

# ARMCHAIR INVESTOR – THE MARKET’S MESSAGE

## NEWSLETTER A TREND-FOLLOWING STRATEGY

### CURRENT MARKET DIRECTION: UPTREND

Please note: There will be No Armchair Investor classes next week. **Have a happy Thanksgiving!** The Armchair Investor newsletter will still be published!

<b>Armchair Investor</b> Trend-following Investment Position:	<b>I hold the QQQ</b>
<b>Armchair Investor</b> 2020 Returns See trade details on page 2	<b>+44.9%</b> year-to-date In 12 trades! (see page 2)

**THE MARKET’S MESSAGE:** Another rise on the Nasdaq brought the index closer to their all-time hits high of 12,074. The S&P500 (which had been lagging the flashier Nasdaq) hit a new high on almost 2 weeks ago and is also staying close. I expect new market highs to be achieved in the near future.

Are you a buyer of individual stocks? I refer you to Thursday’s Investors.com Big Picture article for its discussion of several strong stocks near buy points.

I know you are busy as Thanksgiving approaches. **This is not a time to forget to watch the market.** Even though I am usually an end-of-day-trader, I do check in during the day. With usually no more than 5 stocks in my portfolio (plus the QQQ), it only takes a couple of minutes to check in.

Next week the market will be closed on Thursday for the Thanksgiving holiday. And the market will be open only a half day on Friday.

DAILY MARKET ACTION						
11/19/20	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Index Change from 11/4 New Uptrend*
Nasdaq	11904.71	+0.9%	+11.04%	+37.8%	Minor accumulation	+0.7%
S&P500	3581.87	+0.4%	Volume	NYSE:	Minor accumulation	+2.8%
DJIA	29483.23	+0.15%	-16.5%	-5.8%	Neither	+5.0%

**MY PLAN FOR THURSDAY:** >>>> I HOLD the QQQ <<<<<<

**The Armchair Investor Strategy Earns Extraordinary Returns for 2020**  
**And YOU could have earned this the return shown below if you followed**  
**this nightly newsletter.**

<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	Value of \$100,000 portfolio	
Trade	12/31/19	<b>Uptrend</b>	Hold the <b>QQQ</b>	55	\$212.61	+4.3%	<b>+4.3%</b>	<b>\$100,000</b>
1	2/24/20	Uptrend under Pressure	<b>Sold</b> <b>QQQ</b> at Open Wait in <b>CASH</b>	3	\$221.84	0%	+4.3%	<b>\$104,341</b>
2	2/27/20	<b>Downtrend</b>	<b>Bot</b> <b>PSQ</b> at Open	38	\$24.65	+5.6%	<b>+10.2%</b>	<b>\$110,183</b>
3	4/6/20	Attempted Uptrend	<b>Sold</b> <b>PSQ</b> at Open Wait in <b>CASH</b>	2	\$26.03	0%	+10.2%	<b>\$110,183</b>
4	4/8/20	<b>Uptrend</b>	<b>Bot</b> <b>QQQ</b> at Open	155	\$198.08	+39.1%	<b>+53.3%</b>	<b>\$153,270</b>
5	9/9/20	Uptrend under Pressure	<b>Sold</b> <b>QQQ</b> at Open Wait in <b>CASH</b>	9	\$275.54	0%	+53.3%	<b>\$153,270</b>
6	9/18/20	<b>Downtrend</b>	<b>Bot</b> <b>PSQ</b> at Open	13	<b>\$17.01</b>	-4.1%	<b>+47.0%</b>	<b>\$146,963</b>
7	10/1/20	Attempted Uptrend	<b>Sold</b> <b>PSQ</b> at Open Wait in <b>CASH</b>	4	\$16.31	0%	+47.0%	<b>\$146,963</b>
8	10/2/20	<b>Uptrend</b>	<b>Bot</b> <b>QQQ</b> at Open	0	\$276.01	-1.1%	<b>+45.4%</b>	<b>\$145,381</b>
9	10/29/20	<b>Downtrend</b>	<b>Sold</b> <b>QQQ</b> at Open Wait in <b>CASH</b>	29	\$273.04	0%	+45.4%	<b>\$145,381</b>
10	11/5/20	<b>Uptrend</b>	<b>Bot</b> <b>QQQ</b> at Open	0	<b>\$293.41</b>	0%	+45.4%	<b>\$145,381</b>
11	11/13/20	Uptrend under Pressure	<b>Sold</b> <b>QQQ</b> at Open Wait in <b>CASH</b>	8	<b>\$290.01</b>	-1.2%	<b>+43.6%</b>	<b>\$143,613</b>
12	11/17/20	<b>Uptrend</b>	<b>Bot</b> <b>QQQ</b> at Open	--	<b>\$293.40</b>	+0.0%	+45.4%	\$143.613
	11/19/20	<b>Uptrend</b>	<b>Hold the</b> <b>QQQ</b>	2	<b>\$292.38</b>	-0.3%	<b>+44.9%</b>	<b>\$144,876</b>
<b>TOTAL Growth in 2020:</b>						<b>+44.9%</b>	<b>\$144,876</b>	

