

10/23/2020 >> UPTREND – Indexes Drift DOWN for the week w ONLY with one Modest Accumulation day

ARMCHAIR INVESTOR – THE MARKET’S MESSAGE

NEWSLETTER

A FACT-BASED, TREND-FOLLOWING STRATEGY

Do you have 5 minutes a day to ride the market trend? Learn how! Join the **SUNDAY ARMCHAIR INVESTOR ‘MARKET DIRECTION: CLASS** 7 – 8 p.m. (central time)
Open to ALL at no cost – simply [CLICK HERE to register](#) Here are our returns this year:

CURRENT MARKET DIRECTION: UPTREND

Armchair Investor Trend-following Investment Position:	Holding the QQQ.
Armchair Investor 2020 Returns See trades on page 2	+51.6% year-to-date In only 8 trades! (see page 2)

THE MARKET’S MESSAGE: Election uncertainty continues to cloud the economic future. The recent price-volume action seems almost backwards!

- **THE NEW (LOCAL) HIGH:** After the new UPTREND sign on 9/30, the Nasdaq rose to within 1% of the prior all-time high of 12074.07. But only that 10/12 high was an Accumulation day.
- **THE DOWNWARD HANDLE:** That day also turned out to be a local-high as the indexes pivoted to fall back down for the next 9 days. Yes, 2 of those days were rising days, but only one (10/20) showed a modest accumulation days, rising 0.3% with volume up only 1.2%, not enough to stop the drop.

Friday (10/23) did a little better, rising 0.4% but its volume was lower.

- This price-volume action is not unusual for a Cup with Handle pattern but I would like to see that handle hit a low and start back up with gusto before I buy significant positions in new stocks.

See the last 20 trading days (on page 5) shows a lack of distribution days (when the price dropped on higher volume) or accumulation days (price rises on higher volume.) This lower volume action is common when the market is waiting for answers. *The market hates uncertainty.* We should see a clearer signal when the election is over, although I wonder how long it will take to get a definitive answer?

I’m watching. And I’m concerned about the number of weaknesses show in the MARKET FACTORS, COUNTS & RATINGS table (page 3 below) and weak days in the last 20 trading days.

DAILY MARKET ACTION						
10/23/20	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Index GAIN from 10/1 New Uptrend
Nasdaq	11548.28	+0.4%	-5.4%	-15.3%	Neither	+2.3%
S&P500	3465.39	+0.3%	Volume	NYSE:	Neither	+2.3%
DJIA	28335.57	-0.1%	-12.3%	-8.3%	Neither	+1.4%

The Armchair Investor Strategy Earns Extraordinary Returns for 2020

And you could have earned this same return if you just followed this nightly newsletter.

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	
Trades 12/31/19	Uptrend	Hold the QQQ	55	\$212.61	+4.3%	+4.3%	
1 2/24/20	Uptrend under Pressure	Sold QQQ at Open Wait in CASH	3	\$221.84	+0%	+4.3%	
2 2/27/20	Downtrend	Bot PSQ at Open	38	\$24.65	+5.6%	+10.2%	
3 4/6/20	Attempted Uptrend	Sold PSQ at Open Wait in CASH	2	\$26.03	+0%	+10.2%	
4 4/8/20	Uptrend	Bot QQQ at Open	155	\$198.08	+39.1%	+53.3%	
5 9/9/20	Uptrend under Pressure	Sold QQQ at Open Wait in Cash	9	\$275.54	+0%	+53.3%	
6 9/18/20	Downtrend	Bot PSQ at Open	13	\$17.01	-4.1%	+47.0%	
7 10/1/20	Attempted Uptrend	Sold PSQ at Open Wait in Cash	4	\$16.31	+0%	+47.0%	
8 10/2/20	Uptrend	Bot QQQ at Open	--	\$276.01			
10/23/20	Close of day	Hold QQQ	22	\$284.74	+3.2%	+51.6%	
TOTAL Growth in 2020:						+51.6%	

If you have any questions about the above table or something else in this newsletter, please call me for clarification. Charlotte (214) 995-6702

The 50% of all stocks have A or B ratings is a sign of buying strength, but realize that is a drop from last week's high of 54%. Net selling is showing up.

