

Stock Selections & Timing

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June 30, 2014 (data through previous Friday's close)
Volume 5
Issue 26

Least Expected

The latest monthly data on NYSE margin debt levels came out with May's reading remaining at a lofty level like April's. See the chart on page 5.

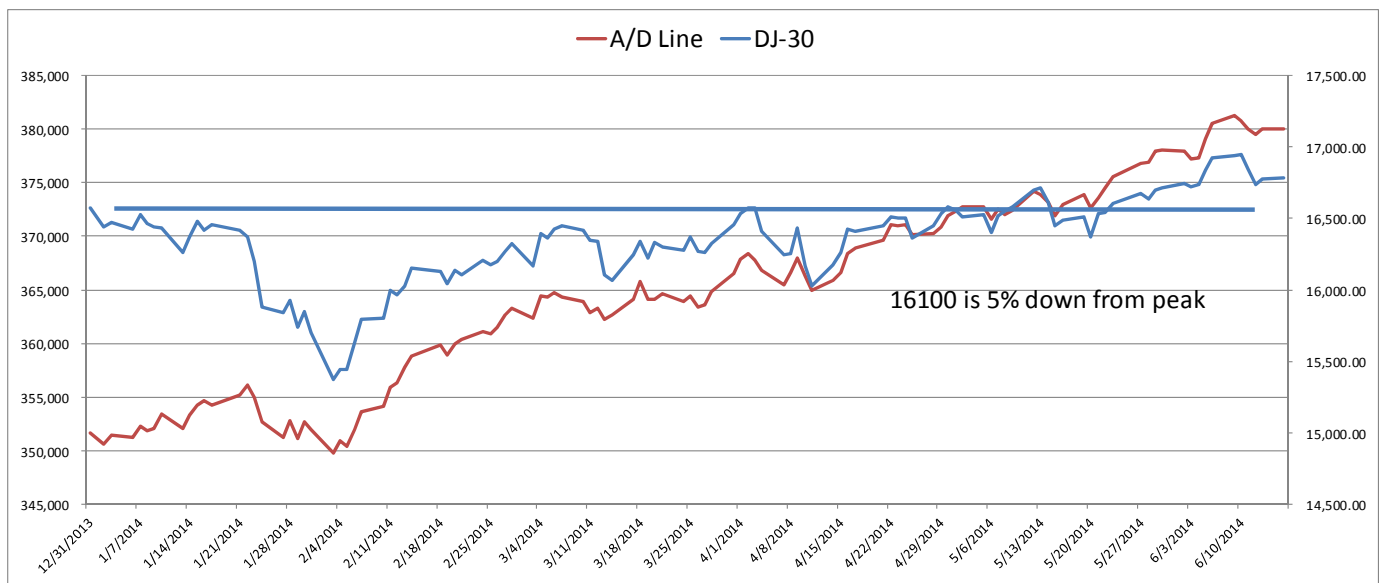
The margin peak was

marked three months ago. If this margin peak to market top time difference falls within the boundaries of the previous two examples at 8/31/2007 and 4/28/2000, then the market should peak this month (June) or next month. Put another

way, we have 0-4 weeks to the peak.

Obviously of course, there are no guarantees, but as I've mentioned, this indicator is the only one that is directly stock price dependent. PE ratios, for

(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	1.1%	12.6%	1.1%	0.1%	1.2%	1.4%
Dow30 Portfolio	1.8%	1.8%	1.8%	1.1%	0.3%	-0.3%
Index						
S&P 500 TR	6.4%	23.2%	6.4%	5.5%	1.5%	-0.2%
Dow Industrials	2.3%	13.0%	2.3%	3.2%	0.8%	-0.6%

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Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:		6/27/2014					
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
31-Mar	buy	MVC	13.55	200	2,720	GENC			9.75	7.56	11.19	1,978	22,133.82	13.0%
this would be about 2% of total portfolio														
31-Mar	buy	TAXI	13.21	650	8,597									
this would be about 5% of total portfolio														
7-Apr	sell	PKY	18.19	500	9,085									
						MCGC		10.8%	3.00	4.79	3.78	3,300	12,474.00	7.3%
5-May	sell	GOOD	17.62	500	8,800									0.0%
						MVC		3.8%	12.00	12.71	12.62	1,400	17,668.00	10.4%
2-Jun	sell	GENC	10.23	300	3,059									0.0%
														0.0%
16-Jun	sell	GENC	>11	300										0.0%
						TAXI		6.9%	14.00	13.22	12.28	1,250	15,350.00	9.0%
Above in green shows end price still below buy limit.														
Shown below is watch list for potential purchase at or below buy limit.														
Dividends												10,742.88	6.3%	
Money Market												1.00 92,330	92,330.00	54.1%
Total Valuation=												170,698.70	100.0%	

REVIEW since last issue

6/30 No changes.

