

ARMCHAIR INVESTOR – THE MARKET’S MESSAGE

NEWSLETTER

A FACT-BASED, TREND-FOLLOWING STRATEGY

CURIOUS?? to learn about the market direction? And how to identify some top stocks now?

[Click here to try an Armchair Investor weekly class.](#) Or call Me to talk at 214-995-6702

CURRENT MARKET DIRECTION: UPTREND.

Armchair Investor Trend-following Investment Position:	I hold the QQQ
Armchair Investor 2020 Returns See trades on page 2	+62.4% year-to-date* In only 4 trades! (see page 2)

THE MARKET’S MESSAGE: Is Wednesday’s fabulous rise in the Nasdaq **a warning sign**? YES. But it’s not that juicy 1.7% price rise that’s the concern – it’s the **MISSING VOLUME**.

AN IMPORTANT LESSON FOR READING THE HEALTH OF MARKETS AND INDIVIDUAL STOCKS: A healthy rising stock or index will usually:

- rise on higher volume and
- fall on lower volume – not every day, but more often than not.

THE RISE THAT WARNS: Any time a stock or an index rises inside a well-defined channel, *THEN* has a big rise without the support of higher volume (like Wednesday’s 1.7%), you **MUST** suspect irrational exuberance – an unsustainable move that may foretell the END! >>**See the March 2000 top!**

PLEASE NOTE: This is a **critical time in the market** – NOT a time to forget to look at each day’s results. This market will die! The critical question is,

“When this market does die, will you know when to get out?”

You will if you follow this newsletter. Stay tuned.

DAILY MARKET ACTION						
8/26/20	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	11665.06	+1.7%	-0.9%	-20.5%	Neither	+56.0%
S&P500	3478.73	+1.0%	Volume	NYSE	Major Accumulation	+38.3%
DJIA	28331.92	+0.3%	+2.0%	-22.3%	Minor accumulation	+33.1%

**Here are the spectacular returns of the
Armchair Investor Strategy for 2020 – all earned in 4 trades.**

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS All Trades In 2020						
Market Direction Signal Change	Direction	Action	# Days	Price	% GAIN Each Trend (See note)	Armchair Investor GAIN In 2020
12/31/19	Uptrend	Hold the QQQ	55	\$212.61	+4.3%	+4.3%
2/24/20	Uptrend under Pressure	Sold QQQ at Open Wait in CASH	3	\$221.84	+0.0%	+4.3%
2/27/20	Downtrend	Bot PSQ at Open	38	\$24.65	+5.6%	+10.2%
4/6/20	Uptrend	Sold PSQ at Open Wait in CASH	2	\$26.03	+0.0%	+10.2%
4/8/20	Uptrend	Bot QQQ at Open	141	\$198.08	+47.4%	+62.4%
4/8/20	Uptrend	Bot QQQ at Open	141	\$198.08	+47.4%	
TOTAL % Growth in 2020 :						+62.4%

Please note: During all the recent negative headlines that warned about expected poor earnings, this newsletter never wavered from a **MARKET IN UPTREND** diagnosis. This steadfast holding to an "Uptrend" diagnosis results from using **FACTS** not rumors to make my diagnoses. I hold the **QQQ** until I see a clear reversal signal, not just a warning.

But when I suggest, "Time to SELL," please consider that action.

THE RESULTS? A 62.4% GAIN this year – SO FAR!

Remember: The market continues in the direction it is going.

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MY PLAN FOR THURSDAY:

1) HOLD the QQQ. Plus I also hold positions in a few strong individual stocks (usually no more than 5 stocks) and have my 8% stops from their buy points in place.

2) Track the health of every stock I own. Even in the best Uptrending market, I will sell individual stocks that fail or show considerable weakness. Learn how to sell for maximum gains - visit a weakly Armchair investor class.

My daily tracking of EVERY STOCK I OWN looks much like the MARKET ACTION OVER THE LAST 20 DAYS table. See

I usually hold no more than 5 strong individual stocks and have my 8% stops from their buy points in place.

In solid, rising market, my portfolio can include the **TQQQ** (a triple ETF of the QQQ, and ETF of the 100 largest Nasdaq stocks.)

Are you uncomfortable with the performance of any stocks you hold?

>>>> NOTE: This is a good time to review your “*How to Make Money in Stocks*” book for **selling rules**. See chapter 5 in Matt Galgani’s edition and chapter 11 in William O’Neil’s version. (I have them both on my bookshelf right next to my trading computer.)

