

Stock Selections & Timing

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July 8, 2013 (data through previous Friday's close)
Volume 4
Issue 27

Trend Changes

There was a big rebound in stocks last week, even as bond prices continued to plunge (yields rose). This is a large divergence between the two that should not be ignored.

Higher yields definitely provide competition for the in-

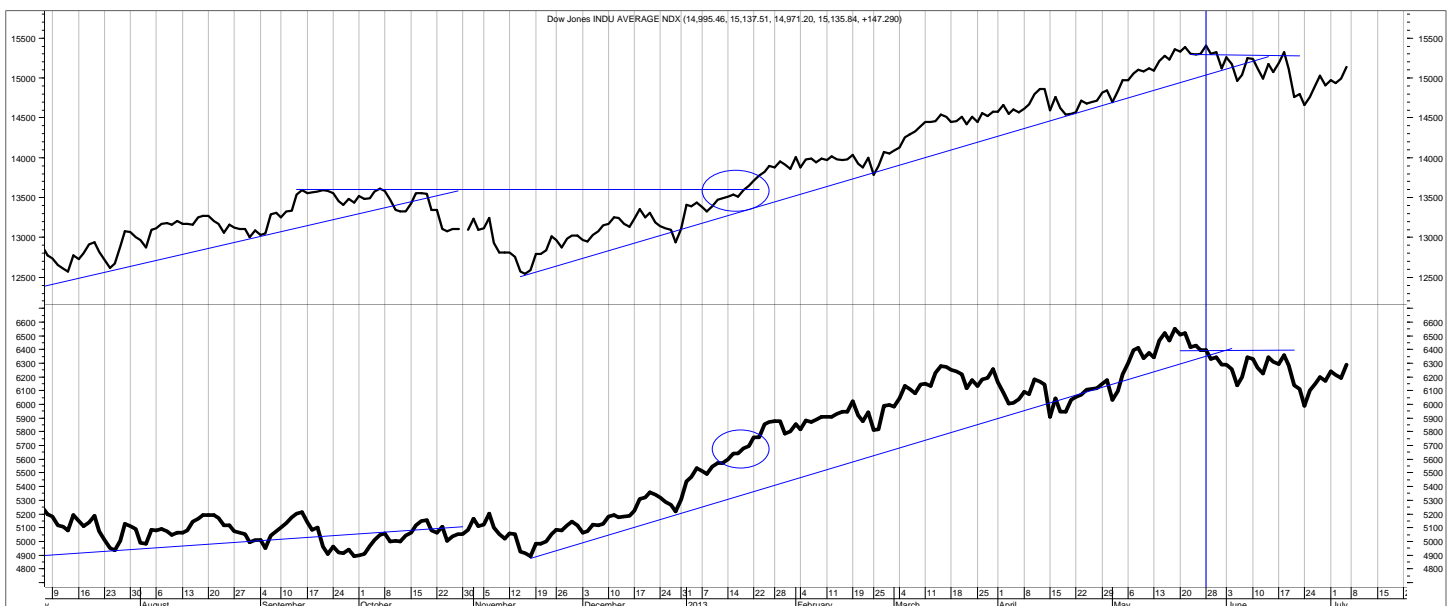
vestor dollar, thus potentially weakening stock support. Higher yields may curb economic growth, especially in the rebounding housing and car markets. The consumer will not benefit.

Savers to the contrary may

enjoy the higher yields, but keep in mind that there is a huge problem buying bond funds in a rising rate environment.