WHAT HAPPENED LAST WEEK? (Updated on Friday newsletters)

The market fell last week with the Nasdaq leading the way. Volume was missing for the Nasdaq but kicked in for the NYSE (including the S&P500).

LAST WEEK'S MARKET ACTION			
10/23/20	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg
Nasdaq	-1.1%	-2.3%	-8.0%
S&P 500	-0.5%	NYSE 500	Volume
DJIA	-0.9%	+7.7%	+10.0%

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

The prior week: The key to understanding the current market is to step back and look at the week day by day. What do you see? The whole week had only two days with higher volume: Monday was a **Major Distribution** day and Tuesday was a minor accumulation day. The week was, in total, a **DOWN WEEK**.

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

Look at the day-to-day price action over last week (below). The week had only one accumulation day (rising with higher volume) and one distribution day, for the Nasdaq

LAST WEEK'S DAILY MARKET ACTION						
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	FOR THE WEEK
	10/19	10/20	10/21	10/22	10/23	
Nasdaq	-1.7%	+0.3%	-0.3%	+0.2%	+0.4%	-1.1%
Volume	+7.2%	+1.2%	-1.5%	-1.7%	-5.4%	
	Major Distribution	Minor accumulation	Neither	Neither	Neither	

As this market falls, you might feel the Uptrend is failing!... But **notice both indexes are caught between their recent highs and their 50-day moving average lines.**

- Earnings announcements to come and the elections are causing the market players to hide in this safe "tween" area.

A Major Accumulation Day:	Price RISES 1.0% or more with higher Volume than prior day.
A Major Distribution Day:	Price FALLS 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:	Price/volume action does not meet accumulation or distribution criteria (a lower volume day and/or a day that did not rise or fall more than 0.2%.

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS							
		A	B	C	D	E	As + Bs
4 weeks ago	9/25	5%	31%	27%	29%	9%	36%
3 weeks ago	10/2	7%	37%	26%	24%	6%	43%
2 weeks ago	10/9	10%	41%	25%	19%	5%	51%
1 week ago	10/16	10%	42%	25%	19%	5%	52%
Today	10/23	9%	43%	24%	19%	5%	52%
	# stocks in each rating:	583	2797	1575	1249	333	

MARKET FACTORS, COUNTS & RATINGS		10/23/2020	
The market direction is Uptrend and the indexes are holding above their moving average lines (see below), but all the other market factors are showing weakness. Caution advised.			
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 since the last market direction change are in this count.		Accumulation Days	Distribution Days
		2	2
Count of Up Days and Down Days Nasdaq's last <u>10-days'</u> price movement		Up Days	Down Days
		4	4
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		1.1	
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	E
		S&P 500	E
		DJIA	D-
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day	200-Day
Nasdaq S&P 500 DJIA NYSE		Above	Above
		Above	Above
		Above	Above
		Above	Above

^{XL}
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	9/28/20	11117.52	+1.9%	-5.8%	7	—	DOWNTREND
19	9/29/20	11085.25	-0.3%	-4.0%	8	—	UPTREND
18	9/30/20	11167.51	+0.7%	+24.0%	1	Minor accumulation	UPTREND
17	10/1/20	11326.51	+1.4%	-5.6%	2	—	DOWNTREND
16	10/2/20	11075.02	-2.2%	-6.4%	3	—	UPTREND
15	10/5/20	11332.48	+2.3%	-3.5%	4	—	DOWNTREND
14	10/6/20	1154.60	-1.6%	+18.1%	5	Major Distribution	DOWNTREND
13	10/7/20	11364.60	+1.9%	-17.0%	6	—	DOWNTREND
12	10/8/20	11420.98	+0.5%	-2.8%	7	—	DOWNTREND
11	10/9/20	11579.94	+1.4%	-1.6%	8	—	DOWNTREND
10	10/12/20	11876.26	+2.6%	+10.6%	9	Major Accumulation	UPTREND
9	10/13/20	11863.90	-0.1%	-7.6%	10	—	—
8	10/14/20	11768.73	-0.8%	-5.1%	11	—	UPTREND
7	10/15/20	11713.87	-0.5%	-3.0%	12	—	UPTREND
6	10/16/20	11671.56	-0.4%	-2.4%	13	—	UPTREND
5	10/19/20	11478.88	-1.7%	+7.2%	14	Major Distribution	DOWNTREND
4	10/20/20	11516.49	+0.3%	+1.2%	15	Minor accumulation	UPTREND
3	10/21/20	11484.69	-0.3%	-1.5%	16	—	UPTREND
2	10/22/20	11506.01	+0.19%	-1.7%	17	—	—
1	10/23/20	11548.28	+0.4%	-5.4%	18	—	DOWNTREND

