

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

A *TREND-FOLLOWING STRATEGY*

Join us at the IBD Dallas Meetup on Wednesday (8/28) at the NorthPark Microsoft store 6:30 – 8:30 p.m. Detail and Registration at [AUGUST IBD MEETUP SIGN-UP](#)

### CURRENT MARKET DIRECTION: UPTREND under PRESSURE.

<b>Current Armchair Investor action:</b>	<b>Hold QQQ</b>
--	-----------------

A 1+% rebound on Friday brought some optimism to the possibility of the market returning to a solid Uptrend, at least in the short run.

- If you read my Friday notes on this first page of the newsletter, I explained why I would wait for the opening price movement of Monday's market to see if selling the QQQ (to protect against further losses) was the appropriate action. The important data was Friday's Put/Call ratio at an optimistic 2.0. (Any ratio over 1.15 predicts a market rise.) Thus, I decided to wait to sell the QQQ until I saw what Monday's market did with the weekend news. Good choice! The market gapped up on Monday, made a small dip, then closed a little higher.
- I hold the QQQ.

**NOTE: the Nasdaq is UP 18% this year.**

**Have you grabbed these gains! Use this newsletter to understand the Armchair Investor's "Market Trend-following".**

### MY PLAN FOR TUESDAY: Hold the QQQ. Watch the market and President Trump's tweets.

- I build my Watch List of stocks to BUY as they breakout.
  - (Yes, I may buy a stock that has top-notch financials and technical (chart) ratings and is at a buy signal if the market is in "uptrend under pressure.")

**Watch the market action closely:**

- Closing below the 200-day moving average lines could put the market back into **DOWNTREND (CORRECTION)**.

DAILY MARKET ACTION						
8/26/19	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Recent Trend Gain/Loss from 8/13 UPTREND SIGNAL
Nasdaq	7,853.73	+1.3%	-23.3%	-19.3%	Neither	+0.9%
S&P500	2,847.11	+1.1%	NYSE Volume		Neither	-0.5%
DJIA	25,898.83	+1.1%	-27.4%	-17.7%	Neither	+0.3%

An accumulation Day: Price RISES 0.2% or more with strong Volume (either higher than the day before or is well

## ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS Current Uptrend

8/26/19	Opening Price on 8/20/2019*	TODAY's Closing Price	ETF % Change Today	Gain or Loss Since 8/20/19 Uptrend Signal
QQQ (1x)	188.00	184.82	+1.5%	-1.7%
QLD (2x)	96.20	92.79	+2.9%	-3.5%
TQQQ (3x)	61.41	58.04	+4.1%	-5.5%

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 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 the last 4 weeks:  
the As plus Bs fell from 55% to 33% today which confirms  
weakness (selling off) in this Uptrend.**

### PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

		A	B	C	D	E	As + Bs
4 weeks ago	7/29	11%	44%	23%	16%	5.6%	55%
3 weeks ago	8/5	7%	33%	25%	25%	10%	40%
2 weeks ago	8/12	7%	31%	24%	25%	12%	39%
1 week ago	8/19	7%	29%	22%	27%	15%	36%
Today	8/26	7%	26%	23%	27%	17%	33%
	#	435	1664	1460	1769	1123	

