

# Stock Selections & Timing

## Watercourse Way Holdings, LLC

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Volume 2  
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## Market Rallies

The stock market has surged over the past few weeks for a number of positive related reasons. These are reversals of the bad news that took the market lower in late July and early August.

The main news appears to be the progress in Europe on how to deal with their bank and

sovereign debt crisis. Apparently they will raise capital from a variety of sources and attempt to recapitalize. They may allow Greece to selectively default. A final solution is supposed to be announced this week. The hope is that this will ease liquidity concerns and keep Europe out of recession.

The next bit of positive news is the domestic economy is not quite as weak as expected. It is still not creating new jobs, but it is hanging in there. As I've been mentioning, on the leading economic indicator news, it continues to trend higher, suggesting expansion

*(Continued on bottom left on page 4)*



The chart is the DAILY S&P 500 with 200-day exponential moving average.

## SCOREBOARD

Model	YTD	52-week	26-week	13-week	4-week	1-week
Stock Portfolio	11.9%	23.3%	-2.0%	-3.0%	5.5%	1.2%
Dow30 Portfolio	-3.2%	-1.2%	-8.4%	-8.6%	1.7%	-0.7%
Wilshire 5000	-2.9%	4.2%	-8.8%	-9.3%	8.9%	1.0%
Dow Industrials	2.0%	6.1%	-5.6%	-6.9%	9.6%	1.4%

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# Stock Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date:		10/21/2011						
Action Dates	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing stop as of 9/2	Yield	Start Price	Ending Price	# of Shares	Current Value	Percent of Total		
22-Aug	buy	ANIK	5.89	1,800	10,612	ANIK			5.89	6.29	1,800	11,322.00	9.0%		
19-Sep	sell	O	34.50	150	5,165	GENC			7.73	7.10	1,478	10,493.80	8.3%		
19-Sep	buy	KCAP	6.10	1,000	6,110	WTT			0.87	0.92	16,000	14,720.00	11.7%		
19-Sep	sell	SNDK	43.67	150	6,541										
17-Oct	sell	SILU	1.400	7,092	9,919	PSEC		12.0%	10.15	9.34	1,200	11,208.00	8.9%		
24-Oct	buy	MRVL	at close	900		MCGC		9.3%	6.44	4.49	2,000	8,980.00	7.1%		
24-Oct	buy	GENC	< 7.25	300		KCAP		11.9%	6.10	6.25	1,000	6,250.00	5.0%		
						MRVL					900		about 9%		
Dividends												1,642.26	1.3%		
Money Market												1.00	61,142	61,142.00	48.6%
Total Valuation=												125,758.06	100.0%		

## REVIEW since last issue

10/24 Buy MRVL and buy more GENC as noted above.

10/3 No changes. Waiting for a bottom.

9/19 O has rallied back to the top of its trading range, so time to take profits. Same scenario with SNDK, but for a small loss. Buy KCAP as noted (about 5% of the portfolio) and see page 4.

9/6 No changes.

8/22 Will purchase a new position. Please note the new sell stop on SNDK.

8/8 The portfolio got hit in the market's downdraft. No changes now. Positions are basically cheap compared to their fundamentals.

7/25 Rebuy SNDK. Their earnings came out better than expected.

7/11 Given we are at an intermediate-term top, it is time to raise some cash and await a better entry point.

	2010	ytd 2011	incptn
Stock Portfolio	12.5%	11.9	25.8
W5000	15.5%	-2.9	12.3

# Dow 30 Portfolio

ACTION FOR			PORTFOLIO DETAILS			Value as of date: 10/21/2011								
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Closing Stop as of 9/2	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
13-Sep	buy	T	28.05	400	11,230									
19-Sep	sell	AA	11.58	900	10,412									
19-Sep	sell	IBM	173.13	70	12,109									
22-Sep	sell	DIA	107.07	500	53,525									
22-Sep	sell	CAT	73.90	130	9,597									
22-Sep	sell	DD	41.65	250	10,403									
3-Oct	buy	HPQ	22.20	500	11,110									
17-Oct	sell	HPQ	24.86	500	12,420									
17-Oct	sell	T	29.02	400	11,598									
						Money Market					1.00	103,775	103,775.00	100.0%
												Total Valuation=	103,775.00	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

