

Stock Selections & Timing

Watercourse Way Holdings, LLC

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

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Rolling

The minor negative divergence between the Dow Industrials and Transports I talked about last week has been confirmed by both indexes with their closings below their previous low prices established before the divergence.

This is marked on the chart below with a vertical line.

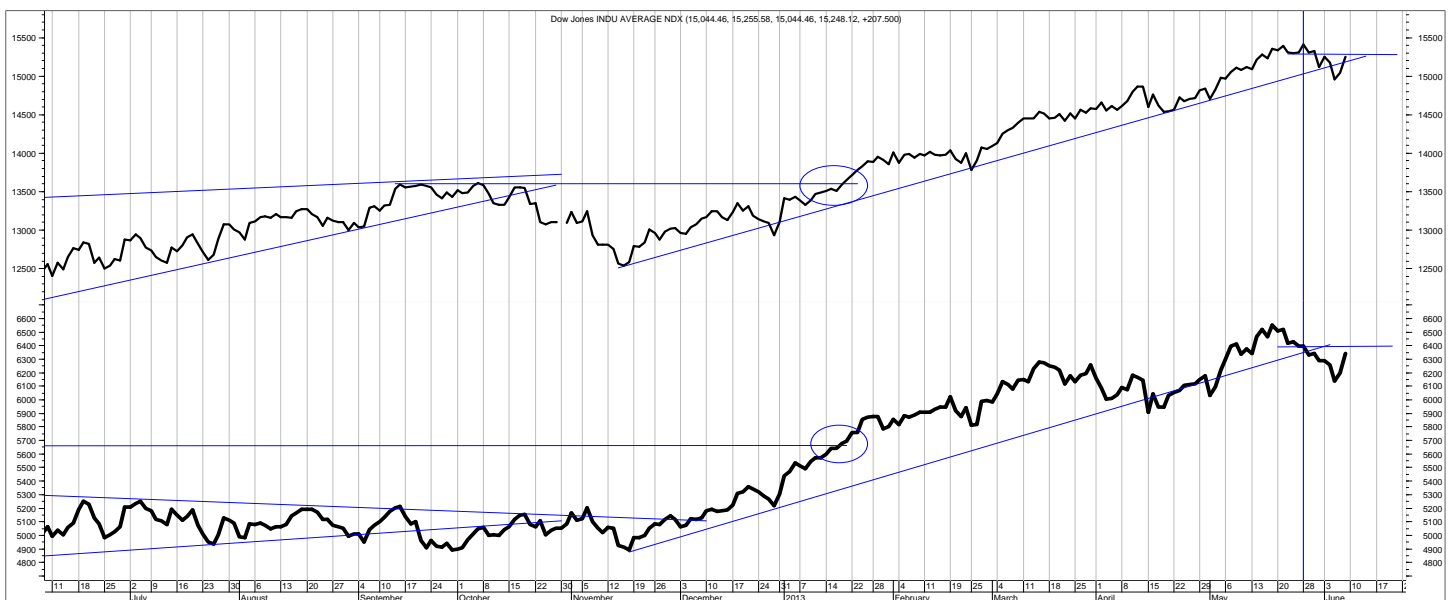
This is new market behavior from over the last 6 months when negative divergences were not confirmed with both selling off and when they were fairly quickly erased by combined ral-

lies in both indexes.

In addition to the negative divergence, both indexes broke through their uptrend lines.

To be sure, this is a very tight and narrow divergence at the present. Still, the most like-