* NOTE: The color of the "Current Trend Day Count" column indicates the market direction: Green = Uptrend, Yellow = Uptrend under Pressure, Red = Downtrend (correction).

Current Signs of Market Strength (as of Friday 10/23)

- The **market diagnosis moved into UPTREND** Wednesday (Oct 1) as the DJIA showed a Follow-through day and Nasdaq and S&P500 had supporting accumulation days.
- The GOOD NEWS is that the recent “cup with handle” pattern shown in the Nasdaq and S&P500 leads me to seek the stocks that are also showing that healthy pattern. And they are there! If you buy individual stocks, I encourage you to spend some time looking at the articles that came out on Friday and over the weekend for some great stocks-watch candidates. But beware: As the politics can flip-flop, so can the stocks. **Please be on “Daily Watch!”**
- **The percent of stocks with strong A or B Accumulation ratings is a strong 50% showing>>>> buying has returned.**
- The **Nasdaq volume is settling down** (see the average volume line slowly falling almost 20% recently) – but is still much above “pre-Corona correction” days in early February. The unusually high volume adds a level of uncertainty to the market.

Current Signs of Market Weakness

- **Both Major indexes I follow (Nasdaq, S&P500) have paused under their 2020 all-time highs for 7 weeks!** The Nasdaq is not only 4.4% under its 9/2/2020 all-time high. Not surprisingly, the less-volatile S&P500 is only 3.4% below its 9/2/2020 high. This pause in the “near the high” area is not a surprise with the contentious Presidential election soon.
- With this sign that the market is taking some profits, **you should review each of your stocks carefully for sell signals.** Hold the strong ones (there certainly are some!); consider selling or reducing your position in those showing weakness (See chapter on selling in your *How to Make Money in Stocks*.)
NOTE: It is not uncommon that rising indexes and stocks “stall” around a recent all-time high as this market has done this week, especially with the **Presidential election getting close. That one event will usually have a major impact on the market.** Look forward to a market “swings” with the politics.
- **>>>The Leader stocks RISING versus FALLING fell to a disappointing 1.1 ratio. This high ratio is an indicator of broad buying of the best stocks! What this means is that last week’s winners may not be this week’s good bets.**
 - 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 weak.)

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 the last 12 months. It shows:

- the January+ Uptrend that continued in the beginning of the year,
- The pink downtrend as the market crashed in February-March
- The amazing 5-month rise (Uptrend) of the market since March low.

