

# **ARMCHAIR INVESTOR<sup>(sm)</sup> MORNING MARKET NEWSLETTER**

*A TREND-FOLLOWING STRATEGY*

## **CURRENT MARKET DIRECTION: UPTREND**

**Armchair Investor Trend-following Investment Action:**

**I hold the QQQ**

I am feeling stronger about this Uptrend. The strength of recent weekly rises was complemented with higher volume for the last 2 weeks.

Your market-tracking QQQ rose 1.9% this week. The S&P500 rose 1.2%. Notice the difference? This is a good lesson on why I use the QQQ and not the SPY:

I use the Nasdaq ETF ( the QQQ) to track the market instead of the SPY (S&P500 ETF) because the Nasdaq tends to rise higher and fall harder the than more stodgy S&P500. For trend-following (which is what this newsletter is all about), the higher and lower swings will make you more money. Thus: **a bigger bottom line! OK?**

**The S&P500 is less than 0.2% away from making an ALL-TIME NEW HIGH!**

DAILY MARKET ACTION						
10/25/19	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	8,243.12	+0.7%	+1.2%	-2.1%	Minor accumulation	+5.3%
S&P500	3,022.55	+0.4%	NYSE Volume		Neither	+5.3%
DJIA	26,958.06	+0.6%	-9.2%	-1.5%	Neither	+4.3%
An <b>ACCUMULATION DAY</b> occurs when an index rises with higher volume. See a full explanation of how this table is compiled at the end of this newsletter						

### Current Signs of **Market Strength**:

- The Nasdaq rose for the last 4 weeks. The S&P500 rose for 3 weeks.
- Both indexes closed near their high of each week.
- The S&P500 is 0.2% under its all-time high.
- The stocks with A or B Accumulation ratings rose to 51% on Friday!.

### Current Signs of Market Weakness:

- Watch out for **ADDITIONAL DISTRIBUTION DAYS** with other signs of weakness to TURN THE UPTREND back to "Uptrend under pressure"!

### MY PLAN FOR MONDAY:

> With over half of the stocks having A or B (strong) Accumulation ratings, I am buying the best stocks. See that Accumulation/Distribution climb on page 3.

# THE ARMCHAIR INVESTOR TREND-FOLLOWING STRATEGY

*A Simple and Powerful Tool to Increase Your Returns*

## Armchair Investor Mantra:

- Be in the market when it is going up
- Be out of the market when it is going down

**The primary purpose of the Armchair Investor newsletter is to let you, the reader, make bigger returns using the trend of the market.**

By following the best (most reliable) market change signals, you can:

- Get in the market near the bottom of a new bull market
- Exit the market near the top, and
  - Capture more of the gains,
  - Avoid more of the losses and, thus
  - Earn higher returns than the “buy-and-hold” strategy recommended by many brokers and money managers!

## Why a “Buy-and-Hold” strategy doesn’t work:

When the market has topped and starts to fall, do you really want to let your profits fade away as the market falls – sometimes for years? Of course not! Selling your uptrend position allows you to capture your gains and store them safely away in cash. What is the right time to exit? This newsletter will show you the market’s signal.

Most downtrends (also called corrections) fall faster than the uptrends rise. ***I am not willing to sit in a sick, falling market and lose my hard earned gains!*** Cash is a safer position!

Here are the three signals I will give you in this newsletter for the three market conditions:

- **Uptrends:** When the market rises into an Uptrend, buy and hold the QQQ, a stock that rises with the general market.
- **Uptrend showing Weakness:** As a market Uptrend starts to fall, you will receive the signal to exit the QQQ and safely wait in cash.
- **Downtrends:** If the market continues down, you will receive a signal to buy the PSQ, a stock that rises while the market falls.

## ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS USING SINGLE, DOUBLE AND TRIPLE ETFs For the Current Uptrend:

10/25/19	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	195.64	+0.8%	+5.6%
QLD (2x)	93.62	103.39	+1.5%	+10.4%
TQQQ (3x)	59.15	67.82	+2.3%	+14.7%

Note: The links to update "TODAY's Closing Prices" in this table were broken recently. The above Closing Prices are corrected.

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.

## PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

The market's growing market **recovery** shows as money flows INTO the market:

The percent of A and B stocks rose from 37% to 51% in just 2 weeks.

		A	B	C	D	E	As + Bs
4 weeks ago	9/27	9%	39%	25%	20%	7%	48%
3 weeks ago	10/4	6%	33%	26%	25%	10%	39%
2 weeks ago	10/11	6%	33%	26%	25%	11%	38%
1 week ago	10/18	8%	40%	25%	20%	8%	48%
Today	10/25	9%	42%	23%	19%	7%	51%
	#	568	2751	1478	1207	480	6484

Stocks with an A or B rating are under accumulation (being bought.)

Stocks with a D or E rating are under distribution (being sold).

## HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?

10/25/2019	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	8243.12	3022.55	13146.24	26958.06
Below (-) or Above (+) Recent High (%)	-1.2%	-0.2%	-3.6%	-1.6%

\*New Highs are daily closing prices and updated each Friday. If an index makes a new high during the week, you will see how it rows past that high during the week.

## NEW TABLE ADDED TO TRACK

### YEAR-TO-DATE ARMCHAIR INVESTOR RETURNS

Below are the year-to-date gains when following the signals in this newsletter are **14.9%** which already outperforms most annual returns. Note that most of the gains so far this year, occurred in the first 4 and a half months of the year. It is not uncommon for the market to hesitate near all-time highs.

The question to answer is, “Which way will it break?”

- (1) Continue to new highs? Or
- (2) Begin a new Downtrend, perhaps the long drop expected many times over the last 5+ years.

What I do know is that the market will continue in the direction it is going, until it changes.

<b>ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS</b>						
<b>Gains Locked on 10/2 in as Market Uptrend Faded</b>						
The market started 2019 with a 14.9% recovery (after the 4 <sup>th</sup> quarter 2018 correction) in the first 4 ½ months. Since that very pleasant rise, the market has bounced sideways with minor gains and losses.						
Market Direction Signals	Direction	Position	# days	Opening Price on the Next Day	% Gain This Trend Period	Total Year-to-Date Gains since 1/1/2011
12/31/18	Downtrend	Cash	4	\$153.33	0.00%	0.0%
1/4/2019	<b>Uptrend</b>	Buy the QQQ	129	\$155.60	+14.9%	+14.9%
5/13/2019	Downtrend	Go to Cash	28	\$178.75	0.0%	+14.9%
6/10/2019	Uptrend	Buy the QQQ	56	\$184.29	-1.2%	+14.7%
8/5/2019	Downtrend	Go to Cash	8	\$182.01	0.0%	+14.7%
8/13/2019	Uptrend	Buy the QQQ	56	\$184.94	+1.1%	+14.9%
10/8/2019	Uptrend Weakness	Go to Cash	6	\$186.96	0.0%	+14.9%
10/14/2019	<b>Uptrend</b>	Buy the QQQ	10	\$191.65	1.3%	15.2%
10/25/2019	Uptrend continues	Holding QQQ		\$194.64		
12/31/2019	Days till year end		73			

MARKET ACTION 2019 YEAR-TO-DATE			
10/25/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	8243.12	+24.2%
S&P 500	2506.85	3022.55	+20.6%
NYSE	11374.39	13,146.24	+15.6%
DJIA	23327.46	26,958.06	+15.6%

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."

LAST WEEK'S MARKET ACTION				
10/25/19	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+1.9%	+2.1%	-4.0%	Major Accumulation
S&P 500	+1.2%	S&P 500 Volume		Major Accumulation
DJIA	+0.7%	+11.1%	+3.0%	Minor accumulation

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.

See more definitions and explanations of terms in each Weekend Armchair Investor newsletter starting on the 10/4/2019 edition found in the Archives on the [www.ArmchairInvestor.com](http://www.ArmchairInvestor.com) site.

<b>MARKET FACTORS, COUNTS &amp; RATINGS</b>		10/25/2019	
<b>Type of Day for <u>Nasdaq Index</u></b> Accumulation, Distribution or Neither		<b>Minor accumulation</b>	
I track the <u>Nasdaq's</u> price-volume because it usually leads the market direction.			
<b>Market Direction</b> Uptrend, Under Pressure, Downtrend		<b>UPTREND</b>	
<b><u>Nasdaq Accumulation &amp; Distribution Days (last 20 days)</u></b> Only accumulation and distribution days <u>since the last market direction change</u> are in this count.		<b>Accumulation Days</b> <b>4</b>	<b>Distribution Days</b> <b>6</b>
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.			
<b>Count of Up Days and Down Days</b> Nasdaq's last <u>10-days'</u> price movement		<b>Up Days</b> <b>5</b>	<b>Down Days</b> <b>3</b>
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.			
<b>Rising/Falling Ratio of Leader Stocks with High Volume</b> Nasdaq 10-day ratio		<b>1.1</b>	
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			
<b>Market Accumulation/Distribution Ratings</b> "A": heavy accumulation, "B": moderate accumulation, "C": neutral, "D": moderate distribution, "E": heavy distribution. Accumulation = Institutions are BUYING, Distribution = Inst are SELLING		<b>Nasdaq</b> <b>C+</b>	<b>C+</b>
		<b>S&amp;P 500</b> <b>C+</b>	<b>C+</b>
		<b>DJIA</b> <b>D+</b>	<b>D+</b>
The 9/25/19 market accumulation ratings shown (9/26 not received on data feed)			
<b>Are Major Indexes Above or Below Moving Averages?</b> "At" is within 1% above or below the moving average.		<b>50-Day</b> <b>Above</b>	<b>200-Day</b> <b>Above</b>
		<b>Nasdaq</b> <b>Above</b>	<b>Above</b>
		<b>S&amp;P 500</b> <b>Above</b>	<b>Above</b>
		<b>NYSE</b> <b>Above</b>	<b>Above</b>
		<b>DJIA</b> <b>Above</b>	<b>Above</b>

