

**ARMCHAIR INVESTOR<sup>(sm)</sup> MORNING**  
**MARKET NEWSLETTER**  
*A TREND-FOLLOWING STRATEGY*



Join the Dallas-wide IBD Meetup on Wednesday 3/28. All are welcome. Details and registration at [www.meetup.com/ibd-265/](http://www.meetup.com/ibd-265/)

**MARKET DIRECTION IS THE SINGLE MOST IMPORTANT INDICATOR OF THE SUCCESS OF INDIVIDUAL STOCKS.**

**THE ARMCHAIR INVESTOR**  
**MARKET DIRECTION WORKSHOP**

Learn how to:

- Interpret the day-to-day market movements of the market and your stocks
- Put day-to-day movements together for a market diagnosis
- Decode the price-volume action for your individual stocks.
- Buy stocks earlier in a good Uptrend.
- Get out faster by learning how to interpret when the market and your stocks are failing.
- Complete history of the market signals since 2000 and their extraordinary returns earned during each market trend

**Saturday, 3/31, 1:00 to 4:00** in a hotel near the DFW airport  
75 page full-color workbook included. . Pre-registration required.  
Beat the standard price of \$195 by registering by noon on Friday for 125.  
Seating is limited! Call Charlotte 214-995-6702

**A concentration of distribution days is the most significant market direction indicator.**

**On March 27, the S&P500 distribution count rose to 9 days with many other confirming signs of weakness.**

**The market diagnosis is moved to DOWNTREND (frequently called "correction")**

**Wednesday** was the first trading day after Tuesday's end-of-day Downtrend diagnosis. **The market moved down today – consistent with a Downtrend.**

**TREND-FOLLOWING ACTION:** Consider exiting any uptrend ETFs such as the QQQ, QLD and TQQQ and buying a short ETF such as the PSQ, QID and SQQQ.

DAILY MARKET ACTION						
3/28/18	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Final Uptrend Gains: 2/14/2018 – 3/27/2018
Nasdaq	6,949.23	-0.9%	+8.0%	+10.3%	Minor distribution	-3.1%
S&P500	2,604.99	-0.3%	NYSE Volume		Minor distribution	-3.8%
NYSE	12,308.90	+0.1%	+4.3%	+0.3%	Neither	-3.8%
DJIA	23,848.35	-0.0%			Neither	-4.7%

**A Major Accumulation Day:** Price RISES 1.0% or more and higher Volume than the day before  
**A minor accumulation Day:** Price RISES 0.2% or more and Volume is strong (either higher than the day before or is well-above average volume)  
**A Major Distribution Day:** Price FALLS 1.0% or more and higher Volume than the day before  
**A minor distribution Day:** Price FALLS 0.2% or more and Volume is strong (either higher than the day before or is well-above average volume)

You can blame it on China, North Korea, Trump or Brexit but the **source of the market weakness does not matter**. I don't care about the cause.

**I just want to know what direction the market is going.**

A concentration of distribution days with confirming negative factors built to a "Market in Downtrend" diagnosis on Tuesday.

**REMEMBER:**

**THE MARKET CONTINUES IN THE DIRECTION IT'S GOING UNTIL IT DOESN'T.**

**THE ARMCHAIR INVESTOR** strategy is SIMPLE:

- Be in the market when it is going up.
- Be out of the market when it is going down.
- Protect yourself with an 8% stop.

And "out of the market" includes going short in a downtrend, if you are willing and able to do so.

**Be sure your stops are in for any stocks you still own.**

Download the **FULL ARMCHAIR INVESTOR NEWSLETTER** at:

[www.ArmchairInvestor.com](http://www.ArmchairInvestor.com)

Click on the **Current Newsletter** tab

**No advice is ever given in this newsletter. It is provided for your education only.**  
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NOTE: Some tables in today's newsletter are different today because they show the final returns (profit or loss) for the last trend. Tomorrow, they will start tracking the profit/loss of the new Downtrend begun on 3/27/2018.

Uptrend ETFs	ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS FOR RECENT UPTREND			
	<i>Final returns for the Uptrend are based on buying the opening prices on 2/15/2018 and exiting at the opening prices on 3/28/2018.</i>			
3/28/18	Opening Price on 2/15/2018	Today's Price	ETF % Change Today	PROFIT/LOSS from 2/15/18 Signal: "Market in UPtrend" to exiting on the 3/28 opening price
QQQ (1x)	\$164.14	\$157.25	-1.2%	-3.6%
QLD (2x)	\$80.57	\$73.50	-2.2%	-7.6%
TQQQ (3x)	\$158.00	\$136.37	-3.4%	-12.2%

The ETF QQQ is designed to move WITH the largest 100 stocks on the Nasdaq. QLD is designed to double the price move of the QQQ. The TQQQ is a more volatile Visit Proshares.com for more information.