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS							
		A	B	C	D	E	As + Bs
4 weeks ago	7/29	11%	50%	23%	13%	3%	61%
3 weeks ago	8/5	14%	50%	21%	12%	3%	63%
2 weeks ago	8/12	13%	54%	20%	11%	2%	66%
1 week ago	8/19	13%	53%	21%	11%	2%	66%
Today	8/26	13%	51%	21%	12%	3%	64%
	# stocks in each rating:	812	3330	1361	796	180	

NOTE: The 62% of stocks with A or B ratings is a VERY STRONG signal. There are many stocks being heavily bought. Why? Cloud computing? Technology? Government payouts? *Please share your ideas with me.*

MARKET FACTORS, COUNTS & RATINGS

8/26/2020

Type of Day for <u>Nasdaq Index</u> Accumulation, Distribution or Neither		Neither	
I track the <u>Nasdaq's</u> price-volume because it usually leads the market direction.			
Market Direction Uptrend, Under Pressure, Downtrend		Uptrend	
Nasdaq Accumulation & Distribution Days (last 20 days) Only accumulation and distribution days <u>since the last market direction change</u> are in this count.		Accumulation Days 5	Distribution Days 4
Count of Up Days and Down Days Nasdaq's last <u>10-days'</u> price movement		Up Days 8	Down Days 2
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		1.8	
This indicator looks at the HEALTH of leading stocks (high RS rating) with strong financials (high EPS rating) 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	C+
		S&P 500	B-
		DJIA	B-
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day	200-Day
		Nasdaq	Above
		S&P 500	Above
		NYSE	Above
		DJIA	Above

MARKET ACTION (Nasdaq) OVER THE LAST 20 DAYS

(For a full explanation of the terms used 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	7/30/20	10587.81	+0.4%	+3.9%	83	Minor accumulation	UPTREND
19	7/31/20	10745.27	+1.5%	+9.1%	84	Major Accumulation	UPTREND
18	8/3/20	10902.80	+1.5%	-5.7%	85	—	DOWNTREND
17	8/4/20	10941.17	+0.4%	-4.8%	86	—	DOWNTREND
16	8/5/20	10998.40	+0.5%	+1.5%	87	Minor accumulation	UPTREND
15	8/6/20	11108.07	+1.0%	+0.3%	88	Major Accumulation	UPTREND
14	8/7/20	11010.98	-0.9%	+4.6%	89	Minor distribution	DOWNTREND
13	8/10/20	10968.36	-0.4%	-10.0%	90	—	UPTREND
12	8/11/20	10782.82	-1.7%	+11.6%	91	Major Distribution	DOWNTREND
11	8/12/20	11012.24	+2.1%	-14.0%	92	—	DOWNTREND
10	8/13/20	11042.50	+0.3%	-10.4%	93	—	DOWNTREND
9	8/14/20	11019.30	-0.2%	+5.3%	94	Minor distribution	DOWNTREND
8	8/17/20	11129.73	+1.0%	-7.3%	95	—	DOWNTREND
7	8/18/20	11210.84	+0.7%	-1.1%	96	—	DOWNTREND
6	8/19/20	11146.46	-0.6%	+10.0%	97	Minor distribution	DOWNTREND
5	8/20/20	11264.95	+1.1%	+18.2%	98	Major Accumulation	UPTREND
4	8/21/20	11311.80	+0.4%	-6.1%	99	—	DOWNTREND
3	8/24/20	11379.72	+0.6%	-0.1%*	100	—	—
2	8/25/20	11466.47	+0.8%	-11.4%	101	—	DOWNTREND
1	8/26/20	11665.06	+1.7%	-0.9%	102	—	DOWNTREND

* NOTE: Volume for 8/24/2020 was adjusted for final numbers.

THE NASDAQ UPWARD AND DOWNWARD CHANNELS

One of the features I like about Investors.com's MarketSmith charts is that I can draw in my own channel lines.

Below is the Nasdaq chart for most of 2020. It shows:

- the Uptrend that continued in the beginning of the year,
- The pink downtrend as the market crashed in February-March
- The unrelenting rise (Uptrend) of the Nasdaq since that March low.

And my notations stay on the MarketSmith charts. My notations and graphics will stay on the MarketSmith charts for years! I can go back and visit how the market looked in 2000, 2008, 2015-16, etc.

That is one of MarketSmith's many truly unique and valuable features! I don't have to figure out what happened in those past periods again. My annotations are there! Updated, Wednesday 8/26/2020.



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 just had?**

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

CLICK HERE: to [Visit an Armchair Investor weekly ONLINE class](#)
[Be my guest twice to see what we do that our students are raving about](#)

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 an Armchair Investor class given 4 times a week online. Click on the link below for the complete schedule

[**Visit an Armchair Investor Online Class**](#)

Investing in individual stocks? I am ALWAYS building a watch list of good stocks close to buy points. Want some good ideas? Join us Monday, Tuesday or Wednesday for an [online Armchair Investor class](#) <<. Are you new to the Armchair Investor classes? Visit twice as my guest (free)! Click on this [online Armchair Investor class](#) link

When you register for an online Armchair Investor class, suggest a few stocks review in the class! *If you own a stock and are considering SELLING THAT STOCK, please note "SELL?" after the ticker.*

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? Most likely signal:

- 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 with confirming ratings, index failures, etc.

