

**AMCHAIR INVESTOR<sup>(sm)</sup> MORNING MARKET**  
**NEWSLETTER**  
A TREND-FOLLOWING STRATEGY

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Or Text Charlotte 214-995-6702. I'll send an invitation to the FREE class.

**CURRENT MARKET DIRECTION: UPTREND.**

<b>Armchair Investor</b> Trend-following Investment Position:	<b>I hold the QQQ</b>
Total <b>Armchair Investor</b> 2020 Returns See trades on page 2	<b>25.1% year-to-date</b> Only 4 trades (see page 4)

**THE MARKET'S MESSAGE** HOW DOES AN UPTREND BECOME A DOWNTREND? (The full Armchair Investor report follows)

I was talking to an Armchair Investor student last week, who told me, "You are so brave." "Why?" I wondered. Yes, I've rappelled off the sides of mountains. Yes, I've traveled solo around the world. Yes, I've made over 200 skydives. But I didn't think she was referring to any of those events. She said, "You are still in this unpredictable, scary market. You are so brave!"

I don't feel brave. I am **fact-based**. I look at the market (price and volume) and, "I calls 'em like I sees 'em." Unpredictable?? Yes, day-to-day. But not unpredictable in the medium term. I listen to what the market whispers each day with its price and volume.

**This week, the market shouted, "Uptrend!"** with:

- **5 rising days** (that's every day this week)
- **3 of those days had the strength of Major Accumulation days** (price rose more than 1% and volume was higher)

I'll bet you've heard some "experts" say the market is ready to crash, that the coronavirus is devastating the economy!. (Many "experts" know investors watch bad news longer than good news so that is what they deliver.)

**I rely on FACTS.** The market charts tell me, with amazing accuracy, what is happening in the market. Think of concentric circles. In the middle is the market. Around the middle are the price-volume daily messages. And.... That's it!.... Did you expect a lot more circles?

Sure the market's action is the result of many other factors: the economy, wars, health, rumors, wishing 🎵 and hoping 🎵 and praying 🎵 and dreaming 🎵... (You'll know why I chose that song in a minute.)

## **WHY DO MOST TOPS LOOK ALIKE?**

Most tops (whether for individual stocks or market indexes) are **rounded**. This formation is caused by the consistency of human nature as described in the Dusty Springfield song mentioned above. Most of us enjoy uptrends -- The market is in an Uptrend much more than it is in a downtrend. We know how to make money in a rising market. We give up the idea of an uptrend slowly.

## **HOW DOES AN UPTREND TURN INTO A DOWNTREND?**

The occasional distribution day rarely causes an immediate reversal. But a couple more distribution days and the uptrend could slow down. A few more d-days and the market can be seen rolling over and starting down revealing a market top.

## **WHAT SIGNALS A NEW DOWNTREND?**

The most common signal of a failing uptrend or a failing stock is a **concentration of distribution days** (down days with higher volume.) Keep these signals in mind:

- 3 distribution days in 6 trading days
- 4 distribution days in 12 trading days
- 5 distribution days in 20 trading days.

Yes, I've seen a healthy uptrend die in just 4 trading days (Yes, February 25 of this year with 3 distribution days out of 4 trading days.

## **WHAT DO I DO ABOUT A NEW DOWNTREND?**

Knowing when the uptrend has reversed is critical to protecting your portfolio. Sure, you may have some hot stocks that keep rising in a Downtrend. But over a short period of time, many of the stocks that shot up during the bull market can fizzle. And sometimes, when they fizzle, they fizzle fast!

This valuable, fast metric is the reason why I count distribution days so diligently in this newsletter. Each day, you can track the health of the market in detail by reviewing two tables:

- **MARKET ACTION (Nasdaq) OVER THE LAST 20 DAYS**
- **MARKET FACTORS, COUNTS & RATINGS**

These tables reveal strengths and weakness in the current market.

**Part two on "MARKET DIRECTION" will be in this newsletter in a few days. Stay tuned.**

The **MARKET ACTION** table (later in this newsletter) identifies distribution and accumulation days over the last 20 days. The **MARKET FACTORS** table counts accumulation and distribution days in the last 20 trading days, and 7 other factors that reveal strength or weakness in the current market. (These two tables are later in this newsletter. I suggest you page down to see them.)

