

ARMCHAIR INVESTOR^(sm) MORNING MARKET NEWSLETTER

A TREND-FOLLOWING STRATEGY

Kick 2020 off with a BANG! Be my guest at an Armchair Investor class in January
Monday 1/27 (7 – 9 PM) or Wednesday 1/29 (10 am – noon)
(Pre-registration required! Limited Guest seating.)

Join us at the [Dallas IBD Meetup on Wednesday 1/29 at La Hacienda Ranch](#)

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!)

Thursday: Three days of sideways movement gives the market a needed rest. In the last 4 months, the Nasdaq has risen 22%. **BEWARE**: This is **NOT** “the new market! This growth is NOT sustainable forever. With only one distribution day for the Nasdaq and three for the S&P500, holding the QQQ or TQQQ is appropriate at this time.

I am holding the TQQQ, **+71.5%** since the market Uptrend on 8/13/2019. **See page 8!**
>>>I **adjusted my trailing stop on TQQQ to 5%**, to allow a little more “wigggle” room. The TQQQ will be sold at any **5%** drop without my watching it intraday!

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

Current Signs of Market Strength: Major indexes **close near all-time highs!** **See page 9**

- **8 Accumulation days versus 1 distribution day for the NASDAQ 20 trading days!** **page 7**
- **65% of all stocks have strong A or B Accumulation ratings – Lots of winners to buy!** **pg 8**
- **Ratio of rising/falling Leader stocks over last 10 days is a strong 1.7 ratio.** **page 6**

Current Signs of Market Weakness: NOTE: ALMOST NO SIGNS OF MARKET WEAKNESS. Only 1 distribution day (on the Nasdaq) in the last 20 trading days. **page 7**

DAILY MARKET ACTION						
1/23/20	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	9,402.48	+0.20%	+0.3%	+10.0%	Minor accumulation	+17.0%
S&P500	3,325.54	+0.11%	NYSE Volume		Neither	+14.0%
DJIA	29,160.09	-0.09%	+8.0%	+8.0%	Neither	+11.5%

MY PLAN FOR FRIDAY: Hold 5% trailing STOP orders on QQQ and TQQQ!

> Hold the QQQ (or more aggressive move: Hold the TQQQ).

> I am **cautiously** buying the best stocks and keeping my original **stop orders** as they rise. I usually 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!

The Armchair Investor strategy (explained above) 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.

2020 ARMCHAIR INVESTOR RETURNS

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS 2020						
Market Direction Signal Change	Direction	Position	# days	Price	\$ GAIN each trend (See note)	Total Armchair Investor GAIN since 12/31/2018
12/31/19	Uptrend	Hold the QQQ	23	\$212.61	\$11.98	\$11.98
1/23/2020	Uptrend continues	QQQ		\$224.59		
TOTALS for 2020			23		\$11.98	5.6%

2019 FINAL ARMCHAIR INVESTOR RETURNS

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS						
Market Direction Signal Change	Direction	Position	# days	Price	\$ 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	78	\$191.65	\$20.96	\$43.85
12/31/2019	End of Year	Holding QQQ		\$212.61		\$43.85
TOTALS for 2019			365		YTD Gains	28.6%

The Armchair Investor Trend-following strategy has been the fastest, easiest and lower risk way to capture the swings of the market that I have found! I developed this QQQ strategy in 2002 and have successfully followed it for the last 19 years.

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

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” is a Warning Message and means:

- The market is showing significant distribution (selling pressure) that **investors should:**
 - **Be concerned about the strength of this Uptrend.** During an Uptrend under Pressure, this newsletter may move into CASH position to avoid possible losses.
 - **Check on the health of your investments each night!** Many investors do not buy new stock positions during this period due to higher failure rates.
- **From STEP 2, “Uptrend under Pressure,”** the market diagnosis will go one of two ways:
 - **Rise** with volume strength, and return to **Uptrend – (STEP 1)**, or
 - Continue to add more distribution days and **fall** into a **Downtrend (correction)**
- This is a time to pay attention to the market behavior.

STEP 3: When the market diagnosis goes to “Downtrend”

Capture much of the gains from the Uptrend (minimizing Downtrend losses) by selling your Uptrend ETF position (QQQ, QLD or TQQQ) when the market diagnosis goes into Downtrend will capture much of the 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).

MARKET FACTORS, COUNTS & RATINGS

1/23/2020

Type of Day for <u>Nasdaq Index</u> Accumulation, Distribution or Neither		Minor 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 Accumulation & Distribution Days (last 20 days)</u> Only accumulation and distribution days <u>since the last market direction change</u> are in this count.		Accumulation Days 8	Distribution Days 1
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 5	Down Days 1
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		1.7	
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 A	S&P 500 A-
		DJIA B	
The 9/25/19 market accumulation ratings shown (9/26 not received on data feed)			
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day Above	200-Day Above
		Nasdaq Above	S&P 500 Above
		NYSE Above	DJIA Above
		DJIA Above	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?
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A BLACK BOX around the Nasdaq price indicates this is a **new all-time closing high** – WOW!

