

Stock Selections & Timing

Watercourse Way Holdings, LLC

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

July 28, 2014 (data through previous Friday's close)
Volume 5
Issue 30

No Changes

The negative divergence between the Dow Industrials and advance/decline line (A/D) that was set up this month continues. Last week I talked about this. I want to correct the support level from 16,900 to

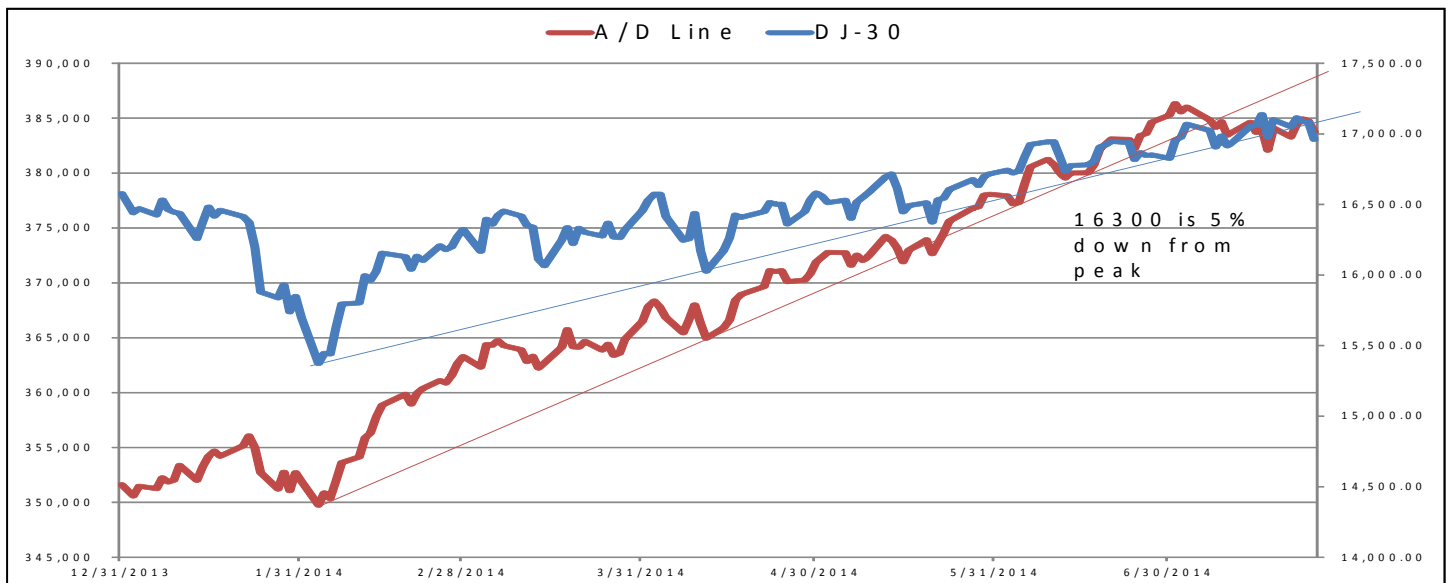
16,800. The latter is major short-term support.

If the market closes below 16,800, it would confirm a top area.

The next level down is tied to the margin debt's. It would be a 5% correction to 16,280. A

loss of 5% from the previous DJI peak was the "trigger" for continued declines apparently due to margin debt calls from the last two peaks. See page 5. I continue to reiterate this chart because of its importance.

(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	0.9%	7.4%	-0.1%	-0.1%	-0.2%	-0.2%
Dow30 Portfolio	1.7%	1.7%	1.7%	1.2%	-0.1%	-0.1%
Index						
S&P 500 TR	7.5%	18.0%	10.4%	6.1%	1.0%	-0.1%
Dow Industrials	2.9%	9.0%	6.8%	3.7%	0.6%	-0.8%

CONTENTS

Page 2...Stock
Page 3...Dow 30
Page 4...Featured
Page 6...Disclaimers

Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 7/11/2014							
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	11.00	1,678	18,458.00	10.8%
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	4.07	3,300	13,431.00	7.9%
5-May	sell	GOOD	17.62	500	8,800	MVC		3.8%	12.00	12.71	12.73	1,400	17,822.00	10.5%
2-Jun	sell	GENC	10.23	300	3,059	NGPC		9.7%	7.25	6.59	6.61	2,000	13,220.00	7.8%
16-Jun	sell	GENC	11.10	300	3,320									0.0%
21-Jul	buy	NGPC	6.59	2,000	13,190	TAXI		6.9%	14.00	13.22	11.44	1,250	14,300.00	8.4%
this will be about 8% of portfolio						Above in green shows end price still below buy limit.								
						Shown below is watch list for potential purchase at or below buy limit.								
						Dividends								
						Money Market								
						10,742.88 6.3%								
						1.00 82,460 82,460.00 48.4%								
						Total Valuation= 170,433.88 100.0%								

REVIEW since last issue

7/28 No changes.