**A reader suggested we show how a portfolio would grow during the year. Thus, the new column on the right.**

if you have any **questions** about the above table or something else in this newsletter, or **suggestions** how to make it clearer or more valuable, please call me to discuss.

**Thank you!** Charlotte (214) 995-6702 *Note: I am always looking at how I can enhance the information in this newsletter. Your suggestions help me do that. Keep 'em coming!*

# MARKET FACTORS, COUNTS & RATINGS

11/19/2020

One factor below is negative – The Nasdaq has a D- distribution rating, showing more selling than buying of its stocks. That shows that the exuberance new money that entered the stock market after the February-March Downtrend, irrationally pulled up the price of many of the higher-tech stocks in the Nasdaq, and now those stocks are settling down to more sustainable levels.

<b>Type of Day for <u>Nasdaq Index</u></b> Accumulation, Distribution or Neither	<b>Minor 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 <u>since the last market direction change</u> are in this count.	<b>Accumulation Days</b>	<b>Distribution Days</b>
	<b>6</b>	<b>7</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>
	<b>5</b>	<b>5</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>Rising/Falling Ratio of Leader Stocks with High Volume</b> Nasdaq 10-day ratio	<b>1.2</b>	
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		
<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>D-</b>
	<b>S&amp;P 500</b>	<b>C+</b>
	<b>DJIA</b>	<b>B-</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>Above</b>
	DJIA <b>Above</b>	<b>Above</b>
	NYSE <b>Above</b>	<b>Above</b>

## MARKET ACTION (Nasdaq) OVER THE LAST 20 DAYS

(For a full explanation of the terms used in this table see end of this newsletter)

The current Uptrend is still stuck under the 12000 level with 4 attempts to break through that level, each has a higher prior low – which is encouraging.

#	Date	Closing Price	Index % Change	Volume % Change	Current Trend Day Count *	Type of Day: Accumulation, Distribution or Neither (—)	CONSISTENT WITH: UPTREND OR DOWNTREND?
20	10/23/20	11548.28	+0.4%	-5.4%	18	—	DOWNTREND
19	10/26/20	11358.94	-1.6%	+1.6%	19	Major Distribution	DOWNTREND
18	10/27/20	11431.35	+0.6%	-6.3%	1	—	DOWNTREND
17	10/28/20	11004.87	-3.7%	+28.5%	2	Major Distribution	DOWNTREND
16	10/29/20	11185.59	+1.6%	-18.6%	3	—	DOWNTREND
15	10/30/20	10911.59	-2.5%	+15.4%	1	Major Distribution	DOWNTREND
14	11/2/20	10957.61	+0.4%	-13%	2	—	DOWNTREND
13	11/3/20	11160.57	+1.9%	+0.6%	3	Major Accumulation	UPTREND
12	11/4/20	11590.78	+3.9%	+12.5%	1	Major Accumulation	UPTREND
11	11/5/20	11890.93	+2.6%	+6.0%	2	Major Accumulation	UPTREND
10	11/6/210	11895.23	+0.0%	+8.7%	3	Major Accumulation	UPTREND
9	11/9/20	11713.78	-1.5%	+40.0%	4	Major Distribution	DOWNTREND
8	11/10/20	11553.86	-1.4%	-17.8%	5	Major Distribution**	DOWNTREND
7	11/11/20	11786.43	+2.0%	-21.1%	6	—	DOWNTREND
6	11/12/20	11709.59	-0.7%	+1.8%	7	Minor distribution	DOWNTREND
5	11/13/20	11829.29	+1.0%	-5.5%	8	—	DOWNTREND
4	11/16/20	11924.13	+0.8%	+13.8%	9	Minor accumulation	UPTREND
3	11/17/20	11899.34	-0.2%	-0.02%	10	—	—
2	11/18/20	11801.60	-0.8%	+15.3%	11	Minor distribution	DOWNTREND
1	11/19/20	11904.71	+0.9%	+11.0%	12	Minor accumulation	UPTREND

NOTE: The 11/10 day is labeled a “Major Distribution” day because its volume (even though lower than Monday’s) was still a very high 25% above average.

