

Stock Selections & Timing

Watercourse Way Holdings, LLC

P.O. Box 830396
Richardson, TX 75083-0396
972-680-2366

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Fed Speak

The Federal Reserve Chairwoman Janet Yellen spoke today (Monday 3/31/14) about the weak recovery and job rates. It stands ready to support the economy for "some time to come". Perhaps her comment

was just a way to offset her earlier "6-month" comment. But the market rallied on the news. Will the ongoing negative divergence dating from 12/31/13 get corrected on this?

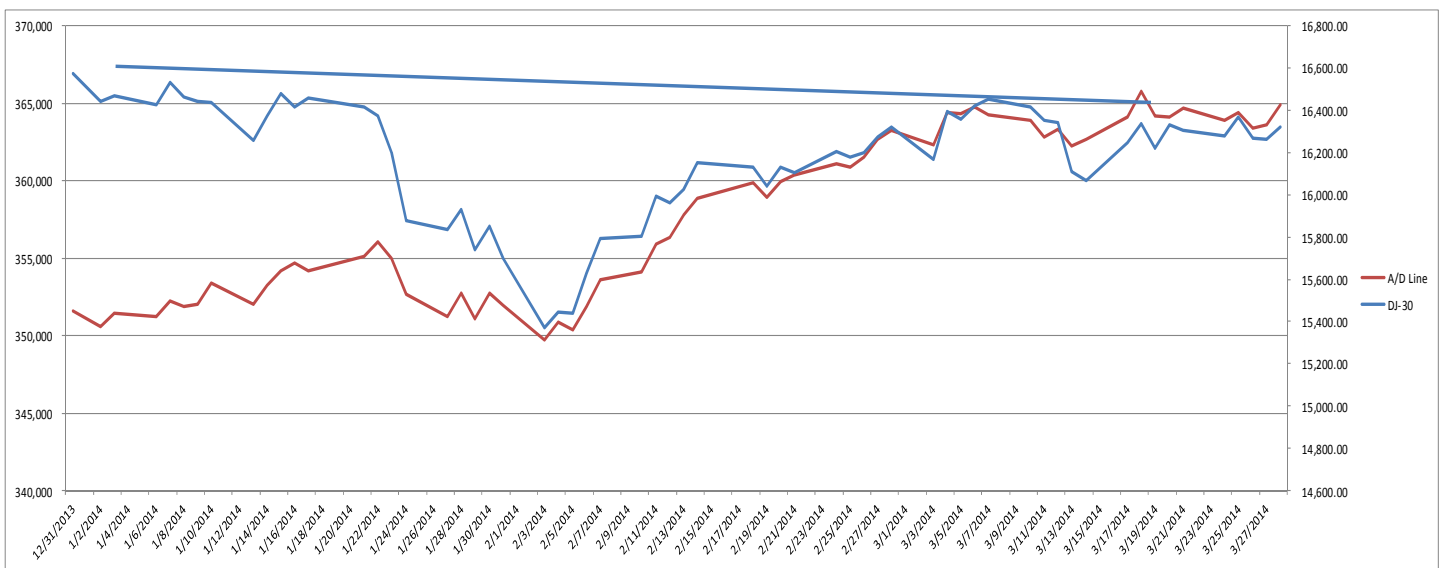
The NYSE advance-decline line keeps rallying, but the Dow

Industrials keeps lagging, as shown on the chart below..

Even if the divergence is erased, the background information still portrays an overvalued market.

Overvalued fundamentals

(Continued on bottom left on page 4)



This is a daily chart of the Dow Jones Industrial Average (blue, left scale) and NYSE advance/decline line (red, right scale).

