

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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

September 3, 2013 (data through previous Friday's close)  
Volume 4  
Issue 34

## Economic Impact

Purchasing manager indexes (PMI) worldwide are coming in better than expected. This is bullish for the economy. It is also bearish for interest rates. This strength may provide the Federal Reserve with full confirmation to begin

its tapering program this month. And stocks? How will this impact stocks?

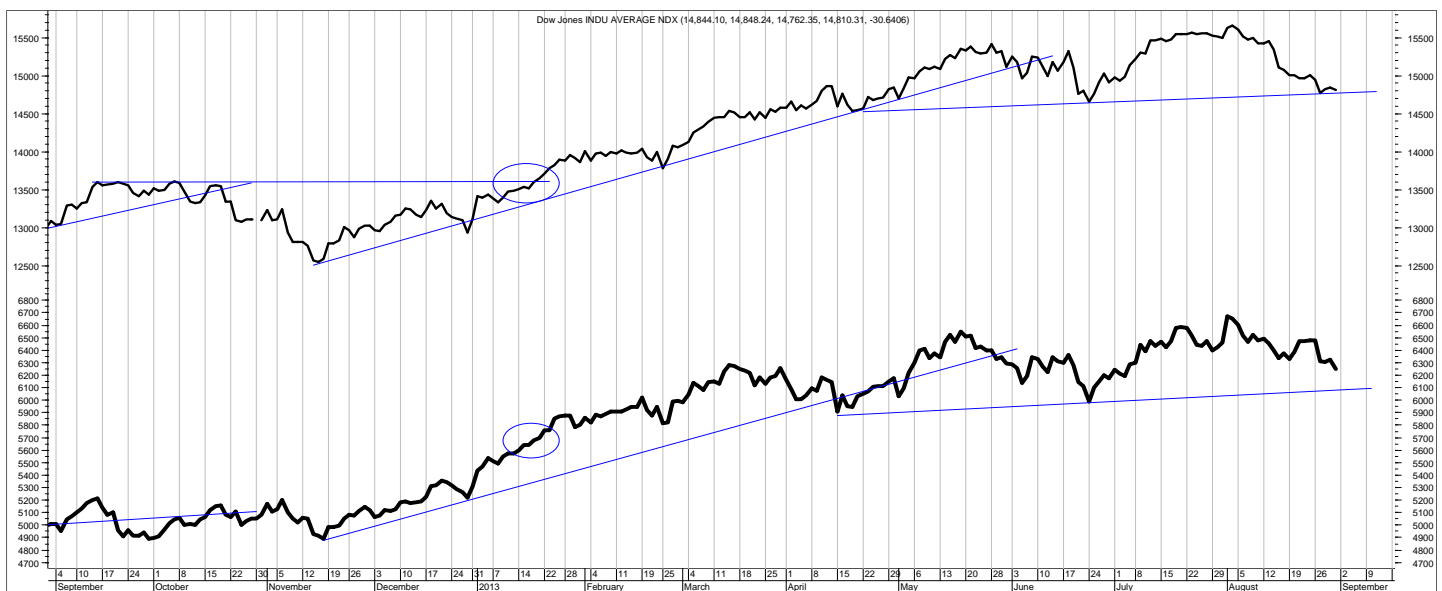
If we assume that stocks are up for one reason because of quantitative easing, then its absence would be negative.

If we also assume that

stocks are up for another reason that investors reached for the higher comparable yields that some stocks offered, then competition from higher yields will be negative.

So, the economy may mud-

*(Continued on bottom left on page 4)*



This is the daily chart of the Dow Industrials (upper) and Dow Transports (lower).

## SCOREBOARD

| Model           | YTD   | 52-week | 26-week | 13-week | 4-week | 1-week |
|-----------------|-------|---------|---------|---------|--------|--------|
| Stock Portfolio | 9.8%  | 7.4%    | 6.0%    | 1.7%    | -1.1%  | -1.6%  |
| Dow30 Portfolio | 5.8%  | 4.6%    | 2.3%    | -3.4%   | 0.0%   | 0.0%   |
| <b>Index</b>    |       |         |         |         |        |        |
| S&P 500 TR      | 18.8% | 19.3%   | 9.4%    | 1.3%    | -3.1%  | -0.3%  |
| Dow Industrials | 14.5% | 13.1%   | 5.1%    | -2.0%   | -5.4%  | -1.3%  |

