

**ARMCHAIR INVESTOR Newsletter: THE MARKET'S MESSAGE**  
A TREND-FOLLOWING STRATEGY

**CURRENT MARKET DIRECTION: UPTREND**

Armchair Investor Trend-following  
Investment Position:

I hold the QQQ

Armchair Investor 2021 Returns:  
See trades on page 2

+6.9% year-to-date

**THE MARKET'S MESSAGE** My #1 INVESTING TRUISM:

The Market continues in the direction it is going.....  
until it doesn't.

Three weeks ago (Jan'y 27), the Nasdaq had its highest volume day ever! (43% above prior highest volume day just two months earlier.) The "kids" were ganging together to run the market up and down.

That 10.9 billion share day may be defining a new normal. Wednesday and Thursday of last week had the second and third highest daily volume of 10.5 and 10.7 billion shares traded. SHOULD WE BE SCARED? (no)

Why is volume important? We count on the predictability of the market to see tradable trends. The January volume threw the market onto the mat as it dropped 6.0% in just 3 days, spoiling the week for many traders.

But not Armchair Investors. If you followed the Armchair Investor strategy (as explained in this newsletter), you would have stayed in. You would have watched (smiling) over the next four days as the market recovered to a new high!

I have received emails and phone calls asking, "How did you know to stay in?"

The answer is easy. Twenty years of watching, tracking and analyzing the market direction has resulted in a deep understanding of the mystical ways of the market! Ohmmmmm.

Ok, I do meditate. But not about the market. I just analyze the health of the market with a serious look into the price-volume action of the major indexes (and use the same analysis as part of my review of my individual stocks stocks.)

The purpose of this newsletter is to train you in that same skill. If you can understand (not predict) the strength of the market (or a stock), you can be a wealthy investor in less time than most of you are spending now.

The first lesson is listed at the top of this newsletter: The market continues in the direction it is going... until it doesn't.

Tomorrow, I will show you the second lesson – how to see strength and weakness in the market and in your stocks.

Wishing you, “Many happy returns.” The Armchair Investor

DAILY MARKET ACTION						
2/16/21	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Index Change from 11/4 New Uptrend*
Nasdaq	14047.50	-0.3%	+3.5%	+15.9%	Minor distribution	+18.9%
S&P500	3932.59	-0.1%	Volume NYSE:		Neither	+12.8%
DJIA	31522.75	+0.2%	+25.4%	+1.3%		

**MY PLAN FOR WEDNESDAY:** >>> I HOLD the QQQ!

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS								
All Trades In 2021								
Market Direction Signal Change	Direction	Action	# Days	Price	% GAIN Each Trend (See note)	Armchair Investor GAIN In 2020	Value of \$100,000 Portfolio	
Trade	12/31/20	Uptrend	Hold the QQQ	28	\$313.74	-----	-----	\$100,000
	1/29/21	Uptrend under Pressure	Hold the QQQ	4	\$314.56	Did not sell position.		
	2/16/21	Uptrend	Hold the QQQ	47	\$335.54	+6.9%	+6.9%	\$106,948
<b>TOTAL Growth in 2020:</b>						<b>+6.9%</b>	<b>\$106,948</b>	

Please understand that this year’s 6.9% earned in just a month and a half is a HUGE run rate. If I could keep doing that (highly unpredictable), we would earn over 100%.

And I do NOT expect that return this year. But it is a nice launch pad. See how we earned last year’s extraordinary 55.5% returns unfold trade by trade on the next page.

## 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	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>	1	\$16.31	0%	+47.0%	<b>\$146,963</b>
8	10/2/20	<b>Uptrend</b>	<b>Bot</b> <b>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</b> <b>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</b> <b>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</b> <b>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</b> <b>QQQ</b> at Open	--	<b>\$293.40</b>	+0%	+45.4%	\$143.613
--	12/31/20	<b>Uptrend</b>	<b>Hold the</b> <b>QQQ</b>	44	<b>\$313.74</b>	+6.9%	<b>+55.5%</b>	<b>\$155,460</b>
<b>TOTAL. Growth in 2020:</b>							<b>+55.5%</b>	<b>\$155,460</b>