6/23 No changes.

6/16 No changes.

6/9 No new positions, as the market climbs higher. Bargains I find are none and zip.

6/2 Time to take some profits, reducing risk, in GENC as noted above.

5/26 No changes.

5/19 No changes.

5/12 GENC took a hit with lower than expected quarterly sales. The company, however, remains profitable and still has about \$9.47/share net cash. MCGC is crawling back. TAXI is driving higher.

5/5 Will take some profits in GOOD. It is at the top of its trading range. I will watch for a pullback.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	1.1
S&P 500 TR	15.0%	1.9	14.1	28.7	6.4

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: 6/27/2014		
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 6/30	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
3-Jun	buy	CVX	122.55	45	5,525								0.0%	
3-Jun	sell	PG	79.93	68	5,425								0.0%	
9-Jun	sell	UNH	79.76	70	5,573								0.0%	
9-Jun	sell	INTC	27.91	210	5,851	JPM			53.90	54.45	103	5,608.35	5.1%	
11-Jun	sell	HD	79.81	72	5,736	WMT	74.70		75.79	75.34	73	5,499.82	5.0%	
23-Jun	sell	CVX	132.98	45	5,974	TO BE ADDED DURING WEEK, IF "Closing" ABOVE:								
23-Jun	buy	WMT	75.79	73	5,543									
30-Jun	sell	JPM		103		TO BE ADDED, IF BELOW: BUY LIMIT								
						Money Market					1.00	99,841	99,840.70	90.0%
								Total Valuation=				110,948.87	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

6/30 Take profits in JPM as noted above.

6/23 Take profits in CVX as noted above. Monitor the two potential buys if they close above their trigger prices this week.

6/16 No changes.

6/9 Make the buys and sells as noted above. Also raised the sell stops.

6/2 Make the potential buy as noted above. Note also the raised sell stops to preserve gains.

5/26 —

5/19 With the pullback, a few setups have materialized as noted above. These triggers are good for this week only.

New recommendations

None this week.

(Continued from page 1)

example, can move from overvalued to more overvalued, regardless of the market price. But if the market declines, margin calls will go out and must be met either by depositing more cash or by selling stock. This in turn sets up the selling cycle of forcing more margin calls and more selling, until the bottom is made.

Previous margin and price peaks were marked with 5% declines to trigger the selling. 16,100 is the DJ Industrials level and 186 is the SPY level to monitor.

Like I said, there are no guarantees, but this will be interesting.

In the meantime, the market does remain “in gear” to the upside as shown on the chart on page one.

Fundamentally, the economy is expanding nicely. The Fed has recognized that it is on a self-sustaining course. There is no recession in sight. Unemployment is dropping. Inflation is rising. They should end QE by October, a short four months away.

