

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

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CURRENT MARKET DIRECTION: UPTREND under PRESSURE

| | |
|--|-----------------|
| Current Armchair Investor action: | Hold QQQ |
|--|-----------------|

Tuesday's market drop was less than feared after Friday's President Trump's "Tariff War" actions continued.

Current Signs of Market Strength:

- The major indexes rose almost 3% last week, holding above 200-day m.a. line.

Current Signs of Market Weakness:

After the 8/13 Follow-through day signaled a new Uptrend (see 30-day table below):

- There has been **only one accumulation day** (in last 13 trading days).
- The Nasdaq and S&P500 are "**sideways bound**" between their 50-day and 200-day moving average lines. Their Accumulation/Distribution ratios of D- show a **moderately heavy selling of stocks**.

Does anyone else feel that this market is stuck in "Sideways Limbo"?

MY PLAN FOR WEDNESDAY: Hold the QQQ. Watch the market for move out of the 50-day/200-day channel.

- Four distribution days has me "ON ALERT!" (see table of the last 20-days)
- REMEMBER: CASH IS A POSITION! And sometimes cash is the safest
- Build my Watch List of stocks to BUY if market shows strength.

| DAILY MARKET ACTION | | | | | | |
|---------------------|-------------|----------------|-----------------|-----------------------|-----------------------------------|---|
| 9/3/19 | 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 | 7,874.16 | -1.1% | +34.2% | -5.7% | Major Distribution | +0.9% |
| S&P500 | 2,926.46 | -0.7% | NYSE Volume | | Minor distribution | +2.2% |
| DJIA | 26,118.02 | -1.08% | +13.6% | -0.6% | Major Distribution | +1.2% |

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS

Current Uptrend

| 9/3/19 | Opening Price on 8/14/2019* | TODAY's Closing Price | ETF % Change Today | Gain or Loss Since 8/13/19 Uptrend Signal |
|-----------|-----------------------------|-----------------------|--------------------|---|
| QQQ (1x) | 185.31 | 185.65 | -1.0% | +0.2% |
| QLD (2x) | 93.62 | 93.56 | -2.0% | -0.1% |
| TQQQ (3x) | 59.15 | 58.73 | -2.9% | -0.7% |

This table tracks the returns you would now have earned 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.

The stocks with A or B ratings has rebounded from 33% to 39% showing an increase in buying over the last week ago.

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

| | | A | B | C | D | E | As + Bs |
|-------------|------|-----|------|------|------|-----|---------|
| 4 weeks ago | 8/5 | 7% | 33% | 25% | 25% | 10% | 40% |
| 3 weeks ago | 8/12 | 7% | 31% | 24% | 25% | 12% | 39% |
| 2 weeks ago | 8/19 | 7% | 29% | 22% | 27% | 15% | 36% |
| 1 week ago | 8/26 | 7% | 26% | 23% | 27% | 17% | 33% |
| Today | 9/3 | 7% | 32% | 22% | 26% | 13% | 39% |
| | # | 468 | 2049 | 1432 | 1691 | 829 | |

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

| 9/3/19 | 2018 Closing Price | Current Price | Index % Change Year-to-Date |
|---------|--------------------|---------------|-----------------------------|
| Nasdaq | 6635.38 | 7874.16 | +18.7% |
| S&P 500 | 2506.85 | 2906.27 | +15.9% |
| NYSE | 11374.39 | 12,663.40 | +11.3% |
| DJIA | 23327.46 | 26,118.02 | +12.0% |

