

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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February 3, 2014 (data through previous Friday's close)  
Volume 5  
Issue 5

## Of Stops

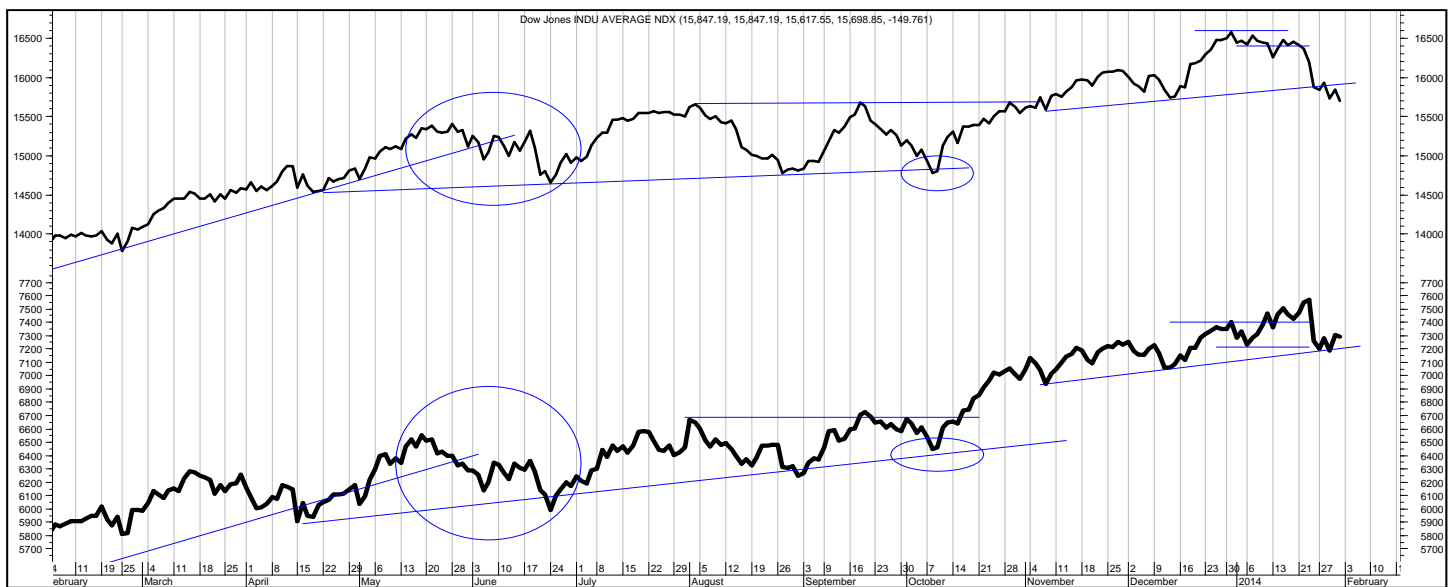
In my other weekly service ETF Selections & Timing, I talked this week about stop levels. For ETFs, I set a 10% stop level. This is on the whole portfolio, not only the individual parts. Back on 12/31/13, the stop level

was 10%. As of today, with the further market decline, the stop level is about 3%. The market has dropped 7%.

For this letter, I don't frequently use stops. The reason is because I take a value approach anyway. For example, GENC is

still trading below its net cash in the bank and its business is profitable. A 10% decline in the stock just makes it cheaper to its already cheap price. Where is the point to place a reasonable stop level? Or take

*(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	1.2%	16.6%	7.6%	3.1%	1.3%	0.2%
Dow30 Portfolio	0.0%	2.4%	0.0%	0.0%	0.0%	0.0%
Index						
S&P 500 TR	-3.1%	20.2%	5.3%	1.7%	-2.6%	-0.4%
Dow Industrials	-4.7%	12.1%	0.3%	0.5%	-4.7%	-1.1%

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# Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		1/31/2014					
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	9.38	2,278	21,367.64	12.5%	
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%		7.11	7.36	1,000	7,360.00	4.3%	
6-Jan	sell	OPLK	18.60	600	11,150	MCGC	10.8%	4.80	4.79	4.47	3,300	14,751.00	8.6%	
						NGPC	8.7%	7.15	7.04	7.40	2,000	14,800.00	8.7%	
						MVC	3.8%	14.50	12.71	14.25	1,200	17,100.00	10.0%	
13-Jan	sell	WTT	>2.16	1,000		PKY	4.3%	18.00	17.75	17.76	500	8,880.00	5.2%	
15-Jan	sold	WTT	2.17	1,000	2,160	IRET	7.85	6.3%	8.35	8.69	950	8,255.50	4.8%	
13-Jan	buy	PKY	17.75	500	8,885	O	37.00	5.5%	39.96	40.78	300	12,234.00	7.2%	
						TAXI		6.9%	14.00	13.22	600	7,998.00	4.7%	
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.								
						the FULL purchase is about 5% of total portfolio								
27-Jan	buy	TAXI	13.22	600	7,942									
						this would be about 5% of total portfolio								
3-Feb	sell	FULL	>7.19	1,000		Dividends								
3-Feb	sell	IRET	>8.49	950		Money Market								
3-Feb	sell	O	>39.75	300		1.00 48,955 48,955.00 28.6%								
											Total Valuation=		170,948.27	100.0%

## REVIEW since last issue

2/3 Take further profits as noted above. I'm raising cash.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	1.2
S&P 500 TR	15.0%	1.9	14.1	28.7	-3.1

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: 1/31/2014		
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
											0.0%
											0.0%
											0.0%
											0.0%
											0.0%
											0.0%
											0.0%
											0.0%
						TO BE ADDED, IF ABOVE BUY 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%

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

2/3 Potential trades are getting set up. Will watch for reversals.

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.

## New recommendations

No new recommendations.

*(Continued from page 1)*

some of the other positions that yield 5%, 8%, or more, where is the reasonable sell stop price? Point is for a value investment it is difficult to place reasonable sell stops.

On the other hand, I will use stops for the Dow 30 positions. The reason is these are more technical trades. I know what should happen and use a sell stop if I am proven wrong in my analysis. For example, should MSFT or IBM trade at 10 times or 20 times or 30 times earnings? Who knows. Where is it cheap or expensive? So, I use stops.

Currently with the market rolling over and generally speaking it is expensive as I've been

saying the past month, I am raising cash in the Growth Portfolio. This is more a reaction to that, then to the idea the stocks or the underlying businesses are deteriorating. I think we are still in and will remain in for at least another 6 months, if not longer, a recovering economy. A recession simply is not in sight.

So, I'm raising cash for now, but will continue to look for opportunities.

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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