

# **ARMCHAIR INVESTOR<sup>(sm)</sup> MORNING MARKET NEWSLETTER**

*A TREND-FOLLOWING STRATEGY*

**If you live near Dallas, this is a great time for a FREE visit to one of my weekly Armchair Investor classes - given 3 times each week in north Dallas. Your first visit is FREE!**

## **CURRENT MARKET DIRECTION: UPTREND under PRESSURE**

**Current Armchair Investor actions:**

**HOLD Nasdaq 100 position (QQQ)  
Exit any 2x or 3x QQQ (the QLD or TQQQ.)**

A concentration of distribution days turned the market diagnosis into “**Uptrend under Pressure**” Thursday. This is a time of uncertainty in the stock market.

After the market rose for almost two months, a concentration of down (selling) days spoiled the party! The market showed a serious reversal in upward strength. The major indexes showed this weakness by:

- Falling 5 days in a row!
- For a total drop of 3% for the S&P500 and almost 4% for the Nasdaq!
- That sell-off was the equivalent of waving a **YELLOW CAUTION FLAG**
- And saying this is a time to be conservative:
  - PROTECT YOUR GAINS. Consider these steps
    - Sell any double or triple Uptrend ETFs (QLD, TQQQ, etc.)
    - Sell individual stocks showing serious selling (Chapter 11 in How to Make Money in Stocks, by Wm O’Neil)
    - Be sure your stops are in. (Moving up stops may be appropriate)

### LAST WEEK’S MARKET ACTION

8/2/19	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-3.9%	+19.7%	+16.0%	Major Distribution
S&P 500	-3.1%	S&P 500 Volume		Major Distribution
DJIA	-2.6%	+21.1%	+26.0%	Major Distribution

**ACCUMULATION WEEK** PRICE RISES 0.2% or more and VOLUME RISES  
**DISTRIBUTION WEEK** PRICE FALLS 0.2% or more and VOLUME RISES  
 Another type of DISTRIBUTION(\*): WEEK PRICE FALLS 0.2% or more & VOLUME is 15% or more above average even without an increase in volume..

DAILY MARKET ACTION						
8/2/19	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Recent Trend Gain/Loss from 6/10 UPTREND SIGNAL
Nasdaq	8,004.07	-1.3%	-14.0%	+7.3%	Neither	+1.3%
S&P500	2,932.05	-0.7%	NYSE Volume		Neither	+1.0%
DJIA	26,485.01	-0.4%	-18.3%	+14.1%	Neither	+1.1%
<p>A <b>Major Accumulation Day</b>: Price RISES 1.0% or more with higher Volume than the day before.  A <b>minor accumulation Day</b>: Price RISES 0.2% or more with strong Volume (either higher than the day before or is well-above average volume).  A <b>Major Distribution Day</b>: Price FALLS 1.0% or more with higher Volume than the day before.  A <b>minor distribution Day</b>: Price FALLS 0.2% or more with strong Volume (either higher than the day before or is well-above average volume).</p>						
<p>** The <b>Recent Trend Gains/Losses</b> column calculates how far each index has moved from the recent trend change assuming you purchased the index (in an Uptrend) or sold the index (in a Downtrend) at the opening price on the day after the signal. Although not every year outperforms the common "buy and hold" strategy, using these signals has significantly OUTPERFORMED the buy-and-hold strategy in total since 1/1/2000.</p>						
<p><b>Why are my Final Volumes Different than yours?</b> Why do the volume numbers on this table not always match other sources such as Investors.com, Nasdaq exchange, other charting sites? The 4:00 close of the market immediately shows an accurate final price. But the volume figures continue to trickle in for hours. At some time, the accumulation of volume numbers has to be cut off. Also, some sources include the volume of stocks listed on one exchange but traded on another (e.g. Apple stock listed on Nasdaq but also traded on other exchanges.) And some sources do not.</p>						

