

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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

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Volume 4  
Issue 4

## First Quarter

The market continues its winning ways, running higher in the first month of 2013. I hope politicians don't confuse this exuberance as approval for their machinations.

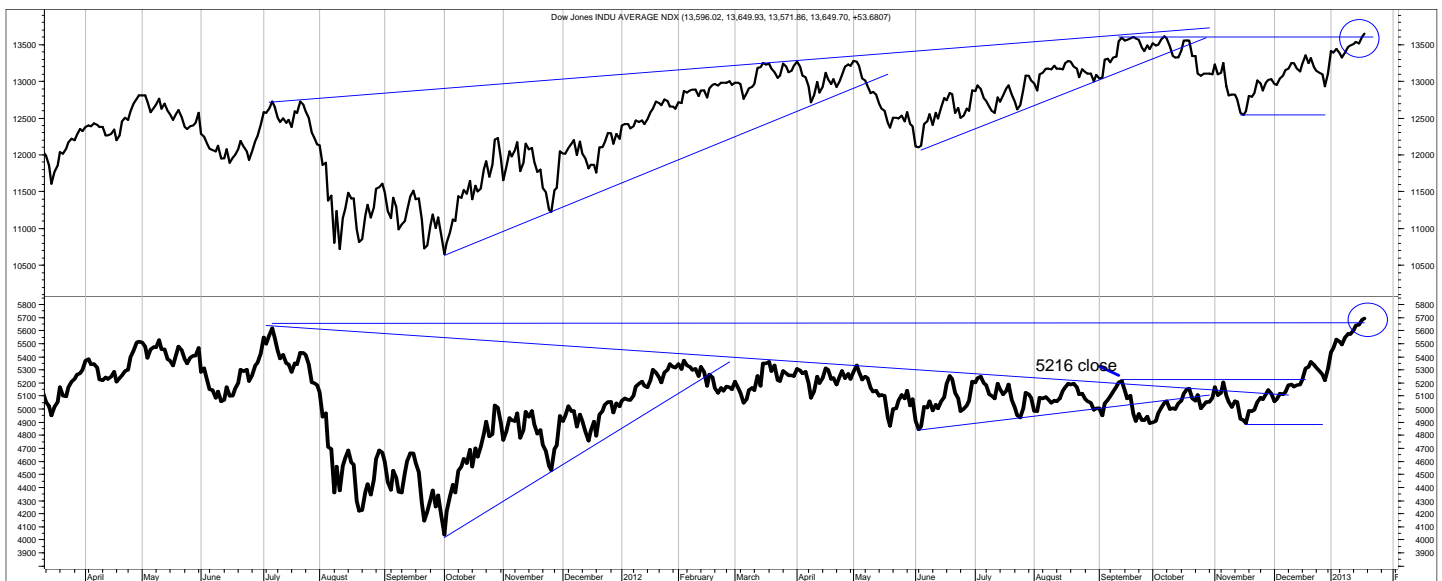
But with the rally comes the pile on, the chase, the fear of

missing the upside. Overbought is the stock market. Investor sentiment nears too much bullishness, which is a contrary indicator.

Also as a reminder from a contrarian point of view, this is the first year of the four year

presidential cycle. Typically the first year is the weakest precisely because the politicians do what is unpopular. It may hurt their specific reelection chances, but it may be good for the country as a whole.

*(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	2.2%	3.6%	2.8%	2.5%	2.2%	0.4%
Dow30 Portfolio	2.4%	-3.1%	1.2%	1.2%	2.4%	0.4%
S&P 500 TR	7.3%	16.5%	9.7%	7.1%	7.3%	1.3%
Dow Industrials	7.4%	9.8%	6.3%	6.0%	7.4%	1.8%

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# Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 1/25/2013		
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	7.37	2,278	16,788.86	11.5%
1-Oct	buy	MVC	12.80	600	7,690	WTT			1.00	0.87	1.30	9,000	11,700.00	8.0%
both positions will be roughly 5% of total portfolio						OPLK			13.00	12.84	16.18	600	9,708.00	6.6%
15-Oct	buy	GAIN	7.48	1,000	7,490	MCGC	12.9%	4.40	4.38	4.48	1,500	6,720.00	4.6%	
this will be about 5% of total portfolio						NGPC	8.7%	7.15	7.04	7.34	2,000	14,680.00	10.0%	
12-Nov	buy	NGPC	7.05	1,000	7,060	MVC	3.8%	13.00	12.80	12.08	600	7,248.00	5.0%	
3-Dec	sell	O	40.250	180	7,235	GAIN	8.0%	7.55	7.48	7.34	1,000	7,340.00	5.0%	
4-Dec	buy	SILU	1.40	500	710	TAXI	7.0%	11.40	11.36	12.32	600	7,392.00	5.1%	
						WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT NEW FROM 12/10/12								
10-Dec	buy	TAXI	11.36	600	6,826	SILU			1.46			5,000		5.0%
14-Dec	sell	SILU	1.59	500	785									
28-Jan	watch the potential buy on SILU													
Dividends												4,411.50	3.0%	
Money Market												1.00 60,341	60,341.00	41.2%
Total Valuation=												146,329.36	105.0%	

## REVIEW since last issue

1/28 Watch for the potential buy on SILU. OPLK may be breaking out to the upside.

1/21 Surprising that the dividend payers haven't rallied more.

1/14 No changes.

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.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	2.2	46.3
S&P 500 TR	na	na	14.1	7.3	43.5

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: 1/25/2013						
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	48.33	241	11,647.53	11.0%
10-Dec	buy	INTC	20.08	519	10,435	INTC	18.27		20.08	20.96	519	10,878.24	10.3%
10-Dec	buy	MRK	44.48	234	10,435								
10-Dec	buy	MSFT	26.94	387	10,435	MSFT	24.95		26.94	27.88	387	10,789.56	10.2%
10-Dec	buy	T	33.73	309	10,435	T	31.07		33.73	34.02	309	10,512.18	10.0%
						WMT	65.74		69.20	69.00	150	10,350.00	9.8%
17-Dec	buy	WMT	69.20	150	10,390	KO	35.63		37.50	37.05	278	10,299.90	9.8%
17-Dec	buy	KO	37.50	278	10,435								
26-Dec	sell	MRK	41.34	234	9,664								
28-Jan	sell	DD		241									
						Money Market			1.00		41,012	41,012.00	38.9%
								Total Valuation=				105,489.41	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

1/28 Take profits as noted above.

1/21 No changes. I'll wait for a pullback to buy more.

1/14 No changes.

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.

# Feature Company

None new.

*(Continued from page 1)*

In this case, we know they've raised taxes on everyone. And by now, everyone has or will by month's end received their first payroll check proving as much. But revenue raises is only half the equation. The other half is spending. What will happen there?

The government needs to reign in spending. Deficits cannot grow to the moon without negative repercussions. So, this is the next big question, yet to be addressed.

Typically in the 4-year cycle, after a typical so-so January, the period from February through

March is the weakest. We'll see what happens this time, but this falls within the period when Congress will be debating the debt ceiling and spending cuts. As the discussion comes to the forefront, the market may pullback.

In the meantime, the leading economic indicators per the Conference Board have come in stronger than expected at plus 0.5 versus 0.4 and the previous month's number was raised from a negative 0.2 to flat.

And as mentioned over and over, housing has bottomed and is recovering.

So, the stock market is rallying, but is overbought, and is due

for a pullback. Whether that pullback is mild, say 3-5%, or sharper down 10-12% depends on the politicians. The when should correspond to the first quarter.

Please 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.

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