

ETF Selections & Timing

Watercourse Way Holdings, LLC

P.O. Box 830396

Richardson, TX 75083-0396

972-680-2366

InvestmentST.com

December 23, 2013 (data date through previous Friday close)

Volume 4

Issue 51

Last In

The Fed announced last week that they would start to taper slightly. The stock market dove for about 2 minutes and has been rallying ever since.

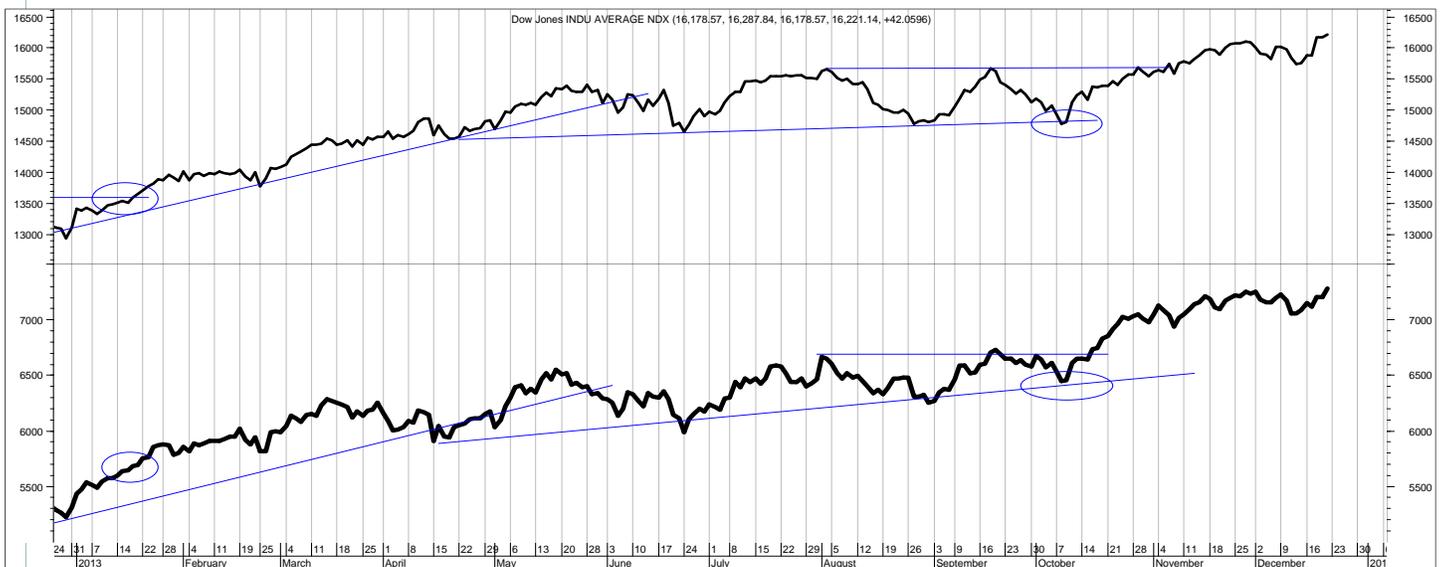
The bigger news is the background to the taper; the reason for it is two fold. One the

economy is stronger than expected ranging from consumer spending to corporate profits and parts of government sequestration (lower spending) will probably be repealed. Two the Fed will keep short-term rates near zero into 2015, depending on inflation remaining around 2-

2.5% and unemployment rate dropping to around 6%-6.5%.

Given the stronger economy, in January I'd expect another taper announcement of \$10 billion. This should continue through 2014, until it is over.

(Continued on bottom right on page 12 see REVIEW on top)



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

SCOREBOARD (returns year to date and past weeks to date)

Model	YTD	52-week	26-week	13-week	4-week	1-week
ETF Income Portfolio	1.3%	1.5%	2.0	1.3	0.0	0.4%
ETF Growth Portfolio	24.8%	23.3%	16.9	4.4	-0.1	1.2%
Index						
Aggrt Bond (AGG)	-4.1%	-4.0%	0.1	0.0	-0.5	0.0%
S&P 500 TR (SPY)	30.4%	27.9%	14.3	6.6	0.7	2.1%
World Growth Index	27.7%	25.8%	16.5	5.5	0.7	2.2%

CONTENTS

Pages 2-5	Income
Page 4	Bond Model
Pages 6-11	Growth
Page 12-13	Overflow
Page 14	Disclaimers

Income Portfolio

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 12/20/2013							
Action Date	Action	Symbol	Action Price	# of Shares	Action Value	Symbol	Stop Loss as of 12/9	Description	Start Price	End Price	# of Shares	Current Value	Percent of Total	
28-Oct	sell	PCY	27.95	1,300	36,325	AGG	106.50		106.76	106.68	537.0	57,287.16	49.7%	
28-Oct	sell	LQD	115.43	300	34,619									
25-Nov	buy	AGG	107.30	537	57,630									
moves about 50% of total portfolio into AGG														
2-Dec	buy IF	PCY	>\$26.90	1,100										
this might move about 25% of total portfolio														
4-Dec	sell	AGG	106.68	537	57,277	PCY	26.50		26.86	27.06	2,120	57,367.20	49.7%	
9-Dec	buy	AGG	106.76	537	57,340									
9-Dec	buy	PCY	26.86	2,120	56,953									
these two will move the portfolio to fully invested														
										Money Market	1.00	675	675.00	0.6%
												Total Valuation=	115,329.36	100.0%

WEEKLY REVIEW

12/23 Updated the stop level on PCY. These are tight because the economy is stronger than expected, thus rates should generally begin to increase.

12/16 No changes.

12/9 We were stopped out of the AGG position, but we'll get back in with another close stop. We will also buy PCY with a close stop.

12/2 As noted on page 5, PCY is potentially setting up for a reversal. I will buy if it closes back above \$26.90 this week. If it doesn't, continue to stand aside.

Watch the close stop on AGG. The economy may be much stronger than expected.

	2010	2011	2012	ytd 2013	Incptn	SD
ETF Income Portfolio	4.8%	3.6	4.8	1.3	15.3	4.5
Aggregate Bond	2.5%	4.3	0.9	-4.1	3.4	2.5

This shows the returns of previous years, year to date (ytd), and from inception (incptn). It also shows standard deviation (SD).