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

9/3/2019

| | | | |
|--|--|---------------------------------------|---------------------------------------|
| <p>Type of Day for <u>Nasdaq Index</u> Accumulation, Distribution or Neither</p> | | <p>Major Distribution</p> | |
| <p>I track the <u>Nasdaq's</u> price-volume because it usually leads the market direction.</p> | | | |
| <p>Market Direction Uptrend, Under Pressure, Downtrend</p> | | <p>UPTREND under Pressure</p> | |
| <p><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.</p> | | <p>Accumulation Days 4</p> | <p>Distribution Days 5</p> |
| <p>NOTE: Since the last Uptrend signal (8/13/2019) the Nasdaq has had only 1 accumulation day and 5 distribution days. Review the last 20 trading days in the 20-day table below.</p> | | | |
| <p>Count of Up Days and Down Days Nasdaq's last <u>10-days'</u> price movement</p> | | <p>Up Days 4</p> | <p>Down Days 5</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>Rising/Falling Ratio of Leader Stocks with High Volume Nasdaq 10-day ratio</p> | | <p>1.1</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>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</p> | | <p>Nasdaq E</p> | <p>E</p> |
| | | <p>S&P 500 E</p> | <p>E</p> |
| | | <p>DJIA E</p> | <p>E</p> |
| <p>Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.</p> | | <p>50-Day</p> | <p>200-Day</p> |
| <p>Nasdaq</p> | | <p>Below</p> | <p>Above</p> |
| <p>S&P 500</p> | | <p>Below</p> | <p>Above</p> |
| <p>NYSE</p> | | <p>Below</p> | <p>At</p> |
| <p>DJIA</p> | | <p>Below</p> | <p>Above</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 | 8/6/19 | 7833.27 | +1.4% | -22.4% | 2 | — | DOWNTREND |
| 19 | 8/7/19 | 7862.82 | +0.4% | +11.4% | 3 | Minor accumulation | UPTREND |
| 18 | 8/8/19 | 8039.16 | +2.2% | +8.0% | 4 | Major Accumulation | UPTREND |
| 17 | 8/9/19 | 7959.14 | -1.0% | -8.4% | 5 | — | UPTREND |
| 16 | 8/12/19 | 7863.41 | -1.2% | -15.0% | 6 | — | UPTREND |
| 15 | 8/13/19 | 8016.36 | +2.0% | +14.5% | 1 | Major Accumulation | UPTREND |
| 14 | 8/14/19 | 7773.94 | -3.0% | +16.1% | 2 | Major Distribution | DOWNTREND |
| 13 | 8/15/19 | 7766.62 | -0.09% | -18.6% | 3 | — | — |
| 12 | 8/16/19 | 7895.99 | +1.7% | -12.8% | 4 | — | DOWNTREND |
| 11 | 8/19/19 | 8002.81 | +1.4% | -4.5% | 5 | — | DOWNTREND |
| 10 | 8/20/19 | 7948.56 | -0.7% | -9.5% | 6 | — | UPTREND |
| 9 | 8/21/19 | 8020.21 | +0.9% | -2.9% | 7 | — | DOWNTREND |
| 8 | 8/22/19 | 7991.39 | -0.3% | +5.4% | 8 | Minor distribution | DOWNTREND |
| 7 | 8/23/19 | 7751.77 | -3.0% | +23.8% | 9 | Major Distribution | DOWNTREND |
| 6 | 8/26/19 | 7853.73 | +1.3% | -23.3% | 10 | — | DOWNTREND |
| 5 | 8/27/19 | 7826.95 | -0.3% | +12.6% | 11 | Minor distribution | DOWNTREND |
| 4 | 8/28/19 | 7856.88 | +0.4% | -14.5% | 12 | — | DOWNTREND |
| 3 | 8/29/19 | 7973.40 | +1.5% | +4.1% | 13 | Major Accumulation | UPTREND |
| 2 | 8/30/19 | 7962.88 | -0.13% | -15.1% | 14 | — | — |
| 1 | 9/3/19 | 7874.16 | -1.1% | +34.2% | 15 | Major Distribution | DOWNTREND |

"CURRENT TREND" COLUMN COLORS: Green = Uptrend.
 Yellow = Uptrend under Pressure (e.g. showing weakness)
 Red = Downtrend (also called correction)..

Nasdaq Daily chart, 4 months (updated Monday)

Index ends the week just below 50-day moving average!



Nasdaq Weekly chart, 1 year (updated last Friday)

Index holding between 10-week and 40-week moving average lines.