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	0.9%	11.2%	3.4%	0.9%	-2.9%	-0.4%
Dow30 Portfolio	0.7%	1.7%	0.7%	0.7%	0.2%	0.0%
Index						
S&P 500 TR	0.9%	20.2%	10.4%	0.9%	-0.5%	-0.3%
Dow Industrials	-0.9%	12.0%	7.0%	-0.9%	0.0%	0.1%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:		3/28/2014						
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	10.34	2,278	23,554.52	13.8%	
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%	3.00	4.79	3.81	3,300	12,573.00	7.4%	
														0.0%	
18-Feb	buy	GOOD	17.45	500	8,735	MVC		3.8%	14.50	12.71	13.40	1,200	16,080.00	9.4%	
this would be about 5% of total portfolio						PKY		4.3%	18.00	17.75	18.04	500	9,020.00	5.3%	
						GOOD		8.6%	17.70	17.45	17.25	500	8,625.00	5.1%	
17-Mar	sell	NGPC	7.41	2,000	14,810	TAXI		6.9%	14.00	13.22	13.14	600	7,884.00	4.6%	
31-Mar	buy	MVC		200		Above in green shows end price still below buy limit.									
this would be about 2% of total portfolio						Shown below is watch list for potential purchase at or below buy limit.									
31-Mar	buy	TAXI		650											
this would be about 5% of total portfolio															
Dividends												10,022.88	5.9%		
Money Market												1.00	82,703	82,703.00	48.5%
Total Valuation=												170,462.40	100.0%		

REVIEW since last issue

3/31 As noted above, I will add to a couple of positions that have sold off, yet remain fundamentally sound.

3/24 No changes.

3/17 Take profits in NGPC as noted above.

3/10 MCGC announced it was cutting its dividend. The stock has sold off hard. But it is still cheap in our estimation. We'll let things settle down and then reappraise. No other changes.

3/3 No changes.

2/24 No changes.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	0.9
S&P 500 TR	15.0%	1.9	14.1	28.7	0.9

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: 3/28/2014						
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 3/31	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
17-Mar	buy	DIA	162.34	200	32,478	AXP	89.00						0.0%
	this will buy about 33% of total portfolio					GS	160.00						0.0%
17-Mar	buy	TRV	83.54	65	5,440	HD	78.00						0.0%
17-Mar	buy	V	223.78	25	5,605	KO	38.40		37.43	38.95	140	5,453.00	5.0%
						PFE	31.40		31.93	31.88	160	5,100.80	4.6%
18-Mar	buy	PFE	31.93	160	5,119	V	207.00						0.0%
24-Mar	sell	DIA	162.44	200	32,478	TO BE ADDED, IF ABOVE: BUY STOP							
24-Mar	sell	T	34.46	170	5,848								
24-Mar	sell	TRV	83.86	65	5,441								
24-Mar	sell	V	220.75	25	5,509								
24-Mar	sell	IBM	188.25	30	5,638								
31-Mar	buy	AXP		61		TO BE ADDED, IF BELOW: BUY LIMIT							
31-Mar	buy	GS		34									
31-Mar	buy	HD		69									
31-Mar	buy	V		25									
Money Market									1.00	99,215	99,215.00	90.4%	
									Total Valuation=		109,768.80	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

3/31 As noted above, make the purchases. Also note the stop levels. KO is very tight.

3/24 I will take some profits and a loss as noted above. These will likely be short-term trades. The market rallied into resistance and has failed to push through. So, I will look to reenter on weakness, if it happens. T closed the gap. TRV is at the top of a trading range. V looks to be failing. Please also note the very close raised stops.

3/17 We do have some potential new buys as noted in the right box above. One position was stopped out. I am also buying DIA (the Dow 30 index ETF) with a tight stop.

3/10 No changes. With the market sell off, we may get further “set ups” to buys or we may get stopped out. We’ll just have to see.

New recommendations

None this week.

(Continued from page 1)

are one concern, but the trend of the market remains up. This is similar to 1999 wherein the market went from overvalued to more overvalued, even as the trend remained strong up. That year the S&P 500 rose 19.5% on the heels of a strong 1998 when the market rose 26.7%. Thereafter it entered a practically unheard of three-year bear market, which ushered in the current secular bear market.

I say secular bear market because stocks never really dropped enough in 2007-2009 to reflect what we see when we move from a secular bear into a secular bull. The typical secular bull market valuation, for example on PE rati-

os, never dropped below 10x.

So, as long as the Fed remains accommodative, the odds of the stock market continuing in an uptrend remain very high.

They will continue with their taper program to the tune of \$10 billion per month, until the end of this program in about six months. The question was what happens next? Will the Fed actually begin to tighten? Her first comment was in six months, but as mentioned, it is now “for some time”.

It is all data dependent.

In the meantime, things are overvalued, but the trend is up.

See the portfolios for more information.

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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