7/21 Buy NGPC as noted above.

7/14 No changes.

7/7 No changes. Oversold bounces taking place.

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.

	2010	2011	2012	2013	ytd 2014
Stock Portfolio	12.3%	21.4	5.0	15.8	0.9
S&P 500 TR	15.0%	1.9	14.1	28.7	7.5

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: 7/11/2014							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 7/21	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
23-Jun	buy	WMT	75.79	73	5,543	DD	64.00		65.01	64.93	86	5,583.98	5.0%	
30-Jun	sell	JPM	57.22	103	5,884								0.0%	
14-Jul	sell	WMT	76.55	73	5,578								0.0%	
14-Jul	buy	BA	129.52	43	5,579								0.0%	
17-Jul	sell	BA	125.88	43	5,403								0.0%	
14-Jul	buy	DD	65.01	86	5,601	TO BE ADDED DURING WEEK, IF "Closing" ABOVE:								
14-Jul	buy	GE	26.66	210	5,609									
14-Jul	buy	UTX	114.88	49	5,639									
17-Jul	sell	UTX	112.77	49	5,516	TO BE ADDED, IF BELOW: BUY LIMIT								
21-Jul	sell	GE	25.98	210	5,446									
									Money Market		1.00	105,240	105,239.70	95.0%
									Total Valuation=				110,823.68	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

7/28 Only one position remains. Until the market sells off further, there won't be any potential setups to trigger buy signals.

7/21 Whipsaws last week.

7/14 Note the potential buys and the sell above.

7/7 No changes. Will wait for the pullback.

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.

New recommendations (reiteration)

The reason for suggesting NGPC as a buy is it is changing its internal structure from reliance on smaller upstream energy companies to the broader middle market debt originations. The company's advisor will change to Oak Hill Advisors (OHA).

OHA will purchase \$1 million of stock at NAV and another \$4 million at current market prices (about \$6.60). The NAV is \$8.73. Current yield is 9.7%.

I expect the gap between market price and NAV to close over the year.

SEE PORTFOLIO

NGPC to buy

(Continued from page 1)

Unlike, for example, the PE ratio that may move between overbought to more overbought and is impacted by external events like accounting changes, margin debt is directly tied to the market. If the market declines, margin calls go out. Forced selling may ensue. The market's PE ratio, however, may drop from 20x to 18x without a direct impact on stock prices.