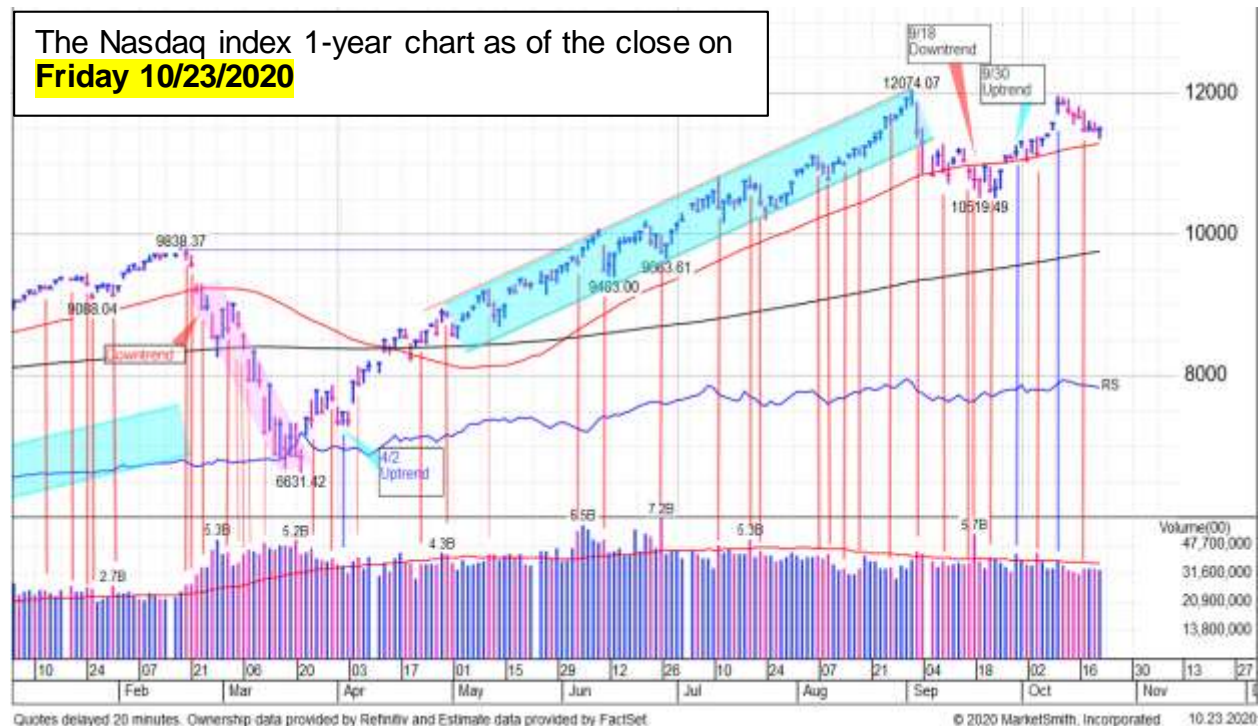
Did you know annotations stay on the MarketSmith charts! Bravo to the designers. My notations will stay on the MarketSmith charts for years! I can go back and visit how I saw the market in 2000, 2008, 2015-16, etc.

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, Tuesday 10/19/2020. Vertical red lines identify distribution days (down days with higher volume indicating serious selling.)

>>>> I HIGHLY RECOMMEND IBD's MarketSmith for your investing CHARTS! Note the excellent annotations and markups I have added on the chart below.

Go to MarketSmith.com to try it out. All my distribution day notations (pink vertical lines) will be visible for years! I recently went back to the 2000 high. Yes – annotations were there! The vertical red lines indicate “distribution days” of serious selling.



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?**
- **Do you hold on too long and lose the gains you just had?**

- **Or are you just starting out** and want a simple, proven method that has outperformed the market in just 5 minutes a day?

- **Either way, we have an ARMCHAIR INVESTOR class for you!**

PICK THE ARMCHAIR INVESTOR ONLINE CLASS THAT'S RIGHT FOR YOU:

SUNDAY'S 5-Minute Investor with Market Analysis.

This 1-hour class about Market Direction is foundational – If you get the market direction wrong, you are much more likely to lose money. Attended by beginners and experts alike. FREE to all (at the moment). Once you learn this strategy, it's yours for life!

3 TIMES A WEEK Armchair Investor Workshops

Learn how to buy the best stocks at the right time. And then, learn how to track them to identify the right time to take your profits to the bank!

Choose the BEST CLASS for you: Join us on **MONDAY** 7 – 9 P.M. **Tuesday** 2:30 – 4:30 p.m. or **Wednesday** (10 a.m. – noon) for an [online Armchair Investor class](#)

<<. Are you new to the Armchair Investor classes? **Visit for 2 weeks FREE as my guest!** Call or text me at 214-995-6702 to let me know you are coming.