Current Signs of Market Strength

Nasdaq signs of strength:

- **The Nasdaq hit its fourth new high in a row**, this one with higher volume for a Major Accumulation day.
- **>>>> 64% of all stocks over \$5 have “A” or “B” accumulation ratings** (they are being heavily bought). It should be **easy to find strong stocks to buy**. See page 3
- The **Nasdaq and S&P500 continue to rise** in Upward channel
- **The Nasdaq and S&P500 are above 50- and 200-day moving avg lines**. pg 18 & 19
- The S&P500 and DJIA have B- Accumulation/Distribution ratings. page 3

Current Neutral Signs

- **>>>The ratio of Leader stocks RISING versus FALLING is a Strong 1.8**. Page 4
A ratio over 1.5 is a strong indicator for upward action in the near term. A rating below 1.5 indicates an uncertain Uptrend OR a rotation away from exhausted, out of favor leader stocks as new leaders emerge. (A rating below 1.0 is a sign of weakness.)
- **The Nasdaq has a C+ accumulation/distribution rating**. Page 3

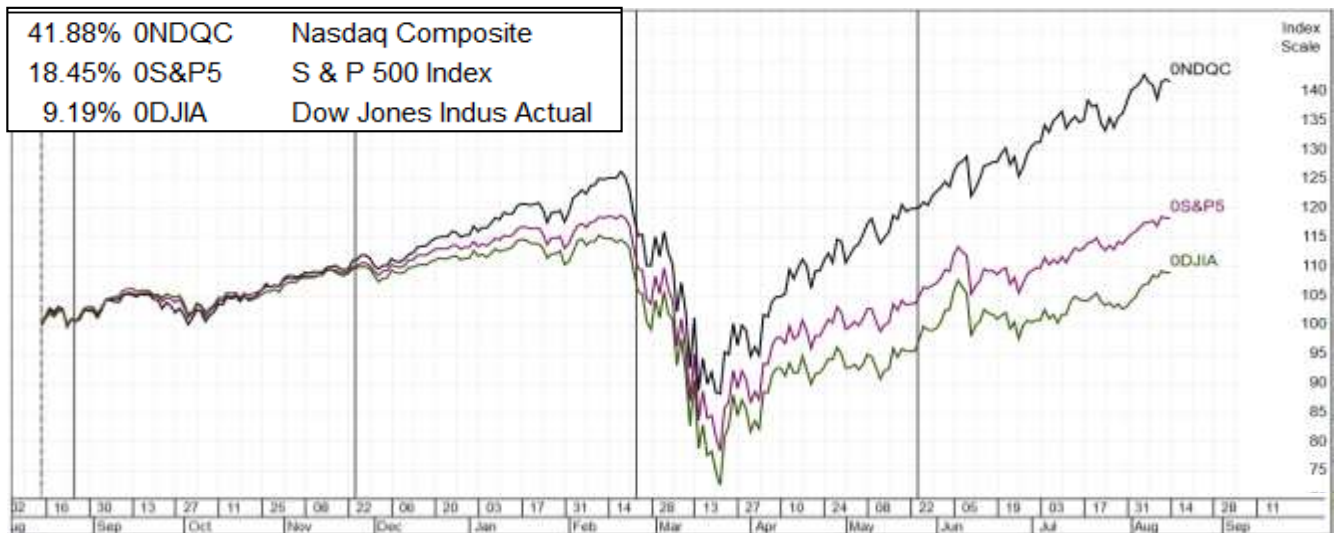
Current Signs of Market Weakness/Concern

- **>>>> The Nasdaq volume has been under its 50-day moving average for 5 weeks**. The volume is still well-above the February-March Downtrend but has been settling down for a month.
- **The market feels like the “Wild West” – rising in the face of weakening economic conditions and the possibility that the virus might continue for a year or more. And highly volatile >>>>>>Watch each of your stocks DAILY and avoid the “showdown” by exiting any losing stocks.**

COMPARISON of the NASDAQ, S&P500 and DJIA Growth

The chart below shows the **1-year return of the Nasdaq (+38.4%), the S&P500 (+14.82%) and the DJIA (+4.36%)** through *last Friday*. Which neighborhood should you go shopping in? (answer for me? --- Nasdaq!)

These results are why I focus on the Nasdaq and QQQ for my trend-following investment. (This chart will be updated later today – I'm in a workshop) It's all good!