THANK YOU FOR YOUR COMMENTS and IDEAS SENT to  
[editor@ArmchairInvestor.com](mailto:editor@ArmchairInvestor.com)

<b>MARKET FACTORS, COUNTS &amp; RATINGS</b>		<b>2/16/2021</b>	
<b>Type of Day for <u>Nasdaq Index</u></b> Accumulation, Distribution or Neither		<b>Minor 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> <b>7</b>	<b>Distribution Days</b> <b>3</b>
Note: 2 of the distribution days are OLD (16 and 20 days old).			
<b>Count of Up Days and Down Days</b> Nasdaq's last <u>10-days'</u> price movement		<b>Up Days</b> <b>7</b>	<b>Down Days</b> <b>2</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>1.8</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>B</b>	<b>S&amp;P 500</b> <b>C</b>
		<b>DJIA</b> <b>C</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>S&amp;P 500</b> <b>Above</b>
		<b>DJIA</b> <b>Above</b>	<b>NYSE</b> <b>Above</b>
		<b>NYSE</b> <b>Above</b>	<b>NYSE</b> <b>Above</b>

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

(For a full explanation of the terms used this table see end of the 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	1/19/21	13197.18	+1.5%	-3.2%	51	—	DOWNTREND
19	1/20/21	13457.25	+2.0%	+9.6%	52	Major Accumulation	UPTREND
18	1/21/21	13530.92	+0.6%	+6.2%	53	Minor accumulation	UPTREND
17	1/22/21	13543.06	+0.1%	-17.2%	54	—	UPTREND
16	1/25/21	13635.99	+0.7%	+21.8%	55	Minor accumulation	UPTREND
15	1/26/21	13626.06	-0.07%	-7.4%	56	—	—
14	1/27/21	13270.60	-2.6%	+63.2%	57	Major Distribution	DOWNTREND
13	1/28/21	13337.16	+0.5%	-9.0%**	58	Major Accumulation	UPTREND
12	1/29/21	13070.70	-2.0%	-20.4%	59	—	UPTREND
11	2/1/21	13403.40	+2.6%	-12.3%	60	—	DOWNTREND
10	2/2/21	13612.78	+1.6%	+4.2%	61	Major Accumulation	UPTREND
9	2/3/21	13610.54	+0.1%	+3.2%	62	—	—
8	2/4/21	13777.74	+1.2%	-3.6%	63	—	DOWNTREND
7	2/5/21	13856.30	+0.6%	-5.9%	64	—	DOWNTREND
6	2/8/21	13987.64	+1.0%	+23.6%	65	Major Accumulation	UPTREND
5	2/9/21	14007.70	+0.1%	+3.5%	66	—	—
4	2/10/21	13972.53	-0.3%	+21.0%	67	Minor distribution	DOWNTREND
3	2/11/21	14025.77	+0.4%	+3.5%	68	Minor accumulation	UPTREND
2	2/12/21	14095.47	+0.5%	-32.0%	69	—	DOWNTREND
1	2/16/21	14047.50	-0.3%	+3.5%	70	Minor distribution	DOWNTREND

\*\* Even though the Nasdaq volume on 1/28/21 was below the day before, it was still the second highest daily volume ever! (on MarketSmith's data). The highest volume was on 1/27/21 (the day before).

(1) The volume on 1/7/21 is less than the day before, but still very high, almost equal to the 1/5/21 Major Accumulation day after the +11.5% then -11.5%. Paired with a 2.6% rise to an All-Time High, show this was a strong, upward swinging day. I almost called it a Major Accumulation day with the highest single daily rise in two months!

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## PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

		A	B	C	D	E	As + Bs
4 weeks ago	1/19	27%	47%	14%	9%	3%	74%
3 weeks ago	1/25	25%	49%	15%	9%	2%	74%
2 weeks ago	2/1	13%	41%	25%	17%	5%	53%
1 week ago	2/8	20%	46%	19%	11%	3%	66%
Today	2/16	24%	46%	17%	10%	3%	70%
# stocks in each	rating:	1708	3319	1230	706	236	

As + Bs holds at an over-weighted 62%

Note that the sum of As and Bs is still over half of all stocks which means finding stocks with strong accumulation ratings should not be hard.

