

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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June 17, 2013 (data through previous Friday's close)  
Volume 4  
Issue 24

## Partly Cloudy

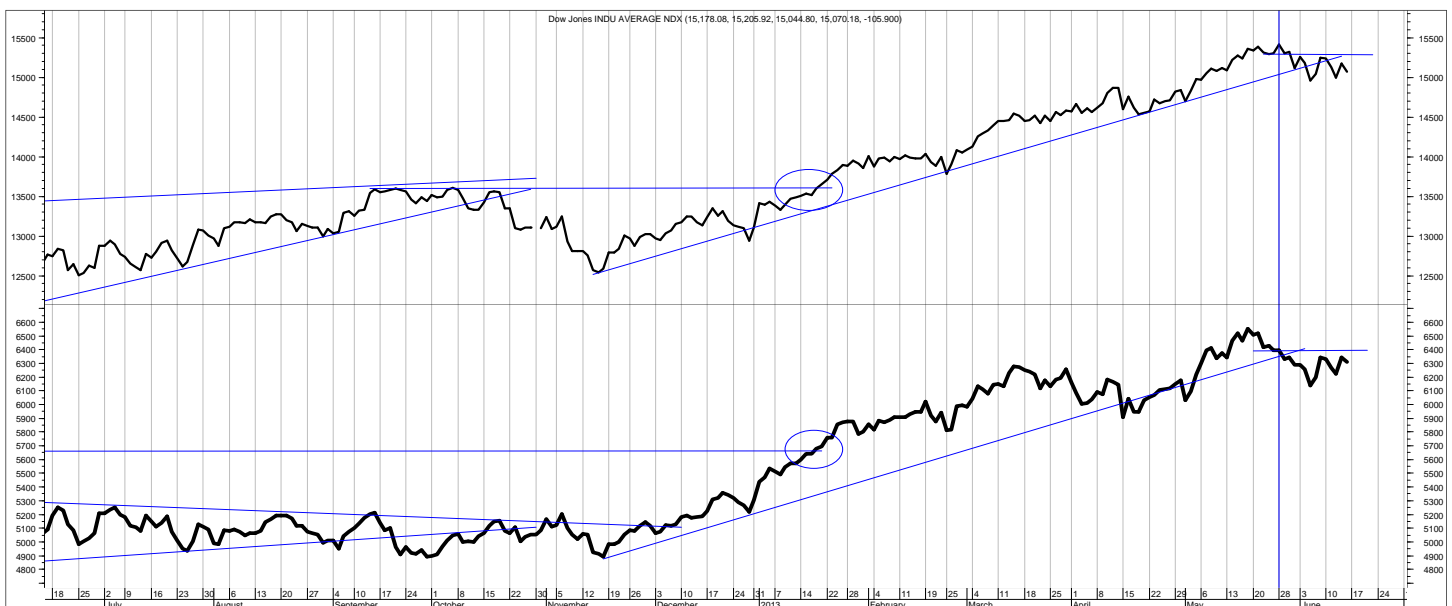
The minor negative divergence between the Dow Industrials and Transports I have been talking about is still in place, as the chart below shows. This means the potential for a top is increasing.

I also mentioned last week

that the most likely scenario is for another rally in the Dow Industrials to new highs that is unaccompanied by the Dow Transports. As I write this, the Industrials are up about 160 points, while the Transports are actually down very slightly. If

the two continue in this fashion, then this further non-confirmation between the two indexes suggests that the most likely course for stocks is back down to start a normal bear market with a decline ranging

*(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	6.8%	8.7%	7.1%	1.4%	-0.7%	-0.5%
Dow30 Portfolio	9.9%	8.5%	8.3%	5.8%	0.5%	-0.4%
S&P 500 TR	17.1%	23.7%	16.2%	4.7%	-2.3%	-1.0%
Dow Industrials	16.5%	18.0%	14.7%	3.8%	-1.8%	-1.2%

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# Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 6/14/2013		
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	7.11	2,278	16,196.58	10.6%
29-Apr	sell	WTT	1.81	500	895	WTT			1.00	0.87	1.49	7,500	11,175.00	7.3%
6-May	sell	AOSL	7.71	1,100	8,471	OPLK			13.00	12.84	17.80	600	10,680.00	7.0%
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	5.13	1,500	7,695.00	5.0%
10-Jun	sell	TAXI	> 14.40	600		NGPC		8.7%	7.15	7.04	6.51	2,000	13,020.00	8.5%
17-Jun	buy	MCC	< 13.80	1,000		MVC		3.8%	13.00	12.71	12.72	1,200	15,264.00	10.0%
						GAIN		8.0%	7.55	7.48	7.30	1,000	7,300.00	4.8%
						TAXI		7.0%	11.40	11.36	13.84	600	8,304.00	5.4%
						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								
						Money Market								
						Total Valuation=								
						5,932.50 3.9%								
						1.00 57,282 57,282.00 37.5%								
						152,849.08 100.0%								

## REVIEW since last issue

6/17 TAXI hasn't traded above our sell price, so we still own it.

As noted above, buy a new position in MCC, which is roughly 9% of the portfolio.

