

# ARMCHAIR INVESTOR – THE MARKET’S MESSAGE

## NEWSLETTER

A TREND-FOLLOWING STRATEGY

### CURRENT MARKET DIRECTION: UPTREND

<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>+49.3% year-to-date</b> In 12 trades! (see page 2)

### THE MARKET’S MESSAGE: Remember: No market rises every day.

After the Nasdaq stepped 5% higher in just 2 weeks, Wednesday’s 1.9% pullback may have been disappointing, but it does not change my optimism about this Uptrend. New highs generate periodic profit taking.

When analyzing the health of the markets or your individual stocks, it’s important to look at the day-to-day message being sent to you. Take a look at the Nasdaq over the last 10 days.

- Eight days rose higher. Yeah! You can climb the Sears tower one step at a time!
- The other 2 days were flat (0.1% change) Were these positive or negative days? It all depends on the journey the index/stock took that day.....
- To understand the market’s message, look at the trip those 2 flat days took. Both days dipped (I held my breath for a recovery) and then... voila! They both recovered to close within 0.05% of the prior day.
- The positive ending of the day is more important than the beginning dip.

BUT... Wednesday’s major distribution day was also a disappointment. But note the dip only took the Nasdaq down to its 10-day moving average line.

Let’s stay calm and watch what Thursday does!

DAILY MARKET ACTION						
12/9/20	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Index Change from 11/4 New Uptrend*
Nasdaq	12338.95	-1.9%	+5.9%	+21.9%	Major Distribution	+4.4%
S&P500	3672.82	-0.8%	Volume	NYSE:	Minor distribution	+5.4%
DJIA	30068.81	-0.3%	+16.0%	+13.0%	Minor distribution	+7.1%

**MY PLAN FOR THURSDAY:** >>> I HOLD the QQQ (and that small DJIA position I bought for bragging rights..) Although I don’t usually reveal my other holdings, I do have a smaller position in the TQQQ and DJIA plus individual stocks.

**Be sure to check on the MARKET FACTORS, COUNTS AND RATINGS table on page 3 with its NEW expanded market direction commentary based on those indicators in the table – updated daily.**

**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 QQQ	55	\$212.61	+4.3%	<b>+4.3%</b>	<b>\$100,000</b>
1	2/24/20	Uptrend under Pressure	<b>Sold 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 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 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 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 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 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 PSQ</b> at Open Wait in <b>CASH</b>	1	\$16.31	0%	+47.0%	<b>\$146,963</b>
8	10/2/20	<b>Uptrend</b>	<b>Bot QQQ</b> at Open	27	\$276.01	-1.1%	<b>+45.4%</b>	<b>\$145,381</b>
9	10/29/20	<b>Downtrend</b>	<b>Sold QQQ</b> at Open Wait in <b>CASH</b>	27	\$273.04	0%	+45.4%	<b>\$145,381</b>
10	11/5/20	<b>Uptrend</b>	<b>Bot QQQ</b> at Open	7	<b>\$293.41</b>	0%	+45.4%	<b>\$145,381</b>
11	11/13/20	Uptrend under Pressure	<b>Sold QQQ</b> at Open Wait in <b>CASH</b>	4	<b>\$290.01</b>	-1.2%	<b>+43.6%</b>	<b>\$143,613</b>
12	11/17/20	<b>Uptrend</b>	<b>Bot QQQ</b> at Open	--	<b>\$293.40</b>	+0%	+45.4%	\$143,613
	12/9/20	<b>Uptrend</b>	<b>Hold the QQQ</b>	22	<b>\$301.31</b>	+2.7%	<b>+49.3%</b>	<b>\$149,301</b>
<b>TOTAL Growth in 2020:</b>							<b>+49.3%</b>	<b>\$149,301</b>

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

12/9/2020

**Note: A single distribution day (day 20) does NOT spoil this very nice Uptrend.**  
 The Nasdaq has had 7 up days versus 1 down days in the last 10 days; Nasdaq and S&P500 closed at new highs Monday, but took significant hit on Wednesday; all the indexes are above their 50-day and 200-day moving average lines! See more positive moves on the "Current Signs of Market Strength" earlier in this newsletter. Is there an underlying "lack of Uptrend support" shown by the lack of increased volume on recent rising days? I'm watching it!