NOTE: The Accumulation/Distribution ratings are complex, number crunching calculations and are NOT completed before the day's Big Picture column is published. Therefore the Monday Acc/Dist ratings are actually Friday's. Knowing the one day delay explains why they day's Acc/Dist changes do not always seem to match the current day's activity.

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

2/16/2021	Nasdaq	S&P500	DJIA	NYSE
Date of Index All-time High*	2/16/2021	2/16/2021	2/16/2021	2/16/2021
All-time High	14175.11	3950.43	31608.43	15483.20
Closing Price	14047.50	3932.59	31522.75	15423.02
Below (-) or Above (+) Recent High (%)	-0.9%	-0.5%	-0.3%	-0.4%

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

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. (214) 995-6702 Thank you!

## **Current Signs of Market Strength** (as of Friday 2/12/2021)

- The **Nasdaq** and S&P500 rose for 6 days in a row to hit new all-time highs Monday.
- The Nasdaq has **7 accumulation days versus only 1 distribution day** in the last 20 trading days.
- The **ratio of Leader Stocks that have risen versus fallen in the last 10 days** is a **strong 1.5**
- The **Nasdaq is up 110%** since the March 2020 low (that means the Nasdaq has more than doubled in almost 11 months).
- The **S&P500 is up 78%** since its March low. (reminding you that many of the big winners are on the Nasdaq, but I will buy a winning stock wherever I find it.
- The Nasdaq has a strong “B” Accumulation/Distribution rating (the S&P500 is holding with a medium “C” rating).
- All the **major indexes are now ABOVE their 50-day and 200-day m.a. lines**. There are a lot of strong stocks out there. Your job is to pick only the best.

## **Current Signs of Market Weakness !**

- The 3-day crash of 2 weeks ago is fading away in the rear view mirror. It was fueled by huge volume including the highest single day volume ever on the Nasdaq on January 27. Since the Nasdaq fell 2.6%, that made 1/27/21 the highest distribution day for the Nasdaq – ever!
- The **S&P500 Accumulation/Distribution ratings remains at a medium (unexciting) C**. (There are still good stocks to buy in a “C” market.

## “Climbing the Wall of Worry” article from Investopedia

### DO INDIVIDUAL INVESTORS BEAT THE MARKET?

The research shows [Most investors didn't come close to beating the S&P 500](#) as stated by CNBC.

**But what you should really be concerned about is .....IS THIS MARKET HEALTHY? My answer: You bet!**

- No **distribution days** in the last 20 Nasdaq count. But there are 3 distribution days on this newsletter's 20 day backwards look. Explanation: When an index rises 5% or more above the close of a distribution day, then that day is considered, “NO LONGER RELEVANT!” The market is hot-dogging higher and those distribution days are long gone from the rear-view mirror.
- A steadily rising market is more sustainable! Watch for additional distribution days.
- **The current up-channel is not quite as steep as last year's 5-month rising channel. That could mean that it won't last as long. Or that, because of the gentler rise, it will last longer.**

**How long will the rise run? (You know my answer: The market will continue higher until..... it doesn't.)**

**The Armchair Investor Strategy has earned **extraordinary returns for 2020** (see the earlier). And YOU could have earned this return shown below if you followed this nightly newsletter and made this 12 trades, all broadcast at the end of the day for your action the following morning. Read this newsletter and reap the rewards!**



## **Looking forward to the Armchair Investor and IBD Meetups in 2021.**

Since 2003, I have had the honor of presenting the ARMCHAIR INVESTOR weekly classes and the monthly INVESTOR'S BUSINESS DAILY Meetups in Dallas and in Fort Worth.

A special “Thanks!” to all of you who support us, showing up early to set up the rooms, greet guests and the necessary food tasters at our Christmas parties (but not this year.) I look forward to enlisting your help when we start back with LIVE Meetups!