I've been watching the Nasdaq outperform everything else for months, waiting to see if it would give back the extraordinary gains as it continued to rise, rise

**Welcome to the New Market Reality-The Nasdaq gallops away!**

Here is a comparison of the Nasdaq, S&P500 and Dow Jones Ind. Avg

What are some of the factors supporting the Nasdaq's taking off?

- Cloud-based



DAILY MARKET ACTION						
5/8/20	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	YOUR GAIN from Buying the index on 4/3 (New Uptrend)
Nasdaq	9121.32	+1.6%	+1.8%	-7.0%	Major Accumulation	+22.0%
S&P500	2929.80	+1.6%	NYSE Volume		Neither	+16.5%
DJIA	24331.32	+1.9%	-6.0%	-25.3%	Neither	+14.3%

<b>ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS</b>						
<b>All Trades In 2020</b>						
Market Direction Signal Change	Direction	Action	# Days	Price	% GAIN Each Trend (See note)	Armchair Investor GAIN In 2020
12/31/19	<b>Uptrend</b>	Hold the <b>QQQ</b>	55	\$212.61	+4.3%	<b>+4.3%</b>
2/24/20	Uptrend under Pressure	Sold <b>QQQ</b> at Open Wait in <b>CASH</b>	3	\$221.84	+0.0%	<b>+4.3%</b>
2/27/20	<b>Downtrend</b>	Bot <b>PSQ</b> at Open	38	\$24.65	+5.6%	<b>+10.2%</b>
4/6/20	Uptrend	Sold <b>PSQ</b> at Open Wait in <b>CASH</b>	2	\$26.03	+0.0%	<b>+10.2%</b>
4/8/20	Uptrend	Bot <b>QQQ</b> at open	31	\$198.08	+13.5%	<b>+25.1%</b>
5/8/20	End of Day			\$224.86		
<b>TOTAL % Growth in 2020 :</b>						<b>+25.1%</b>

## WHAT HAPPENED THIS WEEK?

The Nasdaq & S&P500 rose for a **FOURTH DAY IN A ROW**. Volume is settling down after the frantic selling during the recent Downtrend - one of the worst market corrections in market history. **See the comparison chart on page 3.**

**Are you Hunting winner stocks? Look where the action is: The Nasdaq hit 9000 on Friday.**

- **Continued strength in this rising market** shows up in the strong 43% percent of stocks with "A" or "B" accumulation rating. *See table and explanation on page 2.*
- **The Nasdaq continues to outperform** other indexes partially due to fast-growing internet stocks including same great cloud-based stocks!
- **Consider getting FULLY INVESTED in this exciting market.** Then add an 8% STOP!

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See page 5 for Armchair Investor Returns, and Accumulation/Distribution Counts

See page 6 for My Plan for Tomorrow

See page 4 for Signs of Market Strength & Weakness

**This UPTREND is making me money!** I use the **QQQ** to grab the market trend! **>>>Welcome to the Armchair Investor bottom line! (next page)**

**THE ARMCHAIR INVESTOR STRATEGY RETURNS IN 2020**

## A BULLISH BUYING PATTERN EMERGES IN ACCUMULATION/DISTRIBUTION TABLE:

- **A month ago:** Only 21% of stocks had “A” or “B” ratings (buying had dried up).
- **Today:** 42% of all stocks have an “A” or “B” ratings which means it is easy to find stocks that are rising due to being widely bought.

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS							
		A	B	C	D	E	As + Bs
4 weeks ago	4/9	4%	20%	21%	30%	25%	24%
3 weeks ago	4/17	5%	26%	22%	27%	19%	31%
2 weeks ago	4/24	6%	28%	23%	27%	16%	34%
1 week ago	5/1	9%	37%	24%	21%	9%	46%
Today	5/8	8%	36%	24%	22%	9%	44%
	# stocks in each rating:	516	2221	1513	1398	592	

### ACCUMULATION/DISTRIBUTION RATINGS: stocks over \$5 on Nasdaq and NYSE:

<b>A = Stocks being heavily bought</b>	<b>D = Stocks being moderately sold</b>
<b>B = Stocks being moderately bought</b>	<b>E = Stocks begin heavily sold</b>
<b>C = Stocks with neutral buying</b>	

### MY PLAN FOR MONDAY: HOLD the QQQ.

I also hold my full positions in a few strong individual stocks.