Uptrend ETFs	Armchair Investor Trend-following Current Uptrend Returns			
8/2/19	Opening Price on 6/11/2019*	TODAY's Closing Price	ETF % Change Today	Gain or Loss Since 6/10/19 Uptrend Signal
QQQ (1x)	185.07	187.35	-1.5%	+1.2%
QLD (2x)	94.09	96.14	-2.9%	+2.2%
TQQQ (3x)	60.06	61.72	-4.6%	+2.8%
<p>This table tracks the returns you would now have if you had followed the Armchair Investor plan and bought the ETFs listed above at the opening price on the morning of 1/7/2019, the day after the new "Market in Uptrend" signal.</p> <p>The ETF QQQ is designed to move WITH the largest 100 stocks on the Nasdaq. QLD is designed to double the price move of the QQQ. The TQQQ is a more volatile Visit Proshares.com for more information.</p>				

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS							
		A	B	C	D	E	As + Bs
4 weeks ago	7/5	13%	46%	21%	15%	5%	59%
3 weeks ago	7/12	11%	45%	23%	16%	5%	56%
2 weeks ago	7/19	11%	44%	23%	16%	6%	55%
1 week ago	7/26	11%	43%	24%	17%	6%	54%
Today	8/2	8%	35%	25%	23%	9%	43%
	#	489	2307	1659	1485	568	

Stocks with an A or B rating are under accumulation (being bought).  
 Stocks with a D or E rating are under distribution (being sold).  
 "2 weeks ago" is 10 market days ago; "4 weeks ago" is 20. The ratings which are higher than two weeks prior are colored light GREEN. Lower ratings are PINK.

MARKET ACTION 2019 YEAR-TO-DATE			
8/2/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	8004.07	+20.6%
S&P 500	2506.85	2932.05	+17.0%
NYSE	11374.39	12,839.50	+12.9%
DJIA	23327.46	26,485.01	+13.5%

This yearly table is included for your reference. These returns have little relevance to trend-following returns since trend-followers do not hold during "Downtrends" and may lighten their holdings during "Uptrends under Pressure."

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?				
8/2/2019	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High*	7/26/2019	7/26/2019	1/26/2018	7/16/2019
All-time High	8339.64	3027.98	13637.02	27398.68
Current Price	8004.07	2932.05	12839.50	26485.01
Below (-) or Above (+) Recent High (%)	-4.0%	-3.2%	-5.8%	-3.3%

<b>MARKET FACTORS, COUNTS &amp; RATINGS</b>		8/2/2019	
<b>Type of Day for <u>Nasdaq Index</u></b> Accumulation, Distribution or Neither		<b>Neither</b>	
I track the <u>Nasdaq's</u> price-volume because it usually leads the market direction .			
<b>Market Direction</b> Uptrend, Under Pressure, Downtrend		<b>UPTREND under PRESSURE</b>	
<b><u>Nasdaq</u> Accumulation &amp; Distribution Days (last 20 days)</b> Only accumulation and distribution days since the last market change (1/4/2019) are in this count.		<b>Accumulation Days</b> <b>2</b>	<b>Distribution Days</b> <b>5</b>
<b>Note: The S&amp;P500 has 6 distribution days in the last 20 trading days. The Nasdaq usually leads in the distribution count which is why we focus on the Nasdaq in this newsletter. But when the S&amp;P500 shows a greater concentration of distribution, I will talk about it in this space.</b>			
<b>Count of Up Days and Down Days</b> Nasdaq's last <u>10-days'</u> price movement		<b>Up Days</b> <b>4</b>	<b>Down Days</b> <b>6</b>
Only days that move at least + or - 0.2% are included in the Up/Down count which does not always, therefore, add up to 10 days.			
<b>Rising/Falling Ratio of Leader Stocks with High Volume</b> Nasdaq 10-day ratio		<b>0.9</b>	
This indicator looks at leading stocks (high RS) and is, thus, biased to the upside. Uptrend indicator: 1.5 or higher. Neutral: 1.0 to 1.49. Downtrend: less than 1.0			
<b>Market Accumulation/Distribution Ratings</b> "A": heavy accumulation, "B": moderate accumulation, "C": neutral, "D": moderate distribution, "E": heavy distribution. Accumulation = Institutions are BUYING, Distribution = Inst are SELLING		<b>Nasdaq</b> <b>D-</b>	<b>S&amp;P 500</b> <b>E</b>
		<b>DJIA</b> <b>E</b>	
<b>Are Major Indexes Above or Below Moving Averages?</b> "At" is within 1% above or below the moving average.		<b>50-Day</b>	<b>200-Day</b>
Nasdaq		At	Above
S&P 500		At	Above
NYSE		At	Above
DJIA		At	Above