[Click here to register for 2 weeks of FREE Armchair Investor Online Classes](#)

PICK THE ARMCHAIR INVESTOR ONLINE CLASS THAT IS RIGHT FOR YOU TO VISIT:

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THE SUNDAY 5-Minute Investor with Market Analysis.

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Look for the Sunday class

THE MONDAY, TUESDAY or WEDNESDAY Armchair Investor Stock analysis 2-HOUR CLASS

This class is given 3 times each week. Choose the BEST TIME for you: Join us on MONDAY 7 – 9 P.M. Tuesday 2:30 – 4:30 p.m. or Wednesday (10 a.m. – noon) for an [online Armchair Investor class](#). Be sure to check for the date you wish to visit. The class meets 11 weeks each quarter (2 weeks off for research and fun).

Click on this link to join us for any class: [online Armchair Investor class](#)

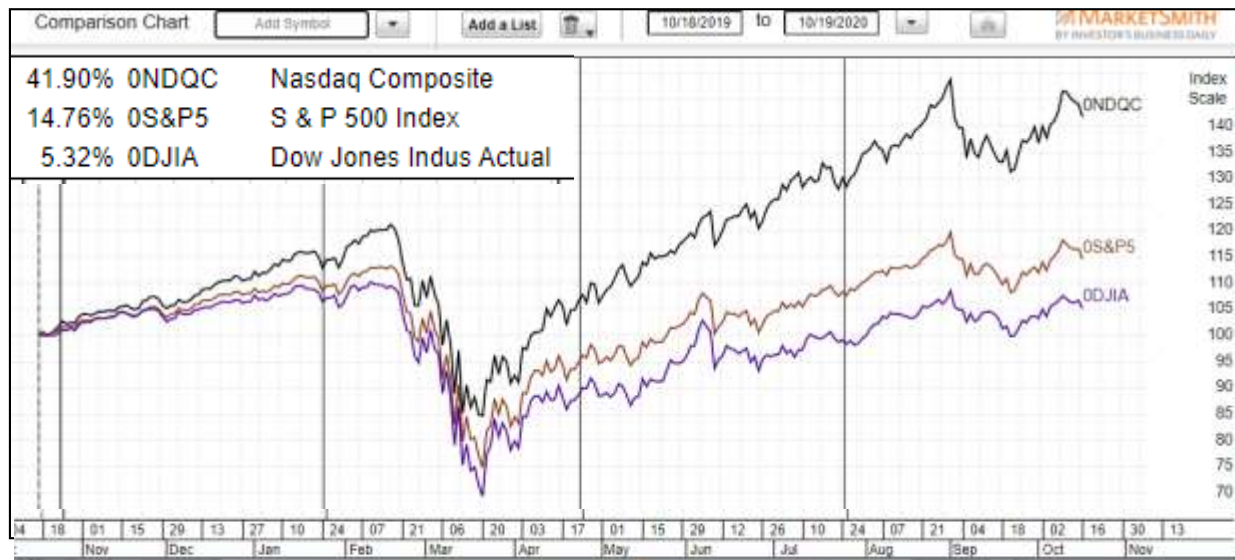
Once you register online – the link to your online meeting is revealed.

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.*

COMPARISON of the NASDAQ, S&P500 and DJIA Growth

((updated weekly))

The chart below shows the returns of the **Nasdaq, the S&P500 and the DJIA** from 12/31/2019 through 10/19/2020. Where should you go shopping? The answer for me? Nasdaq! And, yes! I will buy a top stock wherever I find it! These results are why I focus on the Nasdaq and QQQ for my trend-following strategy:



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 in at the bottom or out at the top!
- 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 THIS YEAR.

- Over the last year, a "buy and hold" strategy has earned 15% for the S&P500. "Buy and hold" worked better for the Nasdaq earning 42%. But wait....
- **If you invested with the Armchair Investor strategy, you are UP 51% for 2020.** (see page 2 for daily updates of current Armchair Investor Strategy returns)
- Where do you want your money invested? Here's where many answer: **"The Armchair Investor strategy!"**

One last note: IF you invest in individual stocks, the best can be found on **both major indexes** (the Nasdaq and S&P500). Be sure to find the stocks with best ratings, base action and breakouts.

