

Stock Selections & Timing

Watercourse Way Holdings, LLC

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

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Rolling Rolling

So far the Dow Industrial Index has failed to confirm the new high in the Transportation Index. It is still about 100 points away. That's not very much and could easily be closed in a day, but given all the other problems, it shouldn't

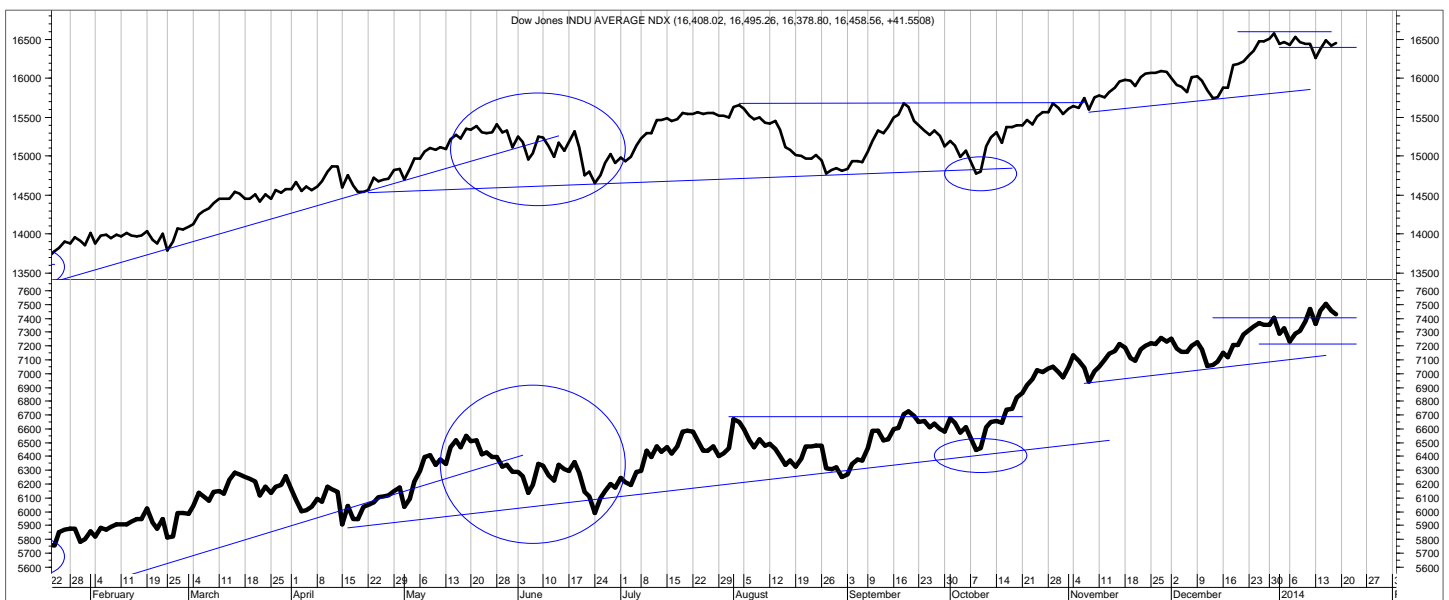
be easily ignored if it fails.

In the meantime, we'll review the litany of other problems such as Fed tapering, investor sentiment, rising interest rates, over valuation, over bought readings.

Economists are calling for

3% GDP growth this year up from roughly 2% in 2013. This should prompt and support the Fed to continue its tapering already began this month. This QE support is over and should be ended by Fall 2014. But ta-

(Continued on bottom left on page 4)



This is the daily chart of the Dow Industrials (upper) and Dow Transports (lower).