## CONTENTS

Page 2...Stock  
Page 3...Dow 30  
Page 4...Featured  
Page 5...Disclaimers

# Stock Portfolio

| ACTION FOR  |                    |        | PORTFOLIO DETAILS |             |              |        |                        | Value as of date: |           | 8/30/2013   |           |             |                 |                  |
|---|--------------------|--------|-------------------|-------------|--------------|--------|------------------------|-------------------|-----------|-------------|-----------|-------------|-----------------|------------------|
| 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        | 7.97      | 2,278       | 18,155.66       | 11.5%            |
| 18-Jun  | sell               | TAXI   | 14.41             | 600         | 8,636        | WTT    |                        |                   | 1.00      | 0.87        | 1.72      | 7,500       | 12,900.00       | 8.2%             |
| 20-Jun  | buy                | SILU   | 1.35              | 10,000      | 13,510       | OPLK   |                        |                   | 13.00     | 12.84       | 18.59     | 600         | 11,154.00       | 7.1%             |
| 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       | 13.15     | 1,000       | 13,150.00       | 8.3%             |
|   |                    |        |                   |             |              | MCGC   | 12.9%                  |                   | 4.40      | 4.38        | 4.89      | 1,500       | 7,335.00        | 4.7%             |
|   |                    |        |                   |             |              | NGPC   | 8.7%                   |                   | 7.15      | 7.04        | 6.32      | 2,000       | 12,640.00       | 8.0%             |
|   |                    |        |                   |             |              | MVC    | 3.8%                   |                   | 13.00     | 12.71       | 12.53     | 1,200       | 15,036.00       | 9.5%             |
|   |                    |        |                   |             |              | GAIN   | 8.0%                   |                   | 7.55      | 7.48        | 6.85      | 1,000       | 6,850.00        | 4.3%             |
| <p>Above in green shows end price still below buy limit.<br/>           Shown below is watch list for potential purchase at or below buy limit.</p> |                    |        |                   |             |              |        |                        |                   |           |             |           |             |                 |                  |
| Dividends   |                    |        |                   |             |              |        |                        |                   |           |             |           | 7,272.00    | 4.6%            |                  |
| Money Market  |                    |        |                   |             |              |        |                        |                   |           |             |           | 1.00 53,006 | 53,006.00 33.7% |                  |
| Total Valuation=  |                    |        |                   |             |              |        |                        |                   |           |             |           | 157,498.66  | 100.0%          |                  |

## REVIEW since last issue

9/3 No changes.

8/26 No changes.

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.

|                 | 2010  | 2011 | 2012 | ytd 2013 | Incptn |
|-----------------|-------|------|------|----------|--------|
| Stock Portfolio | 12.3% | 21.4 | 5.0  | 9.8      | 57.1   |
| S&P 500 TR      | 15.0% | 1.9  | 14.1 | 18.8     | 58.9   |

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: 8/30/2013 |                        |             |                  |              |             |               |                  |
|---------------------------------|--------|-------------------|--------------|-------------|--------------|-----------------------------|------------------------|-------------|------------------|--------------|-------------|---------------|------------------|
| 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

9/3 No changes.

8/26 No changes.

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.

# Feature Company

None this month.

---

*(Continued from page 1)*

...dle along. Interest rates may rise. And stocks may fall.

But a bear market in stocks because of a recession is one thing and a bear market due to overvaluation is another thing.

At this time, a recession is not in sight. In addition to the better PMI numbers, leading economic indicators are trending higher. Also the government's gauge of the possibility of recession is still near zero.