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

## PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

The significant rise in the percent of stocks with “A” or “B” Accumulation/Distribution ratings is **encouraging**. There is **significant buying** of best stocks going on.

		A	B	C	D	E	As + Bs
4 weeks ago	10/22	8%	41%	25%	20%	6%	50%
3 weeks ago	10/29	5%	30%	26%	27%	11%	35%
2 weeks ago	11/5	7%	40%	27%	19%	6%	47%
1 week ago	11/12	14%	51%	19%	12%	3%	65%
Today	11/19	17%	51%	18%	11%	3%	67%
	# stocks in each rating:	1095	3351	1179	754	214	

**Notice the BIG growth in “A” and “B” rated stocks over the last 3 weeks.** The A + B stocks almost double in the last 3 weeks, rising from 35% to 67%. That growth in that growing percent of “A” and “B” rated stocks (shown in the table below) indicates that the institutional investors are now buying stocks heavily. But why?

Are they buying to get you to **buy in high** so they can again drop the price and get you to **sell it low**? Or is it because they believe they have scared out most of the persuadable individual investors and it’s time for the market to start rising again?

>>>> I am still comfortable waiting on the sidelines after 3 losses in a row. (The last 2 were modest losses (1.2% and 1.2%) – but I don’t like any losses just the same.) I watch for the Nasdaq to break above its 12074.07 all-time high on 9/2 of this year with higher volume to consider getting back in. And **if the market drops, there may be an earlier entry point.** Stay tuned!.

## HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?

11/19/2020	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High*	11/9/2020	11/9/2020	1/17/2020	11/16/2020
All-time High	12108.07	3645.99	14183.26	29964.29
Closing Price	11904.71	3581.87	13863.23	29483.23
Below (-) or Above (+) Recent High (%)	-1.7%	-1.8%	-2.3%	-1.6%

\*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.**

## **Current Signs of Market Weakness** as of Friday 11/13/2020

- **The Nasdaq had 3 Distribution days out of the last 5 trading days** (the 4<sup>th</sup> and 5<sup>th</sup> days were non-directional “Neither” day shown as “–” on the “Market Action” table. They were rising days without confirming higher volume.
- The S&P500 had **4 Major Distribution days out of the last 13 trading days.**
- **The Nasdaq and S&P500 Major indexes have been stuck under their 2020 all-time highs for 10 weeks (ignoring intraday highs)!** The DJIA is below its February 2020 high.
- **The Nasdaq and S&P500 twice tried to beat their 9/2 highs without success.** This Uptrend does NOT have wings (yet???)
- The **Nasdaq’s Accumulation/Distribution rating** rose from E to D+ in 2 days at the end of last week, but **faltered and fell back to E on Monday** and has stayed there (The S&P500 climbed up to C+ this week)
- **>>>The Leader stocks RISING versus FALLING is a disappointing 1.3 ratio. This low ratio is an indicator of broad selling of the best stocks!** 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.)
- **With Trump’s holding out on calling the election results, the governmental transition may be very difficult causing confusion and possible international weakness. The market hates uncertainty.**

## **Current Signs of Market Strength**

- Although the Accumulation/Distribution rating usually changes slowly, the rise in in the S&P500 and DJIA indexes from the lowest **“E” rating to “C+” in just 4 trading days** indicates **buying strength in the new Uptrend.** Nasdaq is an “E”.
- **On Monday, 11/9 the S&P500 flew to a new high,** then reversed to close down 2.7% for the day,
- The **stocks with the best accumulation ratings of “A” and “B” rates rose from 47% to 65%** in just one week, indicating **there is some serious buying going on.** (But I am uncomfortable with this market as a whole and am waiting to see how it settles out.)
- The **major indexes are now ABOVE their 50-day and 200-day m.a. lines.**
- The markets seem to be returning to a more “normal” volume. The **Nasdaq volume has dropped to less than half of its February-March Downtrend** inflated volume. The “higher than pre-virus volume” is still an indicator of the arrival and playing by **“Newbies” who may well dump out of their stocks quickly if the market starts to fall causing a faster crash.**