I “keep it simple” following William O’Neil’s suggestion and usually hold only 5 individual stocks and the QQQ (for tracking the market’s health). Sometimes I hold a position in the double Q’s (QLD) or triple Q’s (TQQQ), but I won’t usually mention this more aggressive position in this newsletter. They are a wild (risky) ride!

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS FOR THE CURRENT TREND: Uptrend began on 4/2/2020				
5/8/20	Opening Price on 4/3/2020*	TODAY's Closing Price	ETF % Change Today	Gain or Loss Since 4/2/2020 Uptrend Signal
QQQ (1x)	\$185.50	\$224.86	+1.4%	+21.2%
QLD (2x)	\$84.89	\$122.80	+2.6%	+44.7%
TQQQ (3x)	\$43.86	\$74.79	+4.0%	+70.5%

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.

Although there are great high-tech companies on both the NYSE and Nasdaq exchanges, the Nasdaq has a higher density of high-tech companies. And high-techs are outperforming lower tech companies.

## THE 7 SECTOR LEADERS as of 5/7/2020

- 4 out of the 7 Sector Leaders are Internet-based.
- 2 are medical
- 1 is gold.

CHGG	NYSE	<b>ONLINE</b> TEXT BOOKS & VIDEO EDUCATION SUPPORT
KL	NYSE	GOLD MINING IN CANADA & AUSTRALIA
NFLX	Nasdaq	<b>INTERNET</b> DELIVERY OF MOVIES & TV
NOW	NYSE	<b>CLOUD-BASED</b> WORKFLOW AUTOMATION
PCTY	Nasdaq	<b>CLOUD-BASED</b> PAYROLL & HUMAN CAPITAL SOFTWARE
VRTX	Nasdaq	MEDICAL - TREATMENTS FOR SYSTIC FIBROSIS
ZYXI	Nasdaq	PAIN MANAGEMENT & REHABILITATION DEVICES

MARKET ACTION 2020 YEAR-TO-DATE			
5/8/20	2019 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	8972.61	9121.32	+1.7%
S&P 500	3230.78	2929.80	-9.3%
DJIA	28538.44	24331.32	-14.7%

### **PLEASE REMEMBER: BUY & HOLD IS NOT A STRONG INVESTING STRATEGY.**

Imagine the difference in returns if you could just wait in cash as the market falls and get back in as it starts back up! It isn't necessary to get out at the top or in at the bottom. But stepping out of the market somewhere *near the top* and getting back in *near the bottom* has had a HUGE IMPACT on my portfolio.

*It can take YEARS to complete a market Downtrend (correction) then recover back to where you were.*

### **An EXAMPLE OF WHY BUY-AND-HOLD" COSTS YOU BIG BUCKS.**

- From the high in March of 2000, the market did not recover (get back to that same high) for over 15 years. That's 15 years to break-even.
- How is the "Never sell in a correction" idea working?

## **DO YOU MAKE THESE INVESTING MISTAKES ?**

- Do you miss buying a great stock at the price you knew was right?
- Do you sell too early and watch it continue to rise without you?
- Or do you hold on too long and lose the gains you had?

Learn how to analyze your stocks for effective buy and sell signals.

**CLICK HERE:** to [Visit an Armchair Investor weekly class](#)

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## **OR --- ARE YOU JUST TOO BUSY AND WISH THERE WERE A FAST WAY TO CAPTURE THESE GREAT MARKET GAINS?**

Then the **5-MINUTE INVESTOR** is for you ! Join me for a quick way to use the market's signals to earn above market returns:

- Be **IN** the market when it's going up.
- Be **OUT** of the market when it's going down.
- Learn how!

Join me online for a Sunday 7-8:15 pm Armchair Investor class.

[Sign up for this FREE class](#)