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.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	6.8	52.8
S&P 500 TR	15.0%	1.9	14.1	17.1	56.5

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: 6/14/2013						
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	BAC	12.55		13.30	13.07	900	11,763.00	10.4%
6-May	sell	T	37.09	309	11,451	INTC	24.00		20.08	24.92	519	12,933.48	11.4%
13-May	sell	XOM	90.10	136	12,244	MSFT	34.10		32.71	34.40	370	12,728.00	11.2%
13-May	buy	MSFT	32.71	370	12,113	MRK	46.25		45.95	47.95	265	12,706.75	11.2%
13-May	buy	MRK	45.95	265	12,187	T	34.75		35.99	35.91	345	12,388.95	10.9%
3-Jun	sell	AA	8.52	1,422	12,105	AA	7.90		8.18	8.12	1,500	12,180.00	10.8%
10-Jun	buy	T	35.99	345	12,427	TO BE ADDED, IF ABOVE SELL STOP							
10-Jun	buy	BAC	13.30	900	11,980	TRV	81.50				145		
12-Jun	buy	AA	8.18	1,500	12,280	IBM	198.00				60		
17-Jun	buy	TRV				TO BE ADDED, IF BELOW BUY LIMIT							
17-Jun	buy	IBM											
Money Market									1.00	38,454		38,453.88	34.0%
Total Valuation=											113,154.06	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

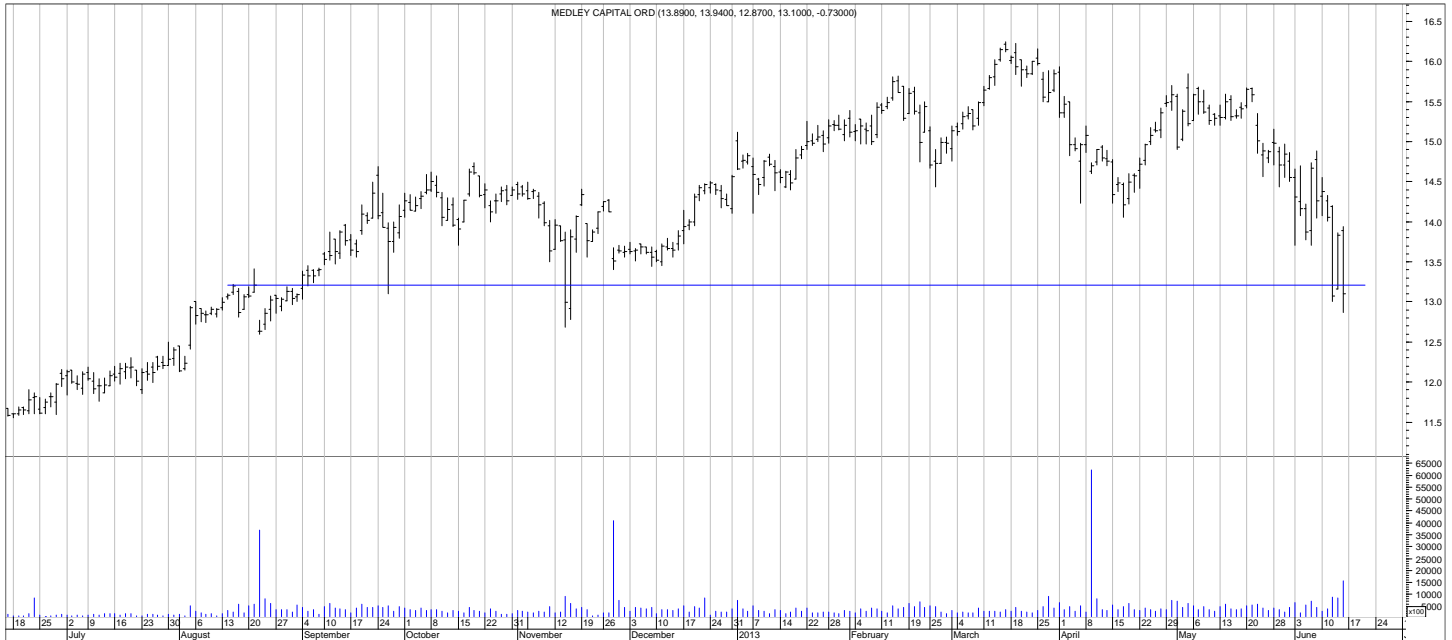
6/17 Buy two new positions as noted above. The number of shares to buy is on the right side of the box. Monitor the stops.

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.

# Feature Company



Medley Capital Corp (MCC) is another business development company, lending to middle America. As you can see on the chart, it has come back down to where the price has major support. It yields 10.9%. Its Net Asset Value (NAV) is \$12.73. Annual revenue is projected at \$80 million. For the 6 months ending 3/31/13, net income was \$20 million or \$0.75 per share. On 4/12/13 the company completed a public offering at \$14.70 per share. That was substantially above NAV and is the reason the stock has dropped substantially the past month to where a better value exists. See page 2 for specifics on the actual purchase.

*(Continued from page 1)*

from down 20% to down 50%.

On the other hand, we shouldn't ignore the possibility that things get "back in gear" to the upside. After all, there is no economic recession in sight, at least domestically. The question is why would stocks roll-over here?

The answer has to do with what the Fed will do. Stocks are cheap when compared to bond yields, but not on a stand alone basis (PE is about 17x for example). If rates rise, the assumption

is stocks will tank.

The Fed has yet to do anything more than just talk about the possibility of easing their quantitative easing programs. Nothing has actually been proposed along those lines, except reiterating their aforementioned "line in the sand" of the 6.5% on the unemployment rate. Unemployment must drop below that in order for the Fed to actually begin tightening, but the rate is currently at 7.6% and getting closer.

So, as usual, there are cross currents and clouds whenever one

looks ahead.

Bonds, for their part, have plunged in price, while yields have spiked. This suggests a much stronger economy and specifically a further drop in unemployment.

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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