<b>Type of Day for <u>Nasdaq Index</u></b> Accumulation, Distribution or Neither	<b>Major Distribution</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> 5	<b>Distribution Days</b> 5
<b>Count of Up Days and Down Days</b> Nasdaq's last <u>10-days'</u> price movement	<b>Up Days</b> 7	<b>Down Days</b> 1
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>1.4</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>C-</b>	<b>S&amp;P 500</b> <b>B</b>
	<b>DJIA</b> <b>B</b>	
The Nasdaq as a whole, continues to lag the other indexes. But remember, just 8 days ago, it had an "E" distribution rating. I focus on the growth to D+.		
<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>Above</b>	<b>200-Day</b> <b>Above</b>
	<b>Nasdaq</b> <b>Above</b>	<b>Above</b>
	<b>S&amp;P 500</b> <b>Above</b>	<b>Above</b>
	<b>DJIA</b> <b>Above</b>	<b>Above</b>
	<b>NYSE</b> <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)

#	Date	Closing Price	Index % Change	Volume % Change	Current Trend Day Count *	Type of Day: Accumulation, Distribution or Neither (—)	CONSISTENT WITH: UPTREND OR DOWNTREND?
20	11/11/20	11786.43	+2.0%	-21.1%	6	—	DOWNTREND
19	11/12/20	11709.59	-0.7%	+1.8%	7	Minor distribution	DOWNTREND
18	11/13/20	11829.29	+1.0%	-5.5%	8	—	DOWNTREND
17	11/16/20	11924.13	+0.8%	+13.8%	9	Minor accumulation	UPTREND
16	11/17/20	11899.34	-0.2%	-0.02%	10	—	—
15	11/18/20	11801.60	-0.8%	+15.3%	11	Minor distribution	DOWNTREND
14	11/19/20	11904.71	+0.9%	+11.0%	12	Minor accumulation	UPTREND
13	11/20/20	11854.97	-0.4%	+0.7%	13	Minor distribution	DOWNTREND
12	11/23/20	11880.63	+0.2%	-0.02%	14	—	—
11	11/24/20	12036.78	+1.3%	+18.2%	15	Major Accumulation	UPTREND
10	11/25/20	12094.40	+0.5%	-28.6%	16	—*	—*
9	11/27/20	12205.85	+0.9%	-22.9%	17	—*	—*
8	11/30/20	12198.74	-0.1%	+125.0%	18	—	—
7	12/1/20	12355.11	+1.3%	-17.2%*	19	Major Accumulation	UPTREND
6	12/2/20	12349.37	-0.1%	-20.6%	20	—	—
5	12/3/20	12377.18	+0.2%	+0.8%	21	Stalling Distribution*	DOWNTREND
4	12/4/20	12464.23	+0.7%	-0.9%	22	—	DOWNTREND
3	12/7/20	12519.94	+0.5%	-6.4%	23	—	DOWNTREND
2	12/8/20	12582.77	+0.5%	+2.7%	24	Minor accumulation	UPTREND
1	12/9/20	12338.95	-1.9%	+5.9%	25	Major Distribution	DOWNTREND

\* A **Stalling distribution day** is a day when a stock or index rises to a new high, then falls back to close near the prior day's close with high volume.

The **Green dates** are "ALL-TIME NEW HIGHS."

The Nasdaq volume on **Tuesday** 12/1 was 17% below Monday's volume. But it was also an **amazing 60% above average volume**. Only one other falling day had higher volume this whole year. Thus, that high level of selling with a rise in the index is a **Major Accumulation day**.

