

ARMCHAIR INVESTOR^(sm) MORNING MARKET NEWSLETTER

A TREND-FOLLOWING STRATEGY

If you live near Dallas, this is a great time to visit a weekly Armchair Investor class - Register for a class at [ARMCHAIRINVESTOR MEETUP](#)

CURRENT MARKET DIRECTION: DOWNTREND

My trend-following funds are OUT of the market – waiting in cash.

Current Armchair Investor actions:	Wait in cash
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It is difficult to earn positive returns during a brief downtrends which were most common in the past 3 years. I hope you made the good returns of this year’s rising market! I hope you have used them. If this Downtrend gathers speed, watch here to see if and when I get in an inverse ETF.

MONDAY: KEEP YOUR EYE ON THE MARKET and don’t be swayed by unresearched opinions. Investor’s Business Daily’s research finds that a new Uptrend usually **CONFIRMS** its strength on day 4 or later of a new **ATTEMPTED RALLY**. Friday was day 4 of the current attempted rally but its price-volume action did not meet the Follow-through requirements to turn an attempted rally into an Uptrend.

Rising periods occur during every Downtrend. Do not try to “beat the market” and jump in early. Wait for the proper price-volume confirmation of a new Uptrend, a day with:

- a strong rise (usually 1.15+%) in either of the market leading indexes
- with higher volume on day 4 or later of an attempted rally.

DAILY MARKET ACTION

8/9/19	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Recent Trend Gain/Loss from 8/5 DOWNTREND SIGNAL
Nasdaq	7,959.14	-1.0%	-8.4%	+4.6%	Neither	+1.9%
S&P500	2,918.65	-0.7%	NYSE Volume		Neither	+2.0%
DJIA	26,287.44	-0.3%	-18.5%	-3.1%	Neither	+1.8%

**** The Recent Trend Gains/Losses** 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.

Why are my Final Volumes Different than yours? Why do the volume numbers on this table not always match other sources such as [Investors.com](#), [Marketwatch.com](#), [Yahoo Finance.com](#), [Bloomberg.com](#)? The volume shown in this table is based on the data provided by the exchange.

Notice the large drop in stocks with A or B ratings in the last 3 weeks: from 54% of stocks with A or B ratings to 40% Monday.

This shift can only be caused by a severe selling.

If the Wall Street firms are getting out, so should you.

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

		A	B	C	D	E	As + Bs
4 weeks ago	7/12	11%	45%	23%	16%	5%	56%
3 weeks ago	7/19	11%	44%	23%	16%	6%	55%
2 weeks ago	7/26	11%	43%	24%	17%	6%	54%
1 week ago	8/2	8%	35%	25%	23%	9%	43%
Today	8/9	8%	33%	24%	25%	11%	40%
	#	497	2108	1557	1598	720	

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.

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?

8/9/2019	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	7959.14	2918.65	12748.42	26287.44
Below (-) or Above (+) Recent High (%)	-4.6%	-3.6%	-6.5%	-4.1%

*New Highs are daily closing prices and updated each Friday. If an index makes a new high during the week, you will see how it rows past that high during the week.

LAST WEEK'S MARKET ACTION

8/9/19	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-0.6%	+3.9%	+18.0%	Minor distribution
S&P 500	-0.5%	S&P 500 Volume		Minor distribution
DJIA	-0.7%	+2.7%	+26.0%	Minor distribution

The "TYPES OF WEEK" are:

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.

The NYSE volume is used for the S&P500, DJIA and NYSE Composite.

MARKET ACTION 2019 YEAR-TO-DATE

8/9/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	7959.14	+20.0%
S&P 500	2506.85	2918.65	+16.4%
NYSE	11374.39	12,748.42	+12.1%
DJIA	23327.46	26,287.44	+12.7%

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."

THE RESULTS OF INVESTING IN THE QQQ, QLD AND TQQQ DURING THE MOST RECENT UPTREND 6/10/2019 – 8/5/2019)

The table below reports the minor losses that resulted from investing in the QQQ, QLD and TQQQ after the market was called in Uptrend on June 6, 2019, then selling those ETFs the morning after August 5 Downtrend call.

The shorter directional runs sometime end with a small loss as this one did. **Most Uptrend runs end with substantial gains as the January 6, 2019 Uptrend (+18.2%, +36.4% and +56.1%).**

Uptrend ETFs	Armchair Investor Trend-following Current Uptrend Returns <i>Sell the Uptrend ETFs at Tuesday (8/6) Opening Price</i>		
8/6/19	Opening Price on 6/11/2019 (The start if new Uptrend)	Opening Price on 8/6/2019 (The start of a new Downtrend)	Gain or Loss Since 6/10/19 Uptrend Signal
QQQ (1x)	185.07	182.38	-1.5%
QLD (2x)	94.09	90.96	-3.3%
TQQQ (3x)	60.06	56.72	-5.6%

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.

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.

