

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

A TREND-FOLLOWING STRATEGY

Join us! Ft Worth IBD Meetup: Thursday, [12/19 Ol' S Pancake House 6:45 – 8:45pm](#)

## **CURRENT MARKET DIRECTION: UPTREND**

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

**I hold the QQQ**

Are you Aggressive? Consider a position in the TQQQ (I did!)

**Wednesday**: The Uptrend inches up to new highs - [see pg 7](#). *I hope you have enjoyed the profitable, smooth ride this year.*

**NEXT?** Watch for increase in distribution days to warn an exit might be coming! Read this newsletter each night for signs the Uptrend is slowing down. >>>> **HISTORICALLY: Uptrends do NOT reverse "on a dime"** (in just a few days.) They roll over forming a *rounded top* as the buyers give up bit by bit. But I don't see that yet. I will let you know with a strong warning!

The leaders' Up/Down ratio nudged higher to 1.2 - market rotation is intact. [pg 4](#)

The **Armchair Investor Trend-following strategy is UP 26.6% this year**, a nice return for this low-intensity investing strategy, requiring 7 trades this year - [see pg 3](#).

>>>>Watch this daily market analysis to see market direction changes.<<<<<

**Current Signs of Market Strength:**

- Major indexes make new all-time highs Wednesday! [see pg 7](#).
- **65% of all stocks have strong A or B Accumulation ratings.** – *Amazing!*

**Current Signs of Market Weakness**

- 4 distribution days in 15 days – a bit heavy! [see pg 5](#).
- The Leader Up/Down ratio is a moderate 1.2 [see pg 4](#).

| DAILY MARKET ACTION |             |                |                 |                       |                                   |   |
|---------------------|-------------|----------------|-----------------|-----------------------|-----------------------------------|---|
| 12/18/19            | 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              | 8,827.73    | +0.1%          | +1.3%           | +33.2%                | Neither                           | +11.6%  |
| S&P500              | 3,191.14    | -0.0%          | NYSE Volume     |                       | Neither                           | +10.3%  |
| DJIA                | 28,239.28   | -0.1%          | +5.1%           | +13.8%                | Neither                           | +8.6%   |

**MY PLAN FOR THURSDAY:**

> Hold the QQQ (or, for a more aggressive move: Hold the TQQQ).  
 > I am **cautiously** buying the best stocks and keeping my original **stop orders** as they rise. I own no more than 5 stocks, plus the trend-following QQQ or TQQQ.

# 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
- **Protect your portfolio** with 8% stops.

**The primary purpose of this Armchair Investor newsletter is to let you, the reader, earn bigger returns riding 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 well:**

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.

**FINALLY – For individual stocks:** Use these market signals to help you when buying individual stocks. You increase your likelihood of a successful stock purchase if you only buy stocks when the market is in an Uptrend. Lesson: Don’t fight the market trend!

## YEAR-TO-DATE ARMCHAIR INVESTOR RETURNS

**Strategy:** The Armchair Investor strategy is simple:

- Be IN the market when it is going up.
- Be OUT of the market when it is going down.
- PROTECT your portfolio with an 8% stop.

I don't know how to get in at the exact lows or out at the exact highs.  
I do get closer than most!

Below are the year-to-date gains when following the signals in this newsletter which already outperform most annual returns. Note that most of the gains so far this year, occurred in the first 4.5 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?" was last answered on September 10/14 – UP!

| ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS |                   |             |        |                               |                    |                            |
|---|-------------------|-------------|--------|-------------------------------|--------------------|----------------------------|
| Market Direction Signal Change            | Direction         | Position    | # days | Opening Price on the Next Day | \$ gain this trend | TOTAL GAINS EARNED IN 2019 |
| 12/31/18                                  | Downtrend         | Cash        | 4      | \$153.33                      | \$0.00             | \$0.00                     |
| 1/4/2019                                  | Uptrend           | Buy the QQQ | 129    | \$155.60                      | \$23.15            | \$23.15                    |
| 5/13/2019                                 | Downtrend         | Cash        | 28     | \$178.75                      | \$0.00             | \$23.15                    |
| 6/10/2019                                 | Uptrend           | Buy the QQQ | 56     | \$184.29                      | -\$2.28            | \$20.87                    |
| 8/5/2019                                  | Downtrend         | Cash        | 8      | \$182.01                      | \$0.00             | \$20.87                    |
| 8/13/2019                                 | Uptrend           | Buy the QQQ | 56     | \$184.94                      | \$2.02             | \$22.89                    |
| 10/8/2019                                 | Uptrend Weakness  | Cash        | 6      | \$186.96                      | \$0.00             | \$22.89                    |
| 10/14/2019                                | Uptrend           | Buy the QQQ | 65     | \$191.65                      | \$7.22             | \$30.11                    |
| 12/18/2019                                | Uptrend continues | Holding QQQ |        | \$209.55                      | YTD Gain =         | +26.6%                     |

