

Stock Selections & Timing

Watercourse Way Holdings, LLC

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

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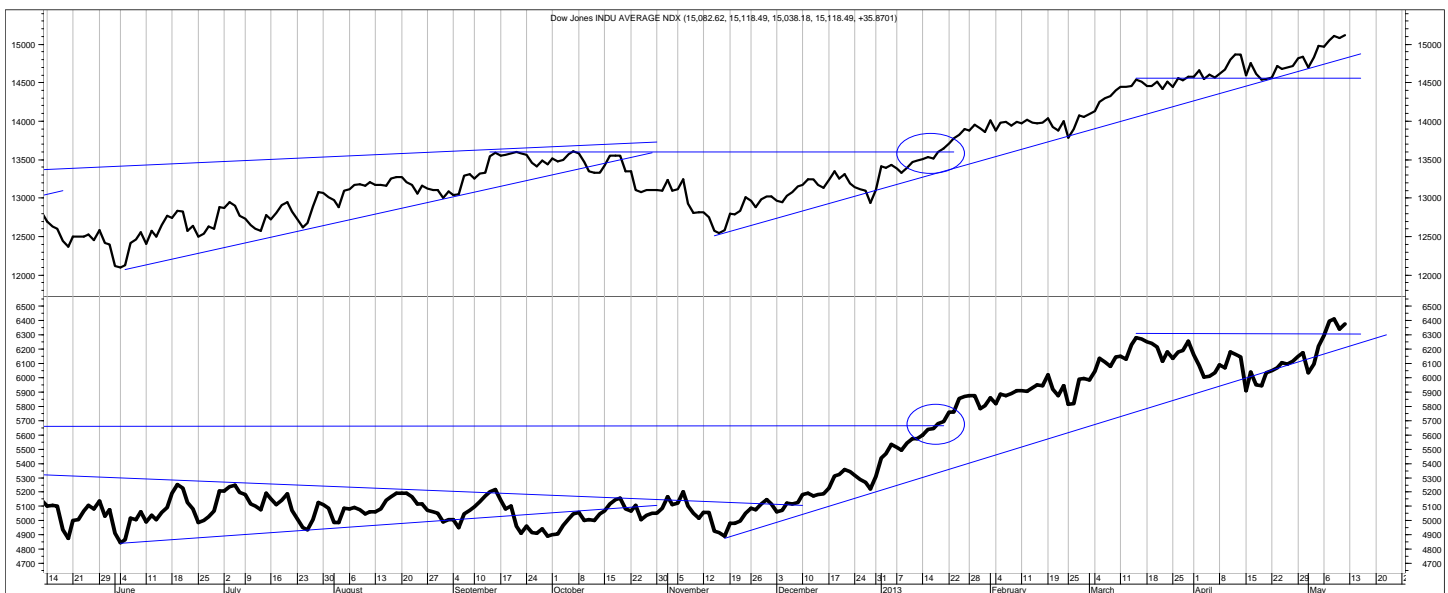
If the Bond Bull Market is over, are Stocks Too?

Some prominent investors, like Bill Gross and Warren Buffett, last week let it be known that they are losing that loving feeling toward bonds. They must be thinking that the combination of low yields, bubblish bond sentiment,

and ongoing economic expansion are having the desired effect of restarting the economy, lowering unemployment, and increasing valuations of assets like housing. Why keep rates low any longer? Federal Reserve Chairman Bernanke and

company may be asking the same question. They have begun to lay out a strategy to end the quantitative easing programs. This is newish information. So, bonds were hit hard last week in reaction.

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This is the daily chart of the Dow Industrials (top) and Transports (bottom).

SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	7.7%	8.4%	8.1%	5.7%	-1.2%	-0.3%
Dow30 Portfolio	8.9%	5.8%	7.6%	5.3%	3.4%	0.3%
S&P 500 TR	17.2%	23.2%	19.7%	8.1%	2.9%	1.3%
Dow Industrials	16.8%	17.9%	18.0%	8.0%	3.1%	1.0%