ETF Income Database and Ranking to 8/30/13 (pending change)

<i>Fund Name</i>	<i>Symbol</i>	<i>Style</i>	<i>12m</i>	<i>9m</i>	<i>6m</i>	<i>3m</i>	<i>1m</i>	<i>V</i>	<i>NAV</i>	<i>Rank</i>
iShares 1-3yr Trsry	SHY	BS	0.03	0.03	-0.07	-0.03	-0.10	0.08	84.28	*****
Vngrd ShrtTrm Bond	BSV	BS	-0.19	-0.45	-0.60	-0.38	-0.27	0.23	79.96	*****
iShares 3-7yr Trsry	IEI	BI	-2.51	-2.67	-2.49	-1.82	-0.77	0.51	119.88	****
iShares Agg Bond	AGG	BI	-2.85	-3.32	-3.05	-2.12	-0.83	0.61	106.01	****
iShares Inter Bond	MBB	BI	-3.09	-2.81	-2.91	-1.77	-0.67	0.43	104.17	****
iShares Inter Gov	GVI	BI	-1.51	-2.04	-1.92	-1.35	-0.64	0.46	109.11	****
Wtree Dryfs Chns Yuan	CYB	BF	4.62	2.26	2.23	0.54	0.42	0.42	26.16	****
Currency Euro	FXE	BF	4.69	1.36	1.04	1.60	-0.68	1.85	130.84	***
iShares 10-20yr Trsry	TLH	BL	-8.69	-8.69	-6.33	-4.80	-0.97	1.55	123.42	**
iShares 7-10yr Trsry	IEF	BI	-6.40	-6.61	-5.56	-4.27	-1.42	1.08	100.26	**
iShares High Yld	HYG	BH	5.38	2.88	0.18	-0.17	-1.27	1.56	90.87	**
iShares Intrntl Tbond	IGOV	BW	-1.59	-3.73	-1.85	-0.50	-0.73	1.54	97.93	**
iShares Long Corp Bond	LQD	BL	-2.90	-4.84	-4.30	-3.17	-1.00	1.39	112.68	**
iShares Trsry Inflt	TIP	BI	-7.29	-8.84	-7.78	-4.71	-1.83	1.18	110.64	**
PS 1-30 Ldr Trsry	PLW	BI	-8.64	-8.31	-5.99	-4.31	-0.96	1.45	29.88	**
PS Bld America	BAB	BI	-5.98	-7.40	-8.54	-7.83	-1.41	1.59	27.14	**
PS DB Dollar Bearish	UDN	BF	-1.27	-2.51	0.04	1.65	-0.49	1.29	26.42	**
PS DB Dollar Bullish	UUP	BF	-0.49	1.23	-0.80	-1.86	0.41	1.28	22.19	**
PS DB G10 Currency	DBV	BF	-0.76	-4.00	-7.09	-6.64	-2.44	1.72	24.75	**
PS Fdmntl Hi Yield Corp	PHB	BH	3.25	1.31	-0.10	-0.99	-0.88	1.23	18.71	**
PS Insr CA Muni	PWZ	BI	-6.48	-9.21	-8.53	-7.65	-2.25	1.29	22.72	**
PS Insr NY Muni	PZT	BI	-9.02	-11.54	-10.28	-8.91	-2.61	1.51	21.68	**
PS Prfd	PGX	BF	-0.95	-2.38	-4.30	-4.81	-1.65	1.18	13.68	**
SPDR High Yield	JNK	BH	5.27	2.46	0.00	-0.75	-1.03	1.56	39.46	**
SPDR Intrntl TBond	BWX	BW	-4.13	-5.75	-2.63	-0.53	-1.15	1.48	56.79	**
Vngrd Intrmdt Bond	BND	BI	-2.94	-3.28	-2.96	-2.12	-0.86	0.62	79.99	**
Wtree Dryfs Comdty Cur	CCX	BF	-6.19	-7.08	-8.09	-3.79	-2.15	1.55	19.55	**
Wtree Dryfs Emrg Crrncy	CEW	BF	-3.44	-5.57	-6.78	-3.77	-2.82	1.44	19.65	**
iShares 20+ yr Trsry	TLT	BL	-14.79	-13.35	-9.34	-6.72	-1.34	2.46	105.71	**
PS Emrg Mrkt Svrgn Debt	PCY	BW	-8.80	-13.37	-11.06	-7.86	-3.36	2.67	26.24	**
PS Insr Natl Muni	PZA	BI	-8.56	-11.75	-10.49	-9.01	-1.56	1.56	22.52	**
Wtree Dryfs Brazil Real	BZF	BF	-10.67	-7.36	-15.28	-9.16	-3.29	2.37	16.75	**
Wtree Emrg Mrkt Lcl Debt	ELD	BF	-7.81	-11.12	-12.85	-8.94	-4.35	2.09	45.45	**
Wtree Dryfs Indn Rupee	ICN	BF	-11.22	-13.71	-15.13	-13.34	-5.23	2.58	18.12	*

This is the ETF Income Database and Ranking. It shows performance over the last 12, 9, 6, 3, and 1 months through the previous month's end. V is Volatility. NAV is price. CS is Comet Strength (not shown). C is Comet (not shown), which is an ETF's risk-adjusted performance; the higher the better. V, CS, and C are proprietary tools. Rank column shows the number of comets.