As a word of warning, unlike individual bonds, bond funds/etfs do not have a stated

(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%	8.0%	5.0%	-0.8%	-0.4%	0.9%
Dow30 Portfolio	5.8%	4.6%	3.7%	1.2%	-4.1%	0.0%
S&P 500 TR	16.9%	22.4%	11.9%	5.1%	-1.1%	1.6%
Dow Industrials	17.0%	17.4%	12.7%	3.9%	-0.7%	1.5%

CONTENTS

Page 2...Stock
Page 3...Dow 30
Page 4...Featured
Page 5...Disclaimers

Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 7/5/2013		
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	7.18	2,278	16,356.04	10.7%
29-Apr	sell	WTT	1.81	500	895	WTT			1.00	0.87	1.48	7,500	11,100.00	7.3%
6-May	sell	AOSL	7.71	1,100	8,471	OPLK			13.00	12.84	19.03	600	11,418.00	7.5%
6-May	sell	WTT	1.82	1,000	1,810	MCC		10.9%	13.80	13.25	13.39	1,000	13,390.00	8.8%
20-May	sell	SILU	1.49	10,000	14,890	MCGC		12.9%	4.40	4.38	5.21	1,500	7,815.00	5.1%
10-Jun	sell	TAXI	> 14.40	600		NGPC		8.7%	7.15	7.04	6.60	2,000	13,200.00	8.6%
17-Jun	buy	MCC	13.25	1,000	13,260	MVC		3.8%	13.00	12.71	12.64	1,200	15,168.00	9.9%
18-Jun	sell	TAXI	14.41	600	8,636	GAIN		8.0%	7.55	7.48	7.31	1,000	7,310.00	4.8%
20-Jun	buy	SILU	1.35	10,000	13,510	SILU		4.3%	1.37	1.35	1.19	10,000	11,900.00	7.8%
						Above in green shows end price still below buy limit.								
						Below is watch list for potential purchase at or below buy limit.								
						Dividends								
						Money Market								
						Total Valuation=								
						6,132.50 4.0%								
						1.00 39,148 39,148.00 25.6%								
						152,937.54 100.0%								

REVIEW since last issue

7/8 No changes.

7/1 No changes.

6/24 TAXI moved above our sell price and we sold it. We also bought back into SILU.

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?

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	6.8	52.9
S&P 500 TR	15.0%	1.9	14.1	16.9	56.3

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: 7/5/2013							
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
3-Jun	sell	AA	8.52	1,422	12,105								0.0%
10-Jun	buy	T	35.99	345	12,427								0.0%
10-Jun	buy	BAC	13.30	900	11,980								0.0%
12-Jun	buy	AA	8.18	1,500	12,280								0.0%
17-Jun	buy	TRV	83.23	145	12,078								0.0%
17-Jun	buy	IBM	203.04	60	12,192								0.0%
TO BE ADDED, IF ABOVE SELL STOP													
20-Jun	sell	TRV	79.78	145	11,558								0.0%
20-Jun	sell	IBM	197.35	60	11,831								0.0%
20-Jun	sell	MSFT	33.49	370	12,381								0.0%
20-Jun	sell	T	34.35	345	11,841								0.0%
TO BE ADDED, IF BELOW BUY LIMIT													
24-Jun	sell	AA	7.79	1,500	11,675								0.0%
24-Jun	sell	BAC	12.30	900	11,060								0.0%
24-Jun	sell	INTC	23.58	519	12,228								0.0%
25-Jun	sell	MRK	46.23	265	12,241								0.0%
Money Market									1.00	108,999	108,998.88	100.0%	
									Total Valuation=		108,998.88	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