## 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	9/30/19	7999.34	+0.8%	-11.7%	34	—	DOWNTREND
19	10/1/19	7908.68	-1.1%	+24.9%	35	Major Distribution	DOWNTREND
18	10/2/19	7785.25	-1.6%	+0.3%	36	Major Distribution	DOWNTREND
17	10/3/19	78227.27	+1.1%	-21.7%	37	—	DOWNTREND
16	10/4/19	7982.47	+1.4%	-18.3%	38	—	DOWNTREND
15	10/7/19	7956.29	-0.3%	-12.6%	39	—	UPTREND
14	10/8/19	7823.78	-1.7%	+9.1%	40	Major Distribution	DOWNTREND
13	10/9/19	7903.74	+1.0%	-27.1%	41	—	DOWNTREND
12	10/10/19	7950.78	+0.6%	+5.3%	42	Minor accumulation	UPTREND
11	10/11/19	8057.04	+1.3%	+23.3%	43	Major Accumulation	UPTREND
10	10/14/19	8048.65	-0.1%	-41.3%	44	—	—
9	10/15/19	8148.71	+1.2%	+29.5%	45	Major Accumulation	UPTREND
8	10/16/19	8124.18	-0.3%	+2.7%	46	Minor distribution	DOWNTREND
7	10/17/19	8156.85	+0.4%	-2.5%	47	—	DOWNTREND
6	10/18/19	8089.54	-0.8%	+5.9%	48	Minor distribution	DOWNTREND
5	10/21/19	8162.99	+0.9%	-12.9%	49	—	DOWNTREND
4	10/22/19	8104.30	-0.7%	+5.5%	50	Minor distribution	DOWNTREND
3	10/23/19	8119.79	+0.19%	-1.8%	51	—	—
2	10/24/19	8185.80	+0.8%	-5.7%	52	—	DOWNTREND
1	10/25/19	8243.12	+0.7%	+1.2%	53	Minor accumulation	UPTREND

“CURRENT TREND” COLUMN COLORS: Green = Uptrend.

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

Red = Downtrend (also called correction)..

**A BLACK BOX** around the Nasdaq price indicates a new high in the last 20-days

## Nasdaq Daily 4 month chart, (updated Friday)

Both indexes rise to September high (blue horizontal line on the charts).



## Nasdaq Weekly 1 year chart, (updated Friday)

Nasdaq rises 4 weeks in a row. Approaching September high.  
 Last week had higher volume = Accumulation, price and Volume rose!



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



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

Both indexes rise to September high (blue horizontal line on the charts)



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

Index rises 4 weeks in a row; has 2 accumulation Weeks in a row!. Price and Volume rose!



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?

### THE ARMCHAIR INVESTOR PLAN:

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

**Current market direction: On Tuesday 10/15, the market rose to STEP 1: UPTREND.**

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#### **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 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 positions 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 each night in just 2 clicks:**

[WWW.ARMCHAIRINVESTOR.COM](http://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](mailto:Editor@ArmchairInvestor.com)

**Example of the DAILY MARKET ACTION table with full explanation of terms and signals:**

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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.

**EXAMPLE and DEFINITIONS used in this newsletter:**

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DJIA	26,958.06	+0.57%	-9.2%	-1.5%	Neither	+4.3%
<p>A <b>Major Accumulation Day</b>: Price RISES at least 1.0% or more with higher Volume than prior day.</p> <p>A <b>minor accumulation Day</b>: Price RISES at least 0.2% and less than 1% with strong Volume (either higher than the day before or is well-above average volume).</p> <p>A <b>Major Distribution Day</b>: Price FALLS at least 1.0% or more with higher Volume than the day before.</p> <p>A <b>minor distribution Day</b>: Price FALLS at least 0.2% and less than 1% with strong Volume (either higher than the day before or is well-above average volume).</p> <p>If the day's price/volume action does not meet the accumulation or distribution definitions above, it is a "<b>Neither</b>" day.</p>						
<p><b>Why are my Final Volumes Sometimes Different than Yours?</b> Why do the volume numbers on this table not always match other web sites? The 4:00 p.m. 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 the same source for your volume.</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 2 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](#)
- Online classes and consultations available by appointment

**PRIOR REGISTRATION REQUIRED FOR YOUR FREE VISIT**

**CALL 214-995-6702**

Seating is limited to no more than 3 guests at each session to ensure the paid subscribers receive full value.

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