

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

CURRENT MARKET DIRECTION: DOWNTREND

Armchair Investor Trend-following Investment Action:	I hold the PSQ (inverse QQQ)
---	-------------------------------------

TUESDAY: Tuesday morning, the Federal Reserve Bank dropped the interest rate 1/2% as a stimulus to the economy. The initial reaction was a rise that quickly evaporated. It looks like the market sees the negative effects of the coronavirus on the market will expand.

Many investors are in cash or shorting.

The PSQ stock is designed as the inverse of the QQQ. PSQ is one way to capture gains in a falling market: When the market falls, the PSQ rises about an equal percent.

I RIDE THE MARKET IN THE DIRECTION IT'S GOING – UNTIL IT CHANGES.

The worst strategy you could use right now is to **FORGET** to check the market and your stocks daily or to hold onto stocks you “believe in” that are failing! *Down is down!*

DAILY MARKET ACTION						
3/3/20	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	8684.09	-3.0%	+4.4%	+55.5%	Major Distribution	+10.1%
S&P500	3003.37	-2.8%	NYSE Volume		Neither	+4.7%
DJIA	25917.41	-2.9%	-0.5%	+62.9%	Neither	+0.4%

MY PLAN FOR WEDNESDAY: I hold my PSQ (the short QQQ). A “short” ETF is designed to rise if its target falls. For example, the PSQ is designed to rise 1% when the QQQ falls 1%. And it has done a good job matching that goal. Look at charts of the QQQ and PSQ. Mirror images! The QQQ falls when the PSQ rises. And vice versa.

Note: You cannot short any stock in an IRA account. But you can buy a “short” ETF such as the PSQ to do the work. If you need additional clarification, call me!

With the Coronavirus spreading, it could be a long, cold Spring!

You could hold a winning stock as long as it holds its gain. (Very few are!) But be sure to watch each stock for additional distribution days to signal an exit point. See selling rules chapter of “How to Make Money in Stocks” by William O’Neil, founder of Investor’s Business Daily.

Reminder: I do not make recommendations - just ideas to consider.

If you live in the DFW area, visit my [Armchair Investor weekly classes](#) as my **guest. FREE is a good price!** But you must let me know you really are coming by clicking on the blue link above and registering **with your phone number** so I can confirm you. I’ll print a class handout for you – 30 pages with all the charts and lessons. **Or call me at 214-995-6702** if that is an easier way for you to register.

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!

/

HOW CAN YOU CAPTURE THOSE GREAT MARKET GAINS SHOWN ABOVE?

USE THE ARMCHAIR INVESTOR PLAN:

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

STEP 1: Ride a rising market UP.

STEP 2: Protect your investments during a weakening Uptrend

STEP 3: Go to cash in a falling market. <<<<<<< NOW!

This newsletter will identify the market direction, (step 1, step 2 or step 3) and explain what you can do to grow and protect your portfolio.

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

Find the market direction diagnosis every night in this newsletter.

- In the Uptrend, buy the QQQ the next morning if you don't yet have that position. This newsletter will alert you to the Uptrend signal! *The QQQ follows the ups and downs of the Nasdaq100, allowing you to grab the rises of an 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, 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 starts to show significant weakness (read this newsletter nightly!

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.)
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 price and 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 by selling your Uptrend ETF position (QQQ, QLD or TQQQ) when the market diagnosis goes into Downtrend to 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.

The Uptrend has been years long and strong. The market is due for a long dive. I will invest in the PSQ (inverse QQQ) ETF which makes profits as the market falls!

NOTE: Not every market direction signal ends with a positive return. But overall, this Market Tracking Strategy has outperformed the market when traded according to these signals.

BONUS: 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		3/3/2020	
Type of Day for <u>Nasdaq Index</u> Accumulation, Distribution or Neither		Major Distribution	
I track the <u>Nasdaq's</u> price-volume because it usually leads the market direction.			
Market Direction Uptrend, Under Pressure, Downtrend		Downtrend	
<u>Nasdaq Accumulation & Distribution Days (last 20 days)</u> Only accumulation and distribution days since the last market direction change are in this count.		Accumulation Days	Distribution Days
		3	6
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
		2	6
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		0.8	
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	E
		DJIA	E
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day	200-Day
Nasdaq		Below	Above
S&P 500		Below	Below
NYSE		Below	Below
DJIA		Below	Below