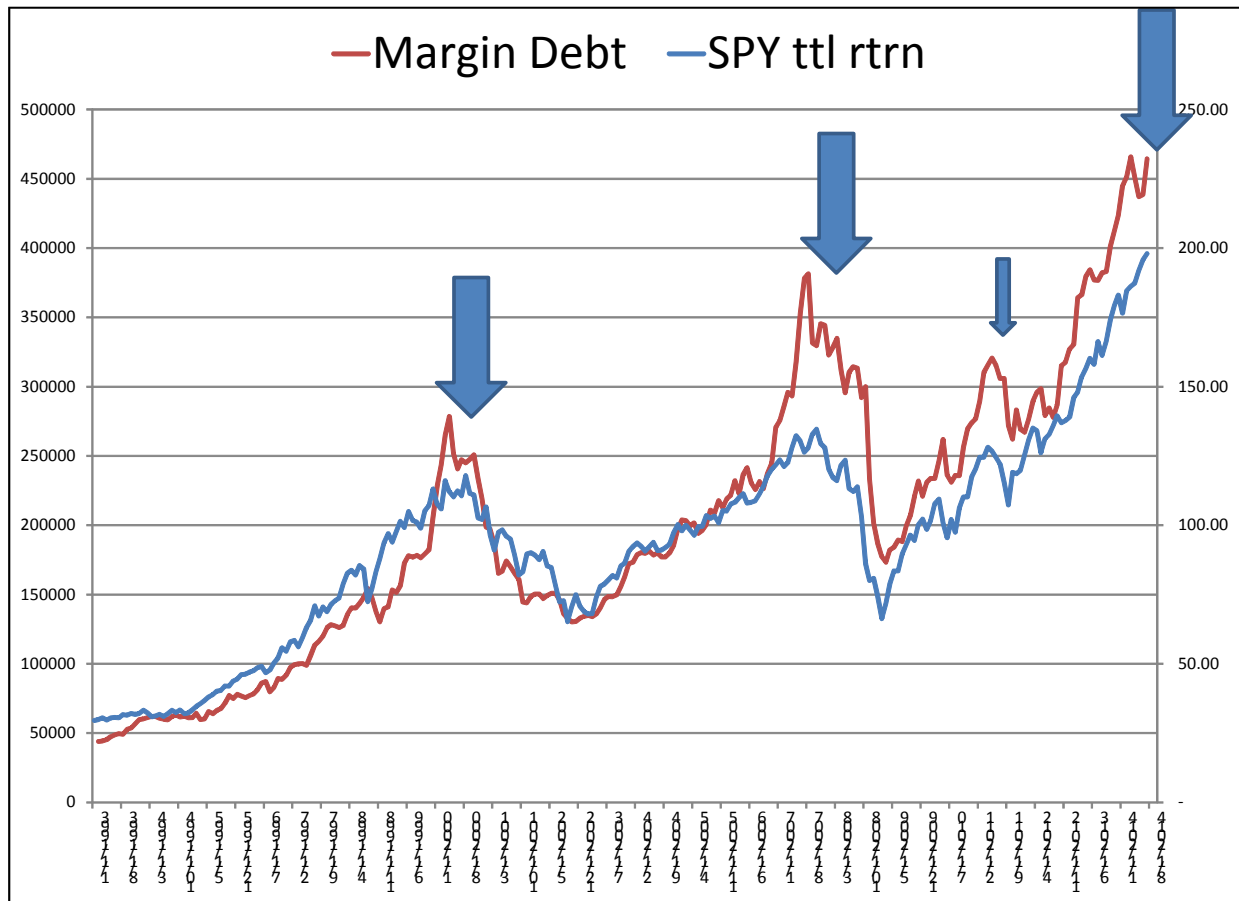
In the meantime, the World Growth Model remains bullish with four of the five inputs trending higher. It will take three of the five to turn negative for a sell signal to ensue.

So, I remain fully invested, but am closely monitoring infor-

mation behind the scenes for any changes.

See the portfolio pages for any changes.

SPY and NYSE Margin Debt (reiteration)



7/28/14: Updated through latest data of 6/30/14. NYSE margin debt rebounded in June, but did not make a new high marked in March (data is offset plus one month). This is similar to previous peaks' patterns. If the time frame is the same (2-4 months from margin debt peak to market peak), July should mark the market top.

7/14/14: 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.

7/7/14: 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 averag-

es 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).

June 2014 explanation: 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.

SUBSCRIPTIONS: To receive *Stock Selections & Timing*, you may subscribe in one of three ways. You may subscribe on the web site InvestmentST.com using PayPal or call 1-800-800-6563 for credit card orders (Discover, American Express, Visa, Mastercard) or send a check to the address on the front page. Subscriptions may be tax deductible.

The recurring monthly subscription is \$49.00. An annual subscription is \$395.00. Subscribers receive this weekly eNewsletter. There is no mailed issue. Subscribers retrieve the current issue at the web site InvestmentST.com by logging in using a log in name and password. There may be emailed hotline reports between issues.

Unless otherwise noted, the weekly eNewsletter is posted by 2:05 PM central time every Monday, except for holidays and then on Tuesday. It may contain actionable, specific buy or sell advice to take that day or during the week. Symbols, rather than names, are the official identification used for activity.

GUARANTEE: Subscriptions may be cancelled at any time. Annual subscriptions are refundable for the term remaining with a one month minimum charge of \$49, using a 12-month count. A monthly subscription just expires.

PUBLISHER: Watercourse Way Holdings, LLC publishes this newsletter.

REPRINTS: This eNewsletter is intended for subscribers only, reprints are not permitted. Please do not share.

DISCLAIMER: The information contained herein is assembled from sources who are believed reliable, but the accuracy of data or advice cannot be guaranteed. Past performance does not guarantee future performance. Portfolio values include a commission of \$10/trade, dividends in cash. The S&P 500 Total Return is a broad based equity index and may or may not be useful in comparing returns. Security values fluctuate. Information is provided without consideration for your personal situation. Watercourse Way Holdings, LLC its members and associates may or may not invest identically to or at the same time as portfolios or advice shown herein. They may or may not own company shares mentioned herein and may or may not buy and sell at any time.

COPYRIGHT: Copyright, 2010-2014, Watercourse Way Holdings, LLC. All rights reserved.