

**ARMCHAIR INVESTOR<sup>(sm)</sup> MORNING MARKET**  
**NEWSLETTER**  
 A TREND-FOLLOWING STRATEGY

If you live near **Fort Worth**, stay tuned! We are checking to see if we can get the back room for **8/22 IBD Meetup** – it’s great to use their screen!

**CURRENT MARKET DIRECTION: DOWNTREND**

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

<b>Current Armchair Investor actions:</b>	<b>Wait in cash</b>
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It is difficult to earn positive returns during the brief downtrends which have been most common in the last 10 years. But the long rises during the last ten year’s rising market have generated huge returns! Will this Downtrend gather speed? Watch here to see if and when I get in an inverse ETF.

**MONDAY: ANOTHER 1%+ DROP BUT VOLUME IS LIGHTER AGAIN.** 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. The Market stays in:

**“Downtrend with Attempted Rally”**

Rising periods (attempted rallies) occur during every Downtrend.

Do not try to “beat the market” and jump in early.

**Wait for the proper price-volume confirmation day of a new Uptrend:**

- 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**

8/12/19	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	7,863.41	-1.2%	-15.0%	-11.1%	Neither	+0.7%
S&P500	2,882.70	-1.2%	NYSE Volume		Neither	+0.7%
DJIA	25,896.44	-1.5%	-13.3%	-15.4%	Neither	+0.3%

\*\* 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.

**Notice the large drop in stocks with A or B ratings in the last 4 weeks: from 58% of stocks with A or B ratings to 39% 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	7/15	12%	46%	22%	15%	5%	58%
3 weeks ago	7/22	10%	43%	24%	17%	6%	53%
2 weeks ago	7/29	11%	44%	23%	16%	6%	55%
1 week ago	8/5	7%	33%	25%	25%	10%	40%
Today	8/12	7%	31%	24%	25%	12%	39%
	#	474	2033	1555	1637	767	

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?

8/12/2019	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	7863.41	2882.70	12586.24	25896.44
Below (-) or Above (+) Recent High (%)	-5.7%	-4.8%	-7.7%	-5.5%

\*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.

### MARKET ACTION 2019 YEAR-TO-DATE

8/12/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	7863.41	+18.5%
S&P 500	2506.85	2882.70	+15.0%
NYSE	11374.39	12,586.24	+10.7%
DJIA	23327.46	25,896.44	+11.0%

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."

# MARKET FACTORS, COUNTS & RATINGS

8/12/2019

<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>DOWNTREND (Correction)</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>Distribution Days</b>
		<b>3</b>	<b>5</b>
<b>Count of Up Days and Down Days</b> Nasdaq's last <u>10-days'</u> price movement		<b>Up Days</b>	<b>Down Days</b>
		<b>3</b>	<b>7</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>1.4</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>C-</b>
		<b>S&amp;P 500</b>	<b>D+</b>
		<b>DJIA</b>	<b>D</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		<b>At</b>	<b>Above</b>
S&P 500		<b>At</b>	<b>Above</b>
NYSE		<b>Below</b>	<b>At</b>
DJIA		<b>Below</b>	<b>Above</b>

## 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 (—)	<u>CONSISTENT WITH:</u> UPTREND or DOWNTREND?
20	7/16/19	8222.80	-0.4%	+20.8%	26	Minor distribution	DOWNTREND
19	7/17/19	8185.21	-0.5%	-8.0%	27	—	UPTREND
18	7/18/19	8207.24	+0.3%	-1.2%	28	—	DOWNTREND
17	7/19/19	8146.49	-0.7%	-7.0%	29	—	UPTREND
16	7/22/19	8204.14	+0.7%	-3.0%	30	—	DOWNTREND
15	7/23/19	8251.40	+0.6%	+0.17%	31	—	—
14	7/24/19	8321.50	+0.9%	+5.8%	32	Minor accumulation	UPTREND
13	7/25/19	8238.54	-1.0%	+3.4%	33	Major Distribution	DOWNTREND
12	7/26/19	8330.21	+1.1%	-3.2%	34	—	DOWNTREND
11	7/29/19	8293.33	-0.4%	-3.1%	35	—	UPTREND
10	7/30/19	8273.61	-0.2%	-8.9%	36	—	UPTREND
9	7/31/19	8175.42	-1.2%	+56.0%	37	Major Distribution	DOWNTREND
8	8/1/19	8111.12	-0.8%	+9.1%	38	Minor distribution	DOWNTREND
7	8/2/19	8004.07	-1.3%	-14.0%	39	—	UPTREND
6	8/5/19	7726.04	-3.8%	+15.6%	1	Major Distribution	DOWNTREND
5	8/6/19	7833.27	+1.4%	-22.4%	2	—	DOWNTREND
4	8/7/19	7862.82	+0.4%	+11.4%	3	Minor accumulation	UPTREND
3	8/8/19	8039.16	+2.2%	+8.0%	4	Major Accumulation	UPTREND
2	8/9/19	7959.14	-1.0%	-8.4%	5	—	UPTREND
1	8/12/19	7863.41	-1.2%	-15.0%	6	—	UPTREND

## 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
		+2.7%	+26.0%	Minor distribution
DJIA	-0.7%			

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.

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

The market broadly fell hard last Monday then rose back to 50-day m.a.



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

The market broadly fell hard last Monday then rose back to 50-day m.a.



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 Monday then rose back to 50-day m.a.



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

The market broadly fell hard last Monday then rose back to 50-day m.a.



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

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**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](mailto:Editor@ArmchairInvestor.com)