LIBRIS We know books

"I know from his other books that Les has a unique ability to clearly explain complex stock market terms and strategies. For nearly 20 years, I have taught my undergraduate students to focus on trading growth stocks using QQQ and TQQQ. Now, Les has written the first book that provides both the evidence and the methods for achieving this. Thank you, Les".

– Dr. Eric Wish, University of Maryland, WishingWealthblog.com, and on X, @WishingWealth

THE QQQ & TQQQ ETF PROFIT MACHINE

A Roadmap for Trading and Investing in Cutting-Edge AI-Focused Tech Titans

LESLIE N. MASONSON

INDIA • SINGAPORE • MALAYSIA

LIBRIS | We know books

Contents

Foreword 11
Acknowledgements 13
Introduction 17

Consider QQQ For Your Portfolio 18
Your Education is Paramount 19
My Purpose in Fixating on QQQ 19
QQQ Represents the Future of Technological Innovation 20
Why You Should Read this Book 22
My Qualifications and Accomplishments 22
Book Structure 25
How to Read this Book 25

Part I: Stock Market Essentials, QQQ and its Spin-Offs

Chapter 1: Stock Market Essentials 29

Bull And Bear Market Cycles 29
Definition of Common Terms 30
Multiple Bull and Bear Market Cycles 31
Market Performance Statistics 35
Wall Street Axioms: True or False? 40
Ten Key Takeaways 71

Chapter 2: All About INVESCO QQQ™ 74

Reasons to Invest in QQQ 74
Review of the Nasdaq Composite® Index 77
And Nasdaq-100® Index 77
Invesco QQQ Trust℠ Series 1 (QQQ) 87
QQQ 200-Day Moving Average Strategy 94
Key Takeaways 98

LIBRIS We know books

Chapter 3: QQQ Equity Spin-Offs....100

QQQ Alternatives Comparison....100
QQQ Equal-Weight ETF Alternatives....103
Other Alternative QQQ ETFS....105
Key Takeaways....108

Part II: Magnificent Seven, Seasonality and Leveraged QQQ ETFS

Chapter 4: The Magnificent Seven: A Powerhouse of Market Titans....113

Artificial Intelligence Impact....114
Mag Seven Dominance....115
Mag Seven Attributes....116
Mag Seven Performance....121
Roundhill Magnificent Seven ETF....129
Stock Market Manias and Meltdowns....130
Lessons from Market Meltdowns....134
Key Takeaways....135

Chapter 5: Profit from Seasonal Swings....138

Best Months Switching Strategies....139
Seasonal Trades for Short-Term Traders....147
Key Takeaways....152

Chapter 6: Leveraged QQQ Bull & Bear ETFS: Massive Returns vs. Large Drawdowns....153

Background....153
Proshares Leveraged Nasdaq-100 ETFS....154
TQQQ'S Annual Performance is Superb....159
Direxion Technology-Focused Leveraged ETFS....165
TQQQ Outperforms 90% of Nasdaq-100....169
Stocks in Bull Markets....169
Regulatory Position on Leveraged ETFS....172
Key Takeaways....173

Part III: Technical Analysis, QQQ and TQQQ Trading Strategies, and Buy-and-Hold

Chapter 7: Using Technical Indicators for Trade Entries and Exits....177

Ten Benefits of Using Technical Analysis....177
Fundamental Analysis Explanation....178
Technical Analysis Review....179

LIBRIS | We know books

Use Six Stock Market Technical Indicators to Pinpoint Entry and Exit Points....180
"Composite" Six Indicator Chart....198
Key Takeaways....203

Chapter 8: QQQ Trading Strategies....205

Simple Moving Averages....206
QQQ-DMA Backtests....206
QQQ Weekly Moving Average Backtests....210
Seasonal Investing Strategies....212
Key Takeaways on Moving Average Backtests....220
Sectorsurfer QQQ/IEF Switching Strategy....221
Key Takeaways on Switching Strategy....224
Key Trading Guidelines....224

