

Stock Selections & Timing

Watercourse Way Holdings, LLC

P.O. Box 830396

Richardson, TX 75083-0396

972-680-2366

October 1, 2012 (data through previous Friday's close)

Volume 3

Issue 34

Still Mixed

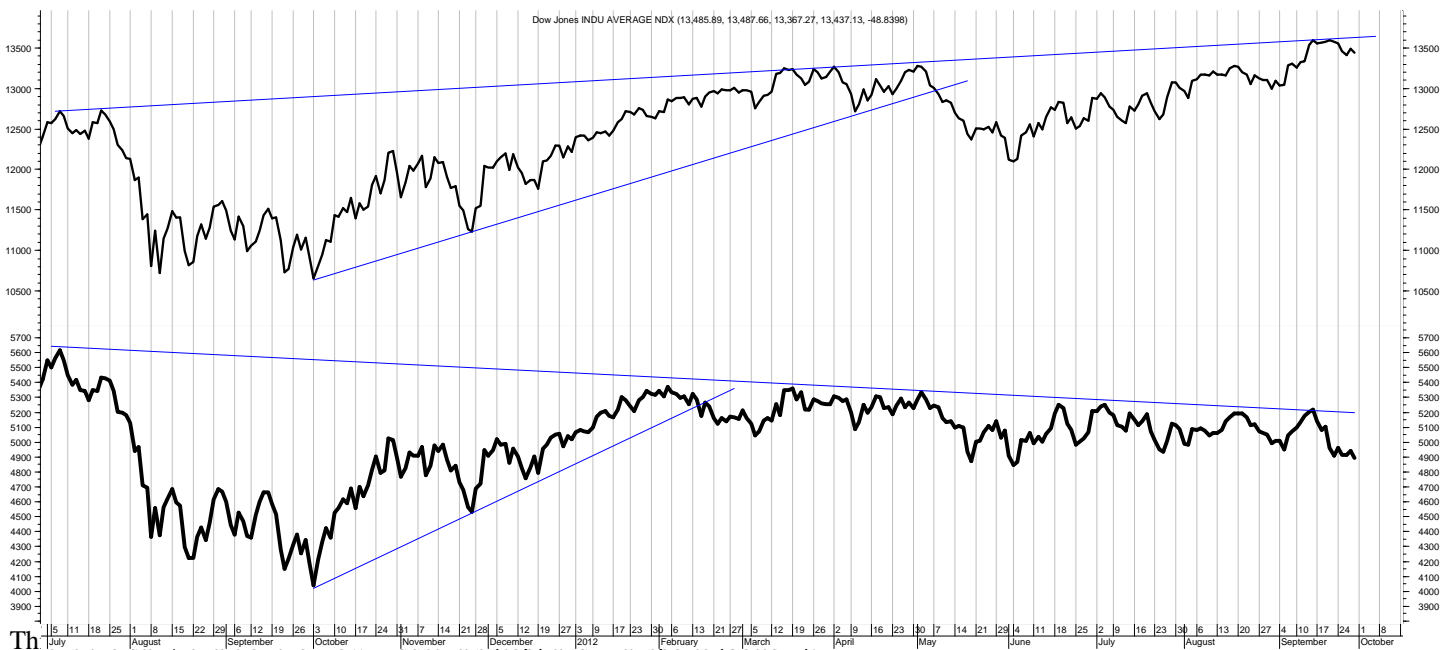
The economy and stock market remain in their mixed message mode. It depends on where you look. The transportation index continues to reflect weakness in shipping. The industrial index continues to reflect strength in the rest of the market.

Housing appears to have finally hit bottom and is now actually improving in most areas of the country. Rents have gone up. Prices have come down. Mortgage money, if not plentiful and easy to get, is at least cheap at sub 3.5% for 30 year loans. Better housing

translates into more consumer purchases. One would think these things like refrigerators and carpet have to be transported and they are, just not sufficiently.