**The Armchair Investor Trend-following strategy has been the easiest, lower risk way to capture the up-swings of the market!**

Let's take a look at the broader market health:

In the **MARKET FACTORS** table below:

- some measures are green showing upward strength and
- some measures are yellow or white (neutral) and
- some measures are orange/red showing weakness.

| <b>MARKET FACTORS, COUNTS &amp; RATINGS</b>   |  | 12/18/2019                           |                                      |
|---|--|--------------------------------------|--------------------------------------|
| <b>Type of Day for <u>Nasdaq Index</u></b><br>Accumulation, Distribution or Neither   |  | <b>Neither</b>                       |                                      |
| I track the <u>Nasdaq's</u> price-volume because it usually leads the market direction.   |  |                                      |                                      |
| <b>Market Direction</b><br>Uptrend, Under Pressure, Downtrend   |  | <b>UPTREND</b>                       |                                      |
| <b><u>Nasdaq Accumulation &amp; Distribution Days (last 20 days)</u></b><br>Only accumulation and distribution days <u>since the last market direction change</u> are in this count.  |  | <b>Accumulation Days</b><br><b>3</b> | <b>Distribution Days</b><br><b>4</b> |
| FYI: IBD uses 25 days for their distribution count. I've found the last 20 days to be more relevant in my work. Thus, we don't always match.  |  |                                      |                                      |
| <b>Count of Up Days and Down Days</b><br>Nasdaq's last <u>10-days'</u> price movement   |  | <b>Up Days</b><br><b>5</b>           | <b>Down Days</b><br><b>1</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><br>Nasdaq 10-day ratio  |  | <b>1.2</b>                           |                                      |
| This indicator looks at the HEALTH of leading stocks (high RS) with strong financials<br>Uptrend indicator: 1.5 or higher. Neutral: 1.0 to 1.49. Downtrend: less than 1.0   |  |                                      |                                      |
| <b>Market Accumulation/Distribution Ratings</b><br>"A": heavy accumulation, "B": moderate accumulation, "C": neutral, "D": moderate distribution, "E": heavy distribution.<br>Accumulation = Institutions are BUYING, Distribution = Inst are SELLING |  | <b>Nasdaq</b><br><b>B+</b>           | <b>S&amp;P 500</b><br><b>B+</b>      |
|   |  | <b>DJIA</b><br><b>B</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><br>"At" is within 1% above or below the moving average.  |  | <b>50-Day</b><br><b>Above</b>        | <b>200-Day</b><br><b>Above</b>       |
|   |  | <b>Nasdaq</b><br><b>Above</b>        | <b>S&amp;P 500</b><br><b>Above</b>   |
|   |  | <b>NYSE</b><br><b>Above</b>          | <b>DJIA</b><br><b>Above</b>          |
|   |  | <b>DJIA</b><br><b>Above</b>          | <b>DJIA</b><br><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? |
|--|----------|---------|----------------|-----------------|-------------------------|--|--|
| <div style="border: 1px solid black; display: inline-block; padding: 2px;">A BLACK BOX</div> around the Nasdaq price indicates this is a <span style="background-color: yellow;">new all-time closing high</span> – WOW! |          |         |                |                 |                         |  |  |
| 20   | 11/20/19 | 8526.73 | -0.5%          | +24.4%          | 71                      | Minor distribution                                     | DOWNTREND                              |
| 19   | 11/21/19 | 8506.21 | -0.2%          | -26.3%          | 72                      | —  | —                                      |
| 18   | 11/22/19 | 8519.88 | +0.16%         | -9.8%           | 73                      | —  | —                                      |
| 17   | 11/25/19 | 8632.49 | +1.3%          | +19.7%          | 74                      | Major Accumulation                                     | UPTREND                                |
| 16   | 11/26/19 | 8647.93 | +0.18%         | +6.8%           | 75                      | —  | —                                      |
| 15   | 11/27/19 | 8705.18 | +0.7%          | -34.6%          | 76                      | —  | DOWNTREND                              |
| 14   | 11/29/19 | 8665.47 | -0.5%          | -35.7%          | 77                      | —  | UPTREND                                |
| 13   | 12/2/19  | 8567.99 | -1.1%          | +78.7%          | 78                      | Major Distribution                                     | DOWNTREND                              |
| 12   | 12/3/19  | 8520.65 | -0.6%          | +5.0%           | 79                      | Minor distribution                                     | DOWNTREND                              |
| 11   | 12/4/19  | 8566.67 | +0.5%          | -18.6%          | 80                      | —  | DOWNTREND                              |
| 10   | 12/5/19  | 8570.70 | +0.1%          | -5.6%           | 81                      | —  | —                                      |
| 9  | 12/6/19  | 8656.53 | +1.0%          | -1.8%           | 82                      | —  | DOWNTREND                              |
| 8  | 12/9/19  | 8621.83 | -0.4%          | +1.3%           | 83                      | Minor distribution                                     | DOWNTREND                              |
| 7  | 12/10/19 | 8616.18 | -0.07%         | -1.7%           | 84                      | —  | —                                      |
| 6  | 12/11/19 | 8654.05 | +0.4%          | -3.2%           | 85                      | —  | DOWNTREND                              |
| 5  | 12/12/19 | 8717.32 | +0.7%          | +21.0%          | 86                      | Major Accumulation                                     | UPTREND                                |
| 4  | 12/13/19 | 8734.88 | +0.2%          | -7.97%          | 87                      | —  | DOWNTREND                              |
| 3  | 12/16/19 | 8814.23 | +0.9%          | +5.5%           | 88                      | Minor accumulation                                     | UPTREND                                |
| 2  | 12/17/19 | 8822.85 | +0.1%          | +1.6%           | 89                      | —  | —                                      |
| 1  | 12/18/19 | 8827.73 | +0.1%          | +1.2%           | 90                      | —  | —                                      |