Chapter 9: Leveraged QQQ ETF Trading Strategies....229

Relative Strength Strategy....240
Vectorvest Backtests....246
Wallstreet.io Backtests....255
Sectorsurfer TQQQ/IEF Backtest....258
Key Takeaways About Trading TQQQ....260

Chapter 10: Buy-and-Hold TQQQ....263

Ten Year Minimum TQQQ Buy-and-Hold Strategy....263
QQQ Annualized Rolling Periods....264
Leveraged ETF Performance....267
Ten Key Takeaways....269

Appendices

Appendix I: Academic Research on Individual Stock Performance....273
Appendix II: NASDAQ-100 Components....278
Appendix III: Simple Moving Average Primer....281
Appendix IV: ETF, Technical Analysis, and Other Resources....291

About the Author....293
Glossary....295
Bibliography....301
Index....303

LIBRIS | We know books

Chapter 1

Stock Market Essentials

"The point of investing, after all, is not to have a great story to tell; the point of investing is to make money with limited risk." Seth Klarman, CEO and Portfolio Manager of the Baupost Group

'The best investment you can make is an investment in yourself...The more you learn, the more you'll earn." Warren Buffett, CEO and chairman of Berkshire Hathaway

Before we dive into a detailed review of the QQQ and its related investment vehicles, it's essential to grasp important stock market truths. Many misconceptions about investing and trading circulate in the public domain, and it's important to set the record straight. I want to give you a heads-up in this chapter. It is long and packed with information about the stock market. It may feel overwhelming. If you have extensive experience in the stock market, you might choose to skip it for now and return to in later. Otherwise, dig in and benefit from this primer.

The stock market has fascinated and challenged investors ever since stocks first became listed in the United States on May 17, 1792, when 24 brokers signed the Buttonwood Agreement. Fast forward over 230 years, and the NYSE, Nasdaq, and other exchanges now list thousands of stocks available for anyone to invest in or trade using a brokerage account. Mutual funds, which dominated the investing scene from the 1950s to the early 2000s, now control around $26 trillion in assets. Recently, ETFs have taken center stage due to their numerous benefits and lower costs. One common thread in investing is the cycle of shifting between bull markets and bear markets. It's crucial to avoid getting caught in a bear market, as the repercussions can be severe. Let's take a closer look at these significant events.

Understanding this background will better prepare you for my recommendation to consider QQQ for your portfolio. In my opinion, it is a strong, worthy, and exceptional ETF. I expect it to deliver above average annualized returns in the coming decades, thanks to its innovative roster of companies. However, QQQ does come with increased volatility and risk. As we all know, risk and reward are closely connected; one does not exist without the other. **You should never take on more risk than you can handle.** Additionally, implementing defensive measures is crucial to guard against significant market declines.

BULL AND BEAR MARKET CYCLES

"Markets trend only about 15% of the time; the rest of the time they move sideways." – Paul Tudor Jones. American billionaire hedge fund manager

To navigate the inevitable the stock market ups and downs, you need to understand the lengths, magnitudes, and recovery times of these market cycles. A safety belt and helmet can help during

LIBRIS | We know books

turbulent times, whether in booming bull markets like the late 1920s, 1950s, or 1990s, or during the four severe bear markets starting in 1929 and 1937, along with two that took place from 2000 to 2009, where losses exceeded 50% in each case. Just think about the market drop from August 5 to 9, 2024 (Table 1.1). On that Monday, the market closed significantly higher than its intraday lows. The market rallied the next day, only to decline again on August 7. Such rapid one-time price decline can lead to further declines, though in this instance, the market rebounded shortly after.