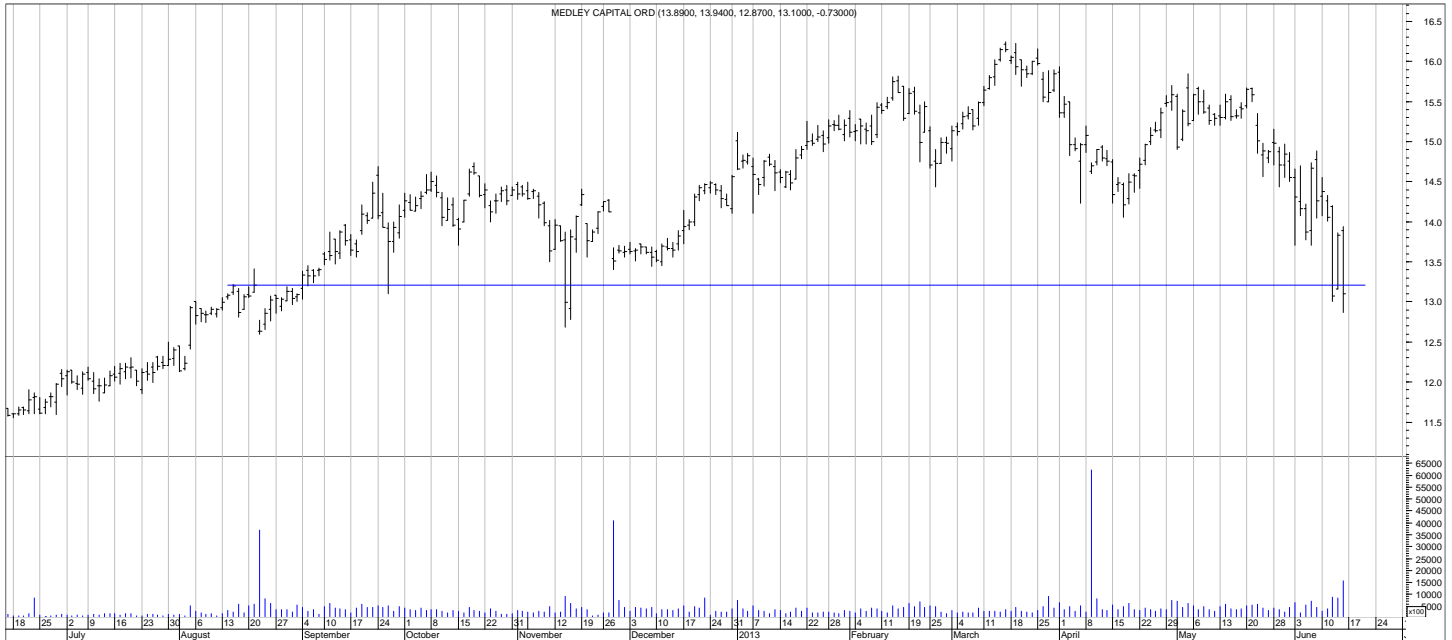
7/8 No changes. Will watch AA's earnings report for hints of economic direction.

7/1 Stopped out at what, so far, was the short-term bottom. No other changes.

6/24 Watch the stops closely. Sell if they are violated at quarter to the close.

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.

Feature Company (Reiteration)



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)

maturity date or a par value. In other words, we know when interest rates rise, bond prices decline. This will happen whether you own a bond fund or the bond directly. Both will drop in price. The difference between them is that if you own the bond itself, the bond will eventually mature at par at its maturity date. Your paper loss will disappear at maturity. A bond fund, however, has no maturity value. In fact, due to a bond fund's cash flows, you are never certain of getting back your principle, and quite frankly, most likely never will in a rising rate environment.

To take a concrete example,

on April 30th, AGG (the US bond market ETF) traded at 111.50. With the rate rise since then, prices have dropped to 106. If the secular trend has changed, those who bought at 111 are not assured of ever getting back there principle. The ETF will not return to that price. Had an investor bought a bond itself at par, at 100, it may be at a paper loss also, dropping to 96, but it eventually will mature back at 100.

See my Special Report on Secular Bond Markets at InvestmentST.com for more information.

Stocks for their part have rebounded, choosing to follow some apparent upbeat economic

reports like continued jobs recovery. After all if the Fed feels it okay to stop buying bonds, then the economy must be on solid footing. True enough, but the question is whether it will continue to recover or have stocks actually peaked for this cycle? Is there a recession ahead for the US? For our part, we will hang on to the uptrend for now, but monitor the stop levels very closely. Recession induced stock bear markets typically see losses of 30%.

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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