This table will be finalized for the Uptrend when I sell these ETFs at Tuesday's opening price.

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MARKET FACTORS, COUNTS & RATINGS

8/9/2019

<p>Type of Day for <u>Nasdaq Index</u> Accumulation, Distribution or Neither</p>		<p>Neither</p>	
<p>I track the <u>Nasdaq's</u> price-volume because it usually leads the market direction .</p>			
<p>Market Direction Uptrend, Under Pressure, Downtrend</p>		<p>DOWNTREND (Correction)</p>	
<p>Friday was day 4 of the Attempted Rally. A Follow-through day could put the market back into Uptrend any day. Remember: Every downtrend has many Attempted Rallies on the way day. Most do NOT turn into Uptrends.</p>			
<p><u>Nasdaq</u> Accumulation & Distribution Days (last 20 days) Only accumulation and distribution days since the last market change (1/4/2019) are in this count.</p>		<p>Accumulation Days 3</p>	<p>Distribution Days 5</p>
<p>Note: The S&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&P500 shows a greater concentration of distribution, I will talk about it in this space.</p>			
<p>Count of Up Days and Down Days Nasdaq's last <u>10-days'</u> price movement</p>		<p>Up Days 3</p>	<p>Down Days 7</p>
<p>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.</p>			
<p>Rising/Falling Ratio of Leader Stocks with High Volume Nasdaq 10-day ratio</p>		<p>1.3</p>	
<p>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</p>			
<p>Market Accumulation/Distribution Ratings "A": heavy accumulation, "B": moderate accumulation, "C": neutral, "D": moderate distribution, "E": heavy distribution. Accumulation = Institutions are BUYING, Distribution = Inst are SELLING</p>		<p>Nasdaq C-</p>	<p>S&P 500 D+</p>
		<p>DJIA D</p>	
<p>Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.</p>		<p>50-Day</p>	<p>200-Day</p>
<p>Nasdaq</p>		<p>At</p>	<p>Above</p>
<p>S&P 500</p>		<p>At</p>	<p>Above</p>
<p>NYSE</p>		<p>Below</p>	<p>Above</p>
<p>DJIA</p>		<p>At</p>	<p>Above</p>

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	7/15/19	8258.18	+0.17%	-12.1%	25	—	—
19	7/16/19	8222.80	-0.4%	+20.8%	26	Minor distribution	DOWNTREND
18	7/17/19	8185.21	-0.5%	-8.0%	27	—	UPTREND
17	7/18/19	8207.24	+0.3%	-1.2%	28	—	DOWNTREND
16	7/19/19	8146.49	-0.7%	-7.0%	29	—	UPTREND
15	7/22/19	8204.14	+0.7%	-3.0%	30	—	DOWNTREND
14	7/23/19	8251.40	+0.6%	+0.17%	31	—	—
13	7/24/19	8321.50	+0.9%	+5.8%	32	Minor accumulation	UPTREND
12	7/25/19	8238.54	-1.0%	+3.4%	33	Major Distribution	DOWNTREND
11	7/26/19	8330.21	+1.1%	-3.2%	34	—	DOWNTREND
10	7/29/19	8293.33	-0.4%	-3.1%	35	—	UPTREND
9	7/30/19	8273.61	-0.2%	-8.9%	36	—	UPTREND
8	7/31/19	8175.42	-1.2%	+56.0%	37	Major Distribution	DOWNTREND
7	8/1/19	8111.12	-0.8%	+9.1%	38	Minor distribution	DOWNTREND
6	8/2/19	8004.07	-1.3%	-14.0%	39	—	UPTREND
5	8/5/19	7726.04	-3.8%	+15.6%	1	Major Distribution	DOWNTREND
4	8/6/19	7833.27	+1.4%	-22.4%	2	—	DOWNTREND
3	8/7/19	7862.82	+0.4%	+11.4%	3	Minor accumulation	UPTREND
2	8/8/19	8039.16	+2.2%	+8.0%	4	Major Accumulation	UPTREND
1	8/9/19	7959.14	-1.0%	-8.4%	5	—	UPTREND

Nasdaq Daily chart, 4 months (updated Friday)

The market broadly fell hard last week and continued down Monday.



Nasdaq Weekly chart, 1 year (updated Friday)

The market broadly fell hard last week.



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

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

The market broadly fell hard last week and continued down Monday.



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

The market broadly fell hard last 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!

STEP 2: When the Uptrend slows down: “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 in this newsletter when appropriate.

ON 8/5/2019, THE MARKET MOVED INTO STEP 3: DOWNTREND

STEP 3: When the market diagnosis changes to Downtrend.

Selling your Uptrend ETF position (QQQ, QLD or TQQQ) will capture gains earned in Steps 1 & 2 above. Wait in cash.

After exiting the Uptrend ETF, **wait in cash** until the next Uptrend signal.

Watch this box for a signal to invest in an inverse ETF.

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

Access the FULL ARMCHAIR Investor newsletter in just 2 clicks

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