Table 1.1 Market Performance Week of August 5, 2024

Major Average Performance

	8/5/2024			8/6/2024			8/7/2024			8/8/2024			8/9/2024		
	Closing Price	Point Move	Percent Change	Closing Price	Point Move	Percent Change	Closing Price	Point Move	Percent Change	Closing Price	Point Move	Percent Change	Closing Price	Point Move	Percent Change
S&P 500	5,186	-161	-3.01%	5,240	54	1.04%	5,200	-40	-0.76%	5,319	119	2.29%	5,344	25	0.47%
Dow-Jones Ind.	38,703	-1,034	-2.60%	38,998	295	0.76%	38,763	-235	-0.60%	39,446	683	1.76%	39,498	52	0.13%
Nasdaq Comp.	16,200	-576	-3.43%	16,367	167	1.03%	16,196	-171	-1.04%	16,660	464	2.86%	16,745	85	0.05%
Nasdaq-100	17,895	-546	-2.96%	18,078	183	1.02%	17,867	-211	-1.17%	18,414	547	3.06%	18,374	40	0.02%

Various factors contributed to wild market fluctuations throughout 2024: world news, economic reports, the U.S. presidential election, and a significant one-day dive in the Japanese Nikkei Index of over 12%. Those of you who pay close attention to the stock market, particularly leading technology stocks like Apple, Amazon, Microsoft, and Google during their early years, likely remember the volatility of that period, especially during the dual bear markets in the 2000s, 2022, and March and April 2025.

Clearly, being on the right side of the market is crucial for your portfolio's growth, as missing out can result in losing all or a significant portion of the gains earned during bull markets when bear markets are encountered. Buy-and-hold investors endure all the bear market drops and corrections, hoping to eventually recoup their losses in future years. But, sometimes it can take years or even decades for full recovery. For instance, it took until 1954 for the market highs to be reached after the 1929 crash.

Definition of Common Terms

Let's clarify common terms related to major market movements. Understand that the percentages mentioned here defining the market conditions are not "magic" numbers that should be taken as gospel. They have come into existence over many years, and they could easily have been calibrated differently without any major consequence. There are long-term secular bull and bear markets that occur over decades, as well as cyclical ones over shorter time periods, that can exist inside the secular ones.

A bull market is one that has increased by 20% or more from its most recent low, as measured by benchmarks like the S&P 500 Index, Dow Jones Industrial Average (DJIA), and Nasdaq Composite Index. Conversely, a bear market occurs when it has declined by 20% or more from its last peak. Normal intra-year moves typically range from 5% to 9%, which can happen two to four times a year, or not at all in rare cases.

LIBRIS | We know books

A stock market correction is categorized as a decline of 10% to 19%. Smaller declines can sometimes trigger larger ones, so it's vital to have a pre-determined exit strategy to protect your capital when a decline hits your sell criteria, especially if you are a self-directed investor or trader.

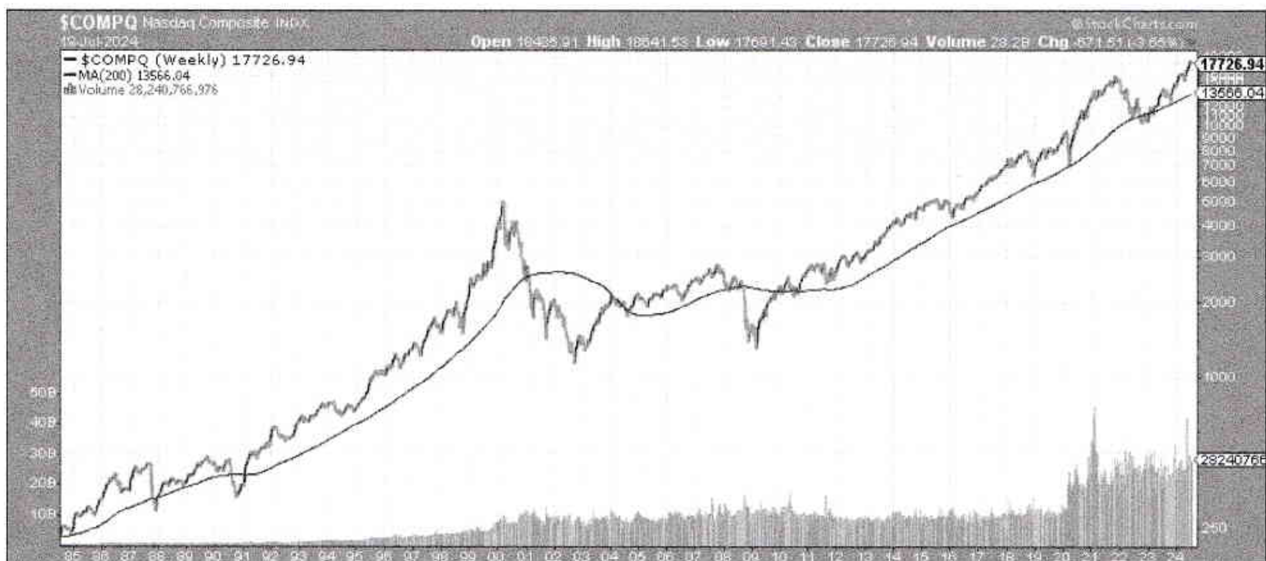
Lastly, market drops of about 50% or more are considered stock market crashes. However, there is no universally accepted percentage that defines a crash. There have been five crashes since 1928, according to Bloomberg data, with an average duration of 648 days, but with a wide range of 390 days (1937 to 1938) to 929 days (2000 to 2002) as follows:

- April 10, 1930 to June 1, 1932 (83%)
- March 6, 1937 through March 31, 1938 (54.5%)
- January 11, 1973 through October 3, 1974 (48.2%)
- March 24, 2000 through October 9, 2002 (49.1%)
- October 9, 2007 through March 9, 2009 (56.8%)

Multiple Bull and Bear Market Cycles

Figure 1.1 illustrates the market cycles in the Nasdaq Composite Index, highlighting the long-term 200-day moving average (DMA), as the determinant of the bull or bear. When the index is above the 200-DMA this represents the bull cycle, and vice versa. The bull cycle surged during the 1990s, peaked in 2000, and then fell into a bear market that hit lows in March 2002. From there, it climbed again until late 2007, only to face another crash. Since March 2009, the composite has experienced a significant bull market, interrupted by a brief bear market in 2020 and a slightly larger one in 2022, and a short one in Aril 2025 (not shown on chart). At the bottom of the chart, you can see a dramatic increase in trading volume beginning in late 2020. This change has continued at a steady pace through 2024 indicating retail investor and institutional increased participation.

Figure 1.1 Nasdaq Composite Index - Weekly 1985 through June 2024



Source: Stockcharts.com

LIBRIS We know books

Bull and Bear Market Cycle Dates

Now let's examine the frequency and duration of these bull and bear markets, as shown in Tables 1.2 and 1.3. Note that the dates for bear markets in these tables differ slightly from the Bloomberg data mentioned earlier, as their definitions may vary.

Bear markets are not rare; they typically occur every three to five years with average median losses of about 40%. Since 1929, we have seen 22 bear markets. In contrast, there have been 25 bull markets, including the one that started on October 12, 2022, and running through February 19, 2025. During this latest bull run the Nasdaq Composite lead the way with a remarkable gain of 72.8%, while the S&P 500 increased by 55.3%. On average, bull markets deliver median returns of around 175%, so this current market has considerable potential left. Bull markets can last a long time, with some of the biggest lingering between 1,300 to almost 4,500 days; eight bull markets fall into this category. None of the bear markets have lasted more than 1,000 days.

Table 1.3 offers details about all bear markets since 1929. Their durations vary widely, from just 33 days in March to April 2020, to 929 days during the 2000-2002 period. However, you can use technical analysis tools to help avoid the bulk of these losses. A few common indicators, such as moving averages, the Relative Strength Index (RSI), and the Moving Average Convergence Divergence (MACD) are covered in Chapter 7.