I especially thank you to:

- **Fred Richards** for his amazing market insights and presentations to the group. He is in the process of moving to a new home in the area and I expect to have him join us in the future.
- **Ron Shaw** for tirelessly greeting guests (one of the most organized, happy guys I know) and handing out the printed copies of the class notes.
- **And all the others** who greeted first time guests, substituted for Ron, found meeting space or stepped in at the last minute to find extension cords, extra tables and chairs, etc. etc. etc.
- The good news, with Wi-Fi, I plan on continuing the Live and Online Meetup!.
- It takes a village! Thank you.

**The next IBD Meetup will be in mid-February 2021 online. Stay tuned!**

# 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 last year,
- The pink downtrend as the market crashed in February-March
- The amazing 5-month rise (Uptrend) of the market since March low.
- The return to rising period (Uptrend) since November/

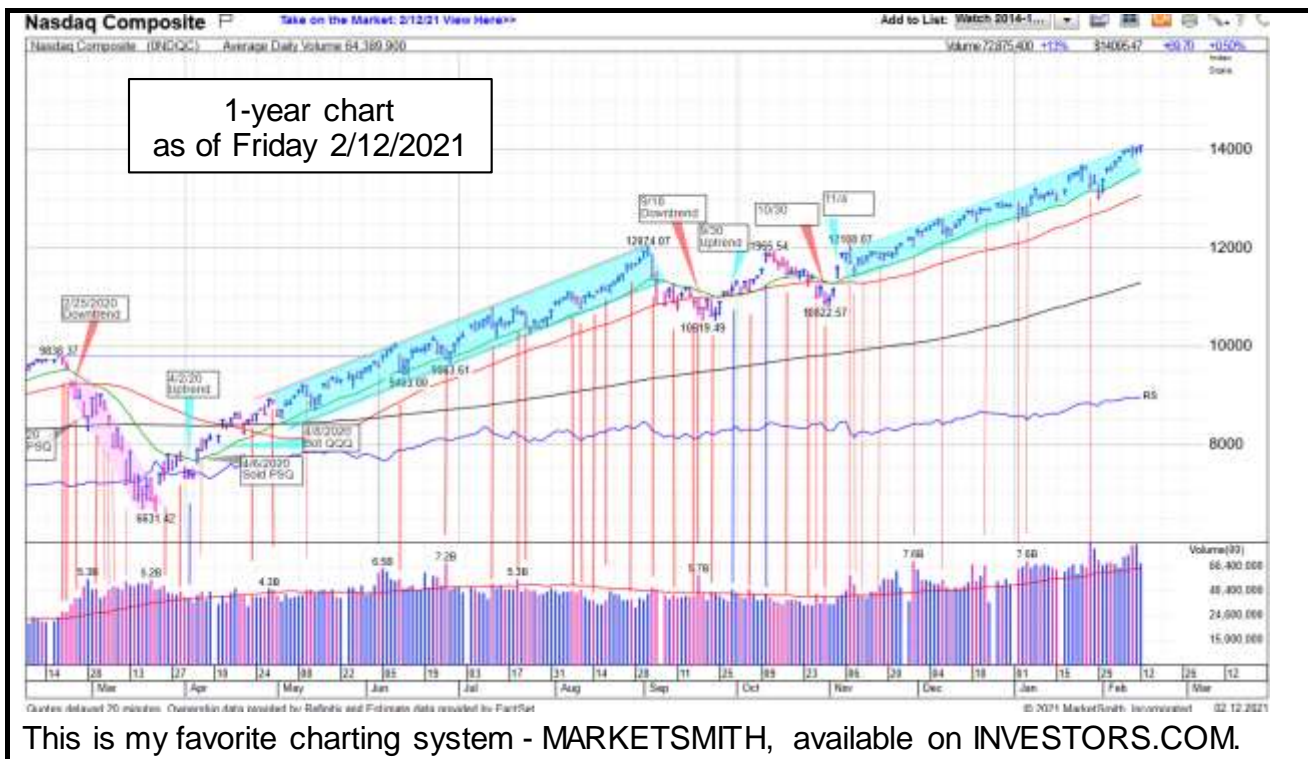
Did you know annotations stay on the MarketSmith charts! Bravo to the designers. My notations will stay on the MarketSmith charts for years! I can go back and visit how I saw the market in 2000, 2008, 2015-16, etc.