20	12/24/19	8952.88	+0.1%	-53.1%	94	—	—
19	12/26/19	9022.39	+0.8%	+57.8%	95	Minor accumulation	UPTREND
18	12/27/19	9006.62	-0.17%	+1.9%	96	—	—
17	12/30/19	8945.99	-0.7%	+2.3%	97	Minor distribution	DOWNTREND
16	12/31/19	8972.61	+0.3%	+7.7%	98	Minor accumulation	UPTREND
15	1/2/20	9092.19	+1.3%	+16.9%	99	Major Accumulation	UPTREND
14	1/3/20	9020.77	-0.8%	-10.0%	100	—	UPTREND
13	1/6/20	9071.47	+0.6%	+8.8%	101	Minor accumulation	UPTREND
12	1/7/20	9068.58	-0.03%	-22.5%	102	—	—
11	1/8/20	9128.74	+0.6%	+3.3%	103	Minor accumulation	UPTREND
10	1/9/20	9203.43	+0.8%	+0.9%	104	Minor accumulation	UPTREND
9	1/10/20	9178.86	-0.3%	-4.7%	105	—	UPTREND
8	1/13/20	9273.93	+1.0%	+5.6%	106	Major Accumulation	UPTREND
7	1/15/20	9258.70	+0.08%	-3.5%	108	—	—
5	1/16/20	9357.22	+1.1%	-6.0%	109	—	DOWNTREND
4	1/17/20	9388.94	+0.3%	+7.7%	110	Minor accumulation	UPTREND
3	1/21/20	9370.81	-0.19%	+4.6%	111	—	—
2	1/22/20	9383.77	+0.14%	-10.6%	112	—	—
1	1/23/20	9402.48	+0.2%	+0.3%	113	Minor accumulation	UPTREND

NOTE: This table tracks CLOSING all-time high prices with the heavy black boxes around the price. When the Nasdaq hit a new all-time high on 12/27/2019 but then closed below the prior high of 12/26,

For the MARKET ACTION OVER THE LAST 20 DAYS: 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!

**ARMCHAIR INVESTOR TREND-FOLLOWING EARNINGS USING
SINGLE, DOUBLE AND TRIPLE ETFs
ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS
Current Uptrend**

1/23/20	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	224.59	+0.3%	+21.2%
QLD (2x)	93.62	135.63	+0.6%	+44.9%
TQQQ (3x)	59.15	101.46	+0.9%	+71.5%

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** Over 50% shows a strong, rising market!

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

The percent of stocks with A or B Accumulation ratings is still an amazing 64% of all stocks over \$5! **Wow! Winners abound!**

		A	B	C	D	E	As + Bs
4 weeks ago	12/23	18%	48%	18%	11%	4%	67%
3 weeks ago	12/31	16%	48%	20%	12%	4%	64%
2 weeks ago	1/8	15%	48%	21%	12%	4%	63%
1 week ago	1/15	18%	49%	19%	11%	4%	66%
Today	1/23	17%	48%	19%	13%	4%	65%
	# stocks in each rating:	1124	3138	1258	829	257	6606

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= 40%) 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?				
1/23/2020	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High*	1/22/2020	1/22/2020	1/17/2020	1/17/2020
All-time High	9439.29	3337.77	14183.26	29363.72
Closing Price	9402.48	3325.54	14102.04	29160.09
Below (-) or Above (+) Recent High (%)	-0.4%	-0.4%	-0.6%	-0.7%

*New Highs are daily intraday prices and are noted in **green for a week**, even if the price drops lower.

MARKET ACTION 2020 YEAR-TO-DATE			
1/23/20	2019 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	8972.61	9402.48	+4.8%
S&P 500	3230.78	3325.54	+2.9%
NYSE	13913.03	14,102.04	+1.4%
DJIA	28538.44	29,160.09	+2.2%

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				
1/17/20	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+1.2%	-1.4%	+20.0%	Major Accumulation
S&P 500	+1.3%	S&P 500 Volume		Major Accumulation
DJIA	+1.5%	+1.1%	+8.0%	Major 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.

Nasdaq Daily 4 month chart, (updated Friday)

Nasdaq hits all-time high, again!



Nasdaq Weekly 1 year chart, (updated Friday)

Nasdaq takes off, Up almost 2%! Weekly volume higher than any distribution week in last 6 months!



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

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

S&P500 hits new All-time high again!



S&P500 Weekly 1 year chart,(updated Friday).Look at it climb!

S&P500 makes new all-time high last week. Volume jumps to above average.



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

Access the FULL ARMCHAIR Investor newsletter each night in just 2 clicks:

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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

See additional definitions on the following pages....

**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:

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	+0.70%	+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 Major Accumulation Day: Price RISES at least 1.0% or more with higher Volume than prior day.</p> <p>A minor accumulation Day: 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 Major Distribution Day: Price FALLS at least 1.0% or more with higher Volume than the day before.</p> <p>A minor distribution Day: 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 "Neither" day.</p>						
<p>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 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.

Visit an ARMCHAIR INVESTOR CLASS

We have 2 live classes given each week in Dallas and one on-demand ONLINE class. Visit a class as my guest

- [Monday nights 7 – 9 p.m.](#)
- [Wednesday mornings 10:00 a.m. to noon](#)
- Monday and Wednesday classes meet in north Dallas.
- Online classes and consultations available by appointment – **Call me for a FREE introduction!**

Newsletter readers get a FREE class visit:

Monday evening, or Wednesday morning in Dallas OR another time online.

Call or text me to set up your visit.

Pre-REGISTRATION REQUIRED FOR YOUR FREE VISIT

Just Call or Text me: 214-995-6702

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