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

**The Armchair Investor Trend-following Basic strategy uses the QQQ. If you had bought the QLD (double QQQ's) or TQQQ (triple QQQ's) you would have made a much prettier return! But you also have a higher risk when the market reverses!**

| <b>ARMCHAIR INVESTOR TREND-FOLLOWING EARNINGS USING SINGLE, DOUBLE AND TRIPLE ETFs</b> |                             |                       |                    |   |
|--|-----------------------------|-----------------------|--------------------|---|
| <b>For the Current Uptrend:</b>  |                             |                       |                    |   |
| 12/18/19   | 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                      | 209.55                | +0.1%              | +13.1%                                    |
| QLD (2x)   | 93.62                       | 118.00                | +0.1%              | +26.0%                                    |
| TQQQ (3x)  | 59.15                       | 82.45                 | +0.2%              | +39.4%                                    |

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.

**>>>>Below is the GOOD NEWS about the progress of the Accumulation/Distribution ratings over the last 4 weeks** (look at right-most column) Very strong numbers!

| <b>PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS</b>   |                          |      |      |      |     |     |         |
|--|--------------------------|------|------|------|-----|-----|---------|
| As the market stays near ALL-TIME HIGHS, the count of stocks with A or B Accumulation ratings rose to almost 2/3 of all stocks over \$5! |                          |      |      |      |     |     |         |
|  |                          | A    | B    | C    | D   | E   | As + Bs |
| 4 weeks ago  | 11/19                    | 12%  | 44%  | 21%  | 16% | 7%  | 56%     |
| 3 weeks ago  | 11/26                    | 13%  | 46%  | 21%  | 15% | 6%  | 58%     |
| 2 weeks ago  | 12/4                     | 9%   | 43%  | 24%  | 17% | 6%  | 52%     |
| 1 week ago   | 12/11                    | 12%  | 46%  | 22%  | 15% | 5%  | 58%     |
| Today  | 12/18                    | 16%  | 49%  | 19%  | 12% | 4%  | 65%     |
|  | # stocks in each rating: | 1041 | 3177 | 1218 | 804 | 276 | 6516    |

Stocks with an A or B rating are under accumulation (being bought.)  
Stocks with a D or E rating are under distribution (being sold).