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! 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:**

Be sure to register for you classes – occasionally they change. No Tuesday class this week. Register by clicking the [BLUE LINK](#) at the bottom of this page.

### **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). We meet every other Sunday with some adjustments around holiday weekend, etc.

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 your wish to visit. The class meets 11 weeks each quarter (2 weeks off for research and fun).

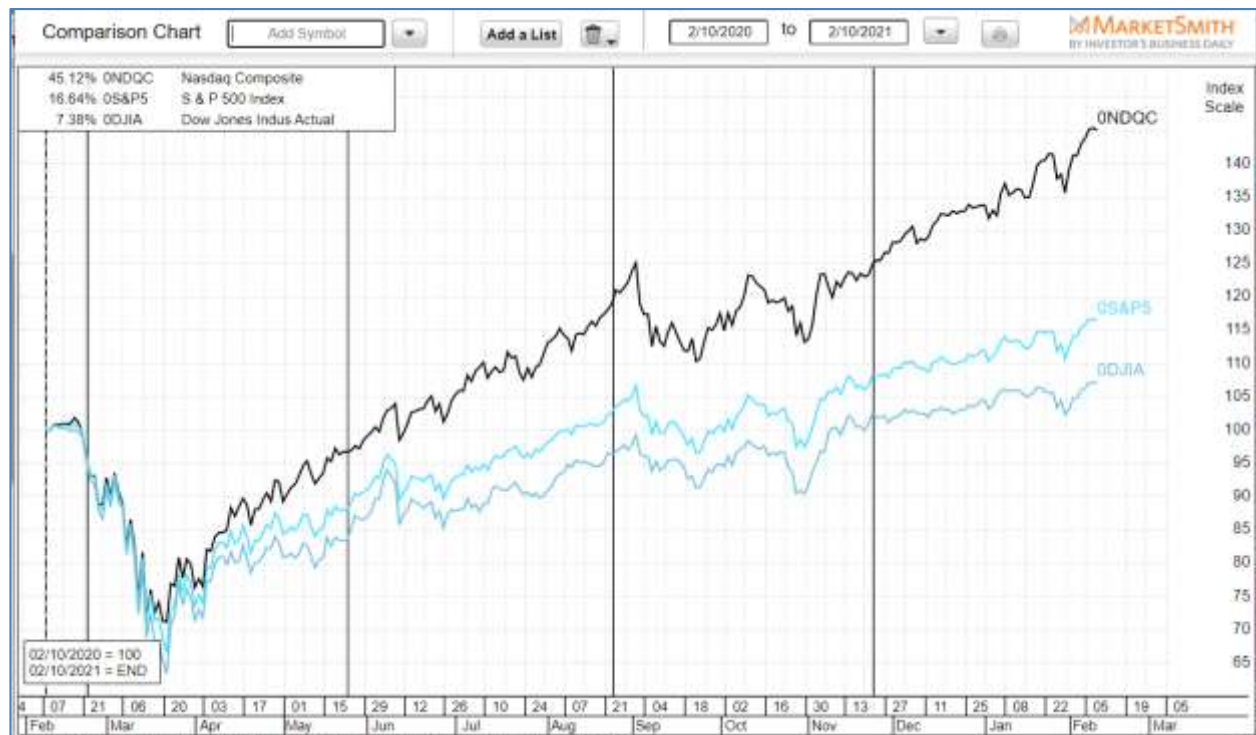
To join us for a class, click here: [online Armchair Investor class](#)

Once you register online – the link to your online meeting will be revealed on the Armchair Investor Meetup site.

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

## COMPARISON of NASDAQ, S&P500 & DJIA 1- YEAR Returns

This week chart is updated every few days.



The chart below shows the one-year returns of the **Nasdaq, the S&P500, and 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 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 53.6% for 2020.** Does anyone want the extra 9.5% (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!"**



## **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 4 for this year’s exciting wins!

<b>MARKET ACTION 2021</b>			
<b>2/16/21</b>	<b>2020 Closing Price</b>	<b>Current Price</b>	<b>Index % Change Year-to-Date</b>
Nasdaq	12888.28	14,047.50	<b>+9.0%</b>
S&P 500	3756.07	3,932.59	<b>+4.7%</b>
DJIA	30606.38	31,522.75	<b>+3.0%</b>

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 but January 1 is seldom the start or end of a market trend.