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?
A BLACK BOX around the Nasdaq price indicates this is an all-time closing high – WOW!							
20	2/4/20	9467.97	+2.1%	+3.9%	121	Major Accumulation	UPTREND
19	2/5/20	9508.68	+0.4%	+0.6%	122	Minor accumulation	UPTREND
18	2/6/20	9572.15	+0.7%	-6.8%	123	—	DOWNTREND
17	2/7/2020	9520.51	-0.5%	-2.9%	124	—	UPTREND
16	2/10/2020	9628.39	+1.1%	-5.5%	125	—	DOWNTREND
15	2/11/20	9638.94	+0.1%	+10.4%	126	—	—
14	2/12/20	9725.96	+0.9%	-5.6%	127	—	DOWNTREND
13	2/13/20	9711.97	-0.14%	-4.9%	128	—	—
12	2/14/20	9731.18	+0.2%	-0.5%	129	—	DOWNTREND
11	2/18/20	9732.74	+0.02%	+1.0%	130	—	—
10	2/19/20	9817.18	+0.8%	+10.2%	131	Minor accumulation	UPTREND
9	2/20/20	9750.96	-0.7%**	+12.5%	132	Minor distribution	DOWNTREND
8	2/21/20	9576.59	-1.8%	+0.4%	133	Major Distribution	DOWNTREND
7	2/24/20	9221.28	-3.7%	+14.6%	134	Major Distribution	DOWNTREND
6	2/25/20	8965.61	-2.8%	+13.4%	1	Major Distribution	DOWNTREND
5	2/26/20	8980.77	+0.17%	+0.3%	2	—	—
4	2/27/20	8566.48	-4.6%	+25.4%	3	Major Distribution	DOWNTREND
3	2/28/20	8567.37	+0.01%	+15.8%	4	—	—
2	3/2/20	8952.16	+4.5%	-19.3%	5	—	—
1	3/3/20	8684.09	-3.0%	+4.4%	6	Major Distribution	DOWNTREND

NOTE: This table tracks **CLOSING all-time high prices** with the heavy black boxes around the price. It was only 8 days ago when the last all-time high was made on 2/19, and now the market is down almost 13%

The **Armchair Investor Trend-following Basic strategy** uses the **QQQ**. If you had

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 3 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.](#)
- [Tuesday afternoons 2:30 – 4:30 p.m.](#)
- [Wednesday mornings 10:00 a.m. to noon](#)
- 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, Tuesday afternoon or Wednesday morning in Dallas.
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.

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 ENDED ON 2/24/2020			
Sold the ETFs on 2/24/20 As the market went into Downtrend	8/14/2019 Opening Price	2/24/2020 Opening Price	Gain from 8/13/19 Uptrend Signal to 2/21/20 Downtrend Signal
QQQ (1x)	\$185.31	\$221.84	+19.7%
QLD (2x)	\$93.62	\$131.03	+40.0%
TQQQ (3x)	\$59.15	\$96.28	+62.8%
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.			

>>> The stocks with A or B Accumulation/Distribution ratings lightened up over the last 2 weeks dropping from 55% to 27% **As and Bs**. The A and B rated stocks win! (An even distribution would be only 40%)

The market crash showed up in the increase of stocks with "E" ratings (heavy selling) from 8% last week to 45% Monday. It was a painful drop. I hope you followed our market evaluation and **got out near the top!** Down is down – no matter what the news is.

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS							
		A	B	C	D	E	As + Bs
4 weeks ago	2/3	9%	35%	23%	22%	11%	44%
3 weeks ago	2/10	12%	40%	21%	19%	8%	52%
2 weeks ago	2/18	14%	41%	21%	17%	7%	55%
1 week ago	2/25	9%	31%	22%	24%	14%	39%
Today	3/3	4%	16%	19%	36%	26%	19%
	# stocks in each rating:	234	1015	1240	2301	1667	6457
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. The 18% above is **BAD NEWS**

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?				
3/3/2020	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High*	43880	43880	43847	43873
All-time High	9838.37	3393.52	14183.26	29568.27
Closing Price	8684.09	3003.37	12542.74	25917.41
Below (-) or Above (+) Recent High (%)	-11.7%	-11.5%	-11.6%	-12.3%

*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			
3/3/20	2019 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	8972.61	8684.09	-3.2%
S&P 500	3230.78	3003.37	-7.0%
DJIA	28538.44	25,917.41	-9.2%

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				
2/28/20	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-10.5%	+97.8%	+83.0%	Major Distribution
S&P 500	-11.5%	S&P 500 Volume		Major Distribution
DJIA	-12.4%	+108.3%	+92.0%	Major Distribution

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 Tuesday 3/2/2020)

Nasdaq Crashes on Coronavirus Worries!



NASDAQ Weekly 1 year chart, (updated Friday 2/28/2020)

Nasdaq Crashes on Coronavirus Worries!



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

S&P500 Daily 4 month chart, (updated Tuesday 3/3/2020) S&P500 Crashes on Coronavirus Worries.



S&P500 Weekly 1 year chart, (updated Friday 2/28/2020) S&P500 Crashes on Coronavirus Worries!



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:

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

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 3 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.](#)
- [Tuesday afternoons 2:30 – 4:30 p.m.](#)
- [Wednesday mornings 10:00 a.m. to noon](#)
- 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, Tuesday afternoon or Wednesday morning in Dallas.
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.