

Stock Selections & Timing

Watercourse Way Holdings, LLC

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

January 27, 2014 (data through previous Friday's close)
Volume 5
Issue 4

The Start or the End

When the stock market rolls over sharply like it has the last week, the question quickly comes up whether it is the beginning of a full-fledged bear market where eventual losses may range from -20% to -50% (or worse) from

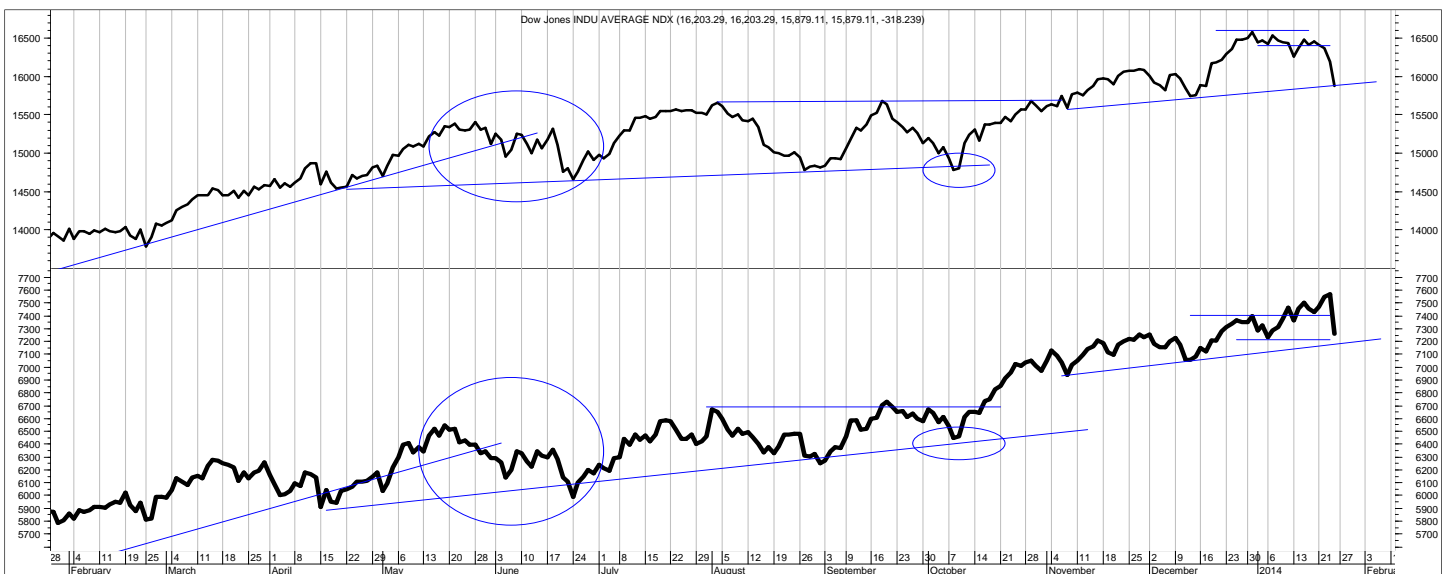
the peak or is it merely the pause in the bull market that refreshes the soon continuation of the uptrend?

The market has met all of the criteria that have coincided with previous major tops. See last week's letter where I again

mention the negative divergence in major indexes, Fed pulling support (tapering), too bullish investor sentiment, rising interest rates, over valuation, over bought for more.

Just a note on Fed tapering

(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%	16.6%	7.6%	1.0%	1.0%	0.0%
Dow30 Portfolio	0.0%	3.3%	0.0%	0.0%	0.0%	0.0%
Index						
S&P 500 TR	-2.7%	21.5%	6.9%	2.2%	-2.7%	-2.6%
Dow Industrials	-3.6%	14.3%	2.1%	2.0%	-3.6%	-3.5%

