

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

P.O. Box 830396

Richardson, TX 75083-0396

972-680-2366

February 4, 2013 (data through previous Friday's close)

Volume 4

Issue 5

## Jump On or Off

Investors are jumping on the band wagon, pushing stocks up a huge 7% in the first month of the year. It's always fun to extrapolate; that'd be a near 85% gain for the year. Possible? Not really. Maybe it would be possible if we were

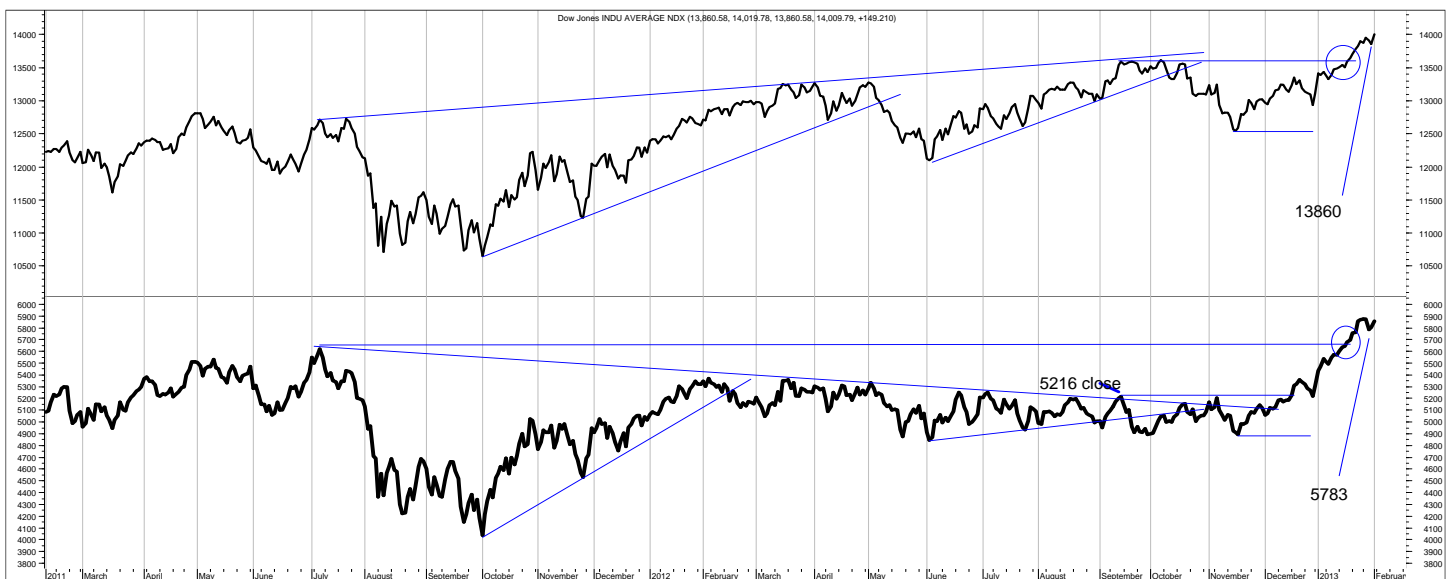
coming out of a horrendous bear market bottom, but not from recovery highs.

But that's how it works. Investors extrapolate the recent past into the future and then become more bullish or bearish. And then they jump on board or

abandon ship, if it's a bear market. It's the sense of I'm missing the rally so get on board now or I can't stand the losses anymore so get off now.

For our part, we try to act in reverse. We try to measure

*(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	2.4%	1.9%	2.4%	2.0%	0.6%	0.2%
Dow30 Portfolio	3.4%	-3.0%	2.1%	2.1%	1.3%	0.9%
S&P 500 TR	8.0%	14.9%	9.9%	7.6%	3.3%	0.7%
Dow Industrials	8.3%	8.9%	7.0%	7.0%	4.3%	0.8%

## CONTENTS

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

# Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 2/1/2013		
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
4-Dec	buy	SILU	1.40	500	710	GENC			8.00	7.56	7.41	2,278	16,879.98	11.5%
						WTT			1.00	0.87	1.29	9,000	11,610.00	7.9%
	sell	SILU	>1.58			OPLK			13.00	12.84	15.55	600	9,330.00	6.4%
10-Dec	buy	TAXI	11.36	600	6,826	ANIK			11.50					
14-Dec	sell	SILU	1.59	500	785									
						MCGC	12.9%	4.40	4.38	4.66		1,500	6,990.00	4.8%
28-Jan	watch the potential buy on SILU					NGPC	8.7%	7.15	7.04	7.30		2,000	14,600.00	10.0%
						MVC	3.8%	13.00	12.80	12.16		600	7,296.00	5.0%
4-Feb	buy	ANIK		700		GAIN	8.0%	7.55	7.48	7.38		1,000	7,380.00	5.0%
		about 5%												
						TAXI	7.0%	11.40	11.36	12.90		600	7,740.00	5.3%
WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT from 1/25/13														
						SILU			1.46			5,000		5.0%
						Dividends							4,411.50	3.0%
						Money Market				1.00		60,341	60,341.00	41.2%
												Total Valuation=	146,578.48	105.0%

## REVIEW since last issue

2/4 OPLK was hit by a less than expected earnings report. I'll let the dust settle and then decide to buy more or sell.

Please note the new buy ANIK.