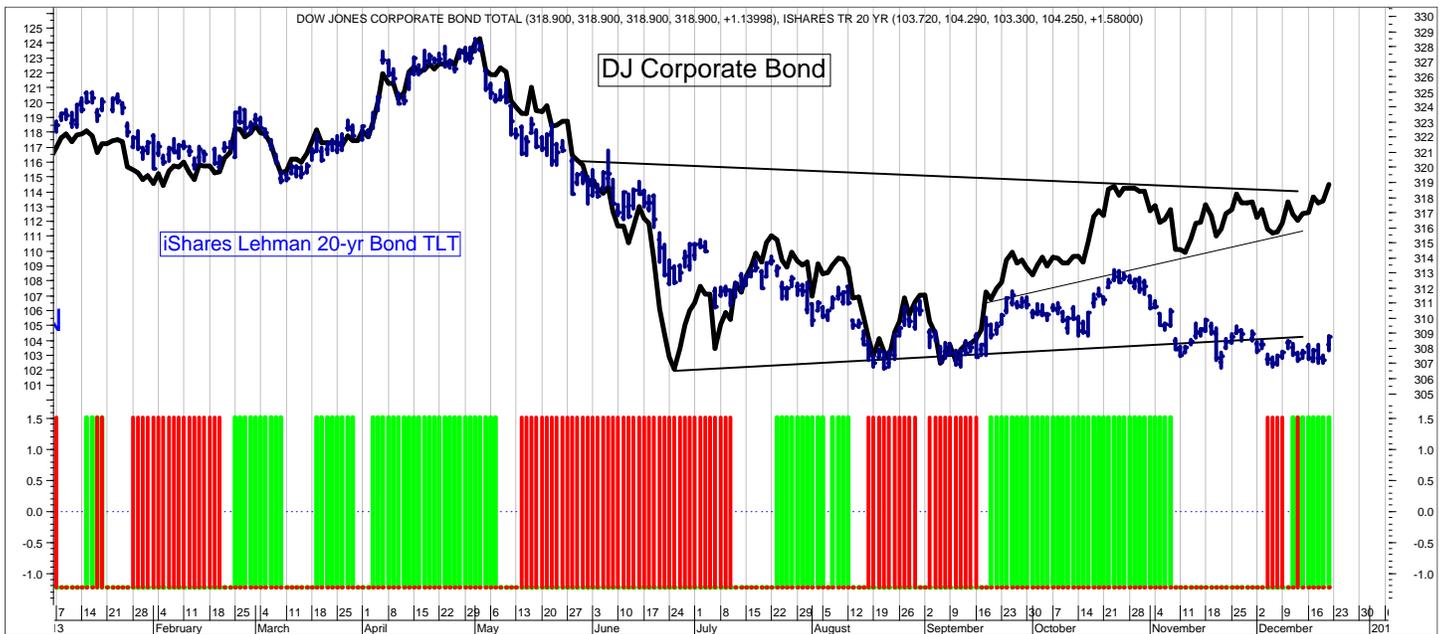
ETF LEGEND for pages 3 (Bond), and 7, 8, 9, and 10 (Equity):

Column headings: The first column shows the ETF name, the second column shows its symbol. The third column shows the ETF Style. The first letter is always either B (Bond) or E (Equity) or H (Hybrid). The next letter(s) is the style. So, BS-bond short, BI-bond intermediate, BL-bond long, BF-flexible, BW-world, BH-high yield. And for Equity, EA-equity aggressive, EC-equity contrary, EG-equity gold (precious metals), ESC-small cap, EMC-mid cap, ELC-large cap, EW-world, EGI-growth/income, ERE-real estate, EV-value.

Columns 4-8 show percentage returns for the periods shown (12 months, 9, 6, 3, and 1 month). Column 9 is V (volatility); a measure of risk; the lower the V, the less risk. Column 10 is the NAV. Column 11 is the C (comet) ranking. C is the risk-adjusted (V) relative performance (CS). The higher the C indicates the most return for the amount of risk taken.

Generally, our ETF strategy is to own the top ranked ETFs (shown in green) and avoid or short the lower ranked ETFs (shown in red).

SLM Bond Timing Model



The SLM Bond Timing Model is based on the expected direction of the Corporate Bond market. The green bars are bullish (expect higher prices and lower yields) and the red bars are bearish (expect lower prices and higher yields). White spaces indicate that the previous signal is still in effect.

WEEKLY REVIEW

12/23 Bonds rallied on the taper news. I will maintain close stops however.

12/16 No changes. Watch the close stops noted on page 2.

12/9 Bonds may be at a cross road. If the Fed announces its tapering program, presumably bonds will sell off quickly and sharply. If it doesn't, they should rally for a bit longer.

12/2 No changes.

11/25 Will look to reenter a bond position as noted on page 2.

11/18 Bonds are retracing some of their oversold condition. Yellen's speech reaffirmed the possibility that tapering will be pushed out into 2014. So, bonds are rallying, but the underlying fundamental news appears to be suggesting that the top is in place.

11/11 Bonds have sold off sharply the last few weeks on better economic news (leading economic indicators up and employment gains). Talk of Fed tapering has picked up.

Income Charts (DAILY)



LQD—Investment Grade Corporate

12/23 Slight rally.
 12/16 No changes.
 12/9 No changes.
 11/2 No changes.
 11/25 No change here.
 11/18 Still on the sidelines.
 11/11 Watch for entry points.



AGG—Aggregate Bond Market

12/23 Expecting more.
 12/16 Monitor stop level on page 2.
 12/9 Buy as noted on page 2.
 11/2 No changes.
 11/25 Looking to buy AGG on the pullback.
 11/18 Holding off.
 11/11 Watch for entry points.
 11/4 No changes.
 10/28 Short-term top expected.



JNK—hi-yield bonds

12/23 No changes.
 12/16 No changes.
 12/9 No changes.
 12/2 Missed the pullback (circled area), I had thought it would be deeper. Won't chase here.
 11/25 No changes.
 11/18 No changes.



PCY—International Bonds

12/23 Expecting more.
 12/16 Monitor close stop on page 2.
 12/9 Buy as shown on page 2.
 12/2 Not shown is today's action (Monday). The price has dipped below the 3 pullbacks. Stops are being taken out. So watch for a reversal from here. See page 2.
 11/25 No changes.

Each chart shows daily (or weekly if noted in page title at top) prices, a moving average (smoothed green line on price portion), and blue or green spikes. The spikes show potential buy signals. The red lines are price channels. The charts do not show sell signals.

