

Stock Selections & Timing

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Issue 8

Debt Correction

We woke up this morning to the S&P's change in outlook from stable to negative for U.S. government credit. They maintained our AAA rating, but the potential exists for it to be lowered a notch or two in the next two years.

Given the various lags between reality and rating over the last decade, it's quite remark-

able they seem to be ahead of the curve for once.

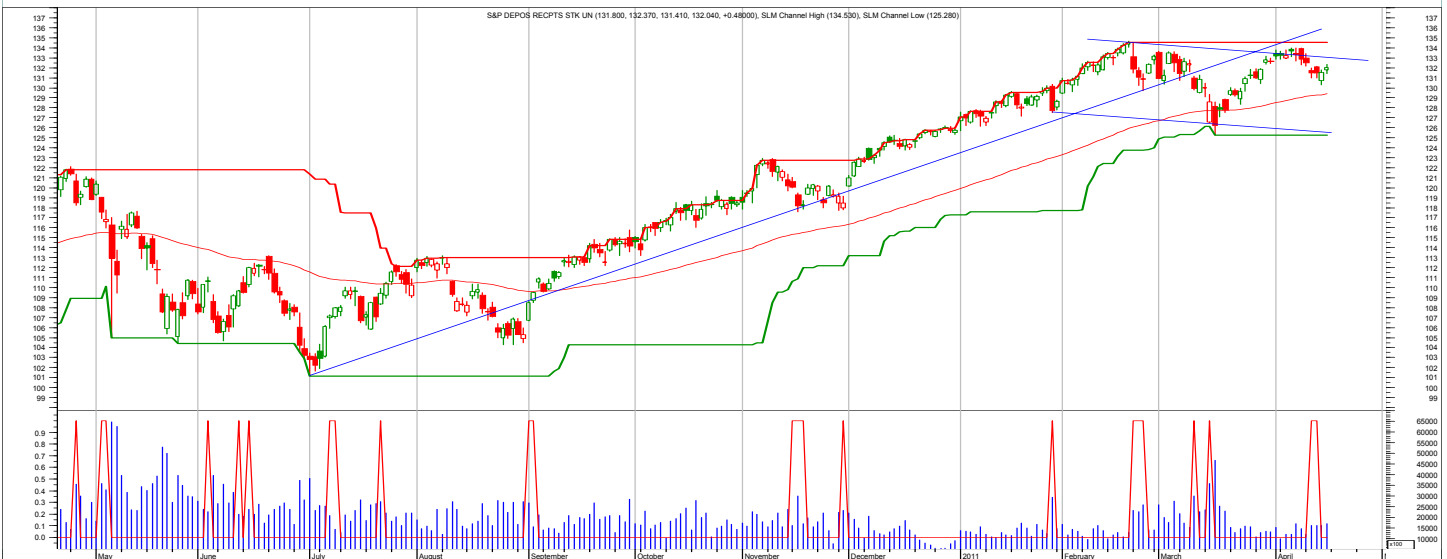
Still, it all depends. It depends on what Congress and the President do. It depends on whether the economy continues to expand or contract.

There is one more big, unspoken assumption. Why does S&P only go out two years? We have a new election then,

and for some unknown reason S&P thinks that will make some difference. They seem to ignore we just had a midterm election and nothing has changed.

The point in all this is that debt as a percentage of GDP has ballooned over the years and is projected to equal about 85%. It is a warning level that appar-

(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 | 12.6% | 23.6% | 22.1% | 8.4% | 0.3% | 0.3% |
| Dow30 Portfolio | 5.2% | 6.8% | 7.7% | 4.0% | 2.4% | 0.1% |
| Wilshire 5000 | 5.1% | 12.2% | 13.3% | 2.1% | 3.5% | -0.6% |
| Dow Industrials | 6.6% | 12.0% | 11.6% | 4.7% | 4.1% | -0.3% |

