

Stock Selections & Timing

Watercourse Way Holdings, LLC

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

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Who's Going to Blink?

The Federal Reserve hinted about QE3 last week, but the question is whether the economy has improved or not since the meeting in which the minutes were recorded. At best, it still appears mixed. So where does that leave us?

Given the stock market re-

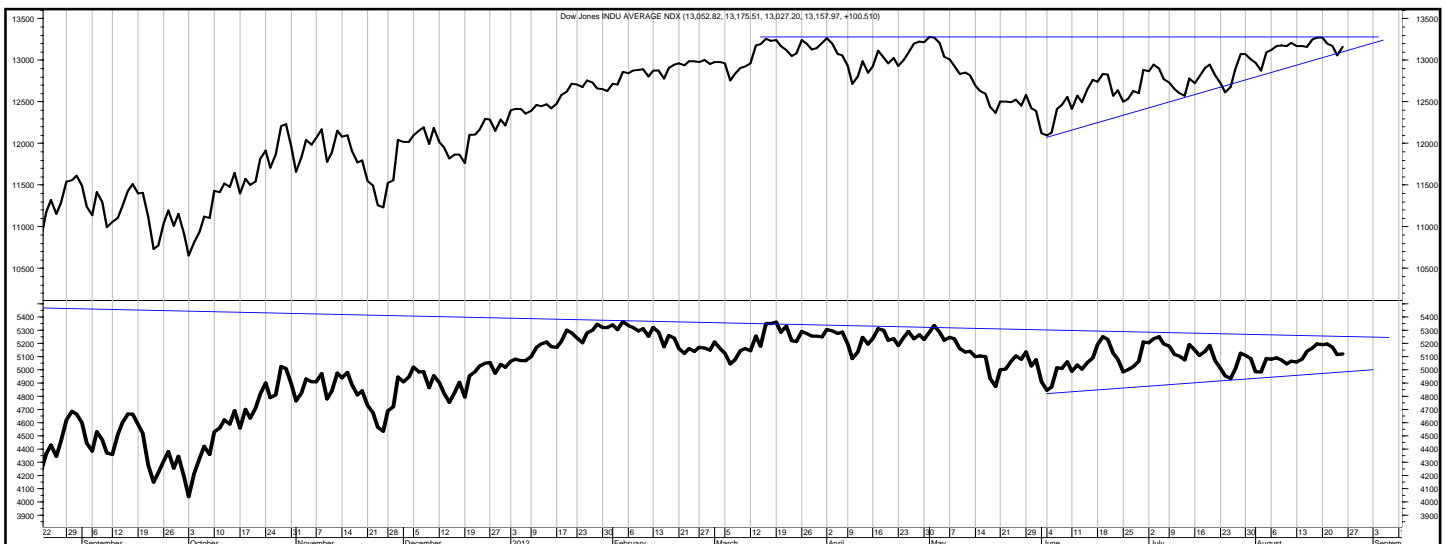
action, I suspect that it is a case of buy the rumor and sell the news. The result is one of being underwhelmed.

Or perhaps it's a recognition that each successive easing has impacted the stock market, let alone the economy, less and less.

The marble is being passed

from the Fed and is now in the hands of Congress. What will they do about the upcoming fiscal cliff? The clear calculation from the nonpartisan Congressional Budget Office is that if they do nothing, the economy goes into a recession in 2013. And just as clear is the fact that

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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	6.5%	18.7%	1.2%	3.7%	2.0%	0.0%
Dow30 Portfolio	-1.7%	-3.8%	-4.0%	-1.1%	0.0%	0.0%
Wilshire 5000 TR	13.3%	21.5%	3.1%	7.0%	2.0%	-0.5%
Dow Industrials	7.7%	16.6%	1.4%	5.0%	0.6%	-0.9%

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Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		8/24/2012						
Action Dates	Action Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 8/27	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total		
31-Jul	sold	WTT	1,230	1,000	1,220										
31-Jul	bought	MCGC	4.380	1,000	4,390										
1-Aug	bought	NGPC	7.030	500	3,525	GENC		8.00	7.56	7.55	2,278	17,198.90	11.8%		
1-Aug	bought	OPLK	13.00	300	3,910	WTT		1.00	0.87	1.33	9,000	11,970.00	8.2%		
						OPLK		13.00	12.84	16.53	600	9,918.00	6.8%		
20-Aug	buy	NGPC	7.030	500	3,525	MCGC	12.9%	4.40	4.38	4.48	1,500	6,720.00	4.6%		
23-Aug	buy	MCGC	4.37	500	2,195	NGPC	8.7%	7.15	7.03	6.79	1,000	6,790.00	4.7%		
						TAXI	11.10	8.4%	10.00	9.98	11.24	650	7,306.00	5.0%	
WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT NEW FROM 8/18/12															
none															
											Dividends	3,234.82	2.2%		
											Money Market	1.00	82,063	82,063.00	56.5%
											Total Valuation=	145,200.72	100.0%		

REVIEW since last issue

8/27 The new buys were triggered last week. No new buy levels or recommendations. Note that I raised the stop level on TAXI.

8/20 GENC remains the cheapest stock out there that I'm aware of. OPLK jumped on their results. Please note the new buys on the Watch List.

8/13 The three stocks were picked up below their buy limits in the last two weeks. I remain fairly defensive given the picture of weakness in the stock market on both a fundamental and technical basis.

	2010	2011	ytd 2012	Incptn	SD
Stock Portfolio	12.3%	21.4	6.5	45.2	15.5
W5000 TtlRtrn	17.7%	0.5	13.3	34.1	10.9

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: 8/24/2012								
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 5/21	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
23-May	sell	AXP	55.99	200	11,188									
1-Jun	sell	AA	8.29	1,300	10,767									
1-Jun	sell	KFT	37.57	300	11,261									
1-Jun	sell	IBM	188.78	60	11,317									
1-Jun	sell	MCD	86.88	125	10,850									
11-Jun	sell	DIS	45.74	250	11,425									
11-Jun	sell	KO	74.55	150	11,173									
11-Jun	sell	MRK	38.51	300	11,543									
						Money Market					1.00	104,247	104,247.00	100.0%
												Total Valuation=	104,247.00	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

- 8/20 No changes.
- 7/30 No changes.
- 7/23 No changes.
- 7/16 No changes.

Feature Company

No new recommendations.

(Continued from page 1)

the stock market has yet to discount that.

Or it is still hoping that Congress will act in the right manner, whatever that may be. Clearly ongoing deficit spending and uncapped entitlement programs will be unsustainable in the years ahead. But what will they do in the short term? Raise taxes?

So, the stock market reaction is muted, a mixture of hope for easing and a fear it won't do any good. Add in the politics of the day and it is a question of who's

going to blink first.

With all that as background, what is interesting is investor sentiment. Advisors and the public are turning more bullish and less bearish. Why? Have the fundamentals improved? Maybe from the summer they have, but will they continue to improve? Probably not. As I mentioned, there is no discounting of a recession in our near future or even the possibility of one. In addition, Europe is still in a recession and China continues to slow.

What are the bulls thinking?

QE3? Okay, but the market didn't react much even with the supposed nod it's on its way.

So, we'll see how things unfold, of course, but we aren't making many changes just yet.

See the individual pages for any specific, actionable recommendations.

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 Wilshire 5000 TR (total return) includes dividend reinvestment.

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