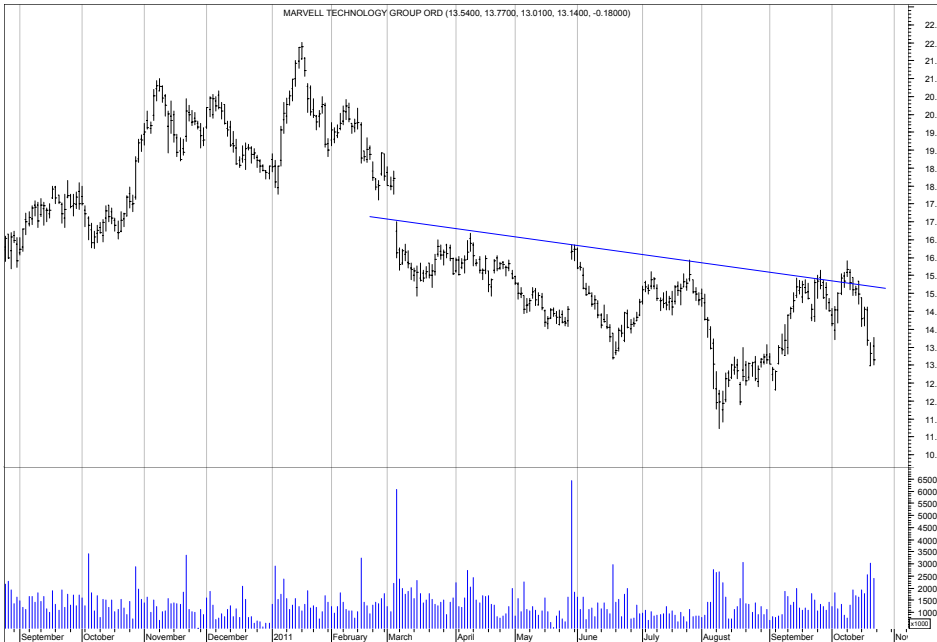
10/24 Will look to buy on pullbacks.

10/3 With HPQ at 5x earnings, I have to buy just as a matter of principle. T yields 6%.

9/19 I'll get out of AA to get out of the margin position and raise some cash. Monitor the stops.

9/6 Note the sell stops.

# Feature Company



## MRVL (Marvel Technology Group)

Like many other companies, MRVL is cheap. It trades at 11x earnings, but when adjusted for its net cash, the ratio is nearer to 6x.

The company provides semiconductors and systems on a chip technologies on a world-wide basis. Their products are used in data storage, switching, cellular, networking, and more. Revenues are near \$3.5 billion.

Buy below \$14.50 for an initial projected move above \$18.

## STOCK PORTFOLIO UPDATES (page 2)

Continue to accumulate GENC. It is still the cheapest stock out there, trading below net cash in the bank with a profitable business.

Buy MRVL as noted.

*(Continued from page 1)*

over the next six months. However, the growth in the indicator has slowed.

Today, Caterpillar (CAT) reported good 3q news.

In sum, the economic news both domestically and abroad has improved somewhat.

In addition to economic news, I've continued to watch the technicals and investor sentiment for further information on the likely direction of the stock market.

Technically, the market was

confirming lower prices in early October. Given the recent rebound, this has to be revisited.

Lastly, investor sentiment never reached extreme levels of bearishness. This is a contrary indicator. This lack of an extreme negative reading never triggered a buy signal.

So, at this time, given that the market has already rallied a long way, I will stand on the sidelines for now, waiting for some pullback to consider reinvesting. If we get some positive European news this week, it may turn out to

be a classic case of "buy the rumor and sell the news". In other words, the top for this run may be a day or two away.

# 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.

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.

Dividends are paid in cash. Interest is assumed to be zero for the money market (cash) position. Index dividends are ignored.

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