## MARKET ACTION (Nasdaq) OVER THE LAST 20 DAYS

(For a full explanation of the terms in this table see end of this newsletter)

#	Date	Close	Index % Change	Volume % Change	Current Trend Day Count	Type of Day: Accumulation, Distribution or Neither (—)	CONSISTENT WITH: UPTREND or Downtrend?
20	7/8/19	8098.38	-0.8%	+15.3%	20	Minor distribution	DOWNTREND
19	7/9/19	8141.73	+0.5%	-5.0%	21	—	DOWNTREND
18	7/10/19	8202.53	+0.8%	+8.7%	22	Minor accumulation	UPTREND
17	7/11/19	8196.04	-0.08%	-11.6%	23	—	—
16	7/12/19	8244.15	+0.6%	-6.7%	24	—	DOWNTREND
15	7/15/19	8258.18	+0.17%	-12.1%	25	—	—
14	7/16/19	8222.80	-0.4%	+20.8%	26	Minor distribution	DOWNTREND
13	7/17/19	8185.21	-0.5%	-8.0%	27	—	UPTREND
12	7/18/19	8207.24	+0.3%	-1.2%	28	—	DOWNTREND
11	7/19/19	8146.49	-0.7%	-7.0%	29	—	UPTREND
10	7/22/19	8204.14	+0.7%	-3.0%	30	—	DOWNTREND
9	7/23/19	8251.40	+0.6%	+0.17%	31	—	—
8	7/24/19	8321.50	+0.9%	+5.8%	32	Minor accumulation	UPTREND
7	7/25/19	8238.54	-1.0%	+3.4%	33	Major Distribution	DOWNTREND
6	7/26/19	8330.21	+1.1%	-3.2%	34	—	DOWNTREND
5	7/29/19	8293.33	-0.4%	-3.1%	35	—	UPTREND
4	7/30/19	8273.61	-0.2%	-8.9%	36	—	UPTREND
3	7/31/19	8175.42	-1.2%	+56.0%	37	Major Distribution	DOWNTREND
2	8/1/19	8111.12	-0.8%	+9.1%	38	Minor distribution	DOWNTREND
1	8/2/19	8004.07	-1.3%	-14.0%	39	—	UPTREND

\* Re 7/17, 7/19, 7/30: Price and volume dropped on these days. The lower volume shows less support for the dropping price. In other words, the drop does NOT have strength – and the day is, therefore, consistent with an Uptrend. In any Uptrend, there will be down days. Just think: “Lower volume disagrees with the price drop.”

## Nasdaq Daily chart, 4 months (updated Friday)

The Nasdaq sprang higher Wednesday – breaking to new all-time highs again.



## Nasdaq Weekly chart, 1 year (updated Friday)

Nasdaq continues new Uptrend – breaking to new all-time highs last week.  
Both major indexes closed near the low of their week!



These charts are from StockCharts.com, a valuable site for investors with many free tools.