Growth Portfolio (changed as of 12/10/12, 9/23/13)

ACTION FOR			PORTFOLIO DETAILS				Value as of date: 12/20/2013						
Action Date	Action Symbol	Action Price	# of Shares	Action Value	Symbol	Stop Loss	Description	Start Price	Ending Price	# of Shares	Current Value	Percent of Total	
18-Nov	buy	EEM	42.68	17	736	World Growth							
18-Nov	buy	EFA	66.18	11	738	EEM		Emrg Mrkt	43.03	40.48	179.440	7,263.73	5.1%
18-Nov	buy	IWM	110.07	6	670	EFA		Euro Asia	55.55	65.07	116.060	7,552.02	5.4%
18-Nov	buy	QQQ	83.10	8	675	IWM		Rusl 2000	82.54	114.08	70.960	8,095.12	5.7%
18-Nov	buy	SPY	179.42	4	728	QQQ		Nsdq 100	65.12	86.64	96.280	8,341.70	5.9%
18-Nov	buy	DFE	53.74	13	709	SPY		S&P 500	142.47	181.81	44.820	8,148.72	5.8%
18-Nov	buy	EWP	36.99	19	713	C-lect 5							
18-Nov	buy	PGJ	29.70	23	693	DFE			53.54	55.56	145.300	8,072.87	5.7%
18-Nov	buy	PNQI	63.66	11	710	PSCH			53.97	54.74	140.000	7,663.60	5.4%
18-Nov	buy	TAN	39.50	17	682	PGJ			27.97	29.15	257.670	7,511.08	5.3%
This is an incremental buy of 5% of total portfolio. (0.5% in each WGM and C-lect 5 position) (about \$709 in each)						PNQI			60.74	67.71	118.000	7,989.78	5.7%
So, the portfolio will be about 56% invested and 44% cash.						TAN			30.50	34.97	230.000	8,043.10	5.7%
						Two potential ways to sell: Stop loss is roughly 10% below current level or timing model may signal sell.							
16-Dec	sell	EWP	36.75	209	7,671	Two potential ways to buy: "window" may open or timing model may signal buy.							
16-Dec	buy	PSCH	53.97	140	7,566	C-lect Short (under construction)							
						Cash from short Money Market							
									1.00	-	-	0.0%	
									1.00	62,463	62,463.00	44.3%	
						Total Valuation=						141,144.72	100.0%

WEEKLY REVIEW

12/23 No changes. Risk of loss is high for new purchases; in other words, buying here with the stop 10% away, subjects the portfolio to a 10% loss on new purchases. Best to wait for a pullback when the "window to buy" reopens.

12/16 Make the sell and buy as noted above. The timing model stop is about 8% away. "Window to buy" is closed.

12/9 No changes. The stop is 9% away, so the 'window to buy' is closed.

12/2 No changes. See page 11.

11/25 No portfolio changes. I still expect to continue to accumulate on pullbacks with the expectation thereafter of higher prices. On the other hand, the portfolio may go back 100% to cash on one of two events. It may either be stopped out, at roughly 8% lower prices. Or the timing model itself may signal sell.

	2010	2011	2012	ytd 2013	Incptn	SD
ETF Growth Portfolio	8.1%	6.9	-2.1	24.8	41.1	7.9
World Growth Index	17.2%	-4.2	14.3	27.7	63.9	15.1

The ETF Growth Portfolio changed as of 12/10/12. It is following the new World Growth Model (WGM), which uses the same 5 etfs (EEM, EFA, IWM, QQQ, SPY) as the World Growth Index (WGI). The difference between the two is WGM uses timing and WGI is always fully invested and WGI is rebalanced to 20% in each position daily (this accounts for the different returns when WGM is invested and held).

Based on the successful back testing strategy, C-lect 5 was added to the portfolio on 9/23/13.

Returns are of previous years, year to date (ytd), and from inception (incptn). It also shows standard deviation (SD).

ETF Rankings by C to previous week's end

<i>Fund Name</i>	<i>Symbol</i>	<i>Style</i>	<i>C</i>
Guggnhm Solar	TAN	EA	12.52
W tree Eur SC Div	DFE	EW	9.07
PS NASDAQ Intrnt	PNQI	EA	9.02
PS Gldn Drgn USX China	PGJ	EW	8.68
PS S&P SmICap Hlth Care	PSCH	EA	7.69
iShares Spain	EW P	EW	7.65
PS Gbl Clean Enrgy	PBD	EW	7.25
Guggnhm Spin Off	CSD	EMC	7.08
Guggnhm China SmI	HAO	EW R	6.75
PS Dynmc Pharma	PJP	EA	6.47
Guggnhm Shipping	SEA	EA	6.20
Guggnhm China All	YAO	EW R	5.93
PS S&P SmICap Indstrils	PSCI	EA	5.83
PS DWA Dvlpd Mrkt T Ldrs	PIZ	ELC	5.78
iShares South Korea Indx	EW Y	EW	5.71
iShares Germany Indx	EW G	EW	5.68
PS QQQ	QQQ	ELC	5.68
iShares Slct Div	IDV	ELC	5.66
PS S&P SmICap Info Tech	PSCT	EA	5.65
PS S&P SmICap Energy	PSCE	EA	5.52
iShares Italy Indx	EW I	EW	5.49
SPDR Euro Stoxx 50	FEZ	EW	5.18
PS Aerospace & Def	PPA	EA	5.10
iShares EMU Indx	EZU	EW	5.05
W tree Intrntl SC Div	DLS	EW	5.00
PS Dyn Mrkt	PWC	ELC	4.99
PS Cleantech	PZD	EA	4.97
Select SPDR Indl	XLI	EA	4.95
PS S&P SmICap Cnsm r Dis	PSCD	EA	4.74
PS Dynmc Lrg Cap Grth	PWB	ELC	4.71
PS Dynmc Media	PBS	EA	4.71
W tree DEFA Eqty Incm	DTH	EW	4.68
W tree Intrntl Div Ex Fincl	DOO	EW	4.63
PS Gbl Water	PIO	EW	4.58
PS Gbl Listd Prvt Eqty	PSP	EW	4.48
PS WilderHill Cln Enrgy	PBW	EA	4.41
SPDR S&P Oil & Gas Expl. & Prod.	XOP	EA	4.31
Guggnhm BRIC	EEB	EW	4.30
PS Dynmc Biotech	PBE	EA	4.21
PS Dynmc Energy Explor	PXE	EA	4.08
PS FTSE RAFI Asia Pac xJpn	PAF	EW	4.07
PS Dynmc Fncl	PFI	EA	4.03
PS FTSE RAFI Dvlp Mrkt xUSA	PXF	EW	3.88
Vngrd Tech	VGT	EA	3.79
PS Buyback Achievers	PKW	EG I	3.72
W tree DEFA	DWM	EW	3.69
iShares Australia	EW A	EW	3.69
PS Dynmc Energy	PXI	EA	3.65
Select SPDR MatrIs	XLB	EA	3.62
iShares China	FXI	EW	3.57

This page and the next three show the equity ETF database rankings from high to low based on C. C is Comet, which is the risk-adjusted relative performance; the higher the C ranking, the better. Comet, not stars, because comets come into and out of prominence over time.

