

ARMCHAIR INVESTOR^(sm) MORNING MARKET NEWSLETTER

A TREND-FOLLOWING STRATEGY

If you live near **Fort Worth**, please join us 8/22 (NEXT WEEK) for the **IBD Meetup** –
 At Ol' South Pancake House 6:45 – 8:45 Thursday [Click here to Register](#)

Access the FULL ARMCHAIR Investor newsletter in just 2 clicks

WWW.ARMCHAIRINVESTOR.COM

Then click on **CURRENT NEWSLETTER** tab

CURRENT MARKET DIRECTION: UPTREND under PRESSURE.

Current Armchair Investor actions:	If market drops more than 1/2% Thursday, I will sell my QQQ and wait for sanity to return
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Tuesday's new Uptrend had a deep Distribution day on Wednesday, the second day of the new Uptrend. You should be very weary of that serious reversal!

- After only 6 days of the Downtrend, the reversal to Uptrend on Tuesday (8/13) was exciting! A new Uptrend can provide substantial, quick gains.
 - But the immediate 3% sell-off on Wednesday revealed a market that may be over-reacting to news and our President's tweets.
 - When a market is over-reacting, it is unpredictable and, therefore, too risky for me. If the wild swings continue, exiting the market with your trend-following dollars may be the safest place for you to be right now.
- **MY PLAN FOR THURSDAY:** If the market opens 1/2% lower on Thursday or drops 1/2% lower during the day, I will exit my QQQ position and sit on the sidelines until I can see a clear direction.

DAILY MARKET ACTION

8/14/19	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?
Nasdaq	7,773.94	-3.0%	+16.1%	+18.4%	Major Distribution
S&P500	2,840.60	-2.9%	NYSE Volume		Major Distribution
DJIA	25,479.42	-3.0%	+12.4%	+24.9%	Major Distribution

** 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, 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.

Notice the large drop in stocks with A or B ratings showing strong selling by institutional investors:

Over just two weeks. The As plus Bs fell from **54%** one week ago, to **39%** today (8/13)

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

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

		A	B	C	D	E	As + Bs
4 weeks ago	7/17	11%	45%	23%	15%	5%	56%
3 weeks ago	7/24	11%	43%	23%	17%	6%	54%
2 weeks ago	7/31	11%	43%	24%	16%	6%	54%
1 week ago	8/7	6%	28%	25%	28%	13%	34%
Today	8/14	7%	32%	25%	25%	11%	39%
	#	455	2083	1619	1603	700	

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?

8/14/2019	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	7773.94	2840.60	12368.05	25479.42
Below (-) or Above (+) Recent High (%)	-6.8%	-6.2%	-9.3%	-7.0%

*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 FACTORS, COUNTS & RATINGS

8/14/2019

Type of Day for <u>Nasdaq Index</u> Accumulation, Distribution or Neither		Major Distribution	
I track the <u>Nasdaq's</u> price-volume because it usually leads the market direction .			
Market Direction Uptrend, Under Pressure, Downtrend		UPTREND under Pressure	
<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.		Accumulation Days	Distribution Days
		4	5
Count of Up Days and Down Days Nasdaq's last <u>10-days'</u> price movement		Up Days	Down Days
		4	6
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.			
Rising/Falling Ratio of Leader Stocks with High Volume Nasdaq 10-day ratio		1.3	
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			
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		Nasdaq	D+
		S&P 500	D+
		DJIA	D
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day	200-Day
		Nasdaq Below	Above
		S&P 500 Below	Above
		NYSE Below	Below
		DJIA Below	At

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	7/18/19	8207.24	+0.3%	-1.2%	28	—	DOWNTREND
19	7/19/19	8146.49	-0.7%	-7.0%	29	—	UPTREND
18	7/22/19	8204.14	+0.7%	-3.0%	30	—	DOWNTREND
17	7/23/19	8251.40	+0.6%	+0.17%	31	—	—
16	7/24/19	8321.50	+0.9%	+5.8%	32	Minor accumulation	UPTREND
15	7/25/19	8238.54	-1.0%	+3.4%	33	Major Distribution	DOWNTREND
14	7/26/19	8330.21	+1.1%	-3.2%	34	—	DOWNTREND
13	7/29/19	8293.33	-0.4%	-3.1%	35	—	UPTREND
12	7/30/19	8273.61	-0.2%	-8.9%	36	—	UPTREND
11	7/31/19	8175.42	-1.2%	+56.0%	37	Major Distribution	DOWNTREND
10	8/1/19	8111.12	-0.8%	+9.1%	38	Minor distribution	DOWNTREND
9	8/2/19	8004.07	-1.3%	-14.0%	39	—	UPTREND
8	8/5/19	7726.04	-3.8%	+15.6%	1	Major Distribution	DOWNTREND
7	8/6/19	7833.27	+1.4%	-22.4%	2	—	DOWNTREND
6	8/7/19	7862.82	+0.4%	+11.4%	3	Minor accumulation	UPTREND
5	8/8/19	8039.16	+2.2%	+8.0%	4	Major Accumulation	UPTREND
4	8/9/19	7959.14	-1.0%	-8.4%	5	—	UPTREND
3	8/12/19	7863.41	-1.2%	-15.0%	6	—	UPTREND
2	8/13/19	8016.36	+2.0%	+14.5%	1	Major Accumulation	UPTREND
1	8/14/19	7773.94	-3.0%	+16.1%	2	Major Distribution	DOWNTREND

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Nasdaq Daily chart, 4 months (updated Wednesday)

Nasdaq & S&P500 drop 3% on day 2 of new Uptrend – VERY DISAPPOINTING!



Nasdaq Weekly chart, 1 year (updated Tuesday)

The market went into a **new UPTREND** Tuesday 8/13 with a Follow-through day



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

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

S&p500 & Nasdaq drop 3% on day 2 of new Uptrend – VERY DISAPPOINTING!



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

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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

8/14/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	7773.94	+17.2%
S&P 500	2506.85	2840.60	+13.3%
NYSE	11374.39	12,368.05	+8.7%
DJIA	23327.46	25,479.42	+9.2%

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 CAN YOU CAPTURE THOSE GREAT MARKET TRACKING GAINS SHOWN ABOVE?

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

THE ARMCHAIR INVESTOR PLAN:

ON 8/13/2019, THE MARKET MOVED INTO STEP 1: NEW UPTREND

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!

ON 8/14/2019, THE MARKET MOVED INTO STEP 2: DOWNTREND:

STEP 2: When the Uptrend slows down: “Uptrend under Pressure”

This week's new Uptrend had a deep Distribution day on Wednesday, the second day of a new Uptrend. You should be very weary of that serious reversal!

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- But the immediate 3% sell-off on the next day revealed a market that may be over-reacting to news and our President's tweets.
- When a market is over-reacting, it is unpredictable and, therefore too risky. Exiting the market with your trend-following dollars may be the safest place to be right now.
- **MY PLAN FOR THURSDAY:** If the market opens lower on Thursday or drops lower during the day, I will exit my QQQ position and sit on the sidelines until ORDER returns.

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.

Also: 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

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