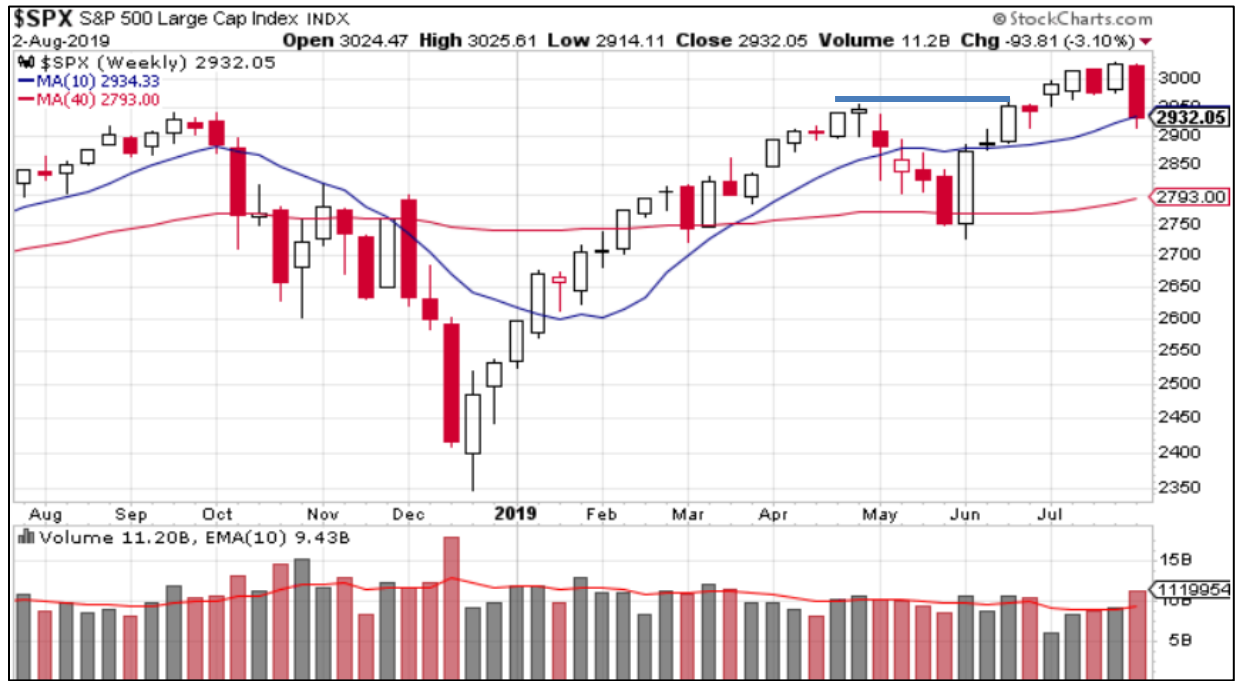
## S&P500 Daily chart, 4 months (updated Friday)

S&P500 recovered last week's loss; hit new all-time high Wednesday.  
Now stalled near prior high. Volume rising!



## S&P500 Weekly chart, 1 year (updated Friday)

S&P500 continues new Uptrend – breaking to new all-time highs last week.  
Both major indexes closed near the low of their week!



These charts are from StockCharts.com, a valuable site for investors with many free tools

## HOW CAN YOU CAPTURE THOSE GREAT MARKET TRACKING GAINS SHOWN ABOVE?

It's as easy as 1- 2- 3!

### THE ARMCHAIR INVESTOR PLAN:

#### >>STEP 1: In an Uptrend, buy the QQQ, a Nasdaq 100 ETF.

Find the market direction diagnosis every night in this newsletter. At the Uptrend signal, buy the QQQ (or one of the multiple Uptrend ETFs shown in a table above) the next morning.

Just in case protection: When you receive your confirmation of the purchase price, place an 8% STOP LOSS order to protect your portfolio from a sudden market reversal (executing this sale is rare – I almost always sell when the market goes into “under pressure or Downtrend – see Step 2 below). Your broker can help you set up this order.

