

ARMCHAIR INVESTOR^(sm) MORNING MARKET
NEWSLETTER
 A TREND-FOLLOWING STRATEGY

If you live near **Fort Worth**, YOU ARE WELCOME to join us 8/22 (THURSDAY !)
 for the **IBD Meetup** 6:45 p.m.– 8:45 p.m. [Click here to Register](#)

CURRENT MARKET DIRECTION: UPTREND under PRESSURE.

Current Armchair Investor actions:	Buy QQQ when the market opens Tuesday
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The major indexes fell 0.7% and 0.8% Tuesday. If the market drops in an Uptrend, I want the volume to be lighter – showing a lack of broad support for the drop. That is precisely what the Nasdaq and S&P500 did on Tuesday.

NOTE: the Nasdaq is UP 19.8% this year.

Why I bought the QQQ (From Monday’s newsletter): Uptrend “under pressure” comes from an Uptrend that shows weakness. That weakness is a warning that the Uptrend may fail. Caution advised! But I cannot deny the rises of the last two days paired with Tuesday morning’s rising futures. I will buy the QQQ at the market open. My concern? The Nasdaq is just 1/2% below its 50-day moving average line which can be a line of resistance. Since the Nasdaq is still 4% below its recent high (7/26), I am buying back in.

MY PLAN FOR WEDNESDAY:

- **Hold the QQQ. Be sure you have put in an 8% protective stop.**
- **Watch for the Nasdaq to add accumulation days as a signal to buy individual stocks that are at buy points.**

Watch the market action closely:

- **A few weak days could undercut the prior lows and put the market back into DOWNTREND (CORRECTION). If that happens, exit any market-following ETFs immediately.**
- **Will the market stall under its 50-day moving average line? Be sure to watch that key level for support (rising through it) or weakness (reversing at that level).**

DAILY MARKET ACTION					
8/20/19	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?
Nasdaq	7,948.56	-0.7%	-9.5%	-17.1%	Neither
S&P500	2,900.51	-0.8%	NYSE Volume		Neither
DJIA	25,962.44	-0.7%	-4.8%	-11.4%	Neither
An accumulation Day : Price RISES 0.2% or more with strong Volume (either higher than the day before or is well-above average volume). A distribution Day : Price FALLS 0.2% or more with strong Volume .					

Uptrend ETFs	Armchair Investor Trend-following Current Uptrend Returns			
8/20/19	Opening Price on 8/6/2019*	TODAY's Closing Price	ETF % Change Today	Gain or Loss Since 8/19/19 Re-Buy Signal
QQQ (1x)	188.00	186.97	-0.7%	-0.5%
QLD (2x)	96.20	95.18	-1.3%	-1.1%
TQQQ (3x)	60.06	60.46	-2.1%	+0.7%

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.

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

Over just three weeks:

- the As plus Bs fell from **54%** to **38%** today which confirms some weakness (selling off) in this Uptrend.

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

		A	B	C	D	E	As + Bs
4 weeks ago	7/23	10%	42%	24%	17%	6%	52%
3 weeks ago	7/30	11%	44%	23%	16%	6%	54%
2 weeks ago	8/6	6%	25%	23%	30%	16%	31%
1 week ago	8/13	7%	30%	24%	26%	13%	37%
Today	8/20	8%	31%	23%	25%	14%	38%
	#	485	1976	1498	1623	873	

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 days ago. The ratings which are higher than two weeks prior are colored light GREEN. Lower ratings are PINK.

MARKET ACTION 2019 YEAR-TO-DATE

8/20/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	7948.56	+19.8%
S&P 500	2506.85	2900.51	+15.7%
NYSE	11374.39	12,599.41	+10.8%
DJIA	23327.46	25,962.44	+11.3%

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		8/20/2019	
Type of Day for <u>Nasdaq Index</u> Accumulation, Distribution or Neither		Neither	
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 4	Distribution Days 5
Count of Up Days and Down Days Nasdaq's last <u>10-days'</u> price movement		Up Days 5	Down Days 4
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		1.5	
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	At
DJIA		Below	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	7/24/19	8321.50	+0.9%	+5.8%	32	Minor accumulation	UPTREND
19	7/25/19	8238.54	-1.0%	+3.4%	33	Major Distribution	DOWNTREND
18	7/26/19	8330.21	+1.1%	-3.2%	34	—	DOWNTREND
17	7/29/19	8293.33	-0.4%	-3.1%	35	—	UPTREND
16	7/30/19	8273.61	-0.2%	-8.9%	36	—	UPTREND
15	7/31/19	8175.42	-1.2%	+56.0%	37	Major Distribution	DOWNTREND
14	8/1/19	8111.12	-0.8%	+9.1%	38	Minor distribution	DOWNTREND
13	8/2/19	8004.07	-1.3%	-14.0%	39	—	UPTREND
12	8/5/19	7726.04	-3.8%	+15.6%	1	Major Distribution	DOWNTREND
11	8/6/19	7833.27	+1.4%	-22.4%	2	—	DOWNTREND
10	8/7/19	7862.82	+0.4%	+11.4%	3	Minor accumulation	UPTREND
9	8/8/19	8039.16	+2.2%	+8.0%	4	Major Accumulation	UPTREND
8	8/9/19	7959.14	-1.0%	-8.4%	5	—	UPTREND
7	8/12/19	7863.41	-1.2%	-15.0%	6	—	UPTREND
6	8/13/19	8016.36	+2.0%	+14.5%	1	Major Accumulation	UPTREND
5	8/14/19	7773.94	-3.0%	+16.1%	2	Major Distribution	DOWNTREND
4	8/15/19	7766.62	-0.09%	-18.6%	3	—	—
3	8/16/19	7895.99	+1.7%	-12.8%	4	—	DOWNTREND
2	8/19/19	8002.81	+1.4%	-4.5%	5	—	DOWNTREND
1	8/20/19	7948.56	-0.7%	-9.5%	6	—	UPTREND

Nasdaq Daily chart, 4 months (updated Monday)

Monday: Nasdaq rose 1.4%. S&P500 rose 1.2%. But volume LOWER!



Nasdaq Weekly chart, 1 year (updated last Friday)

8/13: New UPTREND then....

8/14: Uptrend "under pressure" – Last of summer vacations?



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

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

Monday: Nasdaq rose 1.4%. S&P500 rose 1.2%. But volume LOWER!



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

8/13: New UPTREND then....

8/14: Uptrend "under pressure"– Last of summer vacations?



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LAST WEEK'S MARKET ACTION

8/16/19	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-0.8%	-7.2%	+7.0%	Neither
S&P 500	-1.0%	S&P 500 Volume		Neither
DJIA	-1.5%	-9.7%	+10.0%	Neither

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.

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?

8/20/2019	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	7948.56	2900.51	12599.41	25962.44
Below (-) or Above (+) Recent High (%)	-4.7%	-4.2%	-7.6%	-5.2%

*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.

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: Uptrend under Pressure:

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 wary 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 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. Be sure your stops are in!

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 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.

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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