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Stock Portfolio

| ACTION FOR | | | | | | PORTFOLIO DETAILS | | | | Value as of date: 4/15/2011 | | | |
|------------------|--------|--------|-----------------|-------------|--------------|-------------------|--------------|-------|-------------|-----------------------------|-------------|---------------|------------------|
| 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 |
| 27-Dec | buy | ECGI | 0.89 | 2,000 | 1,790 | | | | | | | | |
| 10-Jan | buy | ADC | 23.40 <23.50 | 200 | 4,690 | DRAD | | | 1.95 | 2.45 | 6,128 | 15,013.60 | 11.9% |
| 7-Feb | sell | TAXI | 7.99 | 1,406 | 11,224 | ECGI | | | 0.97 | 1.63 | 9,704 | 15,817.52 | 12.5% |
| 22-Feb | sell | ADC | 25.70 | 200 | 5,130 | GENC | | | 7.73 | 7.81 | 1,478 | 11,543.18 | 9.1% |
| 22-Feb | sell | ECGI | > 1.8 | 2,500 | | SILU | | | 1.41 | 1.86 | 7,092 | 13,191.12 | 10.4% |
| 24-Feb | sold | ECGI | 1.82 | 200 | 354 | CLCT | | 9.1% | 14.20 | 14.62 | 800 | 11,696.00 | 9.2% |
| 7-Mar | sold | ECGI | 1.82 | 2,300 | 4,176 | GAIN | | 6.4% | 7.49 | 7.49 | 1,500 | 11,235.00 | 8.9% |
| 21-Mar | buy | GAIN | 7.49 | 1,500 | 11,245 | SNDK | | | 46.60 | 46.78 | 100 | 4,678.00 | 3.7% |
| 4-Apr | buy | SNDK | 46.60 | 100 | 4,670 | CSCO | | | 17.06 | 17.03 | 300 | 5,109.00 | 4.0% |
| 4-Apr | buy | CSCO | 17.06 | 300 | 5,128 | MRVL | | | 15.53 | 15.97 | 300 | 4,791.00 | 3.8% |
| 4-Apr | buy | MRVL | 15.53 | 300 | 4,669 | | | | | | | | |
| Money Market | | | | | | | | | 1.00 | | 33,422 | 33,422.00 | 26.4% |
| Total Valuation= | | | | | | | | | | | 126,496.42 | 100.0% | |

REVIEW since last issue

4/18/11 No changes.

4/4/11 GAIN was bought. Buy SNDK, CSCO, and MRVL.

3/11/11 Buy GAIN at less than \$7.50 per share as noted above.

3/9/11 Took profits on the open sell position on ECGI as it moved above my sell limit of \$1.80.

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: 4/15/2011 | | | | | | | |
|-------------|--------|--------|-------------------|-------------|--------------|--------------|-----------------------------|-------------|-------------|--------------|-------------|-------------------------|-------------------|---------------|
| 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 | |
| 21-Mar | buy | CSCO | 17.39 | 300 | 5,207 | DIA | | | 120.07 | 123.19 | 300.00 | 36,957.00 | 32.8% | |
| 21-Mar | buy | HPQ | 41.76 | 130 | 5,419 | | | | | | | | | |
| 21-Mar | buy | JNJ | 58.83 | 90 | 5,285 | | | | | | | | | |
| 21-Mar | buy | MCD | 73.76 | 70 | 5,153 | CSCO | | | 17.39 | 17.03 | 300 | 5,109.00 | 4.5% | |
| 21-Mar | buy | MSFT | 25.33 | 200 | 5,056 | HPQ | | | 41.76 | 40.26 | 130 | 5,233.80 | 4.6% | |
| 21-Mar | buy | T | 28.26 | 200 | 5,642 | JNJ | | | 58.83 | 60.56 | 90 | 5,450.40 | 4.8% | |
| 21-Mar | buy | WMT | 51.92 | 100 | 5,182 | MCD | | | 73.76 | 77.38 | 70 | 5,416.60 | 4.8% | |
| 21-Mar | buy | DIA | 120.07 | 300 | 36,011 | MRK | | | 33.40 | 34.51 | 200 | 6,902.00 | 6.1% | |
| | | | | | | MSFT | | | 25.33 | 25.37 | 200 | 5,074.00 | 4.5% | |
| | | | | | | T | | | 28.26 | 30.65 | 200 | 6,130.00 | 5.4% | |
| | | | | | | VZ | | | 35.24 | 37.85 | 100 | 3,785.00 | 3.4% | |
| | | | | | | WMT | | | 51.92 | 53.55 | 100 | 5,355.00 | 4.7% | |
| | | | | | | XOM | | | 65.11 | 84.29 | 46 | 3,877.34 | 3.4% | |
| | | | | | | Money Market | | | | | 1.00 | 23,515 | 23,515.00 | 20.8% |
| | | | | | | | | | | | | Total Valuation= | 112,805.14 | 100.0% |

| Company | Symbol |
|-------------------|--------|
| Alcoa | AA |
| American Express | AXP |
| Boeing | BA |
| Bank of America | BAC |
| Caterpillar | 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

4/18/11 No changes.

4/4/11 No changes.

3/21/11 Buy as noted above.

3/9/11 No changes.

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

Feature Company

4/18/11 No new recommendations. Wait for the pullback to run its course.

(Continued from page 1)

ently the S&P group hopes to avoid by firing a shot across the bow of the U.S. government. Maybe they will get their act together.

In the meantime, for today's reaction, the stock market has pulled back and the bond market has rallied. Gold is mixed.

The background to all of this is that the S&P 500 earnings have recovered to pre financial crisis

levels, yet interest rates remain low. This makes those earnings "cheap". This, an accommodative Fed, is the main support to the stock market. And the Fed is not inclined to change rates.

So, this pullback, this reaction may knock the market lower, but I expect to treat it as a correction in an ongoing bull market.

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.

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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.

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