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	2.4	46.6
S&P 500 TR	na	na	14.1	8.0	44.4

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: 2/1/2013						
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								
10-Dec	buy	INTC	20.08	519	10,435	INTC	18.27		20.08	21.35	519	11,080.65	10.4%
10-Dec	buy	MRK	44.48	234	10,435								
10-Dec	buy	MSFT	26.94	387	10,435	MSFT	24.95		26.94	27.93	387	10,808.91	10.2%
10-Dec	buy	T	33.73	309	10,435	T	31.07		33.73	35.51	309	10,972.59	10.3%
						WMT	65.74		69.20	70.49	150	10,573.50	9.9%
17-Dec	buy	WMT	69.20	150	10,390	KO	35.63		37.50	37.54	278	10,436.12	9.8%
17-Dec	buy	KO	37.50	278	10,435								
26-Dec	sell	MRK	41.34	234	9,664								
28-Jan	sell	DD	48.15	241	11,594								
Money Market									1.00	52,606		52,606.00	49.4%
									Total Valuation=		106,477.77	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

2/4 Watch the stop levels as noted on page 1. If both indexes (Industrials and Transportations) close below their respective levels (13860 and 5783), sell all back to cash on that day. Watch the levels at quarter to the close and if the indexes are below their levels, assume it will close there and sell.

1/28 Take profits as noted above.

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

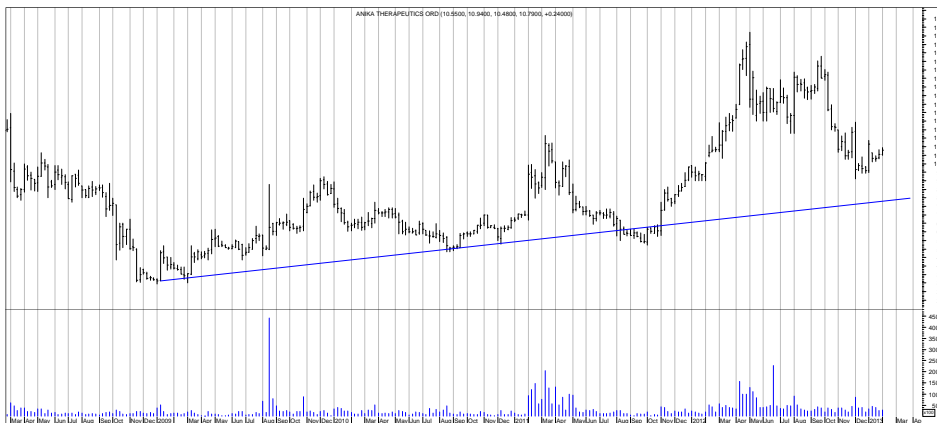
# Feature Company

## ANIKA THERAPEUTICS (ANIK)

I've been in and out of ANIK a number of times over the past eight years. Right now the price has pulled back, while the fundamentals are improving.

ANIK manufactures therapeutic products for tissue health. From their website ([anikatherapeutics.com](http://anikatherapeutics.com)):

Headquartered in Bedford, Mass., [Anika Therapeutics, Inc.](http://AnikaTherapeutics.com) develops, manufactures and commercializes therapeutic products for tissue protection, healing, and repair. These products are based on [hyaluronic acid \(HA\)](#), a naturally occurring, biocompatible polymer found throughout the body. Anika's products range from orthopedic/joint health solutions led by [Orthovisc®](#), a treatment for osteoarthritis of the knee; to surgical aids in the [ophthalmic](#) and [anti-adhesion](#) fields. The company also offers [aesthetic dermal fillers](#) for the correction of facial wrinkles. Anika's Italian subsidiary, Anika Therapeutics, S.r.l, provides complementary HA products in orthopedic/joint health and anti-adhesion, as well as therapeutics in new areas such as advanced wound treatment and ear, nose and throat care. Its regenerative tissue technology advances Anika's vision to offer therapeutic products that go beyond pain relief to protect and restore damaged tissue.



(Continued from page 1)

those attitudes and move contrarily. And thus, we try to buy in fear (it's sinking further and further and will never rebound) and sell in greed (it's going up and up and will never correct).

So, where are we now? Investor sentiment has swollen from the neutral area to the bullish side of things. This is a potential negative.

It is always interesting to me that that is how it works. The market goes up and investors get bullish. The market goes down and investors get bearish. But sentiment is a contrary indicator. Too many bulls or bears and the indicator suggests turns, not continuation extrapolations to the moon or ocean bottom.

As well the last couple of economic indicator points have been mixed. The quarter 4 2012 advance report GDP came in negative. Job creation came in worse than expected. Factory orders reported today came in positive at 1.8% for December, but expectations were for a gain of 2.3%. Perhaps economic expectations work similarly to investor expectations. Rising trends breeds bullishness, increasing expectations. That's not a problem per se, unless expectations are not met.

As far as we're concerned at this point, we're still searching stocks with a value orientation of looking for the companies with the widest spread between intrinsic value (similar to enterprise

value) and market price.

The stock market trend is up. But we're not turning more bullish because of it. If things roll over, we'll simply sell.

In the meantime, for very aggressive traders, I have marked potential stop levels on the chart on page one. The Industrials made a minor recovery high, while the Transports lagged. The stop levels are the previous pull-back levels prior to the negative divergence. If the indexes close below both their respective levels, it would be another negative.

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.

---

**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 Wilshire 5000 TR 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.