CONTENTS

Page 2...Stock
Page 3...Dow 30
Page 4...Featured
Page 5...Disclaimers

Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		1/24/2014								
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	9.24	2,278	21,048.72	12.3%			
25-Nov	sell	GAIN	7.47	1,000	7,460										0.0%		
25-Nov	buy	O	38.28	100	3,838									0.0%			
6-Jan	sell	WTT	2.14	1,000	2,130	FULL		11.3%	7.13	7.11	7.37	1,000	7,370.00	4.3%			
6-Jan	sell	OPLK	18.60	600	11,150	MCGC		10.8%	4.80	4.79	4.62	3,300	15,246.00	8.9%			
						NGPC		8.7%	7.15	7.04	7.52	2,000	15,040.00	8.8%			
						MVC		3.8%	14.50	12.71	14.23	1,200	17,076.00	10.0%			
13-Jan	sell	WTT	>2.16	1,000		PKY		4.3%	18.00	17.75	17.62	500	8,810.00	5.2%			
15-Jan	sold	WTT	2.17	1,000	2,160	IRET	7.85	6.3%	8.50	8.35	8.56	950	8,132.00	4.8%			
13-Jan	buy	PKY	17.75	500	8,885	O	37.00	5.5%	41.00	39.96	39.54	300	11,862.00	7.0%			
20-Jan	buy	FULL	7.11	1,000	7,120	Above in green shows end price still below buy limit.											
13-Jan	sell	WTT	2.24	2,500	5,590	Shown below is watch list for potential purchase at or below buy limit.											
						TAXI		6.9%				600	about 5%				
						the FULL purchase is about 5% of total portfolio											
27-Jan	buy	TAXI	<13.60	600		this would be about 5% of total portfolio											
						Dividends								9,247.13	5.4%		
						Money Market								1.00	56,830	56,830.00	33.3%
						Total Valuation=								170,661.85	100.0%		

REVIEW since last issue

1/27 WTT soared further, and we're out. Buy TAXI as noted above.

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	-2.7

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: 1/24/2014						
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

1/27 With the market's pullback, trades are now getting set up. Depending on market action, we may be sending emailed Hotline reports between the weekly issues.

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.

New recommendations

See the Stock Portfolio.

(Continued from page 1)

versus Fed tightening. They aren't the same, but perhaps they really are to a degree this time. Historically market tops were accompanied by tightening (raising interest rates). This time around the Fed is not tightening per se, but they are pulling support. Given that QE has been a stimulus for the rally (and especially the rally's extension in 2013), then it amounts to essentially the same thing as historical tightening as they withdraw QE.

So, the top in December 2013 for this rally since March, 2009 certainly appears in place. There really is nothing to suggest otherwise, except an abhorrence to making a safe 0.1% in "cash".

For our part, the timing model has not yet signaled a sell. This is because it is based more on trends, rather than the aforementioned "contrary" items. I am working on a combination of the two that may be even more timely at marking lows and tops. In the meantime, the longer-term trend is still up.

Right now the timing model sell-stop level is about 6.5% away from current prices. This is down from 10% over the last couple weeks. As the market drops, the stop loss typically gets closer.

No one knows the future. What we can do is manage the risk of loss that comes inherently with investing. If the timing model stays on a buy, then we'll

continue to hold and may buy more if the "window to buy" opens (it is still closed, but may soon open). Or the timing model may signal sell, and we will raise cash. Subsequent to any sell signal, if the market continues downward and losses 50% over the remainder of 2014, then so be it. We'd be in cash. If the market reverses course instead, and we get another buy signal, we'll get back in.

The point is to have a strategy to sell and buy near tops and bottoms, which we attempt, rather than to panic out at the bottom or panic in at the top.

See the individual portfolio pages for any 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.

SUBSCRIPTIONS: To receive *Stock 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 credit card orders (Discover, American Express, Visa, Mastercard) or send a check to the address on the front page. Subscriptions may be tax deductible.

The recurring monthly subscription is \$49.00. An annual subscription is \$395.00. Subscribers receive this weekly eNewsletter. There is no mailed issue. Subscribers retrieve the current issue at the web site InvestmentST.com by logging in using a log in name and password. There may be emailed hotline reports between issues.

Unless otherwise noted, the weekly eNewsletter is posted by 1:35 PM central time every Monday, except for holidays and then on Tuesday. It may contain actionable, specific buy or sell advice to take that day or during the week. 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 term remaining with a one month minimum charge of \$49, using a 12-month count. A monthly subscription just expires.

PUBLISHER: Watercourse Way Holdings, LLC publishes this newsletter.

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

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, dividends in cash. The S&P 500 Total Return is a broad based equity index and may or may not be useful in comparing returns. Security values fluctuate. Information is provided without consideration for your 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 advice shown herein. They may or may not own company shares mentioned herein and may or may not buy and sell at any time.

COPYRIGHT: Copyright, 2010-2013, Watercourse Way Holdings, LLC. All rights reserved.