

Stock Selections & Timing

Watercourse Way Holdings, LLC

P.O. Box 830396

Richardson, TX 75083-0396

972-680-2366

February 22, 2011 (data through previous Friday's close)

Volume 2

Issue 4

Moving Higher

As for investing, the stock market is long overdue for a correction. Investors continued to pile on with bullish sentiment reaching well past warning levels. An obvious measure of this is the VIX index shown below as it bumped along the “complacency” warning levels the last couple months.

But now, we have an

“excuse” for the market to decline. It is the Middle East turmoil that basically provides the signal to take profits and stand aside.

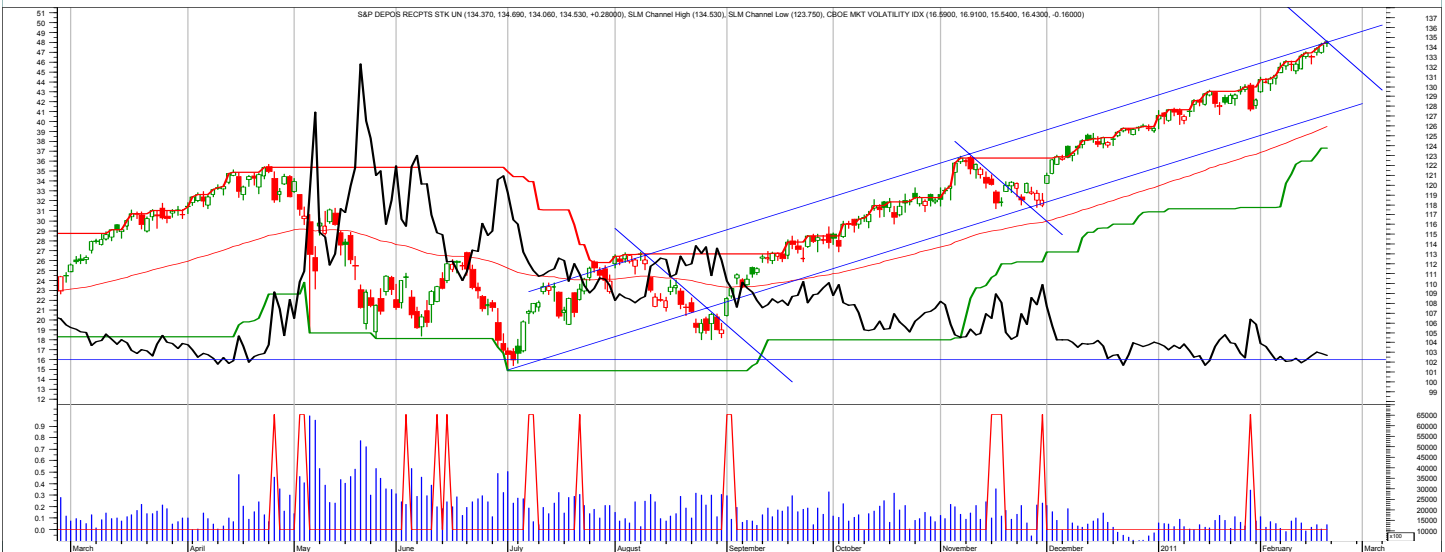
It is a bit odd, but this crisis is sort of turning out to be like the financial crises among sovereign nations of the last few years. What was supposed to be contained, instead spread world

wide.

Likewise, in the MidEast region. Resistance has spread from nation to nation as people demand some accountability from their leaders. Did it start with Iraq?

The fear, of course, is that an oil shock will occur, that production will be trimmed, that

(Continued on bottom left on page 4)



The chart is the daily S&P 500 with an 80-day moving average and other objects.

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	12.3%	25.5%	26.9%	16.9%	7.5%	0.1%
Dow30 Portfolio	3.8%	10.8%	13.6%	5.6%	2.2%	0.4%
Wilshire 5000	6.8%	23.4%	27.3%	12.5%	5.1%	1.1%
Dow Industrials	7.0%	19.1%	21.3%	10.6%	4.4%	1.0%