The first column shows the name. The second column shows the symbol. The third column shows the style; it begins with E for Equity and then the style (A is aggressive, W is world, WR is world regional, SC is small cap, MC is mid cap, LC is large cap, GI is growth/income, V is value). The fourth column shows the C level.

ETF Rankings by C to previous week's end

PS S&P SmICap Mtrls	PSCM	EA	3.56
PS Dynmc Leisure & Enter	PEJ	EA	3.54
Vngrd Materials	VAW	EA	3.52
Vngrd Consmr Dis	VCR	EA	3.41
PS FTSE RAFI Dvlp Mrkt xUSA SmI	PDN	EW	3.39
Market Vectors Russia	RSX	EW	3.37
Wtree MidCap Earn	EZM	EMC	3.37
iShares Russell 1000 Grwth Indx	IWF	ELC	3.35
PS Dynmc Healthcare	PTH	EA	3.34
Wtree Intrntl LC Div	DOL	EW	3.34
Select SPDR Cnsmr Disc	XLY	EA	3.29
Vngrd Grth	VUG	ELC	3.28
Guggnhm Timber	CUT	EA	3.28
iShares Pacific ex Jpn	EPP	EW	3.17
Vngrd European Indx	VGK	EW	3.15
Wtree Intrntl MC Div	DIM	EW	3.15
PS BLDR Europe 100 ADR	ADRU	EW	3.03
Market Vectors Oil Services	OIH	EA	3.03
Vngrd Health	VHT	EA	2.99
PS Dynmc Basic MatrI	PYZ	EA	2.99
iShares Europe 350	IEV	EW	2.99
Guggnhm RJ All	RYJ	ELC	2.96
PS Dynmc Software	PSJ	EA	2.93
Select SPDR Health	XLV	EA	2.90
PS Water Resources	PHO	EA	2.87
PS FTSE RAFI US 1500 SmI-Mid	PRFZ	EMC	2.87
PS Dyn OTC	PWO	ESC	2.81
SPDR DJ Gbl Titans	DGT	EW	2.80
SPDR S&P Regional Banking	KRE	EA	2.78
Vngrd Europe Pacific	VEA	EW	2.76
PS BLDR Dvlpd Mrkt 100 ADR	ADRD	EW	2.71
Wtree Gbl Eqty Incm	DEW	EW	2.68
PS WilderHill Prgsv Enrgy	PUW	EA	2.68
Vngrd Small Cap Grth	VBK	ESC	2.58
Vngrd TTL Intrntl Stk	VXUS	EW	2.51
Vngrd Extnd 4500	VXF	ELC	2.44
PS Dyn MagniQuant	PIQ	ELC	2.43
iShares Russell 2000	IWM	ESC	2.40
Guggnhm Gbl Wtr	CGW	EW	2.35
PS Dynmc Semicndctr	PSI	EA	2.31
iShares EAFE Indx	EFA	EW	2.29
PS FTSE RAFI Emrg Mrkt	PXH	EW	2.26
PS Dynmc Technology	PTF	EA	2.26
Vngrd Small Cap	VB	ESC	2.24
Select SPDR Technlgy	XLK	EA	2.21
Guggnhm Intrntl A Incm	HGI	EW	2.18
SPDR S&P Metals & Mining	XME	EA	2.14
Wtree S&P 500	EPS	ELC	2.14
Vngrd TTL Stock	VTI	ELC	2.13
Wtree Ttl Earn	EXT	ELC	2.11
PS Dynmc Oil & Gas Srvcs	PXJ	EA	2.11
PS Dynmc Retail	PMR	EA	2.10
Vngrd Large Cap	VV	ELC	2.08
Guggnhm MidCap Core	CZA	EMC	2.07
PS BLDR Emrg Mkt 50 ADR	ADRE	EW	2.07

