

ARMCHAIR INVESTOR^(sm) MORNING MARKET NEWSLETTER

A TREND-FOLLOWING STRATEGY

CURRENT MARKET DIRECTION: UPTREND under PRESSURE

Current Armchair Investor action:

Hold QQQ

Three out of the last 16 market days were distribution days of heavy selling including Friday. That isn't usually enough to put the market "under pressure." But none of those 15 days was an accumulation day, showing a distinct lack of upward strength in this market.

- The Nasdaq and S&P500 (the market leading indexes) end the week to close around their 50-day moving average lines - a sign of support.
- Trump's threat to ban Chinese stocks from US stock market is disturbing.
- Next week will be a busy week for reporting of important economic data. Go to www.investors.com for a nicely laid out economic calendar – click on the USA flag to simplify the list and see what might move the market.

Current Signs of Market Strength:

- The S&P500 and the Nasdaq are holding near their 50-day moving average lines.

Current Signs of Market Weakness:

- The Nasdaq had 3 distribution days (days of broad market selling) in the last 3 weeks with NO accumulation days. The 13 days that were not accumulation or distribution days shows a lack of support for going higher.
- The last sign of serious institutional buying was 3 weeks ago when the Nasdaq rose 1.8% with higher volume in a single day.
 - See the MARKET ACTION OVER THE LAST 20 DAYS TABLE on page 5.

MY PLAN FOR MONDAY: BE READY TO EXIT the QQQ if it continues to fall...

- The nice gains in the current Uptrend continue to slip away: The QQQ are up only 0.9%. I have put a stop at Friday's 187.03 closing price.
- With the market in *Uptrend under Pressure*, I am **maintaining a watch list of solid stocks to monitor for strong breakouts when the market returns to Uptrend. I'd rather side on the sidelines if the market dips lower.**
- I will sell any stocks in my portfolio that have mounting distribution days (signs of institutional selling). But some are holding up well, even rising!

And finally, a friendly reminder:

- Cash is a position – sometimes a position that lets me sleep well at night. I am not fully invested in stocks. I have a cash position.

SEE DAILY "MARKET ACTION" TABLE ON FOLLOWING PAGE.

DAILY MARKET ACTION

9/27/19	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	7,939.63	-1.1%	+8.5%	-11.0%	Major Distribution	+1.7%
S&P500	2,961.79	-0.5%	NYSE Volume		minor distribution	+3.4%
DJIA	26,820.25	-0.3%	+5.1%	-12.0%	minor distribution	+3.8%

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% and less than 1% 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% and less than 1% with strong Volume (either higher than the day before or is well-above average volume).
If the day's price/volume action does not meet the accumulation or distribution definitions above, it is a **neither day**.

** 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 web 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 and different sites use different cut-offs. 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. The most important rule is to consistently use only one source for volume.

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS Current Uptrend

9/27/19	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	187.03	-1.2%	+0.9%
QLD (2x)	93.62	95.10	-2.3%	+1.6%
TQQQ (3x)	59.15	60.03	-3.6%	+1.5%

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.

MARKET ACTION 2019 YEAR-TO-DATE

9/27/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	7939.63	+19.7%
S&P 500	2506.85	2961.79	+18.1%
NYSE	11374.39	12,971.98	+14.0%
DJIA	23327.46	26,820.25	+15.0%

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."

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

New weakness in the money flowing out of the market is shown as the percent of A and B stocks (being bought more than sold) dropped from 54% to 48% reversing a 3-week trend of acquiring stocks.

Note a low 35% of As and Bs just a month ago.

		A	B	C	D	E	As + Bs
4 weeks ago	8/29	7%	28%	22%	28%	15%	35%
3 weeks ago	9/6	8%	36%	24%	23%	10%	43%
2 weeks ago	9/13	11%	43%	22%	17%	7%	54%
1 week ago	9/20	10%	43%	23%	17%	6%	53%
Today	9/27	9%	39%	25%	20%	7%	48%

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. The ratings which are higher than two weeks prior are colored light GREEN. Lower ratings are PINK.

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?

9/27/2019	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	7939.63	2961.79	12971.98	26820.25
Below (-) or Above (+) Recent High (%)	-4.8%	-2.2%	-4.9%	-2.1%

LAST WEEK'S MARKET ACTION

9/27/19	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-2.2%	+5.0%	-21.0%	Major Distribution
S&P 500	-1.0%	S&P 500 Volume		Neither
DJIA	-0.4%	-19.1%	-8.0%	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.