# 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.

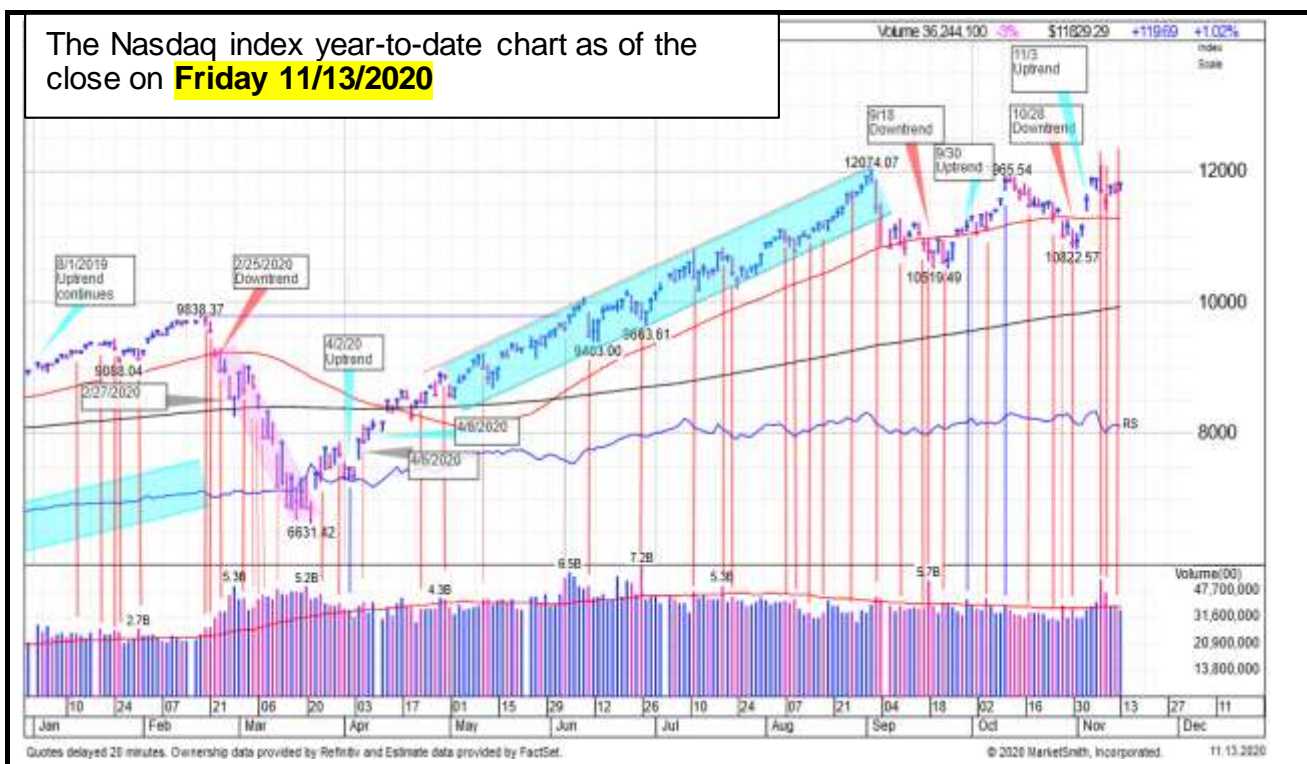
Did you know annotations stay on the MarketSmith charts! Bravo to the designers. My notations will stay on the MarketSmith charts for years! I can go back and visit how I saw the market in 2000, 2008, 2015-16, etc.

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:**

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

### **SUNDAY: Learn to be a 5-Minute Investor!.**

**This strategy has earned over 45% this year – following my 9 trades.**

The weekly 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. Open to all (at the moment). Join us by clicking here [online Armchair Investor class](#). **Look for the Sunday class**

### **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 your 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](#)

