

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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February 11, 2013 (data through previous Friday's close)  
Volume 4  
Issue 6

## Built In Correction

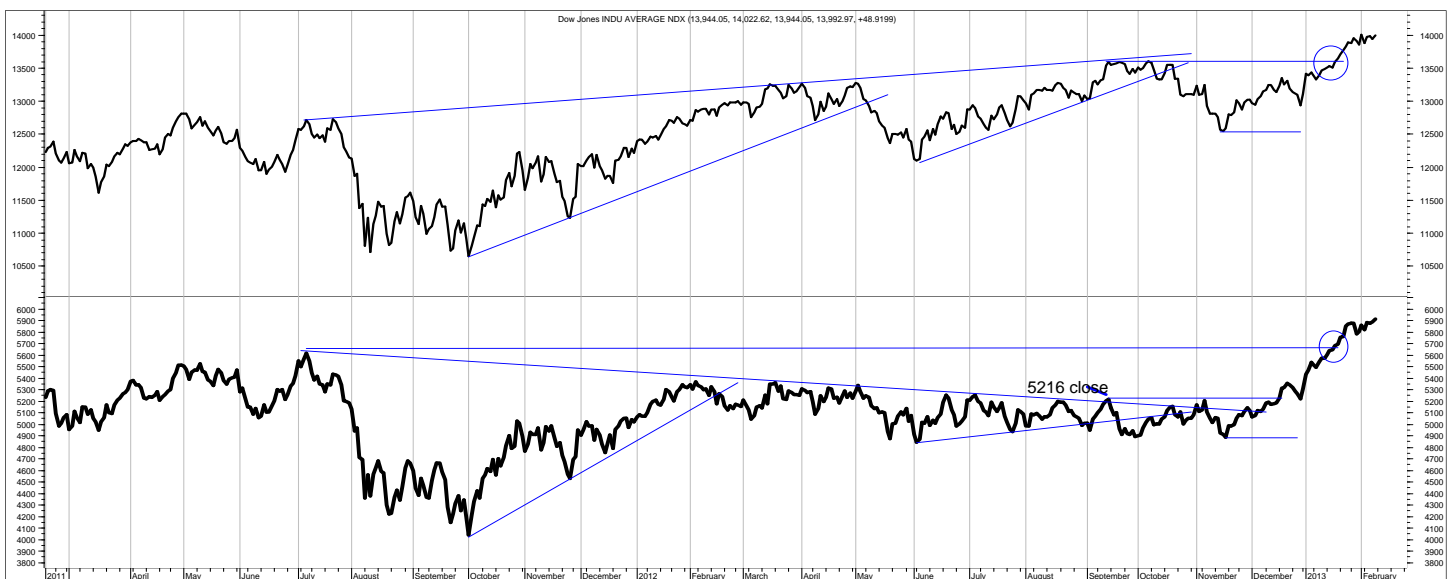
**B**ullish sentiment is increasing along with the rising stock market. At some point, the bullishness becomes excessive, which is then a trigger for a correction. It's built in as it were. What happens is everyone who wants to

buy has bought. Without more buyers, then the sellers dominate, pushing prices lower. After all, behind every trade, there are always two parties, the buyer and the seller. When one side increases, the other side decreases, thus pushing around

stock prices. Currently the percentage of bullish advisors is nearing its peak that preceded the correction last year.

In addition to rising stock prices, is there anything else that supports bullishness?

*(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 | 1.9% | 1.9%    | 1.7%    | 2.3%    | -0.4%  | -0.5%  |
| Dow30 Portfolio | 3.4% | -2.3%   | 2.2%    | 2.2%    | 1.4%   | 0.1%   |
| S&P 500 TR      | 8.4% | 15.5%   | 9.1%    | 10.7%   | 3.2%   | 0.4%   |
| Dow Industrials | 8.1% | 9.3%    | 6.3%    | 9.2%    | 3.7%   | -0.1%  |

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# Stock Portfolio

| ACTION FOR                                                           |                                 |        |              |             |              | PORTFOLIO DETAILS |                        |              |           |             |           | Value as of date: 2/8/2013 |                  |                  |           |       |
|----------------------------------------------------------------------|---------------------------------|--------|--------------|-------------|--------------|-------------------|------------------------|--------------|-----------|-------------|-----------|----------------------------|------------------|------------------|-----------|-------|
| 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        | 7.25      | 2,278                      | 16,515.50        | 11.3%            |           |       |
|                                                                      |                                 |        |              |             |              | WTT               |                        |              | 1.00      | 0.87        | 1.21      | 9,000                      | 10,890.00        | 7.5%             |           |       |
|                                                                      | sell                            | SILU   | >1.58        |             |              | OPLK              |                        |              | 13.00     | 12.84       | 15.44     | 600                        | 9,264.00         | 6.4%             |           |       |
| 10-Dec                                                               | buy                             | TAXI   | 11.36        | 600         | 6,826        | ANIK              |                        |              | 11.50     | 10.63       | 10.70     | 700                        | 7,490.00         | 5.1%             |           |       |
| 14-Dec                                                               | sell                            | SILU   | 1.59         | 500         | 785          |                   |                        |              |           |             |           |                            |                  |                  |           |       |
|                                                                      |                                 |        |              |             |              | MCGC              | 12.9%                  |              | 4.40      | 4.38        | 4.56      | 1,500                      | 6,840.00         | 4.7%             |           |       |
| 28-Jan                                                               | watch the potential buy on SILU |        |              |             |              | NGPC              | 8.7%                   |              | 7.15      | 7.04        | 7.46      | 2,000                      | 14,920.00        | 10.2%            |           |       |
|                                                                      |                                 |        |              |             |              | MVC               | 3.8%                   |              | 13.00     | 12.80       | 12.25     | 600                        | 7,350.00         | 5.0%             |           |       |
| 4-Feb                                                                | buy                             | ANIK   | 10.63        | 700         | 7,451        | GAIN              | 8.0%                   |              | 7.55      | 7.48        | 7.47      | 1,000                      | 7,470.00         | 5.1%             |           |       |
|                                                                      |                                 |        | about 5%     |             |              | SILU              | 4.2%                   |              | 1.46      | 1.46        | 1.46      | 5,000                      | 7,300.00         | 5.0%             |           |       |
| 8-Feb                                                                | buy                             | SILU   | 1.46         | 5,000       | 7,310        | TAXI              | 7.0%                   |              | 11.40     | 11.36       | 13.02     | 600                        | 7,812.00         | 5.4%             |           |       |
| WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT from 1/25/13 |                                 |        |              |             |              |                   |                        |              |           |             |           |                            |                  |                  |           |       |
|                                                                      |                                 |        |              |             |              |                   |                        |              |           |             |           |                            | Dividends        | 4,411.50         | 3.0%      |       |
|                                                                      |                                 |        |              |             |              |                   |                        |              |           |             |           |                            | Money Market     | 1.00 45,580      | 45,580.00 | 31.3% |
|                                                                      |                                 |        |              |             |              |                   |                        |              |           |             |           |                            | Total Valuation= | 145,843.00       | 100.0%    |       |