MARKET FACTORS, COUNTS & RATINGS

9/27/2019

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 <u>20 days</u>) Only accumulation and distribution days <u>since the last market direction change</u> are in this count.		Accumulation Days	Distribution Days
		1	3
FYI: IBD uses 25 days for their distribution count. I've found the last 20 days to be most relevant. Thus, we don't always match.			
Count of Up Days and Down Days Nasdaq's last <u>10-days'</u> price movement		Up Days	Down Days
		3	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	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
		Below	Above
		At	Above
		At	Above
		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	8/30/19	7962.88	-0.13%	-15.1%	14	—	—
19	9/3/19	7874.16	-1.1%	+34.2%	15	Major Distribution	DOWNTREND
18	9/4/19	7976.88	+1.3%	-3.3%	16	—	DOWNTREND
17	9/5/19	8116.83	+1.8%	+2.7%	17	Major Accumulation	UPTREND
16	9/6/19	8103.07	-0.17%	-12.14%	18	—	—
15	9/9/19	8087.44	-0.19%	+17.5%	19	—	—
14	9/10/19	8084.16	-0.04%	+0.8%	20	—	—
13	9/11/19	8169.68	+1.1%	-2.0%	21	—	DOWNTREND
12	9/12/19	8194.47	+0.3%	-4.4%	22	—	DOWNTREND
11	9/13/19	8176.71	+0.2%	-11.4%	23	—	DOWNTREND
10	9/16/19	8153.54	-0.3%	-7.1%	24	—	UPTREND
9	9/17/19	8186.02	+0.4%	+0.1%	25	—	—
8	9/18/19	8177.39	-0.1%	+9.7%	26	—	—
7	9/19/19	8182.88	+0.04%	-12.6%	27	—	—
6	9/20/19	8117.61	-0.8%	+72.2%	28	Minor distribution	DOWNTREND
5	9/23/19	8112.46	-0.06%	-44.6%	29	—	—
4	9/24/19	7993.79	-1.5%	+19.3%	30	Major Distribution	DOWNTREND
3	9/25/19	8077.38	+1.1%	-22.1%	31	—	DOWNTREND
2	9/26/19	8030.66	-0.6%	-15.4%	32	—	UPTREND
1	9/27/19	7939.63	-2.2%	-1.8%	33	—	UPTREND

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

Nasdaq Daily 4 month chart, (updated Friday)

Index falls below its 50-day moving average line but still staying close.



Nasdaq Weekly 1 year chart, (updated Friday)

Index closes just below its 50-day moving average. Indecision is in the air!



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

S&P500 Daily 4 month chart, (updated Friday)

Index fades down toward its 50-day moving average line. I'm a little bit weary!



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

Index closes at its 50-day moving average – indecision is in the air!



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HOW CAN YOU CAPTURE THOSE GREAT MARKET TRACKING GAINS SHOWN ABOVE?

THE ARMCHAIR INVESTOR PLAN:

It's as easy as 1- 2- 3!

>>>>> On Tuesday 9/24, the market moved back to **STEP 2: UPTREND UNDER PRESSURE**

In **Step 2**: Hold the QQQ and watch the market very carefully for further signs of distribution and a 50-50 chance of the market going into Downtrend!

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. Exit when the market moves into Downtrend.

Although not every Uptrend signal generates a positive return, most do.

History shows you will earn the highest returns if you act fast to buy the QQQ when the market signals a clear Uptrend (as happened on Thursday 9/5) 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– down days on higher volume – **for investors to be concerned and cautious. Be sure to check on your investments each night! Many investors do not buy new stock position during this period due to higher failure rates.**
- 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: 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.

After exiting the Uptrend ETF, wait in cash until the next Uptrend signal. More recent Downtrends have been short term and not tradable.

If the Downtrend is strong, this box will identify a signal to invest in an inverse ETF which makes you profits as the market falls!

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).

Access the FULL ARMCHAIR Investor newsletter in just 2 clicks

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

EXAMPLE and DEFINITIONS used in this newsletter:

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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.](#)
- [Wednesday mornings 10:00 a.m. to noon](#)

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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.

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