The Fed is still loose and will remain so for at least another

(Continued on bottom left on page 4)



SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	6.5%	22.5%	0.0%	2.6%	-0.7%	-1.0%
Dow30 Portfolio	-1.7%	1.9%	-3.2%	0.0%	0.0%	0.0%
Wilshire 5000 TR	16.1%	30.0%	2.7%	6.1%	2.6%	-1.4%
Dow Industrials	10.0%	23.1%	1.7%	4.3%	2.6%	-1.0%

CONTENTS

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

Stock Portfolio

ACTION FOR		PORTFOLIO DETAILS					Value as of date:		9/28/2012				
Action Dates	Action Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 9/7	Yield at buy	Buy Limit	Start Price	End Price	# of Shares	Current Value	Percent of Total
31-Jul	sold	WTT	1,000	1,220									
31-Jul	bought	MCGC	1,000	4,390									
1-Aug	bought	NGPC	500	3,525	GENC			8.00	7.56	7.40	2,278	16,857.20	11.6%
1-Aug	bought	OPLK	300	3,910	WTT			1.00	0.87	1.25	9,000	11,250.00	7.7%
					OPLK			13.00	12.84	16.54	600	9,924.00	6.8%
20-Aug	buy	NGPC	500	3,525									
23-Aug	buy	MCGC	500	2,195	MCGC		12.9%	4.40	4.38	4.61	1,500	6,915.00	4.8%
					NGPC		8.7%	7.15	7.03	7.46	1,000	7,460.00	5.1%
11-Sep	sold	TAXI	650	7,381	O		4.4%	41.50			180	-	about 5%
					MVC		3.8%	13.00			600	-	about 5%
1-Oct	buy	O	180										
1-Oct	buy	MVC	600										
both positions will be roughly 5% of total portfolio					WATCH LIST FOR POTENTIAL PURCHASE AT OR BELOW BUY LIMIT NEW FROM 8/18/12								
					none								
					Dividends								
					Money Market								
					Total Valuation=								
					3,374.82 2.3%								
					1.00 89,444 89,444.00 61.6%								
					145,225.02 100.0%								

REVIEW since last issue

10/1 Make the two new buys as noted above. They pay a decent dividend and appear relatively cheap.

9/24 No changes.

9/17 TAXI was stopped out. I continue to look for new bargains, but the market rally has made the pickings slim. The business development companies (MCGC, NGPC) have done well with their substantial and what appear to be secure yields.

9/10 Monitor the new stop on TAXI.

9/4 Keep an eye on TAXI's stop.

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	16.4
W5000 TtlRtrn	17.7%	0.5	16.1	37.4	11.7

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: 9/28/2012								
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

- 9/4 No changes. The selecting and timing model is undergoing changes.
- 8/20 No changes.
- 7/30 No changes.
- 7/23 No changes.
- 7/16 No changes.

Feature Company

MVC is another business development company, making equity and debt investments.

Its NAV at 7/31/12 is \$16.42, while the market price is currently \$12.76.

The stock yields 3.8%.

With a recent sale of a portfolio company, I expect them to buy back shares because of the wide difference between the NAV and stock price. This should not only support prices, but begin to close the gap.

Strong resistance is at \$13.00 while major support is around \$12.50 area. Upside target is back to about \$16.00

We have owned O (Realty Income Corp) in the past. It currently pays a monthly dividend to yield 4.4%.

The company announced about a month ago an accretive acquisition. After initially rallying, the stock has pulled back to major support around \$40. We will buy.

(Continued from page 1)

er year. They are still focused on the job market. With housing recovering, however, one would also think this means consumers are much more confident in their jobs.

The upcoming Fiscal Cliff remains a problem, however. Without any Congressional changes, automatic tax expirations and spending cuts are projected to knock the economy into a recession. Apparently the hope and anticipation is it will be very mild or that Congress will again

just “kick the can down the road” one more time. In turn, the debt vis a vis entitlement programs simply looms and looms and looms without too much of even a recognition of its status.

So, debt, fiscal cliff, negative divergences, we know all these things, yet the market continues to trend higher in spite of them. We can't blame ignorance, if the market plunges. On the other hand, the market may simply be signaling that low interest rates, just as they have been helping, will continue to help consumers,

businesses, and government. The economy will continue to muddle along. The Fed, banks, money markets paying zero percent is forcing the walk out the risk plank. And they keep extending its efficacy in a self-fulfilling positive feedback loop.

The market top is when investors no longer fear loss, when the “wall of worry (of loss)” no longer exists.

Please see the specific portfolio pages for 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 Wilshire 5000 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 bi-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 other 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 Wilshire 5000 TR 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, 2010-2012, Watercourse Way Holdings, LLC. All rights reserved.