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 FACTORS, COUNTS & RATINGS

8/26/2019

<p><b>Type of Day for <u>Nasdaq Index</u></b> Accumulation, Distribution or Neither</p>		<p><b>Neither</b></p>	
<p>I track the <u>Nasdaq's</u> price-volume because it usually leads the market direction .</p>			
<p><b>Market Direction</b> Uptrend, Under Pressure, Downtrend</p>		<p><b>UPTREND under Pressure</b></p>	
<p><b><u>Nasdaq Accumulation &amp; Distribution Days (last 20 days)</u></b> Only accumulation and distribution days since the last market change (1/4/2019) are in this count.</p>		<p><b>Accumulation Days</b></p>	<p><b>Distribution Days</b></p>
		<p><b>3</b></p>	<p><b>6</b></p>
<p><b>Count of Up Days and Down Days</b> Nasdaq's last <u>10-days'</u> price movement</p>		<p><b>Up Days</b></p>	<p><b>Down Days</b></p>
		<p><b>5</b></p>	<p><b>4</b></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><b>Rising/Falling Ratio of Leader Stocks with High Volume</b> Nasdaq 10-day ratio</p>		<p><b>1.1</b></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><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</p>		<p><b>Nasdaq</b></p>	<p><b>D-</b></p>
		<p><b>S&amp;P 500</b></p>	<p><b>D-</b></p>
		<p><b>DJIA</b></p>	<p><b>D-</b></p>
<p><b>Are Major Indexes Above or Below Moving Averages?</b> "At" is within 1% above or below the moving average.</p>		<p><b>50-Day</b></p>	<p><b>200-Day</b></p>
<p>Nasdaq</p>		<p><b>Below</b></p>	<p><b>Above</b></p>
<p>S&amp;P 500</p>		<p><b>Below</b></p>	<p><b>Above</b></p>
<p>NYSE</p>		<p><b>Below</b></p>	<p><b>At</b></p>
<p>DJIA</p>		<p><b>Below</b></p>	<p><b>Above</b></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	7/30/19	8273.61	-0.2%	-8.9%	36	—	UPTREND
19	7/31/19	8175.42	-1.2%	+56.0%	37	Major Distribution	DOWNTREND
18	8/1/19	8111.12	-0.8%	+9.1%	38	Minor distribution	DOWNTREND
17	8/2/19	8004.07	-1.3%	-14.0%	39	—	UPTREND
16	8/5/19	7726.04	-3.8%	+15.6%	1	Major Distribution	DOWNTREND
15	8/6/19	7833.27	+1.4%	-22.4%	2	—	DOWNTREND
14	8/7/19	7862.82	+0.4%	+11.4%	3	Minor accumulation	UPTREND
13	8/8/19	8039.16	+2.2%	+8.0%	4	Major Accumulation	UPTREND
12	8/9/19	7959.14	-1.0%	-8.4%	5	—	UPTREND
11	8/12/19	7863.41	-1.2%	-15.0%	6	—	UPTREND
10	8/13/19	8016.36	+2.0%	+14.5%	1	Major Accumulation	UPTREND
9	8/14/19	7773.94	-3.0%	+16.1%	2	Major Distribution	DOWNTREND
8	8/15/19	7766.62	-0.09%	-18.6%	3	—	—
7	8/16/19	7895.99	+1.7%	-12.8%	4	—	DOWNTREND
6	8/19/19	8002.81	+1.4%	-4.5%	5	—	DOWNTREND
5	8/20/19	7948.56	-0.7%	-9.5%	6	—	UPTREND
4	8/21/19	8020.21	+0.9%	-2.9%	7	—	DOWNTREND
3	8/22/19	7991.39	-0.3%	+5.4%	8	Minor distribution	DOWNTREND
2	8/23/19	7751.77	-3.0%	+23.8%	9	Major Distribution	DOWNTREND
1	8/26/19	7853.73	+1.3%	-23.3%	10	—	DOWNTREND

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

Nasdaq fell 3% Friday but holds above the 200-day moving average!



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

8/13: New UPTREND then....

8/14: Uptrend "under pressure"– Down 1.8% last week, 2<sup>nd</sup> week of lighter vol.



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 fell 2.6% Friday but holds above the 200-day moving average!



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

8/13: New UPTREND then....

8/14: Uptrend "under pressure" – Down 1.4% last week, 2<sup>nd</sup> week of lighter vol.



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

LAST WEEK'S MARKET ACTION				
8/23/19	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-1.8%	-15.3%	-9.0%	Neither
S&P 500	-1.4%	S&P 500 Volume		Neither
DJIA	-1.0%	-13.4%	-6.0%	Neither
<p>The "TYPES OF WEEK" are:</p> <p><b>ACCUMULATION WEEK</b> PRICE RISES 0.2% or more and VOLUME RISES</p> <p><b>DISTRIBUTION WEEK</b> PRICE FALLS 0.2% or more and VOLUME RISES</p> <p>Another type of DISTRIBUTION(*): WEEK PRICE FALLS 0.2% or more &amp; VOLUME is 15% or more above average even without an increase in volume.</p> <p>The NYSE volume is used for the S&amp;P500, DJIA and NYSE Composite.</p>				

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?				
8/26/2019	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	7853.73	2878.38	12519.62	25898.83
Below (-) or Above (+) Recent High (%)	-5.8%	-4.9%	-8.2%	-5.5%
<p>*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.</p>				

MARKET ACTION 2019 YEAR-TO-DATE			
8/26/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	7853.73	+18.4%
S&P 500	2506.85	2878.38	+14.8%
NYSE	11374.39	12,519.62	+10.1%
DJIA	23327.46	25,898.83	+11.0%
<p>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."</p>			



# 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”**

“Uptrend under Pressure” means the

- The market is showing enough distribution days – down days on higher volume – to be concerned and cautious.

### **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.

## **Visit an ARMCHAIR INVESTOR CLASS**

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

- [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.

Register at the same [Armchair Investor classes](#) OR CALL 214-995-6702

**Access the FULL ARMCHAIR Investor newsletter in just 2 clicks**

[WWW.ARMCHAIRINVESTOR.COM](http://WWW.ARMCHAIRINVESTOR.COM)

Then click on **CURRENT NEWSLETTER** tab

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)