LIBRIS | We know books

Table 1.2 Bull Markets Since 1928

S&P 500 Bull Markets Since 1928

Yardeni Research, Inc.
www.yardeni.com

S&P 500 BULL MARKETS SINCE 1928*					
Trough Date	Peak Date	Trough Price	Peak Price	Percent Gain	Number Of Days**
6/12/1928	9/7/1929	18.34	31.92	74.0	452
11/13/1929	4/10/1930	17.66	25.92	46.8	148
6/1/1932	9/7/1932	4.40	9.31	111.6	98
2/27/1933	7/18/1933	5.53	12.20	120.6	141
10/21/1933	2/6/1934	8.57	11.82	37.9	108
3/14/1935	4/6/1936	8.06	15.51	92.4	389
4/29/1936	3/6/1937	13.53	18.68	38.1	311
3/31/1938	11/9/1938	8.50	13.79	62.2	223
4/8/1939	10/25/1939	10.18	13.21	29.8	200
6/10/1940	11/9/1940	8.99	11.40	26.8	152
4/28/1942	7/14/1943	7.47	12.64	69.2	442
11/29/1943	5/29/1946	10.99	19.25	75.2	912
10/9/1946	6/15/1948	14.12	17.06	20.8	615
6/13/1949	8/2/1956	13.55	49.74	267.1	2,607
10/22/1957	12/12/1961	38.98	72.64	86.4	1,512
6/26/1962	2/9/1966	52.32	94.06	79.8	1,324
10/7/1966	11/29/1968	73.20	108.37	48.0	784
5/26/1970	1/11/1973	69.29	120.24	73.5	961
10/3/1974	11/28/1980	62.28	140.52	125.6	2,248
8/12/1982	8/25/1987	102.42	336.77	228.8	1,839
12/4/1987	3/24/2000	223.92	1527.46	582.1	4,494
10/9/2002	10/9/2007	776.76	1565.15	101.5	1,826
3/9/2009	2/19/2020	676.53	3386.15	400.5	3,999
3/23/2020	1/3/2022	2237.40	4796.56	114.4	651
10/12/2022	?	?	?	?	?

* Bull markets shown are the gains between bear markets defined as declines of 20% or more.
** Number of days includes weekends and holidays.
Source: Standard & Poor's Corporation; Yardeni Research.

Source: www.yardeni.com

LIBRIS We know books

Table 1.3 S&P 500 Bear Markets Since 1928

S&P 500 Bear Markets Since 1928

Yardeni Research, Inc.
www.yardeni.com

S&P 500 BEAR MARKETS SINCE 1928*					
Peak Date	Trough Date	Peak Price	Trough Price	Percent Loss	Number Of Days**
9/7/1929	11/13/1929	31.92	17.66	-44.7	67
4/10/1930	6/1/1932	25.92	4.40	-83.0	783
9/7/1932	2/27/1933	9.31	5.53	-40.6	173
7/18/1933	10/21/1933	12.20	8.57	-29.8	95
2/6/1934	3/14/1935	11.82	8.06	-31.8	401
3/6/1937	3/31/1938	18.68	8.50	-54.5	390
11/9/1938	4/8/1939	13.79	10.18	-26.2	150
10/25/1939	6/10/1940	13.21	8.99	-31.9	229
11/9/1940	4/28/1942	11.40	7.47	-34.5	535
5/29/1946	10/9/1946	19.25	14.12	-26.6	133
6/15/1948	6/13/1949	17.06	13.55	-20.6	363
7/15/1957	10/22/1957	49.13	38.98	-20.7	99
12/12/1961	6/26/1962	72.64	52.32	-28.0	196
2/9/1966	10/7/1966	94.06	73.20	-22.2	240
11/29/1968	5/26/1970	108.37	69.29	-36.1	543
1/11/1973	10/3/1974	120.24	62.28	-48.2	630
11/28/1980	8/12/1982	140.52	102.42	-27.1	622
8/25/1987	12/4/1987	336.77	223.92	-33.5	101
3/24/2000	10/9/2002	1527.46	776.76	-49.1	929
10/9/2007	3/9/2009	1565.15	676.53	-56.8	517
2/19/2020	3/23/2020	3386.15	2237.40	-33.9	33
1/3/2022	10/12/2022	4796.56	3577.03	-25.4	282