## **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**
- If the factor leans toward the **Downtrend**, that box will be **orange** or **red**

**To schedule a class visit: Contact Charlotte Hudgin at 214-995-6702**

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?**

(This page is always shown near the front of the newsletter on the weekend edition. And it is always included during the following week toward the end as a reference. Today, the backup copy is on page 22.)

**Six weeks into the year and the Nasdaq is still leading the price rise.** NOTE: I pay more attention to the Nasdaq than the other indices because in most market trends, it leads the market ups and downs.

LAST WEEK: Look at the higher volume 4 out of 5 days!

<b>LAST WEEK'S DAILY MARKET ACTION</b>						
	MONDAY	TUESDAY	WEDNESD'Y	THURSDAY	FRIDAY	FOR THE WEEK
	2/8	2/9	2/10	2/11	2/12	
<b>Nasdaq</b>	+1.0%	+0.1%	-0.3%	+0.4%	+0.5%	+1.7%
<b>Volume</b>	+3.5%	+3.5%	+21.0%	+3.5%	-32.0%	+28.4%
<b>Type of Day</b>	Major Accumulation	Major Accumulation	Minor distribution	Minor accumulation	Neither	

<b>LAST WEEK'S TOTAL MARKET ACTION</b>			
2/12/21	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg
Nasdaq	+1.7%	+28.4%	+56.0%
S&P 500	+1.2%	NYSE 500 Volume	
DJIA	+1.0%	-12.9%	+5.0%



## NASDAQ Daily 4 month chart (updated Friday 2/12/2021)

These DAILY charts are usually updated on Wednesdays and Fridays.

Nasdaq recovers from dip and continues in Up-channel.

Note average volume line continues to rise.



## NASDAQ Weekly 1 year chart, (updated Friday 2/12/2021)

Nasdaq Index continues rising to **NEW HIGHS**. 2021 volume RISES



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

## S&P500 Daily 4 month chart (updated Friday 2/12/2021)

These daily charts are usually updated on Wednesdays and Fridays.

The S&P500 settles back in Upchannel.



## S&P500 Weekly 1 year chart, (updated Friday 2/12/2021)

The S&P500 continues rising in up-channel.



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



# **FYI: 2021 THE MARKET HOLIDAY SCHEDULE**

I'm updating my 2021 spreadsheet and calendars to note the days the market is closed and has an early close. I thought you might want to update also.

the 2021 holiday and early closure schedule for the NYSE and Nasdaq:

The Nasdaq Stock Market and New York Stock Exchange (NYSE) close for nine holidays each year and two "early closure" days (sometimes misnamed "half days"):

Here is the 2021 holiday closure schedule for the NYSE and Nasdaq:

- **New Year's Day:** **Friday, Jan. 1**
- **Martin Luther King Jr. Day:** **Monday, Jan. 18**
- **Presidents Day:** **Monday, Feb. 15**
- **Good Friday:** **Friday, April 2**
- **Memorial Day:** **Monday, May 31**
- **Independence Day:** **Monday, July 5** (July 4 falls on a Sunday)
- **Labor Day:** **Monday, Sept. 6**
- **Thanksgiving:** **Thursday, Nov. 25**
  - **Black Friday** **Friday, Nov 26** (early close at 1 p.m.)
  - **Day Before Christmas** **Thursday, Dec. 23** (early close at 1 p.m.)
- **Christmas:** **Friday, Dec. 24** (12/25 falls on a Saturday)

On regular trading days, the main trading session runs the normal schedule of 9:30 a.m. to 4 p.m. (New York City time, i.e. Eastern time)

On early close trading days, the main trading session runs from 9:30 a.m. to 1 p.m. ET.

When a holiday falls on a Saturday, the NYSE and Nasdaq close on the Friday before. Holidays that land on a Sunday are observed on the following Monday.

**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.

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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.**