(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	7.3%	9.7%	7.2%	1.5%	-0.4%	-0.6%
Dow30 Portfolio	10.3%	8.7%	9.0%	6.0%	1.3%	0.7%
S&P 500 TR	18.2%	26.6%	17.1%	6.5%	0.9%	0.8%
Dow Industrials	17.9%	21.5%	15.9%	5.9%	0.9%	0.9%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 6/7/2013		
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 6/9	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	7.01	2,278	15,968.78	10.4%
						WTT			1.00	0.87	1.49	7,500	11,175.00	7.3%
29-Apr	sell	WTT	1.81	500	895	OPLK			13.00	12.84	18.39	600	11,034.00	7.2%
6-May	sell	AOSL	7.71	1,100	8,471									
6-May	sell	WTT	1.82	1,000	1,810									
20-May	sell	SILU	1.49	10,000	14,890	MCGC		12.9%	4.40	4.38	5.04	1,500	7,560.00	4.9%
						NGPC		8.7%	7.15	7.04	6.61	2,000	13,220.00	8.6%
						MVC		3.8%	13.00	12.71	12.78	1,200	15,336.00	10.0%
10-Jun	sell	TAXI	> 14.40	600		GAIN		8.0%	7.55	7.48	7.40	1,000	7,400.00	4.8%
						TAXI		7.0%	11.40	11.36	14.40	600	8,640.00	5.6%
Above in green show s end price still below buy limit.														
Below is watch list for potential purchase at or below buy limit.														
						SILU			1.37			10,000		
Dividends												5,932.50	3.9%	
Money Market												1.00 57,282	57,282.00 37.3%	
Total Valuation=												153,548.28	100.0%	

REVIEW since last issue

6/10 Take profits in TAXI above \$14.40. No other changes.

6/3 No changes. The dividend payers got hit somewhat last week because of the Fed QE questions.

5/28 Took profits on SILU and will look to reenter at lower prices.

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.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	7.3	53.3
S&P 500 TR	15.0%	1.9	14.1	18.2	58.1

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: 6/7/2013					
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 6/9 Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
6-May	sell	MSFT	33.72	387	13,040							
6-May	sell	T	37.09	309	11,451	INTC	24.00	20.08	24.59	519	12,762.21	11.2%
13-May	sell	XOM	90.10	136	12,244	MSFT	34.10	32.71	35.55	370	13,153.50	11.6%
13-May	buy	MSFT	32.71	370	12,113	MRK	46.25	45.95	48.17	265	12,765.05	11.2%
13-May	buy	MRK	45.95	265	12,187							
3-Jun	sell	AA	8.52	1,422	12,105							
10-Jun	buy	T		345		TO BE ADDED, IF ABOVE SELL STOP						
10-Jun	buy	BAC		900		T	34.75					
						BAC	12.55					
						TO BE ADDED, IF BELOW BUY LIMIT						
						AA		8.21	buy limit			
						Money Market		1.00		74,939	74,939.00	66.0%
											Total Valuation=	113,619.76 100.0%

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

6/10 Will look for a trade from the two new buys.

6/3 If rates rise, the economic recovery may stall. Time to sell AA.

5/28 No changes.

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.

Feature Company (none)

(Continued from page 1)

ly scenario to watch for now, therefore, is for a further minor pullback and then another rally that takes the Industrials probably (but either one) to recovery highs, but that high again is unaccompanied by the Transports (or the other). This is a topping or distribution phase. After which should come a bear market that takes the market down a “normal” 20%-50%.

Stocks, after all, have come a long way in terms of duration and magnitude since their March 2009 bottom. A bear market is past due.

Since 2009, the economy has recovered. Jobs are being created. Real estate has turned the corner. Leading indicators are

still trending higher. The odds of a recession are basically at zero percent. Stocks have rallied for good reasons.

So, why, given the decent economy and recovery, would the stock market roll over?

The PE ratio for example, depending on how one measures it, is nearing 20x. That is expensive. Dividend yields are low; the S&P 500 yields a mere 2.2%. But the main driver to rallying stocks, obviously, has been lower interest rates in the form of quantitative easing. What happens when the “punch bowl” is pulled from the party? That is the new talk.

Higher interest rates should knock stocks lower, even if the economy remains in recovery

mode. Right now, it is simply the talk of higher rates that is increasing rates, rather than fundamentals, like higher inflation. But with 10-year Treasuries recently hitting 2.2%, the same as the S&P 500 yield, the spread is not as attractive as it has been.

So, I’m watching for another rally to recovery highs that sets up a larger negative divergence that is accompanied by excessive bullishness and increasing interest rates.

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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