What may surprise investors then is to have stocks correct in

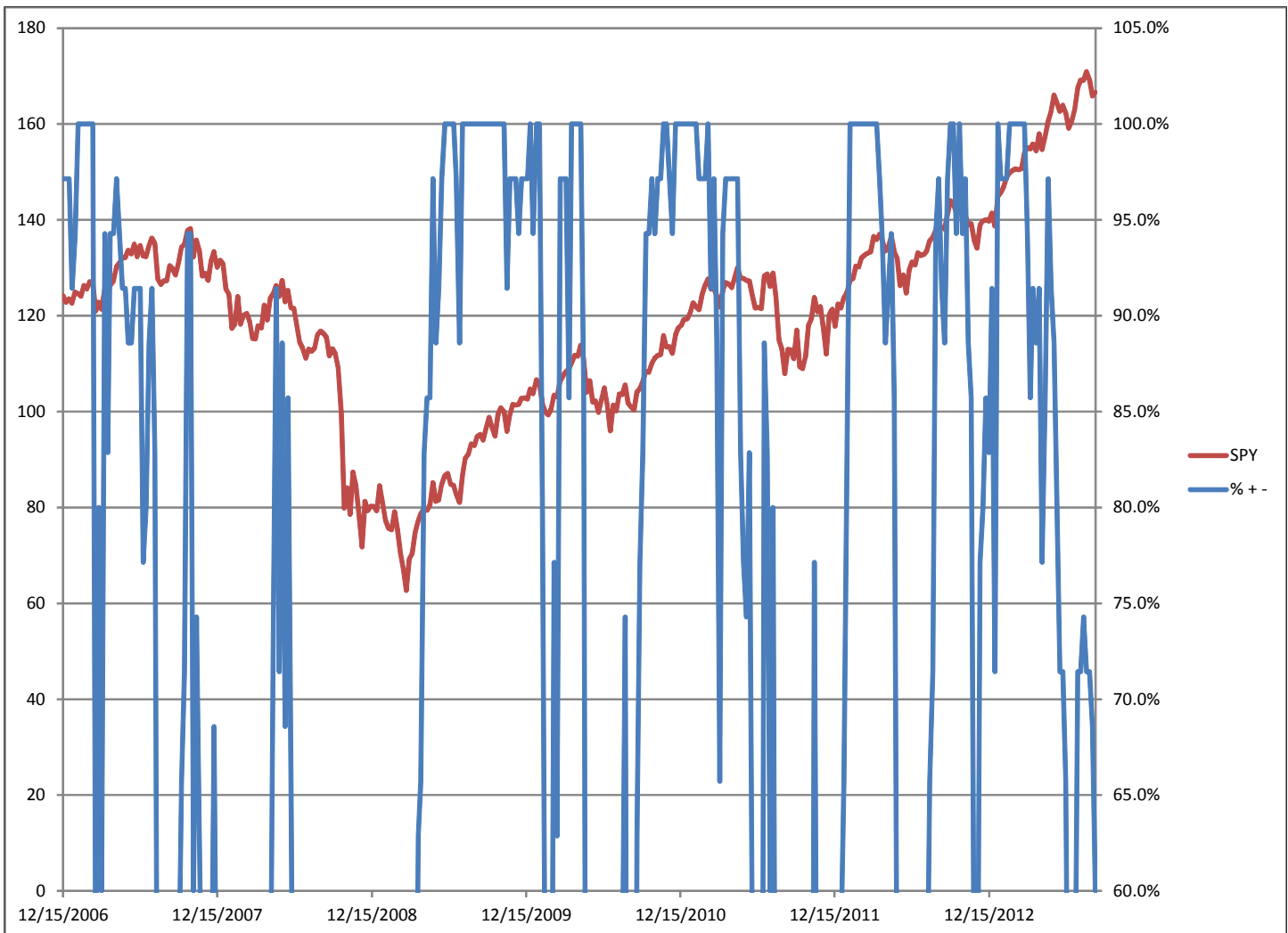
the face of positive economic news. We shouldn't confuse the two things and the two divergences that may happen between a stronger economy and weaker stock market.

Another reaction to these things may be to see some relative performance differences between international and domestic stock markets.

EEM and EFA have been underperforming for a number of years now, since 2010. This may begin to change in the months ahead.

Please see the individual portfolio pages for any changes.

## Analysis (reiteration)



The chart above shows that the percentage of ETFs (a basket of 35 equity ETFs) above their 35-week moving average is shrinking, even as the SPY (S&P 500 index) continues to climb. This is potentially a worrisome negative divergence.

Consider the rallies in 2006 where the SPY hit recovery highs, while the % continued to decrease. The same scenario unfolded in the summer of 2010. In both instances, the subsequent action led to a severe bear market and a sharp pullback.

So, while the “general” the SPY leads, the troops are falling behind. This bears close watching.

# 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 1:35 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, 2010-2013, Watercourse Way Holdings, LLC. All rights reserved.