

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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Volume 1  
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## Rally On

Things are always so perfectly clear in hindsight, even if you were anticipating those things. With that in mind, I think it time for a review.

The market rallied strongly into April. Then it corrected to July, being stomped by ongoing bad news. The ISM manufacturing index fell over three months. GDP report for the sec-

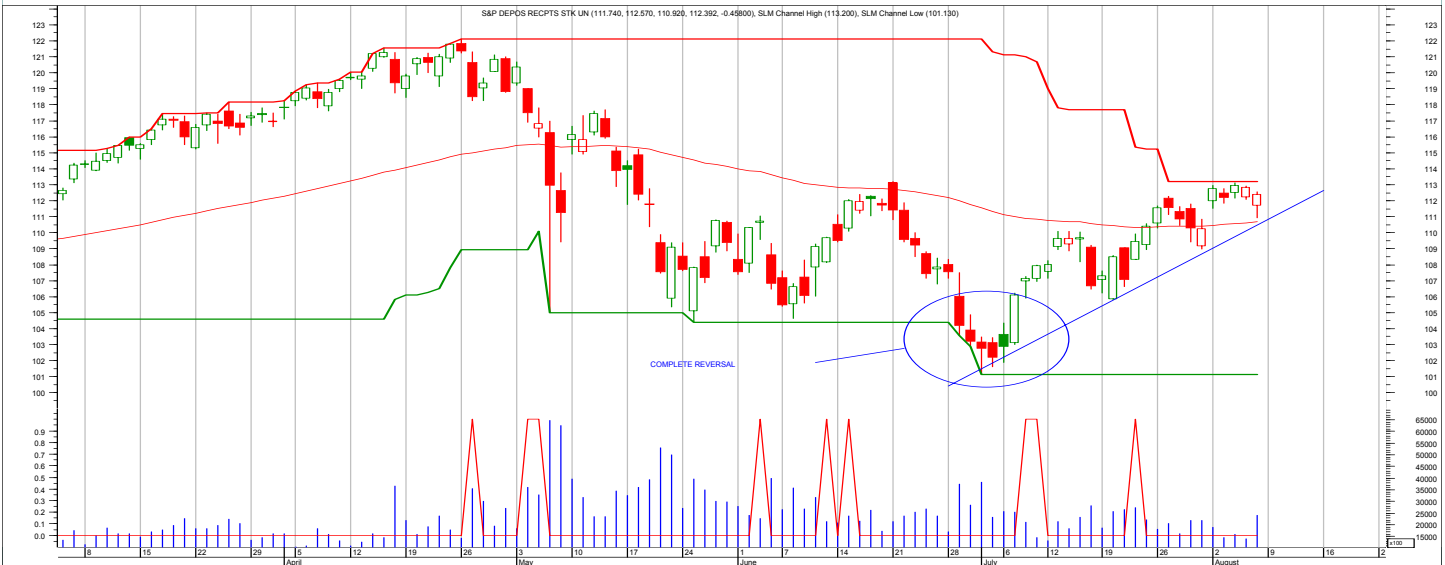
ond quarter was weaker than the first quarter. Personal spending is down, savings is up. Leading economic indicators went down one month. All culminated into one final push lower. That area is circled on the chart.

When the market broke below its previous lows of the flash crash in May, it looked like the beginnings of a water-

fall decline and many advisors decided that was the start of a bear market. Get out now (at the lows as it turned out). Both indexes had gone below their May lows. The background news sounded fairly bleak

Since then, the market has rallied back on up. The news itself hasn't really changed, it's

*(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	3.5%		3.5%	-2.8%	0.9%	-0.6%
Dow30 Portfolio	1.8%		4.7%	1.2%	4.1%	1.7%
Wilshire 5000	1.6%		6.1%	1.0%	4.0%	1.6%
Dow Industrials	2.2%		6.4%	2.6%	4.5%	1.8%

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# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 8/6/2010						
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	1.59	7,813	12,422.67	12.0%
2/22--	buy	DRAD	1.95	5,128	10,000	DRAD		1.95	1.80	5,128	9,230.40	8.9%
4/5 -	buy	ECGI	0.98	10,204	10,010	ECGI		0.98	1.09	10,204	11,122.36	10.7%
6/1 -	buy	GENC	7.82	1,278	10,004	GENC		7.82	7.53	1,278	9,623.34	9.3%
6/14 -	buy	QCC	1.41	7,092	10,010	QCC		1.41	1.55	7,092	10,992.60	10.6%
5-Aug	buy	TAXI	7.11	1,406	10,000	TAXI		7.11	7.22	1,406	10,151.32	9.8%
						Money Market		1.00		40,000	40,000.00	38.6%
								Total Valuation=			103,542.69	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: 8/6/2010						
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	106.69	771.04	82,262.26	80.8%	
3-May	buy	VZ	29.29	50	1,475								
3-May	buy	PFE	16.91	60	1,025								
3-May	buy	AA	13.15	231	3,048								
						PFE		17.86	15.00	227	3,405.00	3.3%	
2-Aug	sell	T	26.69	120	3,213	AA		13.15	11.17	231	2,580.27	2.5%	
2-Aug	sell	VZ	29.56	155	4,592	XOM		65.11	59.68	46	2,745.28	2.7%	
2-Aug	buy	BAC	14.44	200	2,898	BAC		14.44	13.96	200	2,792.00	2.7%	
2-Aug	buy	JNJ	58.72	50	2,946	JNJ		58.72	59.96	50	2,998.00	2.9%	
						Money Market				1.00	4,985	4,985.00	4.9%
											<b>Total Valuation=</b>	<b>101,767.81</b>	<b>100.0%</b>