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.
- Just 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 beginning of 2020, a "buy and hold" strategy has earned 22.81% for the Nasdaq. For 6 months, that's a great return! But wait....
- **If you invested with the Armchair Investor strategy, you are UP 50.4%.** (see page 2 for details)
- Where do you want your money invested?
- FYI, if you invested in the S&P500 or DJIA on December 31, 2019, you're earned:
 - S&P500 has gained 14.8% by
 - DJIA has lost 7.4% in 7 months.

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. The RS measures how a stock is moving compared to the S&P500. Rising faster gives a higher rating. *Investopedia.com states: 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 a buy signal. 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 MARKET CONCEPTS APPLIED TO TODAY

THE GOOD NEWS: The market continues in the direction it is going until it doesn't. This market is in confirmed Uptrend.

THE BAD NEWS: Almost none! With the Uptrend so strong, I have nothing to complain about except the annoying Wall Street fear mongers who want to scare you out of your stocks because they want to buy at today's low prices before they get even higher!

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



If the horse you are riding, dies. GET OFF!

When the market (or your stock) 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!) (PS I love horses. They are amazing companions.)

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.”

The Armchair Investor strategy has allowed me to earn well-above-average returns since the 2000 top! See page 2 for this year's exciting wins!

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?				
8/24/2020	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High*	8/24/2020	8/24/2020	1/17/2020	2/12/2020
All-time High	11,462.05	3432.09	14183.26	29568.27
Closing Price	11379.72	3431.28	12972.88	28308.46
Below (-) or Above (+) Recent High (%)	-0.7%	0.0%	-8.5%	-4.3%
<p>*New Highs are daily intraday prices and are noted in green for a week, even if the price drops lower. The highest closing price in history of the index is shown in green for that day.</p>				

Could this new Uptrend still die? Yes, in fact....it will! When?

Tomorrow (possible) ... Next week? (possible) ,,,, someday (guaranteed)!

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 of where the big gains will occur!

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."

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!

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.

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.

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).

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Visit an ARMCHAIR INVESTOR CLASS

We have 3 live classes given each week in Dallas. These classes will be given **ONLINE** until we are cleared to meet in person. **Visit any class this week and next as my guest (2 free visits!).**

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. I occasionally take off for a class (or a week of them) for my own education or fun. If that is the case, those days will not be available for registration on Meetup.

- [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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Monday evening, Tuesday afternoon or Wednesday morning online.
Register on Meetup.com or 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: Guest Seating is limited.

WHAT HAPPENED IN LAST WEEK?

NOTE: This is where you will find the prior week's daily and weekly results.

A SUMMARY LOOK AT LAST WEEK:

Wow! The **Nasdaq hit 4 new highs in a row**. That is a **RISING** market!
(Wednesday did end slighter below prior high)

The S&P500 finally rose past its February high and stayed there!

REMEMBER: THE MARKET CONTINUES IN THE DIRECTION IT IS GOING UNTIL IT DOESN'T!

The S&P500 then rose to within just 0.2% of the 2/19/2020 all-time high. The index followed the Nasdaq lower on Thursday and Friday.

Overall, the DJIA was the winner for the week and, with the S&P500, both indexes outperformed the Nasdaq.

LAST WEEK'S MARKET ACTION			
8/21/20	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg
Nasdaq	+2.7%	-5.4%	-19.0%
S&P 500	+0.7%	NYSE 500 Volume	
DJIA	-0.0%	-9.3%	-22.0%

A DAY-TO-DAY LOOK AT THE NASDAQ LAST WEEK:

During the week, the Nasdaq drifted back to the bottom of its upward channel then began rising again but had **NO accumulation days last week**.

>>>>>> Is the Nasdaq running out of steam? <<<<<<<

LAST WEEK'S DAILY MARKET ACTION						
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	FOR THE WEEK
	8/17	8/18	8/19	8/20	8/21	
Nasdaq	+1.0%	+0.7%	-0.6%	+1.1%	+0.4%	+2.7%
Volume	-7.3%	-1.1%	+10.0%	+18.2%	-6.1%	
	Neither	Neither	Minor distribution	Major Accumulation	Neither	

MARKET ACTION 2020 YEAR-TO-DATE				
8/24/20	2019 Closing Price	Current Price	Index % Change	Year-to-Date
Nasdaq	8972.61	11379.72	+26.8%	
S&P 500	3230.78	3431.28	+6.2%	
DJIA	28538.44	28308.46	-0.8%	

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."

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.

Call me to chat about your investing questions!
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 8/13/2019 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>						
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CALL EARLY: Seating is limited to no more than 3 guests at each session to ensure the paid subscribers receive full value.