**AN EVEN SPLIT:** Since there are 5 ratings, each would equally get 20%. When the market shows heavy buying of top stocks, the A and B counts will rise and the D and E counts will fall. When the market is heavily selling stocks, the opposite happens,

**THE SIGNAL:** Notice I have noted the % of all stocks that have A or B ratings.

- When the A+B% rises, I know the market, as a whole, is being bought.
- Any total of A+B's over their "fair share" of 40% (2 ratings out of the 5 possible ratings) is good news. (continued next page...)

**A BETTER SIGNAL** A rising A plus B total is even better! Examine the last column to see the jump in A+B over the last 4 weeks! This means, if you are looking at the best stocks, there are lots of high performing stocks to consider.

>>>>Now, go find the strongest stocks, breaking out powerfully from well-formed bases!

| HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS? |            |            |            |            |
|--|------------|------------|------------|------------|
| 12/18/2019                                   | Nasdaq     | S&P500     | NYSE       | DJIA       |
| Date of Index All-time High*                 | 12/18/2019 | 12/18/2019 | 12/16/2019 | 12/16/2019 |
| All-time High                                | 8848.76    | 3198.48    | 13825.76   | 28290.73   |
| Closing Price                                | 8827.73    | 3191.14    | 13799.21   | 28239.28   |
| Below (-) or Above (+)<br>Recent High (%)    | -0.2%      | -0.2%      | -0.2%      | -0.2%      |

A green All-time High box indicates this is a NEW high in the last week

| MARKET ACTION 2019 YEAR-TO-DATE |                    |               |                                |
|---------------------------------|--------------------|---------------|--------------------------------|
| 12/18/19                        | 2018 Closing Price | Current Price | Index % Change<br>Year-to-Date |
| Nasdaq                          | 6635.38            | 8827.73       | +33.0%                         |
| S&P 500                         | 2506.85            | 3191.14       | +27.3%                         |
| NYSE                            | 11374.39           | 13,799.21     | +21.3%                         |
| DJIA                            | 23327.46           | 28,239.28     | +21.1%                         |

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 |                          |                           |                                    |                    |
|---------------------------|--------------------------|---------------------------|------------------------------------|--------------------|
| 12/13/19                  | Weekly Index %<br>Change | Weekly Volume<br>% Change | Volume Above/<br>Below 10-week Avg | Type of Week       |
| Nasdaq                    | +0.91%                   | -1.0%                     | +9.0%                              | Neither            |
| S&P 500                   | +0.73%                   | S&P 500 Volume            |                                    | Minor accumulation |
| DJIA                      | +0.43%                   | +1.2%                     | +3.0%                              |                    |

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.

## Nasdaq Daily 4 month chart, (update Wednesday)

Nasdaq leaps to all-time high with mixed volume.



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

Nasdaq rises to all-time high. Volume lighter but above average!



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



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

S&P500 rises to new all-time high. Volume above-average Thursday & Friday.



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

Nasdaq hits all-time new highs (again). Volume higher this week.



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

**HOW CAN YOU CAPTURE THOSE  
GREAT MARKET GAINS SHOWN ABOVE?  
THE ARMCHAIR INVESTOR PLAN:  
*It's as easy as 1- 2- 3!***

**Current market direction: 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 explanation of terms and signals:**

| THE 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.

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

| <b>DAILY MARKET ACTION</b>   |             |                |                 |                       |                                   |   |
|--|-------------|----------------|-----------------|-----------------------|-----------------------------------|---|
| 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    | +0.70%         | +1.2%           | -2.1%                 | Neither                           | +5.3%   |
| S&P500   | 3,022.55    | +0.41%         | NYSE Volume     |                       | Neither                           | +5.3%   |
| 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**

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