## Current Signs of Market Strength

- There has been **ONLY ONE DISTRIBUTION DAY** in the last 20 trading days while there have been **SEVEN ACCUMULATION DAYS!**
- The Nasdaq closed at a **9-week high!**
- The ratio of Leader stocks rising versus falling stocks rose to a solid 1.6.
- >>>>The Nasdaq volume is holding at well above pre-Corona Crash levels ( **The S&P500 volume is getting lighter** as it returns to pre-Corona Crash levels)
- **The market continues in the new Uptrend** which was signaled by the strong 4/2/2020 Accumulation day (a rising day with higher volume)
- **The Nasdaq found support as it fell below its 50-day moving average line then rebounded** three times recently – on April 14 & 15, on April 21 & 21 and on May 4 & 5.
  - The 50-day moving average line is frequently support in individual stocks and in the indexes (just the sum of its component stocks)
- **43% of stocks have a strong “A” or “B” accumulation/distribution ratings** revealing there are a lot of stocks being heavily bought by institutional investors. *Take their advice:*
  - You can find some of the best stocks in the Market Pulse box in Investor’s Business Daily’s “Big Picture” column (produced daily on Investors.com.)
- **Many stocks with strong financial and chart ratings are showing strong growth.**
  - **MarketSmith** has an extraordinary, detailed stock screener to identify stock with strong financials, etc. and near buy points.
  - If you don’t have MarketSmith, **try the new IBD Stock Screener under the RESEARCH tab.** It is rich with search criteria options.

## Current Signs of Market Weakness

- The market feels like the “Wild West” – unpredictable and highly volatile (although volatility is finally settling down a bit.) **Avoid the “showdown” by exiting any losing stocks.**
- **The S&P500 fell lower this week, lagging the Nasdaq performance.:**
- **The Investors.com Sector Leader list has 7 strong leader stocks** for you to research. See the full list on Investors.com and on page 3 of today’s newsletter.



## **MARKET/CHART READING LESSON:**

### **The MarketSmith Relative Strength Line – My favorite!**

Go to any chart on the Investors.com web page. You will see the bumpy line labeled RS for Relative Strength. This line moves up or down with each price bar showing if this stock or index rose more or less than the S&P500.

Look at the Nasdaq daily chart (0NDQC) and notice that the RS line has risen since the Oct 2019 low, indicating it has earned higher returns.

Go to the monthly chart and note that the S&P500 has consistently outperformed the S&P500. (not ever month but most). The S&P500 does have some great stocks. That rising RS line tells us that, over time, the Nasdaq as a whole has done better than the S&P500. But just like shopping for groceries, I will buy from the market that has the best fruit, on any given day.

The Nasdaq continues to outperform the S&P500. Watch the RS line on Investors.com charts. This important line shows you how a stock or index is performing compared to the S&P500. A rising line indicates that stock or index has risen faster than the S&P500 (measured in percentage change.)

Note: Do not confuse IBD's RS line with the RSI line some charting system use. They are measuring completely different factors. RSI measures how an individual stock is doing – is it rising or falling? Which is translated to an overbought to oversold rating. (*Investopedia.com: The relative strength index (RSI) is a momentum indicator that measures the magnitude of recent price changes to evaluate overbought or oversold conditions in the price of a stock or other asset.*)

*The problem I have found with the RSI line is that some of the best, rising stocks can push an RSI line to the top of the rating (indicating overbought) just when I have purchased them and held as they continued to rise .As always, I tell you to use the indicators you find useful (profitable).*

**I am excited about the settling down in market volume. But I continue to be concerned about the sustained day-to-day price volatility.** It is surely affected by the uncertainty of the upcoming earnings announcements. **BE SURE YOUR STOPS ARE IN PLACE.**

**Every Day's Lesson: Whether you agree with your stock's daily results or not,...**

- **YOUR JOB is to monitor its daily results and adjust your action accordingly.**
  - **Monday: Monitor.....and.....adjust.**
  - **Tuesday: Monitor.....and.....adjust.**
  - **Wednesday: Monitor.....and.....adjust.**
  - **Thursday: Monitor.....and.....adjust.**
  - **Friday: Monitor.....and.....adjust.**
  - **(repeat)**

## KEY CONCEPT:

### THE MARKET CONTINUES IN THE DIRECTION IT IS GOING, UNTIL IT DOESN'T

**THE BAD NEWS:** The market continues with day-to-day volatility.

**THE GOOD NEWS:** Most days' price-volume action is "consistent with" an Uptrend.

- Wednesday's and Monday's price-volume action were the first days consistent with a downtrend in a week and a half.
- All the rest were consistent with an Uptrend (price and volume rising OR price and volume dropping)

### UNDERSTANDING THE "CONSISTENT WITH" COLUMN in the "MARKET ACTION (Nasdaq) OVER THE LAST 20 DAYS" TABLE

Every Uptrend market has up and down days. Lower volume on a down day says the selling was lighter that day. And that is exactly what you would like to see in a healthy uptrend. And the combination of falling days with lighter volume will help to bring the Nasdaq's and S&P's Accumulation rating UP!