## REVIEW since last issue

2/11 GENC reported a poor Q1 today due to late signings, but factories now are operating at full capacity. I'm holding. No change to OPLK.

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.

|                 | 2010  | 2011 | 2012 | ytd 2013 | Incptn |
|-----------------|-------|------|------|----------|--------|
| Stock Portfolio | 12.3% | 21.4 | 5.0  | 1.9      | 45.8   |
| S&P 500 TR      | na    | na   | 14.1 | 8.4      | 45.0   |

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: 2/8/2013 |             |                  |              |             |               |                  |
|-------------|--------|--------|-------------------|-------------|--------------|--------------|----------------------------|-------------|------------------|--------------|-------------|---------------|------------------|
| 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            | 20.97        | 519         | 10,883.43     | 10.2%            |
| 10-Dec      | buy    | MRK    | 44.48             | 234         | 10,435       |              |                            |             |                  |              |             |               |                  |
| 10-Dec      | buy    | MSFT   | 26.94             | 387         | 10,435       | MSFT         | 24.95                      |             | 26.94            | 27.51        | 387         | 10,646.37     | 10.0%            |
| 10-Dec      | buy    | T      | 33.73             | 309         | 10,435       | T            | 31.07                      |             | 33.73            | 35.27        | 309         | 10,898.43     | 10.2%            |
|             |        |        |                   |             |              | WMT          | 65.74                      |             | 69.20            | 71.48        | 150         | 10,722.00     | 10.1%            |
| 17-Dec      | buy    | WMT    | 69.20             | 150         | 10,390       | KO           | 35.63                      |             | 37.50            | 38.77        | 278         | 10,778.06     | 10.1%            |
| 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= |              |             | 106,534.29    | 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

2/11 No changes.

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.

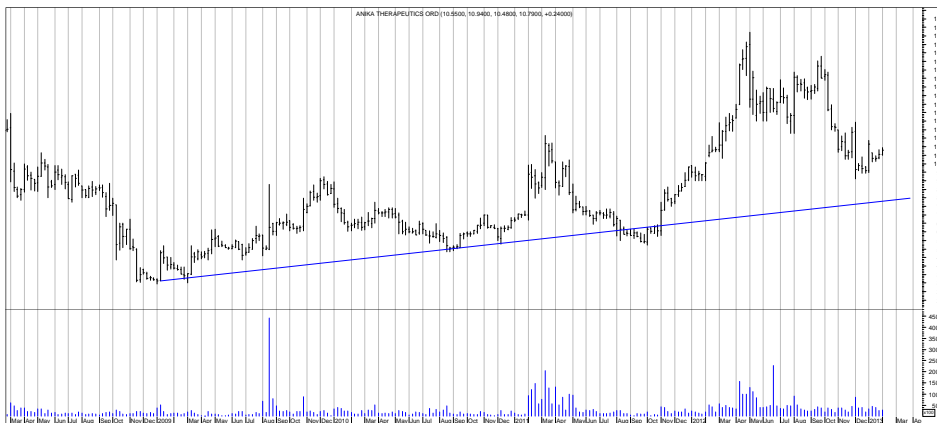
## Feature Company (reiteration)

### 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.Inc) 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)

The economy itself continues to muddle along. Job growth also is mediocre. The strong spot is now housing. The continued strong support remains the Fed's easy money policy. This will continue for at least another 1-2 years. But there is nothing really new here in this news.

The increase in stock prices seems simply to be a function of the fact that they are increasing, but that's not without an underlying reason; to wit, cash is paying nothing, so out the risk plank into stocks we walk.

It's not a real great reason to buy. And the excessive bullishness will give rise to a correction of up to 15% (more likely 3-5%). So, waiting for that seems reasonable, rather than chase the market higher.

Lastly as a follow up to the short-term trade mentioned last week that there was the very minor negative divergence between the Industrials and Transports. If they were to close below certain levels, aggressive traders could jump out of the market. Two things. The market didn't close below those levels and in fact

both indexes moved a bit higher, thus negating the divergence.

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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