

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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April 21, 2014 (data through previous Friday's close)  
Volume 5  
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## Trend Trip

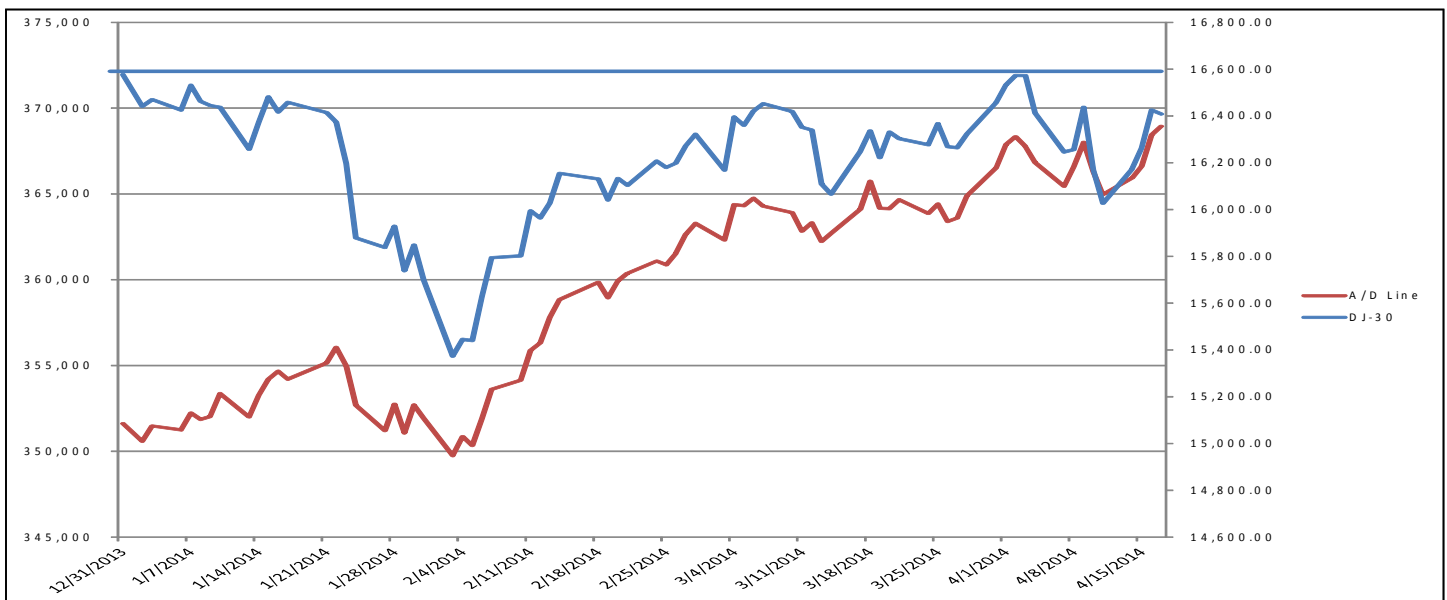
Of the five trend inputs on EEM, EFA, IWM, QQQ, and SPY, one has again turned from bullish to bearish. It takes three bearish trends to trigger an overall sell signal. So, I will be watching this closely as the days unfold.

Why three trend “breaks” and not one or two or four or five? Based on backtesting, three is a good compromise. One provides too many whipsaws that do not add value. Five takes too long to develop, too much is lost. These com-

ments apply not just to sell signals, but also to buy signals.