Company	Symbol
Alcoa	AA
American Express	AXP
Boeing	BA
Bank of America	BAC
Caterpillar	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

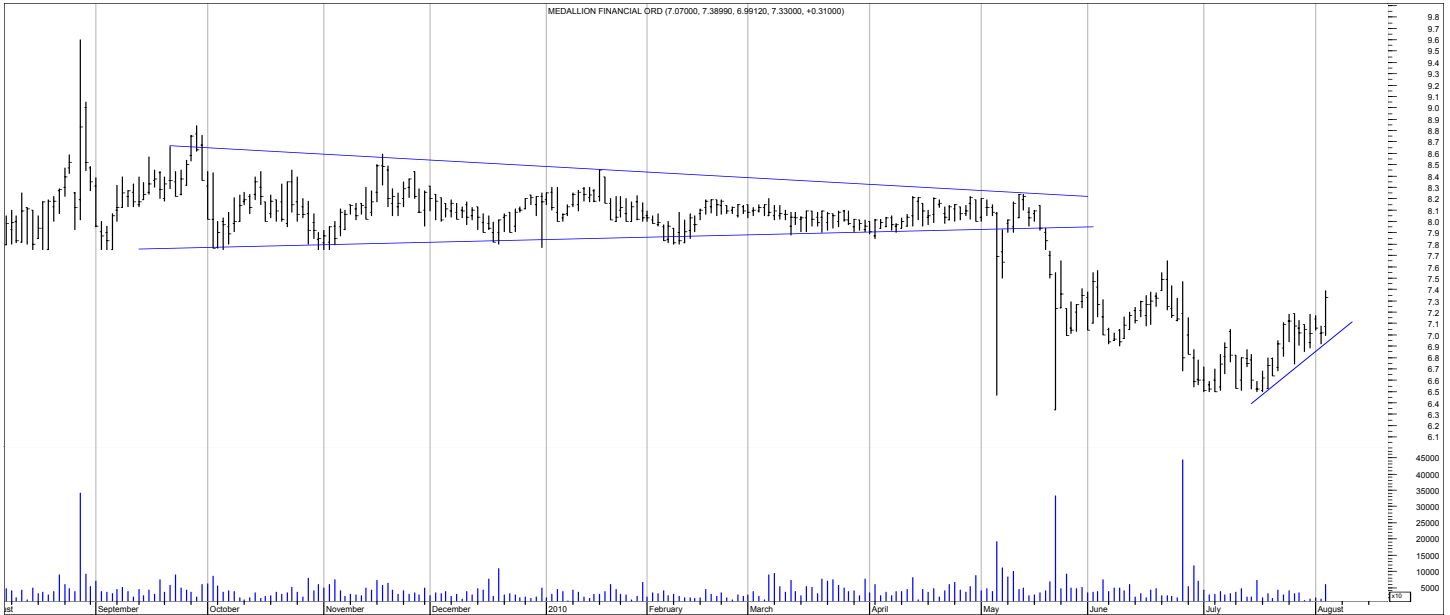
For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

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



This was recommended on 8/5 and filled the same day.

The Feature Company is from the large-cap dividend strategy. It is Medallion Financial (TAXI). They finance taxi-cab loans for the New York, Chicago, and other markets.

To legally drive a cab, you must own a medallion. The ones in

New York are trading at about \$800,000. They are all regulated and scarce.

The company finances the purchase. Delinquent loans 90 days or more past due were 1.5% down from 2.2% a year ago. It is a strong business.

The company has a tangible book value of \$9.16 per share.

The stock price is about \$7.20, providing a yield of 8.33%. Buy up to \$7.40.

Target is for the stock to increase about 50% which would bring the yield down to the 6% area, which would be more in line with the economy and the company fundamentals..

*(Continued from page 1)*

just climbing the proverbial wall of worry.

The sold out bears at the bottom are buying back in as it rallies. I still expect this to continue.

# 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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