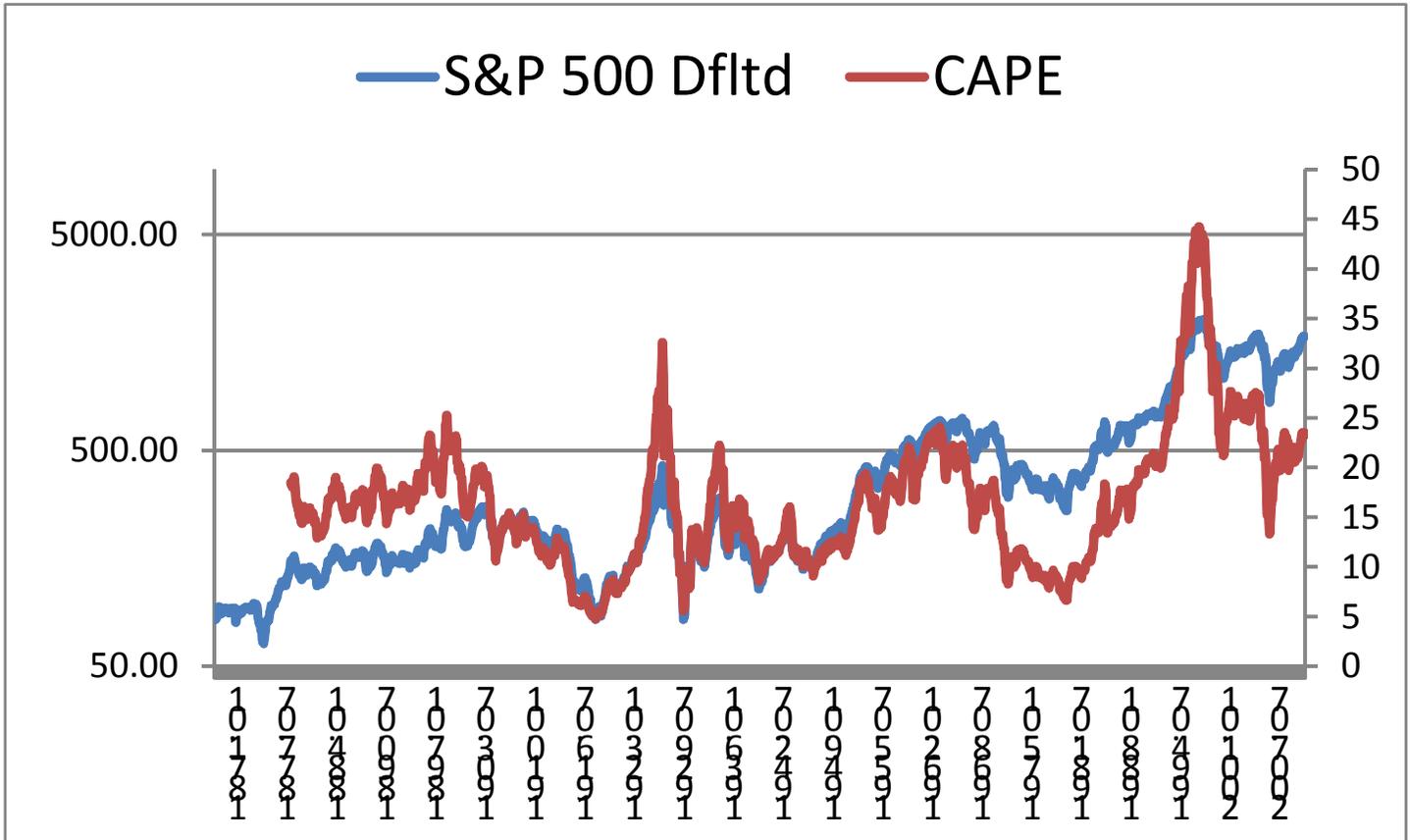
ETF Rankings by C to previous week's end

Market Vectors Semiconductor	SMH	EA	2.01
iShares Core S&P 500	IVV	ELC	2.00
Vngrd Small Cap Value	VBR	ESC	2.00
PS Zacks Micro Cap	PZI	ESC	1.96
Wtree Intrntl Utilities	DBU	EW	1.96
Vngrd MidCap Val	VO	EMC	1.92
PS Dynmc Networking	PXQ	EA	1.89
SPDR S&P 500	SPY	ELC	1.86
SPDR S&P Retail	XRT	EA	1.83
Wtree Emrg Mrkt Eincm	DEM	EW	1.80
PS DWA Tech Ldr	PDP	ELC	1.76
iShares Hong Kong Indx	EW H	EW	1.70
iShares S&P 100 Indx	OEF	ELC	1.68
iShares Emrg Mrkt Stk	EEM	EW	1.66
PS S&P SmICap Cnsmr Stpl	PSCC	EA	1.64
Wtree SmI Cap Div	DES	ESC	1.58
iShares Russell 2000 Value Indx	IWN	ESC	1.56
PS BLDR Asia 50 ADR	ADRA	EW	1.54
Vngrd Div Apprctn	VIG	EGI	1.47
Guggnhm Gbl Div	LVL	EW	1.46
iShares Core S&P Mid Cap	IJH	EMC	1.41
iShares Taiwan Indx	EW T	EW	1.41
Guggnhm Insdrr Sent	NFO	EMC	1.38
iShares Russel MidVal	IWS	EMC	1.35
SPDR Mid Cap Trust	MDY	EMC	1.34
Select SPDR Enrgy	XLE	EA	1.17
PS Intrntl Dvdnd	PID	EW	1.13
iShares Russell 1000 Value Indx	IWD	ELC	1.13
Guggnhm Frntr	FRN	EW	1.12
iShares DJ Slct Div	DVY	EGI	1.07
PS Dynmc Bldg Cnstrctn	PKB	EA	1.05
Wtree MidCap Div	DON	EMC	1.04
Wtree India	EPI	EW R	1.02
Wtree Middle East Div	GULF	EW	0.98
PS S&P 500 BuyWrite	PBP	ELC	0.94
PS Dynmc Lrg Cap Value	PWV	ELC	0.89
PS Dynmc Cnsmr Discr	PEZ	EA	0.86
iShares Brazil Indx	EW Z	EW	0.85
PS S&P SmICap Fincl	PSCF	EA	0.84
Wtree LrgCap Div	DLN	ELC	0.80
Vngrd Emrg Mrkt	VW O	EW	0.78
PS Hi Yld Eqty Div	PEY	EGI	0.66
Wtree Div Ex Fincl	DTN	ELC	0.57
iShares Canada	EW C	EW	0.54
SPDR S&P Bank	KBE	EA	0.43
Vngrd Fincl Srv	VFH	EA	0.28
Select SPDR Financls	XLF	EA	0.22
Vngrd Cnsmr Stpls	VDC	EA	0.19
SPDR DJ Industrials	DIA	ELC	0.17
PS Dividend Achievers	PFM	EGI	0.12
Guggnhm Multi Ast In	CVY	EV	0.02
Select SPDR Cnsmr Stpl	XLP	EA	-0.01
Select SPDR Div	SDY	EGI	-0.02
PS Dynmc Cnsmr Staples	PSL	EA	-0.07
iShares Latin Amr	ILF	EW	-0.10