\* 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

		A	B	C	D	E	As + Bs
4 weeks ago	11/10	13%	49%	22%	14%	3%	61%
3 weeks ago	11/17	18%	51%	18%	10%	3%	69%
2 weeks ago	11/24	20%	49%	17%	11%	3%	69%
1 week ago	12/2	20%	50%	17%	10%	3%	71%
Today	12/9	26%	48%	14%	9%	3%	74%
# stocks in each rating:		1749	3279	959	604	182	

**ANOTHER SHOW OF MARKET UPTREND STRENGTH:**  
**Notice the **BIG** growth in “A” and “B” rated stocks over the last 4 weeks.**

The A + B stocks almost doubled in the last 5 weeks, rising from 53% to 74%.

The 74% is the highest in my history of tracking these counts

>>>>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?

12/9/2020	Nasdaq	S&P500	DJIA	NYSE
Date of Index All-time High*	12/9/2020	12/9/2020	12/9/2020	12/9/2020
All-time High	12607.17	3712.39	30319.70	14476.68
Closing Price	12338.95	3672.82	30068.81	14374.08
Below (-) or Above (+) Recent High (%)	-2.1%	-1.1%	-0.8%	-0.7%

**Read this excerpt from an IBD article on the rare but important “Stalling Distribution” day by David Saito-Chung: Why A Stalling Day Can Signal Heavy Institutional Selling**

[Note: words within the square brackets are added by Charlotte to clarify the message]

IBD: Why is it so hard to recognize a market that is topping? One reason is that distribution can sometimes wear a disguise....



If you're familiar with IBD investing, you know what a [distribution day](#) is: When a major index (or stock) suffers a loss of at least 0.2% or higher in rising volume. **A distribution day points to institutional selling...**

**A handful or more of distribution days** in a short period of time (25 trading sessions or less) can **kill an uptrend**.

Investors watching for these distribution days can gain clues that a market is topping... Many investors assume that if the market is rising, then all's right. Yet there's another form of distribution that's easy to miss — stalling....

A **stalling day** involves: [A stock that has risen for months to a new local high, then....]

- [The market has] a day of rising volume (or within 95% of the previous day's volume) without much price progress [a day that has a significant price rise, frequently to a new high or near a previous high, but falls back to end].



This day is easily overlooked because **distribution via stalling comes on an up day!** [See a Nasdaq chart with **2 stalling days that killed the huge decade long “dot com” bubble that ended in March of 2000.** ]

- So, while the naive investor is happy to see another small gain in the indexes, **savvy investors recognize that there is heavy institutional selling into the day's rally that curbs the gain.**

[Note the two stalling days marked on a Nasdaq chart. While many of the price bars on the way up ended at or near the high of the day, the two marked Stall days closed at or near their lows of the day – a reversal that said, **“That is all the buying we’re doing. Now we think the market is topping so we will sell today from the high but only to yesterday’s close. We do not want to alert the casual individual investor that we**

- **are selling more than buying.”**]

[For the individual investor, the stalling day should be added to the distribution count for this stock because it is a day that ends in heavy selling. Stalling days do not occur at every market top, but when you see it after a long rise, watch the price-volume action very carefully.]

**If you would like more details about stalling distribution days, join me on Sunday night at 7 to 8 p.m. (central time). We will cover stalling days as we look at the market’s health.**

**Here’s the link join this FREE class: \_**

**Click below to join us.**

[Sunday night Armchair Investor 5-minute investor class link](#)

## **Current Signs of Market Strength** as of Wednesday 12/09/2020)

- **The Nasdaq walked up 3 new all-time highs last week** (Tuesday, Thursday and Friday). Tuesday and Thursday had volume high enough to make them accumulation days. And the **Nasdaq added another higher close Monday!**
- A whopping **74% of all stocks have an "A" or "B" rating**. That shows some serious buying in this market. Beware: Serious buying can cause market rises!

**BOTTOM LINE: The buyers are in control; this market is flying higher.**

- Nasdaq closed above 12,000 for the last 6 days as it hit that all-time high on Monday
- The S&P500, DJIA and NYSE hit new all-time highs on Friday.
- The usually lagging NYSE popped above its February high to a new, all-time high on last week (Tuesday) and has stayed above 14,000 since!