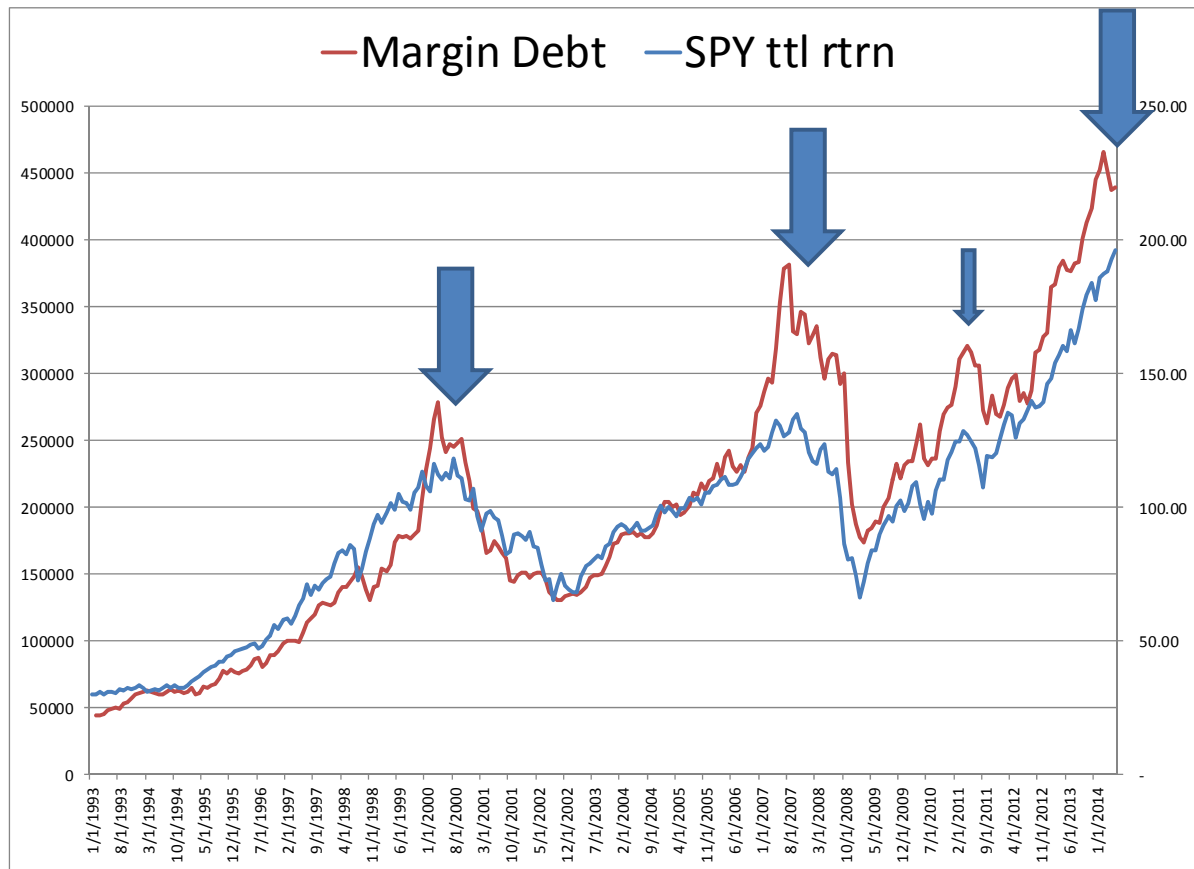
As far as their raising rates, that may come sooner than expected. But as usual, this only means the economy is roaring ahead. This too will be interesting to see if they overplayed their hand where the economy moves ahead strongly even in the face of

rising rates. It has done so many times before.

So, the remainder of 2014 should be very interesting to see how it all plays out. A falling stock market in the face of a strong economy is most likely the least expected event.

See the portfolio pages for any changes.

SPY and NYSE Margin Debt (updated)



Last week edit: I went back and looked a third time at the two previous tops. For both, the trigger of the subsequent severe sell off was 5%. So if SPY closes 5% lower than its recent peak at 196.5 (below 186.7), odds are that won't be a buying opportunity.

Last week edit: A member asked about depth of loss and duration to bottom of the previous two signals. The first bear lasted 16 months and lost 51%. The second bear lasted 25 months and lost 45%. So IF the market follows the previous averages and peaks this month, the bottom would fall somewhere between 10/15 and 7/16 with the Dow Industrials around 8,400 (current about 16,800).

Previous week comment: The chart shows the total return (dividends included) of SPY (the S&P 500 etf) (blue line, right scale) and NYSE margin debt (red

line, left scale) from 1/29/1993 through 5/31/2014. I shift the margin debt data forward by one month.

As you can see, the two series are closely correlated. But the point is to show that at the two previous major peaks in 2000 and 2007 (large blue down arrows) that preceded 50% losses in SPY, the debt series peaked from 2 to 4 months ahead of the market's peak.

The smaller down arrow marks a coincident peak in 2011 when the market plunged near 20% but did recover. Again, the major peaks were preceded by reductions in margin debt. This is similar to what is happening now. NYSE margin debt peaked in March 2014 (again I shift the data forward one month to make it more timely). The stock market as measured by SPY has continued to climb during April and

May.

So, we are now 2 months from the NYSE margin debt peak and entering month 3 with June. If past parameters hold, we are either peaking now or will peak by 7/31. The move thereafter would be another 50% decline.

The reason for this is maintenance. An account with margin debt must maintain enough equity to offset any market decline. If the equity is not enough, then the account must sell to raise cash (or the holder must add cash).

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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