

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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Volume 1  
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## Extension of Rally

I mentioned last week that the market discounted the bad news of a slowing economy and expiring fiscal stimulus programs by selling off between April and July. The economic news recently has still been poor, but now the market is rallying. So evidently, not only was the bad news discounted, but so was the possibility of a

double-dip recession.

The market's problem is that the economy is not in another recession, hence the market overshot the bad news to the downside and now has to correct its correction; it is now back in gear to the upside.

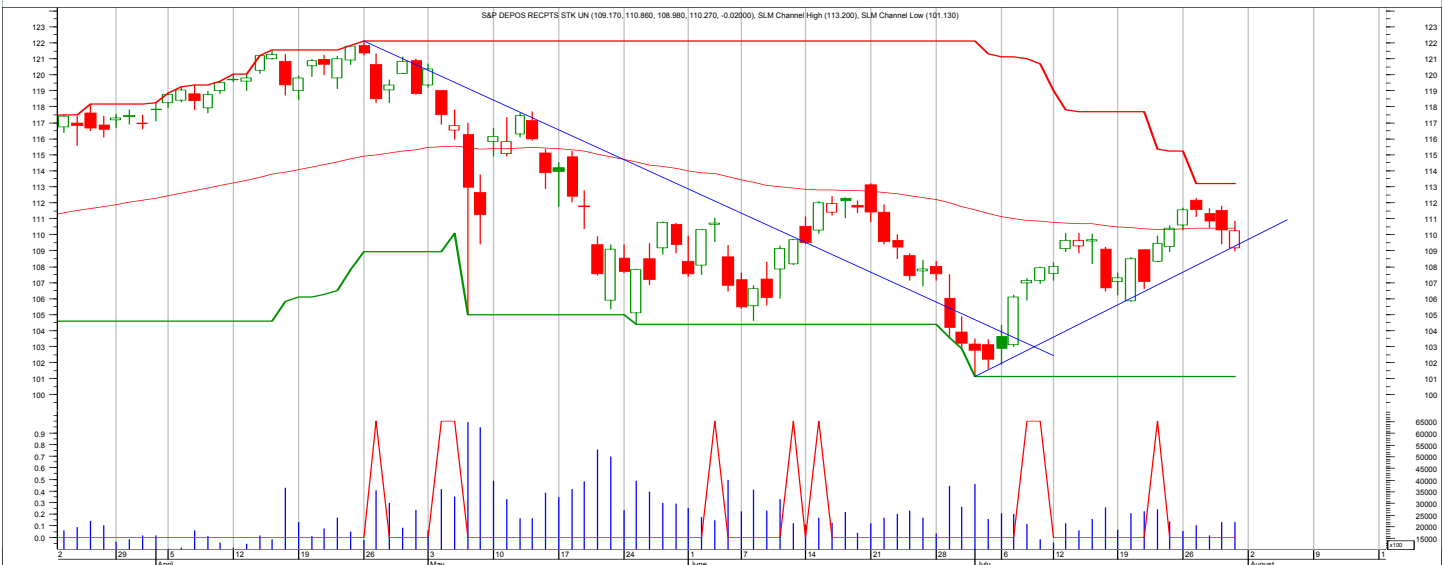
For example, the ISM manufacturing index number fell again for the third month,

but it is still at 55, which is above the 50 level that is the fulcrum point between expansion and contraction.

Likewise, the GDP report slowed from 3.7% in the first quarter to 2.4% in the second quarter. Slowing expansion, but the key word is expansion.

The leading economic indi-

*(Continued on bottom left on page 4)*



The chart is the daily S&P 500 with an 80-day moving average.

## SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	4.1%		4.1%	1.0%	1.0%	2.0%
Dow30 Portfolio	0.1%		2.8%	-5.1%	6.8%	1.2%
Wilshire 5000	0.0%		3.1%	-7.4%	7.9%	0.9%
Dow Industrials	0.4%		4.0%	-4.9%	8.1%	0.4%

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# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 7/30/2010							
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
2/8-2/12	buy	TIII	1.28	7,813	10,000	TIII			1.28	1.62	7,813	12,657.06	12.2%
2/22--	buy	DRAD	1.95	5,128	10,000	DRAD			1.95	1.84	5,128	9,435.52	9.1%
4/5 -	buy	ECGI	0.98	10,204	10,010	ECGI			0.98	1.10	10,204	11,224.40	10.8%
6/1 -	buy	GENC	7.82	1,278	10,004	GENC			7.82	7.63	1,278	9,751.14	9.4%
6/14 -	buy	QCC	1.41	7,092	10,010	QCC			1.41	1.56	7,092	11,063.52	10.6%
						Money Market			1.00		50,000	50,000.00	48.0%
								Total Valuation=				104,131.64	100.0%

## REVIEW since last issue

Each position is doing fairly well. The weakest is DRAD and the strongest is TIII. DRAD announced that their positive earnings would be pushed out another quarter or two, but it still has around \$1.62 net cash in the bank.

No changes for now.

# Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 7/30/2010						
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total
3-May	sell	CVX	82.83	43	3,562	DIA			103.83	104.70	771.04	80,727.89	80.6%
3-May	buy	VZ	29.29	50	1,475								
3-May	buy	PFE	16.91	60	1,025	T			25.18	25.94	120	3,112.80	3.1%
3-May	buy	AA	13.15	231	3,048	VZ			28.70	29.06	155	4,504.30	4.5%
						PFE			17.86	15.00	227	3,405.00	3.4%
2-Aug	sell	T		120		AA			13.15	11.17	231	2,580.27	2.6%
2-Aug	sell	VZ		155		XOM			65.11	59.68	46	2,745.28	2.7%
2-Aug	buy	BAC		200									
2-Aug	buy	JNJ		50									
						Money Market			1.00		3,024	3,024.00	3.0%
									Total Valuation=		100,099.54	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

As noted above, I'm selling two positions that have rallied back to their apparent tops and am buying two new positions that are trading nearer their lows.

# Feature Company

As mentioned two weeks ago—

Working on a large-cap dividend strategy. When completed, I will post it.

Also working on a micro-cap strategy that focuses on cheap

stocks.

These are not yet completed.

*(Continued from page 1)*

cators have moved lower in their latest reporting period on July 22 for June. But one month does not make a trend. It is still up over the last three months and longer.

So, I expect the market to continue its climb to recovery highs. It is this recovery, however, in which some negative divergences form. The economy is slowing, I don't expect it to stop, but if it does, the market will turn

down again. If the economy doesn't stop, then things should remain in gear to the upside. Close monitoring will be very necessary in the months ahead.

# Descriptions & Disclosures

## **PORTFOLIO DESCRIPTIONS (pages 2 and 3)**

Our guiding goal is to provide the most return with the least risk.

The portfolios were started on 1/1/10 with \$100,000.

Portfolio changes will usually be made either at the close on Monday (the day this eNewsletter is posted), unless otherwise noted.

Portfolios are updated through the preceding Friday's close.

Dividends are paid in cash. Interest is zero for the money market (cash) position.

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