

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

CURRENT MARKET DIRECTION: UPTREND

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

The Nasdaq rose a very robust 1.8% on Thursday with final volume +12% for the Nasdaq and a whopping 22% on the NYSE! Both indexes had volume closing above their 50-day moving average lines. We haven't seen that positive signal in over 3 weeks! The market may be able to ride today's strong move for a month as we wait for the next round of negotiations with China in "early October."

Current Signs of Market Strength:

- The major indexes showed continued strength adding almost 2% this week on top of almost 3% last week holding above 50-day m.a.
- The quick rise in the Nasdaq's Accumulation/Distribution rating from an E (heavy selling) to a C- (balanced buying and selling) is a stronger shift than in last 2 years
- The "leaders up in volume" versus "down in volume" was a very optimistic 7 to 3.

Current Signs of Market Weakness:

- Will the market keep its one-day hold above the 50-day moving average?

MY PLAN FOR THURSDAY: Hold the QQQ. Track the market during the day to be sure it doesn't flip back below its 50-day m.a. line. If the market shows additional strength, I will buy starter positions in the best stocks from my watch list. If you don't have a watch list yet, re-read Investor's Business Daily's Big Picture, recent IBD Investing Action Plans and you might review the "Relative Strength at New Highs" list (under the Stock Lists) tab on www.investors.com.

| DAILY MARKET ACTION | | | | | | |
|--|-------------|----------------|-----------------|-----------------------|-----------------------------------|---|
| 9/5/19 | 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 | 8,116.83 | +1.8% | +2.7% | +2.0% | Major Accumulation | +0.9% |
| S&P500 | 2,937.78 | +1.3% | NYSE Volume | | Major Accumulation | +2.6% |
| DJIA | 26,728.15 | +1.4% | +22.2% | +12.3% | Major Accumulation | +3.4% |
| 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). | | | | | | |

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS

Current Uptrend

| 9/5/19 | 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 | 191.78 | +1.8% | +3.5% |
| QLD (2x) | 93.62 | 99.78 | +3.7% | +6.6% |
| TQQQ (3x) | 59.15 | 64.58 | +5.5% | +9.2% |

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 40% 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 | 8/7 | 6% | 28% | 25% | 28% | 13% | 34% |
| 3 weeks ago | 8/14 | 7% | 32% | 25% | 25% | 11% | 39% |
| 2 weeks ago | 8/21 | 7% | 30% | 23% | 26% | 14% | 37% |
| 1 week ago | 8/28 | 7% | 26% | 22% | 27% | 17% | 33% |
| Today | 9/5 | 8% | 32% | 22% | 25% | 13% | 40% |
| | # | 492 | 2085 | 1427 | 1627 | 836 | |

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

| 9/5/19 | 2018 Closing Price | Current Price | Index % Change Year-to-Date |
|---------|--------------------|---------------|-----------------------------|
| Nasdaq | 6635.38 | 8116.83 | +22.3% |
| S&P 500 | 2506.85 | 2976.00 | +18.7% |
| NYSE | 11374.39 | 12,917.76 | +13.6% |
| DJIA | 23327.46 | 26,728.15 | +14.6% |

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."

MARKET FACTORS, COUNTS & RATINGS

9/5/2019

| | | | |
|---|--|---------------------------|--------------------------|
| Type of Day for <u>Nasdaq Index</u> Accumulation, Distribution or Neither | | Major Accumulation | |
| I track the <u>Nasdaq's</u> price-volume because it usually leads the market direction . | | | |
| Market Direction Uptrend, Under Pressure, Downtrend | | UPTREND | |
| <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 | Distribution Days |
| | | 4 | 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 | Down Days |
| | | 5 | 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 | | 1.0 | |
| 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 | C- |
| | | 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 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 | 8/8/19 | 8039.16 | +2.2% | +8.0% | 4 | Major Accumulation | UPTREND |
| 19 | 8/9/19 | 7959.14 | -1.0% | -8.4% | 5 | — | UPTREND |
| 18 | 8/12/19 | 7863.41 | -1.2% | -15.0% | 6 | — | UPTREND |
| 17 | 8/13/19 | 8016.36 | +2.0% | +14.5% | 1 | Major Accumulation | UPTREND |
| 16 | 8/14/19 | 7773.94 | -3.0% | +16.1% | 2 | Major Distribution | DOWNTREND |
| 15 | 8/15/19 | 7766.62 | -0.09% | -18.6% | 3 | — | — |
| 14 | 8/16/19 | 7895.99 | +1.7% | -12.8% | 4 | — | DOWNTREND |
| 13 | 8/19/19 | 8002.81 | +1.4% | -4.5% | 5 | — | DOWNTREND |
| 12 | 8/20/19 | 7948.56 | -0.7% | -9.5% | 6 | — | UPTREND |
| 11 | 8/21/19 | 8020.21 | +0.9% | -2.9% | 7 | — | DOWNTREND |
| 10 | 8/22/19 | 7991.39 | -0.3% | +5.4% | 8 | Minor distribution | DOWNTREND |
| 9 | 8/23/19 | 7751.77 | -3.0% | +23.8% | 9 | Major Distribution | DOWNTREND |
| 8 | 8/26/19 | 7853.73 | +1.3% | -23.3% | 10 | — | DOWNTREND |
| 7 | 8/27/19 | 7826.95 | -0.3% | +12.6% | 11 | Minor distribution | DOWNTREND |
| 6 | 8/28/19 | 7856.88 | +0.4% | -14.5% | 12 | — | DOWNTREND |
| 5 | 8/29/19 | 7973.40 | +1.5% | +4.1% | 13 | Major Accumulation | UPTREND |
| 4 | 8/30/19 | 7962.88 | -0.13% | -15.1% | 14 | — | — |
| 3 | 9/3/19 | 7874.16 | -1.1% | +34.2% | 15 | Major Distribution | DOWNTREND |
| 2 | 9/4/19 | 7976.88 | +1.3% | -3.3% | 16 | — | DOWNTREND |
| 1 | 9/5/19 | 8116.83 | +1.8% | +2.7% | 17 | Major Accumulation | UPTREND |