ETF Rankings by C to previous week's end

Wtree Eqty Income	DHS	EGI	-0.12
Wtree Japan Hedge Eqty	DXJ	EC	-0.14
PS Dynmc Utilities	PUI	EA	-0.14
PS Emrg Mrkt Infrastrctr	PXR	EW	-0.18
PS India	PIN	EW	-0.24
Wtree Japan SC Div	DFJ	EWR	-0.26
Guggnhm Candn Enrg Incm	ENY	EWR	-0.33
PS S&P 500 Low Volatility Portfolio	SPLV	ELC	-0.36
Wtree World Ex US Grth	DNL	EW	-0.44
SPDR S&P Homebuilders	XHB	EA	-0.56
PS MENA Frntr Countries	PMNA	EW	-0.65
Guggnhm Dfnsv Eqty	DEF	EV	-0.68
PS Gbl Agriculture	PAGG	EA	-0.70
Wtree Emrg Mrkt SC Div	DGS	EW	-0.79
iShares Malaysia Indx	EWM	EW	-0.80
iShares Japan	EWJ	EW	-0.82
PS Lux Nanotech	PXN	EA	-0.83
PS DB Agriculture	DBA	EA	-0.84
PS S&P SmICap Utilities	PSCU	EA	-0.90
iShares Prfrd	PFF	EGI	-1.01
PS Fincl Pfd	PGF	EGI	-1.08
Wtree Intrntl REIT	DRW	ERE	-1.09
Alerian MLP	AMLP	EGI	-1.16
PS DB Commodity	DBC	EA	-1.19
iShares Singapore	EW S	EW	-1.20
PS DB Oil	DBO	EA	-1.42
PS Dynmc Food & Bev	PBJ	EA	-1.43
PS DB Energy	DBE	EA	-1.46
Guggnhm China REIT	TAO	EWR	-1.56
Select SPDR Utilities	XLU	EA	-1.70
Vngrd Utilities	VPU	EA	-1.73
iShares DJ US Home Constr.	ITB	EA	-1.99
PS DWA Emrg Mrkt T Ldrs	PIE	EW	-2.32
US Natural Gas	UNG	EA	-2.47
PS DB Base Metals	DBB	EG	-2.69
iShares Mexico	EW W	EW	-3.17
iShares REIT	IYR	ERE	-3.44
PS US REIT	PSR	ERE	-3.63
Vngrd REIT	VNQ	ERE	-3.65
Pro Shares Short S&P 500	SH	EC	-3.74
SPDR Wlsh REIT	RWR	ERE	-3.98
iShares Cohen&Str REIT	ICF	ERE	-4.19
US Oil Fund	USO	EA	-5.02
Pro Shares Short Russell 2000	RWM	ESC	-5.22
iShares Gold	IAU	EG	-5.23
SPDR Gold	GLD	EG	-5.24
PS DB Gold	DGL	EG	-5.66
PS DB Precious Metals	DBP	EG	-5.68
iShares Silver	SLV	EG	-7.09
PS DB Silver	DBS	EG	-7.92
PS Gbl Gold Precious Mtls	PSAU	EG	-16.13
Market Vectors Gold Minors	GDX	EG	-23.85
iPath S&P 500 VIX Shrt Trm	VXX	EC	-37.87
Market Vectors Junior Gold Miners	GDXJ	EG	-42.44

CAPE (reiteration)



This is the deflated S&P 500 price and CAPE (cyclically adjusted 10-year PE ratio). Both are adjusted for inflation.

As you can see, whenever CAPE exceeds the 22 area, stocks are poised for a decline. CAPE is currently at 25.5.

Overflow from Page 1, Definitions, and Newsletter Updates

(Continued from page 1) **REVIEW**

Given this expectation, stocks are still, nonetheless, in overpriced and overbought land. The PE ratio is around 20x. The CAPE (10-year inflation adjusted) is near 25x. Bearish investor sentiment is near record low levels. Longer-term interest rates are on the rise, which will provide competition for the investor dollar. All of these things are bearish.

Perhaps the buying is simply coming from those who have been out in all cash for so long and just can't stand it anymore. After all, where's the bad news?

Except that's what makes a top. There is no bad news. It is

the same thing at a market bottom, there is no good news.

So, the market is ripe for a correction. Perhaps as the New Year starts.

Please see the individual portfolio pages for any updates and changes.

Just to clarify a couple of terms that I use regularly.

Short-term is days to weeks.

Intermediate-term is weeks to months.

Long-term is months to years.

Cyclical is 1-5 years.

Secular is 5 years to decades.

Bull market is a series of higher highs and higher lows.

Bear market is a series of lower lows and lower highs.

Neutral market is sideways without a discernible pattern.

Oddly, bull and bear markets may occur simultaneously, but only over different time periods. For example, we may be in a secular bear market, but there are cyclical bull and bear markets within that.

Closing stops are "mental". I look at the position at quarter to the close. If it is trading below the stop (or above if short), then I act with the assumption the security will trigger that closing stop on that day. I sell (or cover) at the close that day.

Portfolio stops for the World Growth Model are internally maintained; they are based on the World Growth Index, not the individual ETFs. Stops will be emailed when close or if triggered.

12/23 Correction to 10/21 comment [changed to WGI]. No other changes.

12/16 No changes.

12/9 No changes.

12/2 As mentioned on page 11 (on 12/2), a top test timing model is being constructed. This would be more timely than a trend-following approach.

11/25 No newsletter changes.

11/18 No newsletter changes.

