

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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Volume 5  
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## Divergences

The market reversed course last week and the intermediate-term trends shifted from down to up. There are still some undervalued individual stocks, even if the market overall is overvalued.

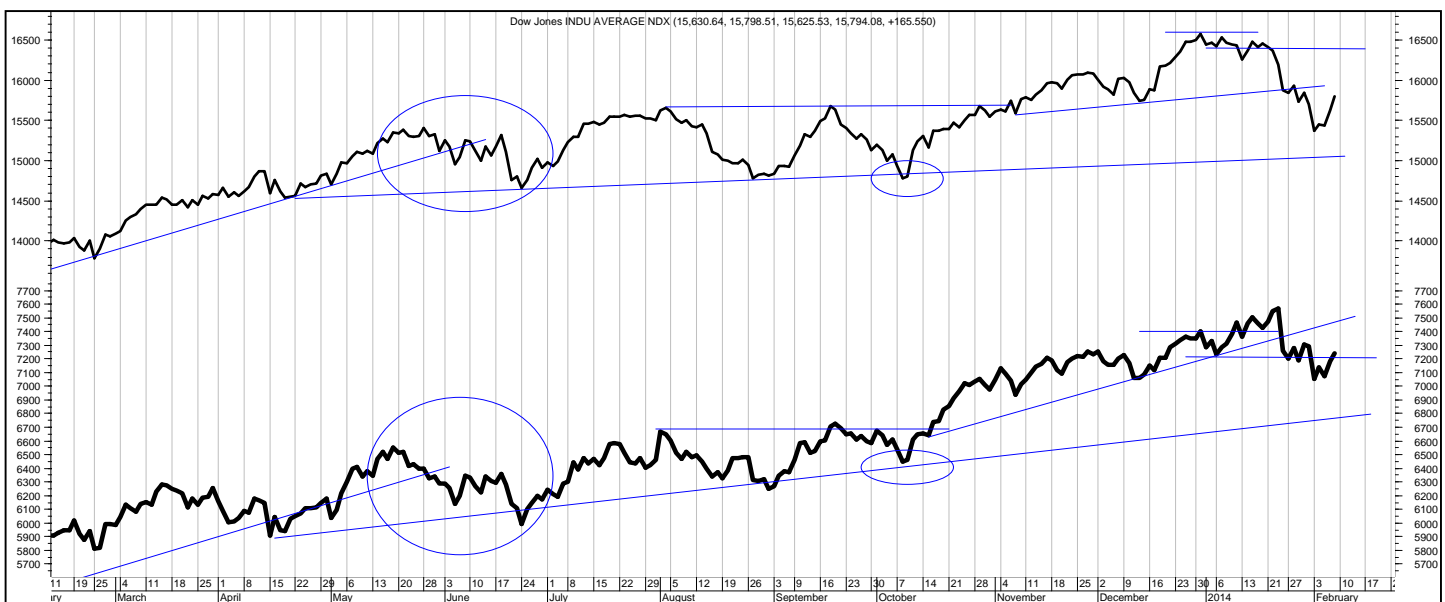
The thing to watch for go-

ing forward on this rally is for some indexes to make it back to highs, while others lag. This would set up further negative divergences within the framework of an overvalued market. This would be bearish.

Right now, however, the

negative divergence noted below on the chart where the Dow Industrials lagged the Dow Transports to new highs happened so quickly and so narrowly, that another rally from one of the indexes, but not the other

*(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	3.7%	18.7%	9.7%	5.4%	2.7%	3.0%
Dow30 Portfolio	0.5%	3.3%	0.5%	0.5%	0.5%	0.5%
<b>Index</b>						
S&P 500 TR	0.1%	23.4%	12.1%	2.8%	0.2%	2.3%
Dow Industrials	-2.0%	15.5%	7.1%	1.2%	-1.9%	2.3%