- Lower volume on the falling day says the drop lacks power!

### If the Horse you are riding, dies. GET OFF!

When the market dies – whether that is in a year, a month or tomorrow, the Armchair Investor Strategy will NOT "stay the course" and we won't ride a falling market down. Instead, we will use our 20 years of market direction experience to identify optimum times to be in the market and times to be out of the market. (*not guaranties!*)

Using my day-to-day price-volume analysis, my students and I have consistently been able to make money by:

"Getting in near the bottom" and "Getting out near the top."

This strategy has allowed us to earn well-above-average returns!

### **Could this new Uptrend still die? Yes, it will - someday!**

I'm sad to say I suspect that the worse of the pandemic's economic impact may not have hit yet. Will congress' bailout package be enough? Will it have a lasting effect? I don't know. And I expect the financial impact will be felt for years.

*(continued next page)*

### **Prepare yourself for a NEW ECONOMY!**

I expect a major shift in how we do business: more online appointments, more working from home, reduced business travel (with reduced costs to businesses) We might actually see this lockdown period as **a slingshot into the a new, sleeker way of conducting business.** And each of those new trends will help some business (online meetings, internet providers, online schools, casual clothing, healthy ready-to-eat food....) I would like to hear your ideas"

**Which industry groups and specific companies will thrive and which will dive in the after pandemic new economy???**

**WILL HISTORY REPEAT ITSELF?** In the financial crisis of 2007, it took the market 2 1/2 years to recover the 56% drop. Worse yet was the reaction to the dot.com 90's market over-inflation that crashed in March of 2000 and took 19 years for the market to "break even."

WHAT CAN WE (INDIVIDUAL INVESTORS) DO NOW? ONE lesson I have learned from every greatest investor I have studied:

#### **HUMAN NATURE DOESN'T CHANGE.**

**That is why the cups and handles, double bottoms, etc. continue to work. HUMAN NATURE DOESN'T CHANGE.** Human's nature is to survive and we are, therefore, fear and greed driven. And that is what cups and handles, double bottoms, etc. are all about.

**Stick with the Armchair Investor non-emotional, fact-based analysis to ride the market as it rises and exit as it falls. I have never been ashamed of exiting a failing market or stock..... or of riding a winner up, no matter what "they" say.**

**A SIMILAR TIME IN HISTORY** I've been looking for past examples and see a close one in 1998: a 33% drop during the "dotcom" rally in 1998, Everyone was sure 1998 was the top and got out. When it turned around, they all jumped in again. (continued next page)

When the 2000 crash occurred, their brokers told them to stay in because, "...It always comes back! Just look at 1998. When this market fails, I will just say, "GET OUT."

## **HOW MIGHT THE MARKET BREAK DOWN INTO A NEW DOWNTREND?**

**What would have to happen for this new Uptrend to collapse back into a Downtrend? Two patterns usually signal the Uptrend is nearing an end:**

- One of the major indexes falls and undercuts its recent low. This action would require about a 20% drop. In this market, that drop would probably take a few weeks and we would probably see the distribution days add up even before the undercut.
- The concentration of distribution days (down days on higher volume) would have to get serious enough to reveal heavy selling. Read this newsletter daily. It will alert you with a warning one page one when either or both of the major indexes start to rack up distribution days.

See **20 DAILY MARKET ACTION** table for daily price-action details below (page 11).

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## **BONUS CHART READING LESSONS:**

Look at a Nasdaq or S&P500 daily chart as it crashed off the February all-time highs. (Charts are at the end of this newsletter.)

Notice the DOWN-TRENDING pattern of:

- frequent higher volume DOWN days (serious selling) and
- frequent lower volume UP days (lack of commitment to the upward move).

## **NOW NOTICE A SHIFT IN the PRICE-VOLUME PATTERN AS THE MARKET SLOWED DOWN AND THEN STARTED RISING:**

- More consecutive rising days with higher volume (Nasdaq)
- A fresh upward move of 4 rising days in a row (Nasdaq)
- Those moves in the last week bring hope that this Uptrend is gathering steam AND it brings a concern that irrational exuberance may be driving this Uptrend.
- EITHER WAY – I am happy to ride this Uptrend until it dies... next week, next month or next year. STAY TUNED!

This “change in personality” is common when a Downtrend becomes an Uptrend.