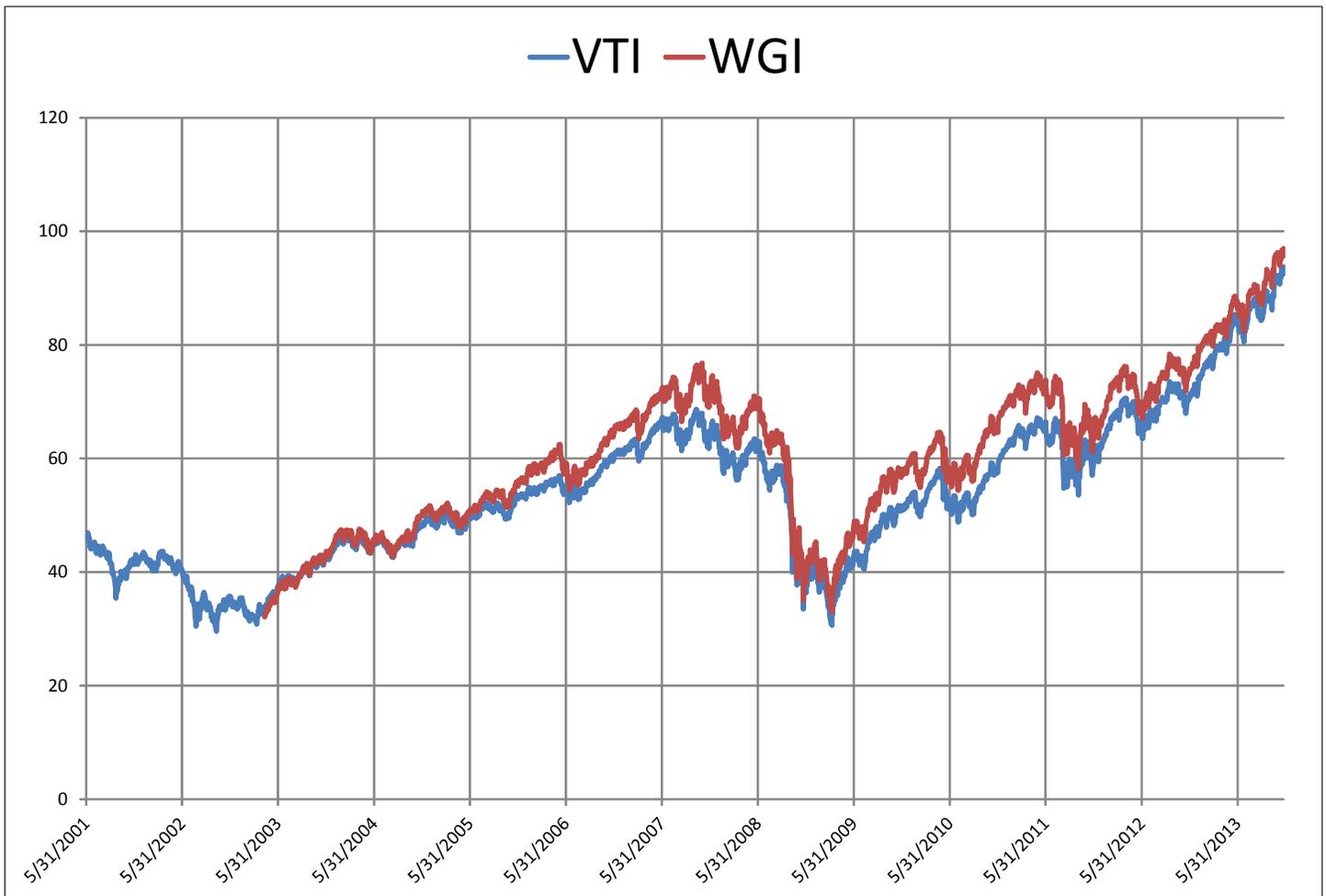
11/11 No changes.

11/4 No changes.

10/28 No changes.

10/21 Work continues on the "shorting/inverse" portfolio and will begin on the new World Growth Index (WGI).

VTI and World Growth Index (reiteration)



The chart shows VTI and WGI from 5/1/2003 to the present. VTI is the Vanguard Total Stock Market ETF. It has less than 2% in non-domestic stocks. It is designed to mimic the US market. WGI is the World Growth Index that is made up of 20% each in EEM, EFA, IWM, QQQ, SPY.

As you can see, the two series track each other fairly closely, but because of the international component the WGI has periods of outperformance. The two are recently back in a neck and neck race because the domestic market is currently stronger than the international markets.

Descriptions & Disclosures

PORTFOLIO DESCRIPTIONS (pages 2 and 6)

Our guiding goal is to provide the most return with the least risk consistently over time through bull and bear markets.

Income Portfolio, page 2: Uses a proprietary selection methodology on all of the monitored bond-oriented ETFs to pick the top ETFs. I then use a proprietary timing model to decide whether to buy, sell, hold, or avoid. From time to time, timing considerations may take precedence over selections; in other words, we may own lower ranked funds because of anticipated timing changes.

Growth Portfolio, page 6: As of 12/10/12, it is based on the World Growth Index (WGI), which is made up of a static fully invested 20% in each of five ETFs (EEM, EFA, IWM, QQQ, SPY). The Portfolio will buy and sell the WGI based on proprietary timing signals. On 9/23/13, the new C-lect 5 is also part of this portfolio. It too uses timing.

Both portfolios were started on 1/1/10 with \$100,000. As mentioned, the Growth Portfolio strategy was changed on 12/10/12 to the World Growth Model and again on 9/23/13 to incorporate the C-lect 5 model.

Portfolio changes will usually be made at the close on Monday, unless otherwise noted in any emailed hotline update or triggered stop orders. Issues are normally posted on Mondays by 1:35pm cst (Tuesday if Monday is a holiday, defined as market closed).

Portfolios are updated through the Friday close the week before.

Dividends are reinvested in additional shares.

Commissions of \$10 per trade are applied. Interest is currently zero for the money market (cash) position.

SUBSCRIPTIONS: To receive *ETF 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 Amex, Visa, MasterCard, or Discover orders or send a check to the address on the front page. Subscriptions may be tax deductible.

The recurring monthly subscription is \$24.00. An annual subscription is \$240.00. Subscribers receive this weekly eNewsletter. There is no mailed issue. Subscribers retrieve the current weekly issue at the web site InvestmentST.com by logging in with a user name and password. There may also be emailed Hotline reports sent between issues.

Unless otherwise noted, the weekly eNewsletter is posted by 1:35 PM central time each Monday, except for holidays (closed stock market) and then on Tuesday. It may contain actionable, specific buy or sell advice to take that day at the Monday (or Tuesday) close in each portfolio. We may also use stop orders. For stops, check the ETF at quarter to the close. If it is below (or above) a stop level, assume it will close there and act on that. Portfolio data will be updated through the previous Friday's close. Fund 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 weekly term remaining with a four-week minimum charge, using a 52-week count. Monthly subscriptions just expire.

PUBLISHER: Watercourse Way Holdings, LLC publishes this newsletter.

REPRINTS: This eNewsletter is intended for subscribers only, reprints are not permitted.

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, dividend reinvestment for additional shares, and short-term redemption charges. The World Growth Index and World Income Index are equity and bond indexes and may or may not be useful in comparing returns. Security values fluctuate. Information is provided without consideration for a subscriber's 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.

COPYRIGHT: Copyright, 2009-13, Watercourse Way Holdings, LLC. All rights reserved.