**And note the market is flying higher measured by these extraordinary rises in all 4 indexes in the last 4 1/2 weeks** ....(As of last Friday:)

- The Nasdaq rose 14%
  - The S&P500 rose 12%
  - The DJIA rose 14%
  - The NYSE rose 14%
- All the **major indexes are now ABOVE their 50-day and 200-day m.a. lines**

## **Current Signs of Market Weakness** as of Wednesday 12/09/2020)

- All the major indexes (Nasdaq, S&P500, and DJIA)
- **The Nasdaq's RS (relative strength) line has been flat** for almost 5 months indicating the Nasdaq is still strong but no longer outperforming the S&P500.
- **>>>The Leader stocks RISING versus FALLING remains at 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.



# 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.

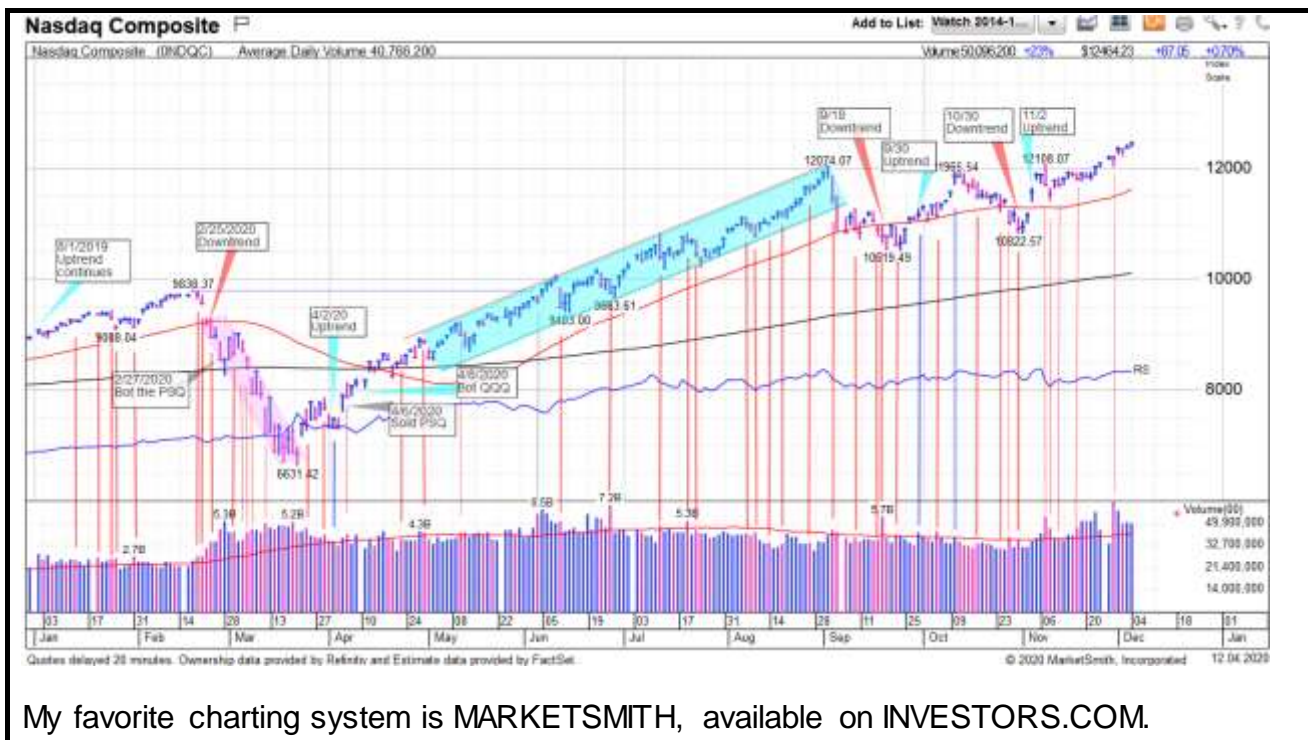
Did you know annotations stay on the MarketSmith charts! Bravo to the designers. My notations will stay on the MarketSmith charts for years! I can go back and visit how I saw the market in 2000, 2008, 2015-16, etc.