## **DISTRIBUTION DAYS:**

>>> Scan across the volume over the last four weeks on a daily chart below. You will see almost all the tall volume bars (sticking up above their neighbors) are ... RED, showing higher volume on down days. Thus, the “E” distribution ratings on the Nasdaq, S&P500, NYSE and DJIA.

## **HOW TO SEE DISTRIBUTION ON 2-COLOR CHARTS!**

Distribution action is easiest to see when you are on a chart with two color volume lines, usually red for falling price days and green (or blue) for rising days. The fastest way to get a sense of the accumulation/distribution going on in a stock or index is to swing your eyes across the volume bars – noting the color of the highest bars - the red volume bar indicates the price dropped that day. The taller bar indicates the volume was higher.

## **REMEMBER:**

**THE MARKET CONTINUES IN THE DIRECTION IT IS GOING,**

**.....UNTIL IT DOESN'T !**

**With the Coronavirus spreading, it could be a... long,... cold... spring!**

>>>>But be sure to watch each stock in your portfolio 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.**

**CALL ME IF YOU ARE STUCK! Charlotte – 214-995-6702**

**I'm just hanging around the house!**

# 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 - hold the QQQ .

**STEP 2:** Protect your investments during a weakening Uptrend

**STEP 3:** Go to cash or PSQ in a falling market.

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.

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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.**

- 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!**

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



## **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).



<b>MARKET FACTORS, COUNTS &amp; RATINGS</b>		<b>5/8/2020</b>	
<b>Type of Day for <u>Nasdaq Index</u></b> Accumulation, Distribution or Neither		<b>Major 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 since the last market direction change are in this count.		<b>Accumulation Days</b>	<b>Distribution Days</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>8</b>	<b>1</b>
<b>Count of Up Days and Down Days</b> Nasdaq's last <u>10-days'</u> price movement		<b>Up Days</b>	<b>Down Days</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>7</b>	<b>3</b>
<b>Rising/Falling Ratio of Leader Stocks with High Volume</b> Nasdaq 10-day ratio		<b>1.6</b>	
<b>This indicator looks at the HEALTH of leading stocks (high RS rating) with strong financials (high EPS rating)</b> <b>Uptrend indicator: 1.5 or higher. Neutral: 1.0 to 1.49. Downtrend: less than 1.0</b>			
<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>B</b>
		<b>S&amp;P 500</b>	<b>D+</b>
		<b>DJIA</b>	<b>D+</b>
<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>200-Day</b>
Nasdaq		<b>Above</b>	<b>Above</b>
S&P 500		<b>Above</b>	<b>Below</b>
NYSE		<b>Above</b>	<b>Below</b>
DJIA		<b>Above</b>	<b>Below</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	4/13/20	8192.42	+0.5%	-7.6%	7	—	DOWNTREND
19	4/14/20	8515.74	+4.0%	+17.3%	8	Major Accumulation	UPTREND
18	4/15/20	8393.18	-1.4%	-12.0%	9	—	UPTREND
17	4/16/20	8532.36	+1.7%	+20.1%	10	Major Accumulation	UPTREND
16	4/17/20	8650.14	+1.4%	+1.3%	11	Major Accumulation	UPTREND
15	4/20/20	8560.73	-1.0%	-13.7%	12	—	UPTREND
14	4/21/20	8263.23	-3.5%	-6.0%	13	—	UPTREND
13	4/22/20	8495.38	+2.8%	-20.9%	14	—	DOWNTREND
12	4/23/20	8494.75	-0.01%	+26.2%	15	—	—
11	4/24/20	8634.52	+1.7%	-3.0%	16	—	DOWNTREND
10	4/27/20	8730.16	+1.1%	+1.6%	17	Major Accumulation	UPTREND
9	4/28/20	8607.73	-1.4%	+0.7%	18	Major Distribution	DOWNTREND
8	4/29/20	8914.71	+3.6%	+16.3%	19	Major Accumulation	UPTREND
7	4/30/20	8889.55	-0.3%	-4.1%	20	—	UPTREND
6	5/1/20	8604.95	-3.2%	-9.9%	21	—	UPTREND
5	5/4/20	8710.72	+1.2%	-9.5%	22	—	DOWNTREND
4	5/5/20	8809.12	+1.1%	+13.1%	23	Major Accumulation	UPTREND
3	5/6/20	8854.39	+0.5%	-7.9%	24	—	DOWNTREND
2	5/7/20	8979.66	+1.4%	+3.4%	25	Major Accumulation	UPTREND
1	5/8/20	9121.32	+1.6%	+1.8%	26	Major Accumulation	UPTREND

**“Consistent with” Uptrend or Downtrend:** On a rising day with lower volume (see 4/13 for example), the lower volume says the market isn’t supportive of the rise in price. Thus, the right-most column labeled the day “DOWNTREND” which means the Nasdaq’s price-volume action was consistent with a market Downtrend.