"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 Thursday)

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.

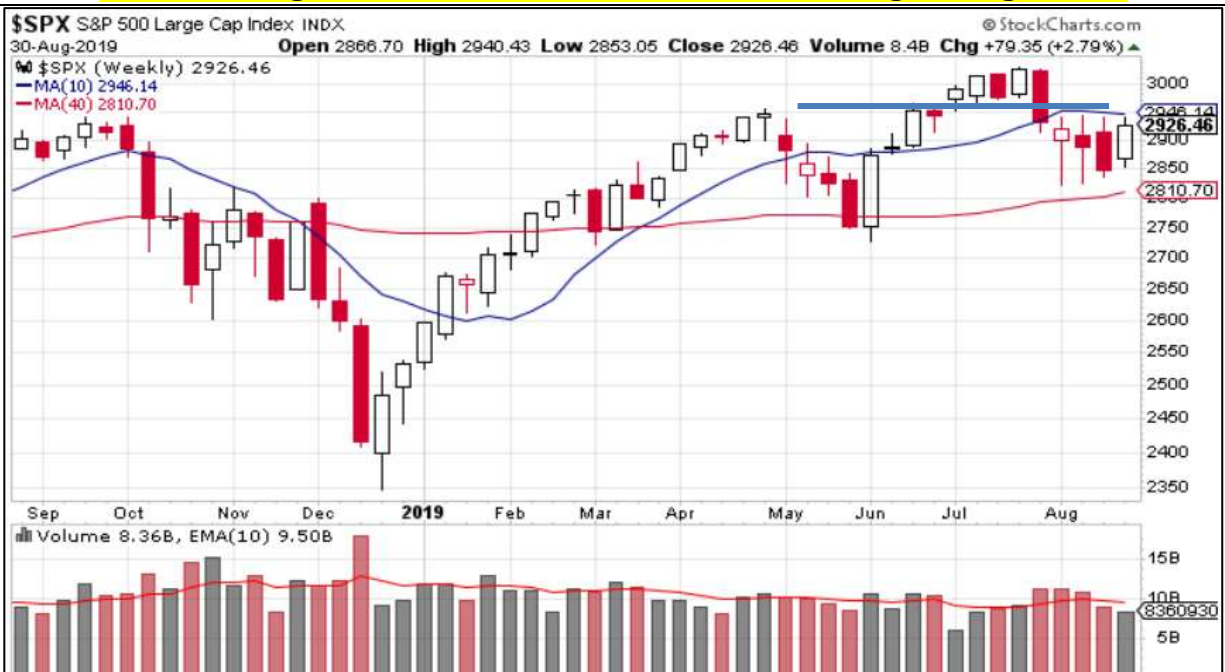
S&P500 Daily chart, 4 months (updated Thursday)

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.



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

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?

| 9/5/2019 | 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 | 8116.83 | 2976.00 | 12917.76 | 26728.15 |
| Below (-) or Above (+) Recent High (%) | -2.7% | -1.7% | -5.3% | -2.4% |

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:

GREAT NEWS: The market moved back to Step 1 Uptrend on Thursday with broad positive price/volume action!

STEP 1: In an Uptrend, hold the QQQ, a Nasdaq100 ETF.

Find the market direction diagnosis every night in this newsletter. At the Uptrend signal, buy the QQQ the next morning if you don't have that position, yet. The QQQ follows the ups and downs of the Nasdaq100, allowing you to grab the rises of this Uptrend. With some additional positive action, you may decide to switch to the double QQQ ETF (QLD) or triple QQQ (TQQQ). I do not recommend these moves for the first time investor.

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.

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% |

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).

** 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.

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.

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