

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

CURRENT MARKET DIRECTION: UPTREND under PRESSURE.

Current Armchair Investor action:	Hold QQQ
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The market is caught between 50-day moving average and 200-day m.a. lines.

- In the 12 days of this new Uptrend (began 8/12), the Nasdaq had a daunting **4 distribution days (3 of them in the last 5 trading days)** with NO Accumulation days. **Only two days had price-volume action consistent with an Uptrend.** Yikes! Is the market in the end-of-summer doldrums or a market ready to fail? Watch closely as the traders return after the Labor Day holiday.
- **GOOD NEWS: the Nasdaq is UP 18% this year.** With the market, you must take the bad with the good! Have you captured these gains! Use this newsletter to understand the Armchair Investor's "Market Trend-following".

MY PLAN FOR THURSDAY: Hold the QQQ. Watch the market.

- **Don't be surprised by the lower volume around the Labor Day weekend.**
I expect the market to snap back in gear next week as traders come back.
- **Four distribution days has me "ON ALERT!" (see table of last 20-days)**
 - One more distribution day this week with confirming negative news or stock failures could cause me to exit half or all of the QQQ.
 - **REMEMBER: CASH IS A POSITION!** And sometimes cash is the safest place to be. Be sure your stops are in
- I build my Watch List of stocks to BUY as they breakout with strength.
- **Watch the market action closely.** Closing below the 200-day moving average lines could put the market back into **DOWNTREND (CORRECTION)**.

DAILY MARKET ACTION

8/28/19	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Recent Trend Gain/Loss from 8/12 UPTREND SIGNAL
Nasdaq	7,856.88	+0.4%	-14.5%	+0.0%	Neither	+0.9%
S&P500	2,869.16	+0.7%	NYSE Volume		Neither	+0.3%
DJIA	26,036.10	+1.0%	-12.3%	-11.3%	Neither	+0.9%

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS Current Uptrend

8/28/19	Opening Price on 8/14/2019*	TODAY's Closing Price	ETF % Change Today	Gain or Loss Since 8/12/19 Uptrend Signal
QQQ (1x)	184.27	185.09	+0.4%	+0.4%
QLD (2x)	92.67	93.01	+0.6%	+0.4%
TQQQ (3x)	58.24	58.27	+1.0%	+0.1%

Note: Last night, this table was CORRECTED to show the last UPTREND signal on 8/12 (not 8/13) and, therefore the buy price on the following morning.. We've got it now!
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.

MARKET ACTION 2019 YEAR-TO-DATE

8/28/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	7856.88	+18.4%
S&P 500	2506.85	2884.94	+15.1%
NYSE	11374.39	12,559.23	+10.4%
DJIA	23327.46	26,036.10	+11.6%

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 CLOSE ARE THE INDICES TO ALL-TIME HIGHS?

8/28/2019	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	7856.88	2884.94	12559.23	26036.10
Below (-) or Above (+) Recent High (%)	-5.8%	-4.7%	-7.9%	-5.0%

MARKET FACTORS, COUNTS & RATINGS		8/28/2019	
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 Accumulation & Distribution Days (last 20 days)</u> Only accumulation and distribution days since the last market change (1/4/2019) are in this count.		Accumulation Days 3	Distribution Days 6
NOTE: Since the last Uptrend signal (8/13/2019) the Nasdaq has had only 1 accumulation day and 4 distribution days. Review the last 20 trading days in the 20-day table below.			
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		1.3	
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 E	
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day Below	200-Day Above
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	7/30/19	8273.61	-0.2%	-8.9%	36	—	UPTREND
20	8/1/19	8111.12	-0.8%	+9.1%	38	Minor distribution	DOWNTREND
19	8/2/19	8004.07	-1.3%	-14.0%	39	—	UPTREND
18	8/5/19	7726.04	-3.8%	+15.6%	1	Major Distribution	DOWNTREND
17	8/6/19	7833.27	+1.4%	-22.4%	2	—	DOWNTREND
16	8/7/19	7862.82	+0.4%	+11.4%	3	Minor accumulation	UPTREND
15	8/8/19	8039.16	+2.2%	+8.0%	4	Major Accumulation	UPTREND
14	8/9/19	7959.14	-1.0%	-8.4%	5	—	UPTREND
13	8/12/19	7863.41	-1.2%	-15.0%	6	—	UPTREND
12	8/13/19	8016.36	+2.0%	+14.5%	1	Major Accumulation	UPTREND
11	8/14/19	7773.94	-3.0%	+16.1%	2	Major Distribution	DOWNTREND
10	8/15/19	7766.62	-0.09%	-18.6%	3	—	—
9	8/16/19	7895.99	+1.7%	-12.8%	4	—	DOWNTREND
8	8/19/19	8002.81	+1.4%	-4.5%	5	—	DOWNTREND
7	8/20/19	7948.56	-0.7%	-9.5%	6	—	UPTREND
6	8/21/19	8020.21	+0.9%	-2.9%	7	—	DOWNTREND
5	8/22/19	7991.39	-0.3%	+5.4%	8	Minor distribution	DOWNTREND
4	8/23/19	7751.77	-3.0%	+23.8%	9	Major Distribution	DOWNTREND
3	8/26/19	7853.73	+1.3%	-23.3%	10	—	DOWNTREND
2	8/27/19	7826.95	-0.3%	+12.6%	11	Minor distribution	DOWNTREND
1	8/28/19	7856.88	+0.4%	-14.5%	12	—	DOWNTREND

“CURRENT TREND” COLORS: Green = Uptrend.

Yellow = Uptrend under Pressure (e.g. showing weakness)

Red = Downtrend (also called correction)..

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

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.

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 **54%** 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	7/31	11%	43%	24%	16%	6%	54%
3 weeks ago	8/7	6%	28%	25%	28%	13%	34%
2 weeks ago	8/14	7%	32%	25%	25%	11%	39%
1 week ago	8/21	7%	30%	23%	26%	14%	37%
Today	8/28	7%	26%	22%	27%	17%	33%
	#	442	1674	1445	1767	1118	

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.

Nasdaq Daily chart, 4 months (updated Wednesday)

Index holds between 50-day and 200-day moving averages!



Nasdaq Weekly chart, 1 year (updated last Friday)

8/13: New UPTREND then....

8/14: Uptrend "under pressure"– Down 1.8% last week, 2nd 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)

Index holds between 50-day and 200-day moving averages!



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

8/13: New UPTREND then....

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



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:

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. Be sure to check on your investments each night!**
- From “Uptrend under Pressure” the market diagnosis could:
 - Rise, showing strength, and return to a healthy Uptrend – **STEP 1**, or
 - Could have more distribution days and fall into a **Downtrend (correction) – Step 3**

STEP 3: When the market diagnosis changes to Downtrend.

Selling your Uptrend ETF position (QQQ, QID or TQQQ) will capture gains earned in

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