

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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Wednesday's recovery (Nasdaq +1.3%, S&P500 + 1.1%) yielded positive returns for the current market trend! (See rightmost column in DAILY MARKET ACTION table below). The real question is, "What will it take for this market to break out of the 50-day/200-day sideways channel?"

Current Signs of Market Strength:

- The major indexes rose to just under their 50-day M.A. lines.

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 THURSDAY: Hold the QQQ. Watch the market for move out of the 50-day/200-day channel.

- FIVE 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						
9/4/19	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	7,976.88	+1.3%	-3.3%	-8.6%	Neither	+0.9%
S&P500	2,906.27	+1.1%	NYSE Volume		Neither	+1.6%
DJIA	26,355.47	+0.9%	-7.3%	-7.9%	Neither	+2.1%
** 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.						

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS

Current Uptrend

9/4/19	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	188.33	+1.4%	+1.6%
QLD (2x)	93.62	96.22	+2.8%	+2.8%
TQQQ (3x)	59.15	61.20	+4.2%	+3.5%

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 have 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	8/6	6%	25%	23%	30%	16%	31%
3 weeks ago	8/13	7%	30%	24%	26%	13%	37%
2 weeks ago	8/20	8%	31%	23%	25%	14%	38%
1 week ago	8/27	7%	28%	23%	27%	16%	34%
Today	9/4	7%	30%	21%	27%	15%	37%
	#	441	1932	1390	1749	954	

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

9/4/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	7976.88	+20.2%
S&P 500	2506.85	2937.78	+17.2%
NYSE	11374.39	12,796.32	+12.5%
DJIA	23327.46	26,355.47	+13.0%

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		9/4/2019	
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
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.			
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		1.1	
This indicator looks at the health of leading stocks (high RS) with strong financials 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 E
		DJIA E	
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day	200-Day
		Nasdaq At	Above
		S&P 500 At	Above
		NYSE At	Above
		DJIA At	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	8/7/19	7862.82	+0.4%	+11.4%	3	Minor accumulation	UPTREND
19	8/8/19	8039.16	+2.2%	+8.0%	4	Major Accumulation	UPTREND
18	8/9/19	7959.14	-1.0%	-8.4%	5	—	UPTREND
17	8/12/19	7863.41	-1.2%	-15.0%	6	—	UPTREND
16	8/13/19	8016.36	+2.0%	+14.5%	1	Major Accumulation	UPTREND
15	8/14/19	7773.94	-3.0%	+16.1%	2	Major Distribution	DOWNTREND
14	8/15/19	7766.62	-0.09%	-18.6%	3	—	—
13	8/16/19	7895.99	+1.7%	-12.8%	4	—	DOWNTREND
12	8/19/19	8002.81	+1.4%	-4.5%	5	—	DOWNTREND
11	8/20/19	7948.56	-0.7%	-9.5%	6	—	UPTREND
10	8/21/19	8020.21	+0.9%	-2.9%	7	—	DOWNTREND
9	8/22/19	7991.39	-0.3%	+5.4%	8	Minor distribution	DOWNTREND
8	8/23/19	7751.77	-3.0%	+23.8%	9	Major Distribution	DOWNTREND
7	8/26/19	7853.73	+1.3%	-23.3%	10	—	DOWNTREND
6	8/27/19	7826.95	-0.3%	+12.6%	11	Minor distribution	DOWNTREND
5	8/28/19	7856.88	+0.4%	-14.5%	12	—	DOWNTREND
4	8/29/19	7973.40	+1.5%	+4.1%	13	Major Accumulation	UPTREND
3	8/30/19	7962.88	-0.13%	-15.1%	14	—	—
2	9/3/19	7874.16	-1.1%	+34.2%	15	Major Distribution	DOWNTREND
1	9/4/19	7976.88	+1.3%	-3.3%	16	—	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 Tuesday)

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.

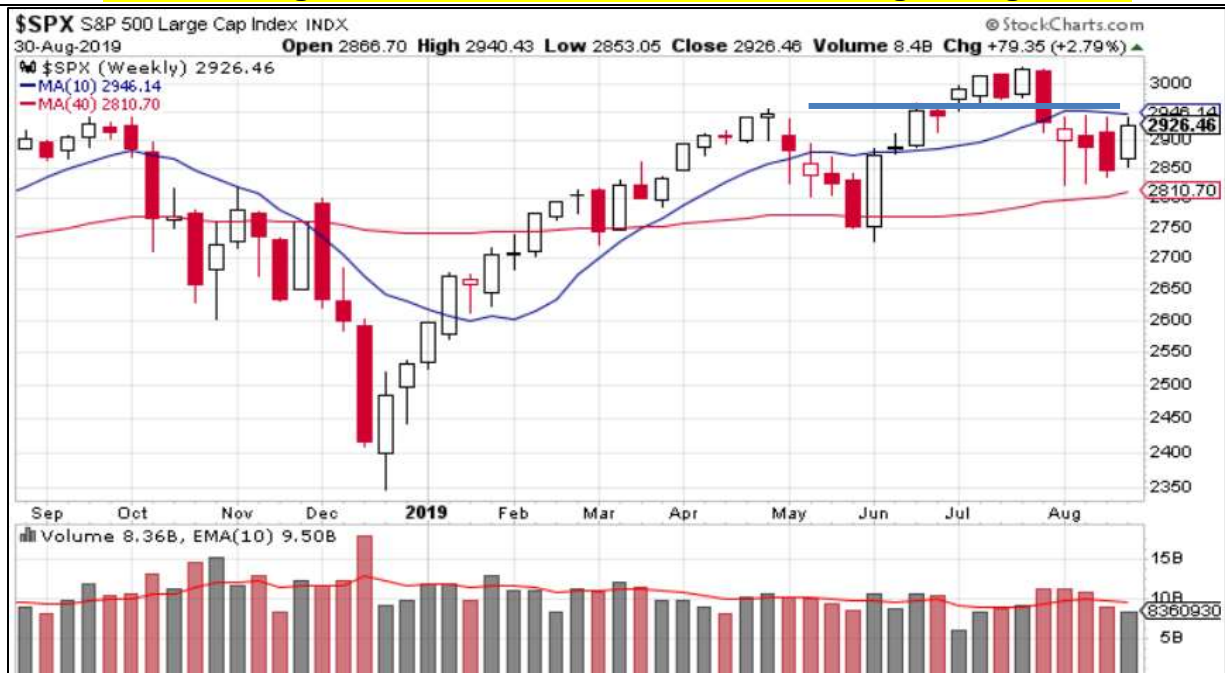
S&P500 Daily chart, 4 months (updated Tuesday)

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?				
9/4/2019	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	7976.88	2937.78	12796.32	26355.47
Below (-) or Above (+) Recent High (%)	-4.3%	-3.0%	-6.2%	-3.8%

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
<p>The "TYPES OF WEEK" are:</p> <p>ACCUMULATION WEEK PRICE RISES 0.2% or more and VOLUME RISES</p> <p>DISTRIBUTION WEEK PRICE FALLS 0.2% or more and VOLUME RISES</p> <p>Another type of DISTRIBUTION (*): WEEK PRICE FALLS 0.2% or more & VOLUME is 15% or more above average even without an increase in volume.</p> <p>The NYSE volume is used for the S&P500, DJIA and NYSE Composite.</p>				

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:

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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.

Visit an ARMCHAIR INVESTOR CLASS

We have 4 classes given each week in Dallas, Addison and ONLINE. You may request a complementary 45 minute Online introduction to Armchair Investing by calling 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