

Stock Selections & Timing

Watercourse Way Holdings, LLC

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

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Rates and Risk

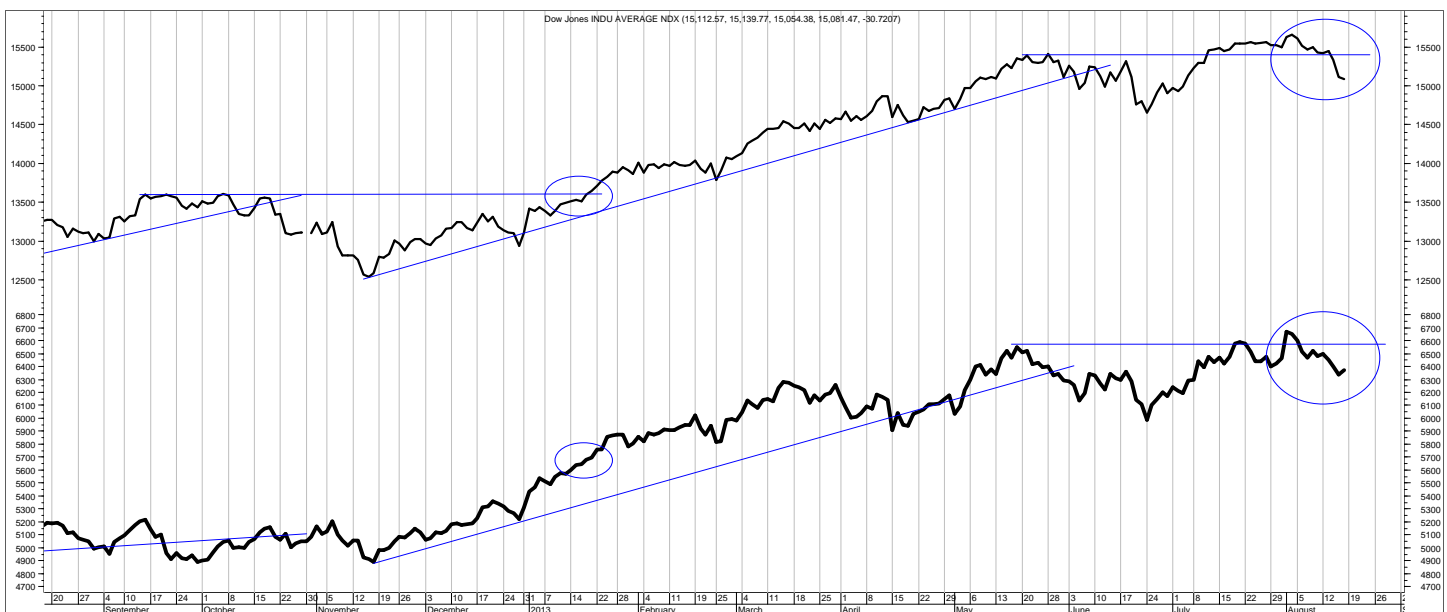
Unlike the stock market's previous breakout in January 2013, this breakout over the last month has not been as successful. In fact, the market has dropped back down below the breakout levels. This is poten-

tially very worrisome. These two occurrences are circled on the chart below.

The primary difference between then and now is the direction of interest rates. Eight months ago rates were falling (bond prices rising). Today

rates are rising (bond prices falling). The Federal Reserve has begun to signal the possibility of tapering its bond buying program (aka quantitative easing). Bonds are selling off in reaction to this.

(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	11.6%	10.0%	8.2%	3.8%	2.4%	0.9%
Dow30 Portfolio	5.8%	4.6%	2.8%	-3.2%	0.0%	0.0%
Index						
S&P 500 TR	19.0%	18.6%	9.5%	-0.7%	-2.0%	-1.9%
Dow Industrials	16.6%	13.6%	7.9%	-1.8%	-3.0%	-2.2%

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Stock Portfolio

ACTION FOR						PORTFOLIO DETAILS						Value as of date: 8/16/2013		
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
17-Jun	buy	MCC	13.25	1,000	13,260	GENC			8.00	7.56	7.84	2,278	17,859.52	11.2%
18-Jun	sell	TAXI	14.41	600	8,636	WTT			1.00	0.87	1.76	7,500	13,200.00	8.3%
20-Jun	buy	SILU	1.35	10,000	13,510	OPLK			13.00	12.84	20.27	600	12,162.00	7.6%
16-Aug	sell	SILU	2.47	5,000	12,358									
	exchange finalized		0.15	10,000	1,500	MCC	10.9%		13.80	13.25	14.06	1,000	14,060.00	8.8%
						MCGC	12.9%		4.40	4.38	5.03	1,500	7,545.00	4.7%
						NGPC	8.7%		7.15	7.04	6.52	2,000	13,040.00	8.2%
						MVC	3.8%		13.00	12.71	12.34	1,200	14,808.00	9.3%
						GAIN	8.0%		7.55	7.48	7.18	1,000	7,180.00	4.5%
Above in green show s end price still below buy limit.														
Shown below is watch list for potential purchase at or below buy limit.														
Dividends													6,852.00	4.3%
Money Market													1.00 53,006	53,006.00 33.2%
Total Valuation=													159,712.52	100.0%

REVIEW since last issue

8/19 Completed the sell of SILU. GENC may have begun its own breakout with my long-term target still north of \$12/share. No new recommendations at this time.

8/12 No changes. The downside risk is increasing. We will be monitoring areas to take profits.

8/5 No changes.

7/29 SILU merged with SII (Canadian listing only). Shareholders received 1/2 share in SII for each share of SILU plus 0.15 cash. Based on today's rates, I have sold all of SILU/SII for a small loss.

7/22 No changes. It is nice to see GENC perhaps getting a little market recognition as the shares rally.

Back of the envelope analysis shows that its market cap of \$72 million (price of \$7.60 times number of shares outstanding 9.5 million) is still below its net cash in the bank (\$87 million). Add in the business value and it is still the cheapest stock out there.

7/15 No changes.

7/8 No changes.

7/1 No changes.

	2010	2011	2012	ytd 2013	Incptn
Stock Portfolio	12.3%	21.4	5.0	11.6	59.7
S&P 500 TR	15.0%	1.9	14.1	19.0	59.0

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: 8/16/2013						
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

8/19 As mentioned in the front page article, the risk is increasing with the market's failure to sustain its recent breakout. So, no new purchases at this time.

8/12 No changes.

8/5 No changes.

7/29 No changes.

7/22 No changes.

Feature Company

None this month.

(Continued from page 1)

As a result, yields are higher than they were at the beginning of the year.

In turn higher yields may lead to a couple of additional issues.

One higher yields provides competition for the investor dollar.

Two higher yields may keep economic growth in check as borrowers must pay more in interest

costs. This may negatively impact major decisions like buying a new car or a new house.

At the same time, given the rise in rates, we should not make a foregone conclusion that the economy will necessarily enter into a recession any time soon.

As such, it is far from clear that the stock market, with its current breakout failure, has entered into the beginnings of a sustained bear market with losses

exceeding the typical 30%.

So, the rise in rates is worrisome, but not necessarily forecasting a stock bear market.

As usual, we will monitor the trends and stops each day.

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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