**This upward ride is the most exciting part of trend-following – Ride the escalator up, up, up as the market rises.** Enjoy your ETF investment as it increases with the rise of the market.

Did you get your share of those extraordinary rises in this Uptrend! If you are looking for **strong individual stocks in a buy range**, they are out there – **GOOD HUNTING!** See the recent **Stock Market Today** articles at [www.investors.com](http://www.investors.com) for some great individual stock ideas

**All Uptrends have occasional distribution days.**

**This market's sideways pause is not (yet) an end to this year's mighty Uptrend. Distribution days are the “early warning system” I track in this newsletter each night.”**

#### STEP 2: Watch this newsletter nightly for “Uptrend under Pressure”

This newsletter will alert you when the Uptrend is “Under Pressure” and point to the next step for your consideration. You may want to sell your uptrend ETF or pull back to a 50% position. We will discuss the options when appropriate.

**STEP 3: When the market diagnosis changes to Downtrend, consider selling your Uptrend position (QQQ, QLD or TQQQ) and going to cash.** After exiting the Uptrend ETF, wait in cash until the next Uptrend signal. **Occasionally, I will use an inverse ETF. This strategy worked will off the**

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**NOTE: Not every market direction signal ends with a positive return.** But overall, the ETFs have outperformed the market when traded according to these guidelines. Plus the market direction signals will help you by indicating when it is most effective to consider adding individual stocks to your portfolio (with a strong uptrending market



## **DO YOU INVEST IN INDIVIDUAL STOCKS?—**

**Always consider taking some profit if significant distribution is showing up for your individual stocks.** However, many individual stocks are rising with gusto! Look at all the lists in the Investor's Business Daily newspaper for stocks breaking out with high volume. **They are there!**

**To get a deeper sense of the health of the market, look at the MARKET FACTORS, COUNTS & RATINGS table** included each day in the FULL Armchair Investor newsletter. It looks at 7 key market direction factors and highlights the leaning of each:

- If the factor leans toward the **Uptrend**, that box will be **green**
- If the factor leans toward the **Downtrend**, that box will be **orange** or **red**

**To schedule a class visit: Contact Charlotte Hudgin at 214-995-6702**

One of the reasons I pay so much attention to the Investor's Business Daily strategies and books (*How to Make Money in Stocks series*) is that they work consistently. If you or someone you know is interested in stock market investing, I encourage them to start with:

- *How to Make Money in Stocks – Getting started* by Matt Galgani. Then they can move on to some of the more advanced books.

## **Visit an ARMCHAIR INVESTOR CLASS**

We have 4 classes given each week in Dallas, Addison and ONLINE:.  
Visit a class as my guest

- [Sunday afternoon 3 – 5 p.m. ONLINE](#)
- [Monday nights 7 – 9 p.m.](#)
- [Tuesday afternoons 3:30 – 5:30 p.m.](#)
- [Wednesday mornings 10:00 a.m. to noon](#)

**PRIOR REGISTRATION REQUIRED FOR YOUR FREE VISIT**  
**CALL 214-995-6702.**

Seating is limited to no more than 3 guests at each session to ensure the paid subscribers receive full value.

**Monday and Tuesday classes** are in north Dallas near Preston & Royal.

**Wednesday classes** are Addison.

**Sunday classes** are online! Register at the same [Armchair Investor classes](#) OR CALL 214-995-6702

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Wishing you "Many Happy Returns,"

Charlotte Hudgin, 214-995-6702, Editor, the Armchair Investor

**DISCLAIMER, "Buyer Beware" WARNING:**

This newsletter shares the ideas I use in my investing.

It is not investing advice but should be taken as education only.

Your investment decisions are your responsibility as are the results.

If you are not comfortable with or do not understand a strategy completely,

I recommend that you paper-trade until you are successful and can sleep well at night.

Questions may be submitted to: [Editor@ArmchairInvestor.com](mailto:Editor@ArmchairInvestor.com)