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Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS				Value as of date:		5/10/2013							
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 4/15	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total	
4-Feb	buy	ANIK about 5%	10.63	700	7,451	GENC			8.00	7.56	7.03	2,278	16,014.34	10.4%	
						WTT			1.00	0.87	1.80	7,500	13,500.00	8.8%	
						OPLK			13.00	12.84	16.48	600	9,888.00	6.4%	
8-Feb	buy	SILU	1.46	5,000	7,310										
4-Mar	buy	AOSL	8.16	1,100	8,986										
21-Mar	buy	SILU	1.35	5,000	6,760	MCGC		12.9%	4.40	4.38	5.07	1,500	7,605.00	4.9%	
						NGPC		8.7%	7.15	7.04	6.11	2,000	12,220.00	7.9%	
						MVC		3.8%	13.00	12.71	13.01	1,200	15,612.00	10.1%	
22-Mar	buy	MVC	12.62	600	7,582	GAIN		8.0%	7.55	7.48	7.25	1,000	7,250.00	4.7%	
						SILU		4.2%	1.42	1.41	1.50	10,000	15,000.00	9.7%	
15-Apr	sell	ANIK	12.82	700	8,964	TAXI		7.0%	11.40	11.36	15.09	600	9,054.00	5.9%	
29-Apr	sell	WTT	1.81	500	895	Above in green shows end price below buy limit.									
						Below is watch list for potential purchase at or below buy limit.									
6-May	sell	AOSL	7.71	1,100	8,471	ALSK			1.65			5,000			
6-May	sell	WTT	1.82	1,000	1,810										
Dividends												5,563.00	3.6%		
Money Market												1.00	42,392	42,392.00	27.5%
Total Valuation=												154,098.34	100.0%		

REVIEW since last issue

5/13 No changes.

5/6 Stop the loss on AOSL by selling. Take more profits in WTT. ALSK is added to the watch list.

4/29 No changes.

4/22 Positions pulled back with the market last week.

4/15 Take profits in ANIK.

4/8 MVC announced a stock buy back last week to close the gap between its price (\$12.87) and its NAV (\$16.29). Hard to believe GENC still trades below its net cash in the bank. WTT has been on fire.

4/1 MVC was bought last week. ANIK is getting recognized. GENC may be tracing out a bottom again.

3/25 MVC has pulled back under the buy limit, so I'll buy more at or below \$12.69 as noted above.

3/18 AOSL may be breaking to the upside, but no public supporting news.

3/11 No changes.

3/4 ANIK jumped on good news. There is a new position AOSL to be bought.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	7.7	54.1
S&P 500 TR	15.0%	1.9	14.1	17.2	56.7

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: 5/10/2013	
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 4/29	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
26-Dec	sell	MRK	41.34	234	9,664	AA	8.00		8.42	8.70	1,422	12,371.40	11.0%
28-Jan	sell	DD	48.15	241	11,594	INTC	23.00		20.08	24.49	519	12,710.31	11.3%
19-Feb	sell	WMT	68.76	150	10,304								
1-Apr	sell	KO	40.45	278	11,235	XOM	87.00		88.21	89.96	136	12,234.56	10.9%
29-Apr	buy	AA	8.42	1,422	11,982								
29-Apr	buy	XOM	88.21	136	11,971								
two new purchases are for roughly 11% of total portfolio													
6-May	sell	MSFT	33.72	387	13,040								
6-May	sell	T	37.09	309	11,451								
13-May	sell	XOM		136									
13-May	buy	MSFT	32.71	370	12,113								
13-May	buy	MRK	45.95	265	12,187								
Money Market										1.00	74,822	74,822.00	66.7%
										Total Valuation=		112,138.27	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

5/13 Sell one position and buy the two others. One is to reenter a sold stock at a higher price; MSFT corrected back down. As usual, the two positions will each be roughly 10% of the total portfolio.

5/6 Take profits as noted above.

4/29 Please note the new buys in the Portfolio and the new much tighter stops.

4/22 No changes.

Feature Company (none)

(Continued from page 1)

We know at some point, interest rates will rise, but is it sooner than expected by the markets, rather than later? I thought it at least interesting that one key indicator to watch (Federal Debt as a Percentage of GDP) mentioned in my Special Report actually declined about a week after posting the Report. As mentioned, if the percentage declines, this implies a potential rate reversal in the years ahead.

And if interest rates turn and really do reverse from down to up, how might that impact the stock market?

First off, to be clear, given that we've been in a 30-year secular bond bull market, it won't be as if we immediately reverse course from down to up where rates jump some huge amount. That scenario doesn't appear to be in the cards. Like the downward path, it most likely will be a long up path as well. Any change should be steady, moderate, well telegraphed, and slow. After the World Wars, when debt was also about 100% of GDP, the rate rise was slow and steady.

Based on that period, any shock to stocks appeared muted at first, it wasn't until there was a

sustained rise that stocks corrected. This relationship is something I will explore in further detail in the months ahead.

So, while stocks may decline, it won't necessarily be because of rising rates. Instead, it may be associated with too rich of valuations, too much stock bullishness, and too subpar economic growth.

Please see the individual portfolio pages for any changes.

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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