* Bear markets are declines of 20% or more.
** Number of days includes weekends and holidays.
Source: Standard & Poor's Corporation; Yardeni Research

Source: www.yardeni.com

The key to successful long-term investing lies in minimizing losses at the beginning of bear markets and staying fully invested during bull markets. If you set a limit to exit the market after losing 5% to 10%, you can potentially avoid much larger losses, if the market continues to drop. In a scenario where the market falls by 10% but then reverses upward, you can re-enter based on your established entry rules. Keep in mind that this kind of transaction can create tax implications in standard brokerage accounts, but you won't face these issues in retirement brokerage accounts. And you can select any exit percentage you feel comfortable with, as there is no ideal one.

LIBRIS We know books

Buy-and-hold investors often find themselves uneasy during bear markets or, worse, selling prematurely when they fear further losses. This typically happens close to the market bottom. These investors then struggle to reinvest when the market recovers because they remain worried about another downturn that may never come. Consequently, their long-term performance can suffer. This phenomenon was especially evident during the two bear market crashes of the 2000s, when investors faced a double hit—an unprecedented situation.

MARKET PERFORMANCE STATISTICS

Let's take a closer look at the historical market performance statistics of the S&P 500 Index. From 1951 to 2022, declines in the market paint an interesting picture. According to S&P, declines of 5% or more happen about three times per year, typically lasting around 43 days. On the other hand declines of 10% or more occur about once a year and last, on average, about 107 days.

More significant declines, those between 15% and 20%, are less frequent, but tend to endure for a longer average of 238 days. Declines greater than 20% occur roughly once every five years, with an average duration of about 354 days. While the S&P data doesn't cover 2023 and 2024, we recognize this would slightly alter these averages. Notably, S&P also didn't provide data regarding declines of 50% or more, so I researched them. In the 1929 bear market, the decline lasted 936 days. The decline that started in 1937 lasted a staggering 1,643 days. In modern history, the bear market from 2000 to 2002 lasted 1,002 days, while the decline from 2007 to 2009 extended for 515 days.

Stock Market Performance by Decade

Looking at stock market performance by decade, we find information in Table 1.4, which details the S&P 500 Index's annualized return starting in 1930. Although the index launched on March 4, 1957, comparable data from other databases helps us analyze earlier decades. Back in 1923, S&P was known as the Standard Statistics Company and had already begun creating stock market indexes. They originally calculated an index of 233 stocks weekly, then introduced a 90-stock composite index in 1926 that they computed daily.

For decades, the S&P 500 Index held the title of the premier benchmark index for the largest publicly traded U.S. companies. **In recent years, the Nasdaq-100 has taken its place as the index of choice for growth stocks due to its impressive composition and performance**. Other well-known indexes include the DJIA, created on May 26, 1896, the Nasdaq Composite, started on February 8, 1971, and the Russell 2000, launched on January 1, 1984. The Nasdaq-100 Index began on January 31, 1985.

LIBRIS We know books

Table 1.4 Annual Asset Returns by Decade

Annual Asset Class Returns by Decade

Decade	Stocks	Cash	Bonds	Real Estate	Gold	Inflation
1930s	-0.9%	1.0%	4.0%	-1.2%	5.3%	-2.0%
1940s	8.5%	0.5%	2.5%	8.1%	-0.8%	5.4%
1950s	19.5%	2.0%	0.8%	3.0%	1.0%	2.2%
1960s	7.7%	4.0%	2.4%	2.2%	1.6%	2.5%
1970s	5.9%	6.3%	5.4%	8.7%	28.6%	7.4%
1980s	17.3%	8.8%	12.0%	5.9%	-2.5%	5.1%
1990s	18.0%	4.8%	7.4%	2.7%	-3.1%	2.9%
2000s	-1.0%	2.7%	6.3%	4.0%	14.1%	2.6%
2010s	13.4%	0.6%	4.1%	3.8%	3.4%	1.8%
2020s	11.9%	1.9%	-2.4%	10.2%	8.0%	4.5%