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](#)**

## **VISIT 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](#).

### **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 NASDAQ, S&P500, DJIA & NYSE 1- YEAR Returns**

(usually updated weekly on Fridays- but this week chart was updated on Wednesday, too.)

The chart below shows the one-year returns of the **Nasdaq, the S&P500, DJIA and NYSE**. 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 in the chart above if you had just sold your market ETF waited 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 HOW “BUY-AND-HOLD” COSTS YOU BIG BUCKS.**

- Over the last year, a “buy and hold” strategy has earned 8% for the S&P500. “Buy and hold” worked better for the Nasdaq earning 44.1%. ***But wait....***
- **If you invested with the Armchair Investor strategy, you are UP 50.6% for 2020.** Anyone want the extra 6% (and sometimes the Armchair strategy doubles the buy & hold 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 Nasdaq 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!



## **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:

- If the factor leans toward the **Uptrend**, that box will be **green**
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One of the reasons I pay so much attention to the Investor's Business Daily strategies and books (*How to Make Money in Stocks* series) is that they work consistently.

## **Visit an ARMCHAIR INVESTOR CLASS**

We have 3 live classes given each week in Dallas. 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)

After the Thanksgiving 4-day week, the market returned with enthusiasm.

**>>>> After last week's shortened Thanksgiving week, the Market took off!**

All three major indexes took off, indicating investors were looking for the next wave of stocks that might have been ignored – many of from the S&P500 and DJIA.

LAST WEEK'S MARKET ACTION (in total)			
12/4/20	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg
Nasdaq	+2.2%	+51.4%	+54.0%
S&P 500	+2.1%	NYSE 500 Volume	
DJIA	+2.0%	+38.4%	+17.0%

IF YOU WERE INVESTED, LAST WEEK WAS A GREAT WEEK UP 2.2%

LAST WEEK'S DAILY MARKET ACTION (day by day)						
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	FORTHE WEEK
	11/30	12/1	12/2	12/3	12/4	
Nasdaq	-0.1%	+1.3%	-0.0%	+0.2%	+0.7%	+2.2%
Volume	+125%	-17.2%	-20.6%	+0.8%	-0.9%	
	Neither	Major Accumulation*	Neither	Minor accumulation	Neither	

\* Although 12/1 had lower volume than the day before, it was still almost double the 50-day average volume and, thus, Tuesday was a day of serious buying, e.g. a Major Accumulation day.



## NASDAQ Daily 4 month chart (updated Friday 12/4/2020)

These DAILY charts are usually updated on Wednesdays and Fridays.

Nasdaq continues to rise to **NEW HIGHS**.



## NASDAQ Weekly 1 year chart, (updated Friday 12/4/2020)

The Nasdaq Index continues to rise to **NEW HIGHS**.



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



## S&P500 Daily 4 month chart (updated Friday 12/4/2020)

These daily charts are usually updated on Wednesdays and Fridays.

The index continues to rise to **NEW HIGHS**.



## S&P500 Weekly 1 year chart, (updated Friday 12/4/2020)

The index continues to rise to **NEW HIGHS**.



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

MARKET ACTION 2020 YEAR-TO-DATE			
12/9/20	2019 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	8972.61	12,338.95	+37.5%
S&P 500	3230.78	3,672.82	+13.7%
DJIA	28538.44	30,068.81	+5.4%

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](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%

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:**

<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%
<p>A <b>Major Accumulation Day</b>: Price RISES at least 1.0% or more with higher Volume than prior day.</p> <p>A <b>minor accumulation Day</b>: 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 <b>Major Distribution Day</b>: Price FALLS at least 1.0% or more with higher Volume than the day before.</p> <p>A <b>minor distribution Day</b>: 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 <b>"Neither" day</b>.</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.**