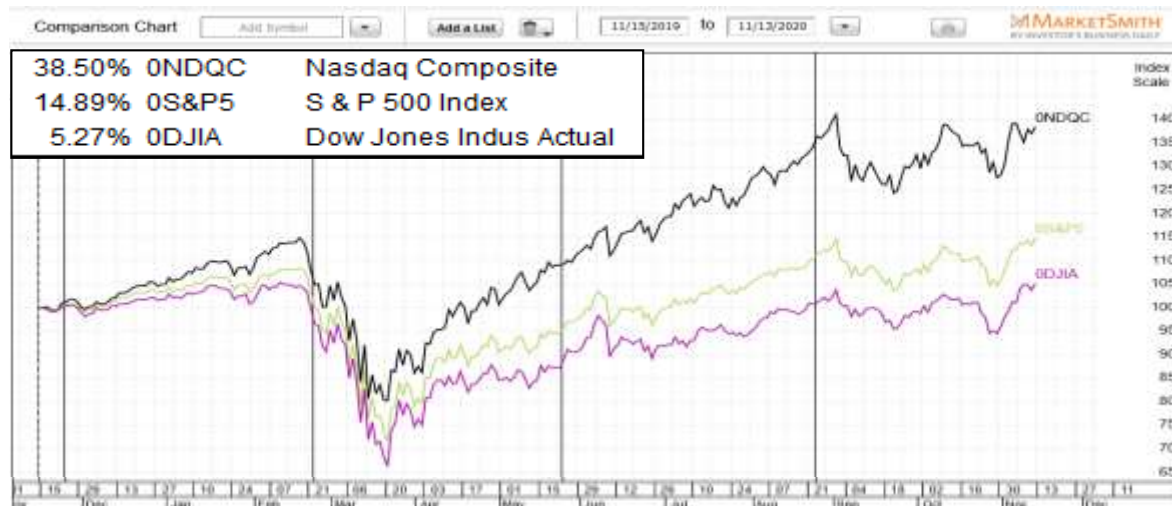
Once you register online – the link to your online meeting is revealed.

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 on Fridays)

The chart below shows the one-year returns of the **Nasdaq, the S&P500 and the DJIA**. 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 USED IN THIS NEWSLETTER**



**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!

**Coming SOON!**

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

## **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 2020 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.

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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).

## **DO YOU INVEST IN INDIVIDUAL STOCKS?—**

**Always consider taking some profit if significant distribution is showing up for your individual stocks.** However, many individual stocks are rising with gusto! Look at all the lists in the Investor's Business Daily newspaper for stocks breaking out with high volume. **They are there!**

To get a deeper sense of the health of the market, look at the **MARKET FACTORS, COUNTS & RATINGS table** included each day in the FULL Armchair Investor newsletter. It looks at 7 key market direction factors and highlights the leaning of each:

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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's newsletters and shown on page 3 of the newsletter on Monday. If you missed it on Monday, this page is always shown near the end of the newsletter)

Volume kicked in on all three indexes.

**>>>> The Market returned to UPTREND <<<<**

**Much ignored S&P500 and DJIA stocks take off.**

LAST WEEK'S MARKET ACTION			
11/13/20	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg
Nasdaq	-0.6%	+21.6%	+19.0%
S&P 500	+2.2%	NYSE 500 Volume	
DJIA	+4.1%	+28.1%	+29.0%

LAST WEEK'S DAILY MARKET ACTION						
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	FOR THE WEEK
	11/9	11/10	11/11	11/12	11/13	
Nasdaq	-1.5%	-1.4%	+2.0%	-0.7%	+1.0%	-0.6%
Volume	+40.2%	-17.8%	-21.1%	+1.8%	-5.5%	
	Major Distribution	Major Distribution	Neither	Minor Distribution	Neither	

Note: Tuesday was a Major Distribution day. Notice that Monday's volume rose 40%! Even though Tuesday's volume fell, it was 25% above average, higher than any rising day in over 4 months showing serious selling.

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 Wednesday 11/18/2020)

These DAILY charts are usually updated on Wednesdays and Fridays.  
**Nasdaq rising but distribution days question sincerity.**



## NASDAQ Weekly 1 year chart, (updated Friday 11/13/2020)

**Nasdaq hold slightly below all-time high.**



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

## S&P500 Daily 4 month chart (updated Wednesday 11/18/2020)

These daily charts are usually updated on Wednesdays and Fridays.

**11/13: New Uptrend** continues rise toward prior highs.



## S&P500 Weekly 1 year chart, (updated Friday 11/13/2020)

Index begins new Uptrend with a 7.3% rise this week.



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

MARKET ACTION 2020 YEAR-TO-DATE			
11/18/20	2019 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	8972.61	11,801.60	+31.5%
S&P 500	3230.78	3,567.79	+10.4%
DJIA	28538.44	29,438.42	+3.2%
<p>This yearly table is included for your reference. These returns have <u>little relevance</u> 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.</p>			

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

[WWW.ARMCHAIRINVESTOR.COM](http://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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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:**

<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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