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?				
10/23/2020	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High*	9/2/2020	9/2/2020	1/17/2020	2/12/2020
All-time High	12074.76	3588.11	14183.26	29568.27
Closing Price	11548.28	3465.39	13199.86	28335.57
Below (-) or Above (+) Recent High (%)	-4.4%	-3.4%	-6.9%	-4.2%
*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.				

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.

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 waiting for your call!

BONUS CHART-READING HISTORY 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. T

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. (MarketSmith and other IBD charts have this 2-color feature!

REMEMBER:

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

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

>>>>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).

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!**

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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 p.m.](#)
- [Monday nights 7 – 9 p.m.](#)
- [Tuesday afternoons 2:30 – 4:30 p.m.](#)
- [Wednesday mornings 10:00 a.m. to noon](#)
- All Classes meet ONLINE (during this “stay at home” time).
- 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 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 LAST WEEK? (Updated on Friday newsletters)

The market fell last week with the Nasdaq leading the way. Volume was missing for the Nasdaq but kicked in for the NYSE (including the S&P500).

LAST WEEK'S MARKET ACTION			
10/23/20	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg
Nasdaq	-1.1%	-2.3%	-8.0%
S&P 500	-0.5%	NYSE 500	Volume
DJIA	-0.9%	+7.7%	+10.0%

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

The prior week: The key to understanding the current market is to step back and look at the week... day by day. What do you see? The whole week had only one day with higher volume (Tuesday) and that was a **Major Distribution** day.

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

Look at the day-to-day price action over last week (below). The week had only one accumulation day (rising with higher volume) and one distribution day. for the Nasdaq

LAST WEEK'S DAILY MARKET ACTION						
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	FOR THE WEEK
	10/19	10/20	10/21	10/22	10/23	
Nasdaq	-1.7%	+0.3%	-0.3%	+0.2%	+0.4%	-1.1%
Volume	+7.2%	+1.2%	-1.5%	-1.7%	-5.4%	
	Major Distribution	Minor accumulation	Neither	Neither	Neither	

As this market falls, you might feel the Uptrend is failing!... But **notice both indexes are caught between their recent highs and their 50-day moving average lines.**

- Earnings announcements to come and the elections are causing the market players to hide in this safe "tween" area.

A Major Accumulation Day:	Price RISES 1.0% or more with higher Volume than prior day.
A Major Distribution Day:	Price FALLS 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:	Price/volume action does not meet accumulation or distribution criteria (a lower volume day and/or a day that did not rise or fall more than 0.2%.

NASDAQ Daily 4 month chart (updated Friday 10/23/2020)

Index continues to tumble off 10/12 high

See **RED arrow**: "Irrational exuberance" signaled likely end of Uptrend



NASDAQ Weekly 1 year chart, (updated Friday 10/23/2020)

Index rises off low to ride above its 10-week moving average line.



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

S&P500 Daily 4 month chart (updated Friday 10/23/2020)

See **RED arrow**: "Irrational exuberance" signaled likely end of Uptrend.



S&P500 Weekly 1 year chart, (updated Friday 10/23/2020)

Index hits a new low for 4th week closing at its 50-day m.a. line



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

MARKET ACTION 2020 YEAR-TO-DATE			
10/23/20	2019 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	8972.61	11548.28	+28.7%
S&P 500	3230.78	3465.39	+7.3%
DJIA	28538.44	28335.57	-0.7%

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." Some people like it as a scorecard for their results this year.

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

WWW.ARMCHAIRINVESTOR.COM

The go down to the bottom of the page – click on **ARCHIVE**

The **Archive will be open** until we work out the new **subscription-only** access system.

To guarantee your continued access to this newsletter, sign up for a newsletter subscription or for the weekly classes (which include the newsletter)

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 your paper-trade until you are successful and can sleep well at night.

Call me to explore 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%

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 A **Major Distribution Day**: Price FALLS 1.0% or more with higher Volume than the day before.
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 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%
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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.