

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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

May 20, 2013 (data through previous Friday's close)  
Volume 4  
Issue 19

## Vacuums and Mops

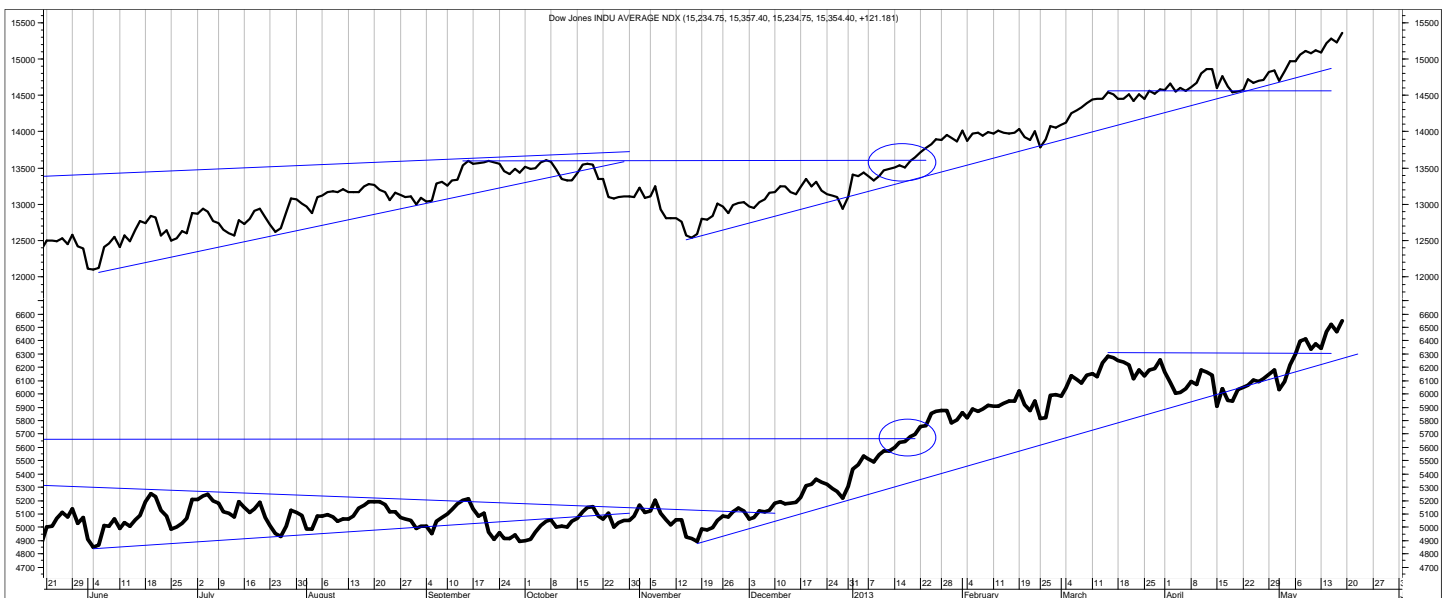
At this point, we're beginning to wonder whether the stock market will ever correct again. Anyone else feel the same? Indeed, investor sentiment on the professional side remains too bullish (no perceived risk). But on the individ-

ual side, it is still neutral with really a mixed view. Until everyone is in, so to speak, it may indeed just continue to climb. When it does subsequently correct (go down in price), however, it will probably be very sharp, short, and scary; a drop in

the neighborhood near 20% over a few months.

These types of uncorrected markets tend to form "vacuums" under them where no lingering buyers remain to absorb the selling because there are no lin-

*(Continued on bottom left on page 4)*



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	7.5%	10.5%	8.3%	4.2%	0.9%	-0.2%
Dow30 Portfolio	9.4%	6.7%	8.1%	6.2%	3.2%	0.4%
S&P 500 TR	19.7%	31.5%	23.8%	10.2%	7.4%	2.2%
Dow Industrials	18.7%	24.1%	22.0%	9.8%	5.5%	1.6%

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# Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 5/17/2013		
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
15-Apr	sell	ANIK	12.82	700	8,964	GENC			8.00	7.56	7.10	2,278	16,173.80	10.5%
						WTT			1.00	0.87	1.65	7,500	12,375.00	8.0%
29-Apr	sell	WTT	1.81	500	895	OPLK			13.00	12.84	16.60	600	9,960.00	6.5%
6-May	sell	AOSL	7.71	1,100	8,471									
6-May	sell	WTT	1.82	1,000	1,810									
20-May	sell	SILU	>1.48	all		MCGC		12.9%	4.40	4.38	5.18	1,500	7,770.00	5.1%
						NGPC		8.7%	7.15	7.04	6.34	2,000	12,680.00	8.2%
						MVC		3.8%	13.00	12.71	12.98	1,200	15,576.00	10.1%
						GAIN		8.0%	7.55	7.48	7.37	1,000	7,370.00	4.8%
						SILU		4.2%	1.42	1.41	1.47	10,000	14,700.00	9.6%
						TAXI		7.0%	11.40	11.36	15.49	600	9,294.00	6.0%
						Above in green show s end price below buy limit.								
						Below is watch list for potential purchase at or below buy limit.								
						ALSK			1.65			5,000		
						Dividends							5,563.00	3.6%
						Money Market				1.00		42,392	42,392.00	27.6%
						Total Valuation=							153,853.80	100.0%

## REVIEW since last issue

5/20 ALSK came within a penny of my buying zone. It dropped to \$1.66 and has since shot back up by 12%. Won't chase it. SILU shot up also and will look to take some profits with the idea of reentering on pullbacks. GENC reported good earnings and growing cash stash; it's still valued at less than their net cash in the bank; can someone take them private please?

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.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	7.5	53.9
S&P 500 TR	15.0%	1.9	14.1	19.7	60.1

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: 5/17/2013	
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	8.61	1,422	12,243.42	10.9%
28-Jan	sell	DD	48.15	241	11,594	INTC	23.00		20.08	24.05	519	12,481.95	11.1%
19-Feb	sell	WMT	68.76	150	10,304	MSFT	29.00		32.71	34.80	370	12,876.00	11.4%
1-Apr	sell	KO	40.45	278	11,235	MRK	44.00		45.95	45.99	265	12,187.35	10.8%
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	90.10	136	12,244								
13-May	buy	MSFT	32.71	370	12,113								
13-May	buy	MRK	45.95	265	12,187								
Money Market									1.00	62,852		62,852.00	55.8%
									Total Valuation=		112,640.72	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

5/20 No changes.

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)*

gering buyers. What would be a normal pullback of 5% to 10%, instead turns into a waterfall type decline. Where are all the buyers to mop up the selling? They're all in all ready by that time, expecting that there are more buyers behind them to continue pushing it up. But no, the buyers are all in and only sellers remain. Thus the correction most likely will be severe, almost a bear market.

In the meantime, the economic news remains mixed.

Leading indicators look good enough, current indicators, however, show weakness.

But, the negative impacts from the Fiscal Cliff (raised taxes) and Sequestration (decreased spending) just haven't really materialized in the worst ways as expected. The initial projections from the Office of Management and Budget (OMB) were for a recession to form in Q1 and Q2. Hasn't happened.

So, I keep watching for some sort of tip off that at least a short-

term top is forming, but all the aforementioned negative divergences that do form, disappear within fairly short order. The stock market trend remains up. In this market, we want to be fairly quick to the exits because so will everyone else.

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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