CONTENTS

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

Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS				Value as of date:			2/18/2011	
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Yield	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
29-Nov	buy	OXPS	17.20	300	5,170									
7-Dec	sell	OXPS	\$20.82	300	6,256	DRAD			1.95	2.41	6,128	14,768.48	11.7%	
13-Dec	buy	CLCT	\$14.30	800	11,450	ECGI			0.97	1.68	12,204	20,502.72	16.3%	
27-Dec	buy	ECGI	\$0.89	2,000	1,790	GENC			7.73	7.92	1,478	11,705.76	9.3%	
10-Jan	buy	ADC	23.40 <23.50	200	4,690	SILU			1.41	1.87	7,092	13,262.04	10.5%	
7-Feb	sell	TAXI	7.99	1,406	11,224	CLCT		9.1%	14.20	14.09	800	11,272.00	8.9%	
22-Feb	sell	ADC		200		ADC		8.7%	23.40	25.67	200	5,134.00	4.1%	
22-Feb	sell	ECGI	> 1.8	2,500										
						Money Market					1.00	49,474	49,474.00	39.2%
												<u>Total Valuation=</u>	<u>126,119.00</u>	<u>100.0%</u>

REVIEW since last issue

2/22/11 Will take profits by selling immediately one portfolio company ADC and ECGI, if it rallies past the minimum sell price.

ADC receives 20% of its revenues from bankrupt Borders. Sell it.

2/7/11 ECGI reported good 4th quarter earnings and jumped on the news. Fair value is still projected north of \$2.00/share. It is still trading below net cash and investments.

I will take profits in TAXI. Taxi medallions have had one of the best returns over time, but two issues are arising. One NY city may allow certain livery cabs to pick up passengers. This will hurt TAXI revenue and value. As well, medallion values hit record highs, but like other bubble types, the underlying cash flows do not support the prices paid. Instead, people are buying on expected capital gains, on expectations that the past rises will continue forever; some call this the greater fool theory of investing.

	2010
Stock Portfolio	12.5
W5000	15.5

Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 2/18/2011							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
4-Oct	sell	DIA	107.57	385.52	41,480	DIA			103.83	123.60	385.52	47,650.27	42.8%	
29-Nov	sell	AA	13.29	231	3,080									
29-Nov	sell	JNJ	61.91	50	3,106									
						PFE			17.86	19.19	227	4,356.13	3.9%	
24-Jan	buy	MRK	33.80	100	3,390									
24-Jan	buy	VZ	35.24	100	3,534	XOM			65.11	84.50	46	3,887.00	3.5%	
24-Jan	sell	BAC	13.92	200	2,794	MRK			33.80	32.85	100	3,285.00	2.9%	
						VZ			35.24	36.62	100	3,662.00	3.3%	
7-Feb	buy	MRK		100										
22-Feb	sell	DIA		all										
22-Feb	sell	PFE		all										
						Money Market					1.00	48,521	48,521.00	43.6%
												Total Valuation=	111,361.40	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

2/22/11 Sell the positions as noted above. If the turmoil spreads in the Middle East, where's the bottom?

2/7/11 Accumulate more MRK on this weakness.

MRK was knocked lower on some bad news, but it looks like a good buying opportunity. The stock yields about 4.5%. Buy as noted above.

Feature Company

Took profits in ADC and TAXI.

No new recommendations for now as I await the correction to run its course.

(Continued from page 1)

prices will soar. If oil prices jump 10% to 50% or more from here, the world-wide economic recovery would be severely and negatively impacted.

The other fear is that other nations step into the power vacuums to destabilize the region or worse, create war.

What to do? The obvious thing is to raise cash. Better to miss the next 5% up than capture

a 15% or worse decline. (Not making projections, but making a strategic suggestion.)

The next obvious move is to buy safety. The flight to quality in Treasuries has started already. Swiss francs have also benefited. Some of the new ETFs added are currency oriented. They are in the Income group.

As well, gold and silver continue to jump on the turmoil.

The issue for longer-term

investors is these things might be short-term gyrations. If so, it would prove to be a whipsaw trade.

In sum, I've been expecting a correction of up to 15% for some time. Instead, the stock market has been rallying, it's time to raise even more cash in the Portfolio as noted on page six. Better to be safe than sorry in this environment.

Descriptions & Disclosures

PORTFOLIO DESCRIPTIONS (pages 2 and 3)

Our guiding goal is to provide the most return with the least risk.

The portfolios were started on 1/1/10 with \$100,000.

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.

Dividends are paid in cash. Interest is assumed to be zero for the money market (cash) position.

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 Visa or MasterCard orders 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 1:30 PM central time every other 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 four-week minimum charge, using a 52-week 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.

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 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, 2010-2011, Watercourse Way Holdings, LLC. All rights reserved.