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# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 2/14/2014								
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	
27-Jan	buy	TAXI	13.22	600	7,942	GENC			9.75	7.56	10.78	2,278	24,556.84	14.0%	
this would be about 5% of total portfolio															
3-Feb	sell	FULL	7.70	1,000	7,690										
3-Feb	sell	IRET	>8.49	950											
3-Feb	sell	O	39.92	300	11,966										
12-Feb	sell	IRET	8.52	950	8,084	MCGC	10.8%	4.80	4.79	4.44	3,300	14,652.00	8.4%		
						NGPC	8.7%	7.15	7.04	7.53	2,000	15,060.00	8.6%		
18-Feb	buy	GOOD	<17.70	500		MVC	3.8%	14.50	12.71	14.48	1,200	17,376.00	9.9%		
this would be about 5% of total portfolio															
						PKY	4.3%	18.00	17.75	18.14	500	9,070.00	5.2%		
														0.0%	
														0.0%	
						TAXI	6.9%	14.00	13.22	14.23	600	8,538.00	4.9%		
Above in green shows end price still below buy limit.															
Shown below is watch list for potential purchase at or below buy limit.															
						GOOD	8.5%	17.70				500			
Dividends												9,316.13	5.3%		
Money Market												1.00	76,628	76,628.00	43.7%
Total Valuation=												175,196.97	100.0%		

## REVIEW since last issue

2/18 IRET was sold and I'll buy GOOD as noted above. GENC is finally getting some recognition. I raised the buy limit, though the stock is still north of it. Their q1 report was hugely positive. Infrastructure rebuild in USA and Canada here we come. May have to raise the value too from \$12.50 to north of \$15.00.

2/10 Two of the three positions were sold last week. IRET still needs to rally above the sell limit. Incredible that WTT has made it north of \$3.50. Sold too soon evidently.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	3.7
S&P 500 TR	15.0%	1.9	14.1	28.7	0.1

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: 2/14/2014						
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 2/18	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
10-Feb	buy	GE	25.04	200	5,018	GE	25.50		25.04	25.77	200	5,154.00	4.7%
10-Feb	buy	IBM	177.14	30	5,324	IBM	181.00		177.14	183.68	30	5,510.40	5.0%
10-Feb	buy	JPM	56.66	95	5,393	JPM	57.00		56.66	58.15	95	5,524.25	5.0%
10-Feb	buy	TRV	82.35	65	5,363	TRV	83.00		82.35	84.15	65	5,469.75	5.0%
TO BE ADDED, IF ABOVE:									BUY STOP				
VZ									46.50		110		about 5%
TO BE ADDED, IF BELOW:									BUY LIMIT				
Money Market									1.00		87,901	87,901.00	80.2%
Total Valuation=											109,559.40	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

2/18 No new buys, except for potentially VZ for this week to watch for.

2/10 I'll be the first to admit we are in a tricky situation. The timing model is on a sell signal as noted in the front page article, but there are some individual trades getting set up. I will opt to trade them as noted above. Watch the stops carefully. These, more than likely, will be trades, rather than long-term holds. Once bought, the portfolio will be about 20% invested and 80% in cash.

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.

## New recommendations

GOOD. See page 2.

*(Continued from page 1)*

can't be ruled out. This would be typical.

What is very atypical and frankly I don't know of a single example is for the market to make an inverted V top. This is why at least one major index will probably make a recovery high. A top is normally made as the market just goes sideways where internally the market weakens and this is seen by lagging indexes while others make the new highs.

These types of tops take place over months, not from one week to the next.

So, in the meantime, we did nibble on a few new positions in the Dow 30 portfolio based on the

new strategy. I have not technically completed all of the back testing, but the preliminary individual results were good enough to proceed.

I also raised the stops on these positions.

In the Growth Portfolio I will make another purchase, if the stock comes off or stays below its buy limit.

So, expect the bounce to continue to highs and then we will see how things look.

# 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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