In the meantime as you can see on the chart below, on last week's rally the NYSE advance/decline line made it back to new highs. While this was unaccom-

*(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	0.4%	11.2%	1.1%	-0.7%	-0.9%	0.3%
Dow30 Portfolio	0.6%	0.4%	0.6%	0.6%	-0.2%	0.9%
Index						
S&P 500 TR	1.4%	21.8%	7.5%	1.5%	0.2%	2.7%
Dow Industrials	-0.4%	12.8%	6.6%	-0.3%	0.7%	2.4%

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# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:		4/18/2014							
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	10.27	2,278	23,395.06	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	3.68	3,300	12,144.00	7.2%		
18-Feb	buy	GOOD	17.45	500	8,735	MVC		3.8%	14.50	12.71	13.29	1,400	18,606.00	11.0%		
this would be about 5% of total portfolio																
17-Mar	sell	NGPC	7.41	2,000	14,810	GOOD		8.6%	17.70	17.45	17.42	500	8,710.00	5.1%		
31-Mar	buy	MVC	13.55	200	2,720	TAXI		6.9%	14.00	13.22	12.92	1,250	16,150.00	9.5%		
this would be about 2% of total portfolio						Above in green shows end price still below buy limit.										
this would be about 5% of total portfolio						Shown below is watch list for potential purchase at or below buy limit.										
31-Mar	buy	TAXI	13.21	650	8,597											
7-Apr	sell	PKY	18.19	500	9,085											
												Dividends	10,022.88	5.9%		
												Money Market	1.00	80,471	80,471.00	47.5%
												Total Valuation=	169,498.94	100.0%		

## REVIEW since last issue

4/21 MCGC announced further losses and the stock is down again. It is still undervalued however, so I will sit tight.

4/14 No changes. Will sit tight for now.

4/7 Raise a bit of cash by selling PKY.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	0.4
S&P 500 TR	15.0%	1.9	14.1	28.7	1.4

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: 4/18/2014							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 4/21	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
7-Apr	sell	AXP	86.60	61	5,273								0.0%
7-Apr	sell	GS	158.56	34	5,381								0.0%
7-Apr	sell	HD	77.13	69	5,312								0.0%
7-Apr	sell	PFE	31.20	160	4,982								
7-Apr	sell	V	203.41	25	5,075	DIA	163.00		161.45	163.75	338	55,347.50	50.5%
14-Apr	buy	DIA	160.88	338	54,387								0.0%
		this will be about 50% of total											
TO BE ADDED, IF ABOVE:									BUY STOP				
TO BE ADDED, IF BELOW:									BUY LIMIT				
Money Market									1.00	54,267	54,266.70	49.5%	
Total Valuation=											109,614.20	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

4/21 The DIA is back to previous top area, so I have raised the stop to reflect this. If it pulls back, I expect to reenter at lower prices in anticipation of further rally thereafter. So this is a trade only. No other DJ 30 stocks have set up buy triggers.

4/14 Stopped out last week, but the DIA is at another inflection point. It needs to close above the buy stop price noted above. If it does, we will reenter the market. If it does not, will stand aside.

4/7 If today's selloff holds, I expect the positions above to be stopped out. I will watch for reentry points.

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

## New recommendations

None this week.

*(Continued from page 1)*

panied by the Dow Industrials, it still suggests underlying market strength. Market tops are normally signaled in advance with a weak advance/decline line.

As to fundamental measures, they remain bearish. The market is overvalued on a fundamental basis like PE or Q replacement value or market value ratio to GDP.

As to sentiment, investors remain too bullish. This is a contrary indicator. But I must point out that there is a constant drum of negative headlines about an imminent crash. There's one thing about sudden steep corrections, they won't be signaled, except by luck, in advance. Point is

as long as headlines are bearish, it suggests further rallying. When the headlines are consistently buy/hold, then the top may be signaled.

As a measure of sentiment, I've reiterated the margin chart on page 11. In looking more closely at the previous two major peaks in 2000 and 2007, the S&P 500 actually made a higher peak, but margin debt had already contracted a bit. In other words, that divergence is perhaps a suggestion that some investors had correctly pulled in their (bullish) horns at both tops. Others who didn't would be forced to sell as the market declined. Will this happen a third time to market the top of the current rally? Most

likely but the latest data as of February still shows expanding margin debt, not a contraction. This too suggests a further rally. This will be something else to monitor. Margin debt is reported monthly.

So, fundamentals remain bearish, but overall trends and the mixed sentiment readings remain bullish.

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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