Data: NYU

S&P 500, 3-Month T-Bills, 10 Year Treasuries, Case-Shiller Index

Source: NYU

The S&P 500 index includes only very large companies, chosen by internal committee based on specific criteria. It is market-capitalization weighted; meaning the stock price of each of the 500 companies is multiplied by the number of shares available to determine its market-cap. Among the stocks included are the Mag Seven. They sat at or near the top of the index's ranking based on their massive market-caps, and their outstanding price performances in 2023 and 2024.

Reviewing Table 1.4 clearly illustrates their return differences across decades. The standout decades were the 1950s, 1980s, and 1990s, all boasting average returns between 17% and 20%. In contrast, the 1930s and 2000s were negative decades, with returns sitting at -1% due to severe bear markets. Between 2020 and 2023, the average return was 11.9%, though we won't know the complete annual performance for this decade until December 31, 2029. From 1957 through June 2024, the S&P's annualized return was 10.6%, or 6.6% after adjusting for inflation.

The table also compares the S&P 500 to five other asset classes. In many instances, stocks performed better. However, during tough financial periods, recessions, and times of inflation, other assets outshone stocks. For example, bonds beat stocks in the 1930s and 2000s, while real estate flourished in the 1940s and 2000s. Likewise, gold excelled in the 1930s, 1970s, and 2000s—all challenging decades. Being fully invested during a bad decade can yield disappointing returns, which is not the goal for investors or traders.

The worst-case scenario would involve facing two or more poor-return decades consecutively—a situation that has never happened. Still, it would be unfortunate for those planning for milestones like a wedding, retirement, purchasing a home, or funding a college education. Investors lucky enough to be fully invested during the 1980s and 1990s did very well. They might have bragged to their friends about their stock-picking skills, but the market conditions at the time lifted nearly all investments.

LIBRIS We know books

In contrast, the period from 2000 through March 2009 told a different story. Investing right at the market low on March 10, 2009, through January 21, 2025 led to impressive returns. For example, the S&P rose 740.6%, while the Nasdaq Composite soared 1,354.5%. The DJIA climbed 535.6%, but the QQQ outperformed all, providing an incredible 2,108.0% increase. This example drives home the point that in investing, timing indeed matters. It is not something smart investors ignore.

S&P 500 Average Annual Real Returns

To understand the annual returns more clearly, let's look at the bell-shaped diagram in Figure 1.2. Each year's S&P 500 return from 1926 to 2023 is placed into the right performance stack on the x-axis. The most recent years are closer to the top of the stacks. As expected, the most common annual market returns fall in the 10 to 15% range, with 22 years landing there. Following that, the next most frequent range is 20% to 30%, which had 18 entries. If 2024 had been included, it would fit into that bracket, showing a return of about 25%. Then there is the 0 to 10% range, which contains 16 entrants.

Looking at the positive annual returns, we find eight observations in the 30% to 40% category, with 2013 marking the last time we saw such high returns. Only three entrants reached the impressive 40% to 50% level, led by 1928—a year that soared before the disastrous crash of 1929, the worst in U.S. history. The market didn't recover to those heights until 1954, 25 years later. Just think of the wealth lost by millions of everyday people, speculators, wealthy individuals, and institutions. That crash raises serious questions about the buy-and-hold investment strategy.

On the downside, 11 observations were between 0% and negative 10%, with no decade having more than two occurrences. Ten entrants saw losses between 10% and 20%, particularly notable are back-to-back years in 1940 and 1941, as well as in 2001. Interestingly, 1929 is also in this group, as it showed a minor recovery after the crash that fall. The downward trend continued in 1930, dropping over 20%, and 1931 saw a decline of more than 30%. Finally, in 1932, the market began to recover, rising less than 10%. Five years experienced losses between 20% and 30%, with the most recent being 2022. Only four years faced declines greater than 30%, the last being 2008.