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	1.0%	17.0%	9.4%	1.8%	1.0%	1.0%
Dow30 Portfolio	0.0%	3.8%	0.0%	0.0%	0.0%	0.0%
Index						
S&P 500 TR	0.0%	26.4%	9.8%	6.0%	1.2%	-0.2%
Dow Industrials	-0.1%	20.6%	5.9%	6.9%	1.5%	0.1%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 1/17/2014									
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 1/20	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total		
4-Nov	buy	MCGC	4.79	3,300	15,817	GENC			8.00	7.56	9.44	2,278	21,504.32	12.6%		
						WTT			1.00	0.87	2.20	2,500	5,500.00	3.2%		
25-Nov	sell	GAIN	7.47	1,000	7,460									0.0%		
25-Nov	buy	O	38.28	100	3,838											
6-Jan	sell	WTT	2.14	1,000	2,130	MCGC		10.8%	4.80	4.79	4.70	3,300	15,510.00	9.1%		
6-Jan	sell	OPLK	18.60	600	11,150	NGPC		8.7%	7.15	7.04	7.63	2,000	15,260.00	8.9%		
						MVC		3.8%	14.50	12.71	14.08	1,200	16,896.00	9.9%		
13-Jan	sell	WTT	>2.16	1,000		PKY		4.3%	18.00	17.75	17.51	500	8,755.00	5.1%		
15-Jan	sold	WTT	2.17	1,000	2,160	IRET	7.85	6.3%	8.50	8.35	8.45	950	8,027.50	4.7%		
13-Jan	buy	PKY	17.75	500	8,885	O	37.00	5.5%	41.00	39.96	38.47	300	11,541.00	6.8%		
20-Jan	buy	FULL	<7.13	1,000												
13-Jan	sell	WTT	>2.2	2,500												
the FULL purchase is about 5% of total portfolio						Above in green shows end price still below buy limit.										
						Shown below is watch list for potential purchase at or below buy limit.										
						FULL			11.5%			1,000				
						Dividends						9,247.13			5.4%	
						Money Market						1.00 58,391			58,391.00	34.2%
						Total Valuation=						170,631.95			100.0%	

REVIEW since last issue

1/20 We'll attempt to take final profits out of WTT. It's been a nice ride, but appears fully valued now. We'll buy FULL. They recently issued new stock and the price has fallen below that level. This will probably be a trade.

1/13 Make the sell and buy as noted above. We've been in and out of PKY in the past. They recently issued new stock at \$18.15 and it is now trading south of that, which is usually a good time to buy for a trade. In the meantime, it yields 4.25%.

1/6 We're taking some profits in here as noted above.

12/30 No changes.

12/23 No changes.

12/16 No changes. MVC announced its deal fell through. So stock down today. But they have other indications of interest.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	1.0
S&P 500 TR	15.0%	1.9	14.1	28.7	0.0

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: 1/17/2014						
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 6/9	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
24-Jun	sell	AA	7.79	1,500	11,675								0.0%
24-Jun	sell	BAC	12.30	900	11,060								0.0%
24-Jun	sell	INTC	23.58	519	12,228								0.0%
25-Jun	sell	MRK	46.23	265	12,241								0.0%
TO BE ADDED, IF ABOVE SELL STOP													
TO BE ADDED, IF BELOW BUY LIMIT													
Money Market									1.00	108,999		108,998.88	100.0%
											Total Valuation=	108,998.88	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

1/20 Watching for some trades.

1/13 The new trading model is pretty much ready to go. I am trying to finalize the backtesting to get some performance numbers, but the strategy is built. With the market's pullback, we should be seeing some buys.

1/6 No changes. Waiting for the pullback.

12/30 No changes.

No new recommendations

See the Stock Portfolio.

(Continued from page 1)

pering is not tightening. Short-term rates are still about zero and should remain down for at least another year. It will be in the longer duration where rates will be hit the most. The yield curve should steepen. This would actually continue to help bank earnings.

I suspect this scenario will be a conundrum if the stock market corrects by 20-50% in a normal bear market and the economy remains somewhat strong (no recession), but this would also set up the conditions necessary to actually begin the next secular bull market from low valuations.

Investor sentiment remains far too bullish. This contrarily is

bearish. Bullish buyers are in already. Who's left to buy, especially given that longer-term rates have begun to rise. Why risk stocks when bonds are a more sure, less risky deal?

The PE ratio is at 20x. The CAPE (10year average PE) is about 25x. This is high valuation. Price to sales is the highest its been since 2000. Price to book ratio, however, is within the normal range. The Q Ratio (a measure of replacement cost) is at 1.05. Readings north of 0.98 are bearish. The market is fundamentally overvalued.

On a technical basis, the market is overbought and overdue. It has more than double since the bottom in March 2009.

The bull market is nearly five years old. The average duration of a bull market is 3.8 years.

Is there anything that would support a further advance? I mentioned the strong economy, but that's one of the paradoxes of investing. We try to buy in fear when things look horrible and sell in greed when things look great. They look much much better. As I've mentioned over the last weeks, the trend is our only friend. Will it shift and be frightening like in 1987 or more friendly like in 2002? Stay tuned.

Please see the individual portfolio pages for any updates and changes.

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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