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Register at the [Armchair Investor Meetup class site](#) to join the class you are interested in. Click on one of the links below to register.

- [Introduction to 5-minute investing Sundays 7 – 8:15 p.m.](#)
- [Monday nights 7 – 9 p.m.](#)
- [Tuesday afternoons 2:30 – 4:30 p.m.](#)
- [Wednesday mornings 10:00 a.m. to noon](#)
- Classes meet **ONLINE** (during this “stay at home” time).
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**Pre-REGISTRATION REQUIRED FOR YOUR FREE VISIT**

Just Call or Text me: 214-995-6702

**CALL EARLY: Guest Seating is limited.**

## WHAT HAPPENED IN LAST WEEK'S MARKET:

Last week ended almost FLAT -0.3% for the Nasdaq1, -0.2% for the S&P500 and DJIA.

LAST WEEK'S MARKET ACTION			
5/8/20	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg
Nasdaq	+6.0%	-6.7%	-7.0%
S&P 500	+3.5%	S&P 500 Volume	
DJIA	+2.6%	-14.1%	-15.0%

## A DAY-TO-DAY LOOK AT LAST WEEK:

During the week, the Nasdaq had 5 Rising days: 3 Major Accumulation days and 2 up days with lighter volume day!

Last week in Review (final numbers)						
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	FOR THE WEEK
	5/4	5/5	5/6	5/7	5/8	
Nasdaq	+1.2%	+1.1%	+0.5%	+1.4%	+1.6%	+6.0%
Volume	-9.5%	+13.1%	-7.9%	+3.4%	+1.8%	
	Neither	Major Acc	Neither	Major Acc	Major Acc	

**A Major Accumulation Day:** Price RISES at least 1.0% or more with higher Volume than prior day.  
**A Major Distribution Day:** Price FALLS at least 1.0% or more with higher Volume than the day before.  
**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).  
**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).  
**A "Neither" day:** The day's price/volume action does not meet the accumulation or distribution criteria

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?				
5/8/2020	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High*	2/19/2020	2/19/2020	1/17/2020	2/12/2020
All-time High	9838.37	3393.52	14183.26	29568.27
Closing Price	9121.32	2929.8	11354.34	24331.32
Below (-) or Above (+) Recent High (%)	-7.3%	-13.7%	-19.9%	-17.7%

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

**NASDAQ Daily 4 month chart, (updated Friday 5/8/2020)**  
**Index stays above 50-day M.A. line but going sideways**



**NASDAQ Weekly 1 year chart, (updated Friday 5/8/2020)**  
**Indexes climb back above 10- & 40-week ma lines.**

**Volume settles down to new 4 week average (still above pre-downtrend average line. 2**



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

**S&P500 Daily 4 month chart, (updated Friday 5/8/2020)**  
**Index stays above 50-day M.A. line but under 200-day a.m. line!**



**S&P500 Weekly 1 year chart, (updated Friday 5/8/2020)**  
**Volume** settles down to new 4 week average, still above pre-downtrend average line.



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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)

**But call me if you want a faster answer –**

**Charlotte Hudgin, 214-995-6702**

**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%	<b>Major Distribution</b>	<b>+1.7%</b>
S&P500	2,961.79	-0.5%	NYSE Volume		minor distribution	<b>+3.4%</b>
DJIA	26,820.25	-0.3%	+5.1%	-12.0%	minor distribution	<b>+3.8%</b>
<p>A <b>Major Accumulation Day</b>: Price RISES 1.0% or more with higher Volume than the day before.            A <b>minor accumulation Day</b>: Price RISES 0.2% and less than 1% with strong Volume (either higher than the day before or is well-above average volume).            A <b>Major Distribution Day</b>: Price FALLS 1.0% or more with higher Volume than the day before.            A <b>minor distribution Day</b>: 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 <b>neither day</b>.</p>						
<p>** The <b>Recent Trend Gains/Losses</b> 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.</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 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.</p>						



**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%
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