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

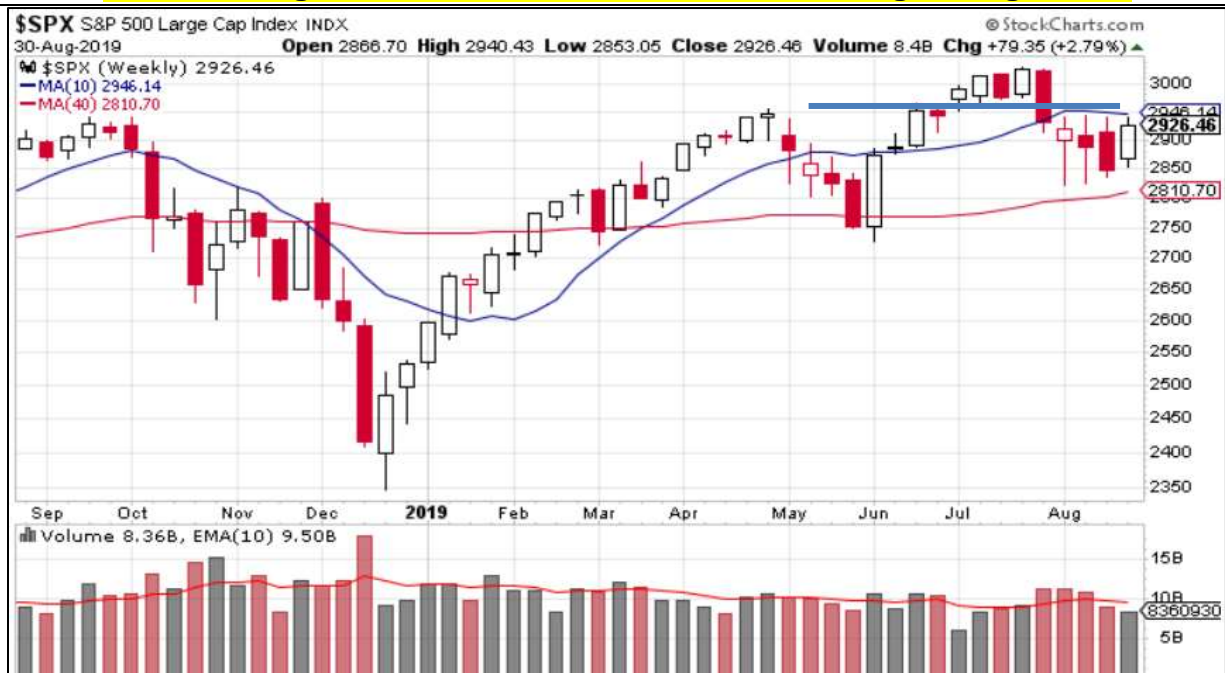
S&P500 Daily chart, 4 months (updated Monday)

Index ends the week just below 50-day moving average!



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

Index holding between 10-week and 40-week moving average lines.



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| HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS? | | | | |
|---|---------------|-------------------|--------------|--------------|
| 9/3/2019 | 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 | 7874.16 | 2906.27 | 12663.40 | 26118.02 |
| Below (-) or Above (+) Recent High (%) | -5.6% | -4.0% | -7.1% | -4.7% |

| LAST WEEK'S MARKET ACTION | | | | |
|----------------------------------|----------------------------------|-----------------------------------|---|---------------------|
| 8/30/19 | Weekly Index % Change | Weekly Volume % Change | Volume Above/Below 10-week Avg | Type of Week |
| Nasdaq | +2.7% | -8.3% | -15.0% | Neither |
| S&P 500 | +2.8% | S&P 500 Volume | | Neither |
| DJIA | +3.0% | -3.1% | -8.0% | Neither |

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!

THE MARKET IS CURRENTLY IN 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, 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.

EXAMPLE and DEFINITIONS used in this newsletter:

| DAILY MARKET ACTION | | | | | | |
|---|-------------|----------------|-----------------|-----------------------|-----------------------------------|---|
| 8/30/19 | 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 | 7,962.88 | -0.1% | -15.0% | -30.6% | Neither | +0.9% |
| S&P500 | 2,925.35 | +0.1% | NYSE Volume | | Neither | +2.2% |
| DJIA | 26,403.28 | +0.16% | -5.1% | -13.3% | Neither | +2.2% |
| <p>A Major Accumulation Day: Price RISES 1.0% or more with higher Volume than the day before. A minor accumulation Day: Price RISES 0.2% or more with strong Volume (either higher than the day before or is well-above average volume). A Major Distribution Day: Price FALLS 1.0% or more with higher Volume than the day before. A minor distribution Day: Price FALLS 0.2% or more with strong Volume (either higher than the day before or is well-above average volume).</p> | | | | | | |
| <p>** 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.</p> | | | | | | |
| <p>Why are my Final Volumes Sometimes 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.</p> | | | | | | |

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

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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