MARKET ACTION 2018 YEAR-TO-DATE			
3/28/18	2017 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6903.39	6949.23	+0.7%
S&P 500	2673.61	2604.99	-2.6%
NYSE Comp	12,808.84	12,308.90	-3.9%
DJIA	24,719.22	23,848.35	-3.5%

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."

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS							
		A	B	C	D	E	Total
4 weeks ago	2/28	8%	32%	23%	25%	12%	6507
3 weeks ago	3/7	8%	32%	22%	24%	13%	6513
2 weeks ago	3/14	10%	35%	22%	22%	11%	6514
1 week ago	3/21	9%	34%	23%	23%	12%	6499
Today	3/28	6%	29%	23%	28%	14%	
	#	385	1902	1518	1793	898	6496

Note: The Accumulation/Distribution ratings are calculated overnight & reported one day delayed. "2 weeks ago" is 10 market days ago; "4 weeks ago" is 20. The ratings which are higher than two weeks prior are colored light GREEN. Those lower are PINK.

<b>HOW CLOSE ARE THE INDEXES TO ALL-TIME HIGHS?</b>				
3/28/2018	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High	3/13/2018	1/26/2018	1/26/2018	1/26/2018
All-time High	7537.27	2872.87	13637.02	26616.71
Current Price	6949.23	2604.99	12308.90	23848.35
Below (-) or Above (+) Recent High (%)	-7.8%	-9.3%	-9.7%	-10.4%
Below (-) or Above (+) Recent High (#)	-588.04	-267.88	-1328.12	-2768.36

<b>LAST WEEK'S MARKET ACTION</b>				
3/23/2018	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-6.5%	-8.0%	+2.0%	Neither
S&P 500	-6.0%	S&P 500 Volume		Neither
NYSE	-4.7%	-6.5%	-5.0%	Neither
DJIA	-5.7%			Neither

The "TYPES OF WEEK" are:

**ACCUMULATION WEEK** Price RISES 0.2% or more and Volume RISES

**DISTRIBUTION WEEK** Price FALLS 0.2% or more and Volume RISES

Another type of DISTRIBUTION(\*): WEEK Price FALLS 0.2% or more & Volume is 15% or more above average even without an increase in volume.

The NYSE volume is used for the S&P500 and NYSE Composite.



The above charts are from **StockCharts.com**, a valuable site for investors with **many free tools**.  
 On the **daily charts**: The **price 20-day, 50-day and 200-day moving averages** are shown. If you don't see the 200-day price moving average, it is too far away from the price bars to show. But stay tuned – it will appear on these charts when the market direction changes.  
 Also, the **volume 50-day moving average** is shown.  
 On the **weekly charts**: The **price 10-week & 40-week moving averages** and the **10-week volume moving average** is shown.

The only strength in the Market Factors table is that some of the indexes are still above their 200-day moving averages. EVERYTHING else leans to the downside.

<b>MARKET FACTORS, COUNTS &amp; RATINGS</b>		<b>3/28/2018</b>	
<b>Type of DAY for <u>Nasdaq</u></b> Accumulation, Distribution or Neither		<b>Minor distribution</b>	
<b>Market Direction</b> Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		<b>DOWNTREND</b>	
<b><u>ALL Nasdaq Accumulation &amp; Distribution Days</u></b> 20-day count of <b>NASDAQ</b> Accumulation & Distribution days		<b>Accumulation Days</b> <b>4</b>	<b>Distribution Days</b> <b>7</b>
This field is designed to count ONLY Major Distribution days of 1% drop or more. In more volatile markets, this field will have larger counts.			
<b>Count of Up Days and Down Days</b> (10-days on the Nasdaq)		<b>Up Days</b> <b>2</b>	<b>Down Days</b> <b>7</b>
. Those days are not included in the Up/Down count which does not, therefore, add up to 10 days.			
<b>Leaders Up/Down with High Volume</b> 10-day ratio		<b>0.8</b>	
This indicator looks at leading stocks (high RS) and is, thus, biased to the upside. Uptrend indicator: 1.5 or higher. Neutral: 1.0 to 1.49. Downtrend: less than 1.0			
<b>Market Accumulation/Distribution Ratings</b> "A": heavy accumulation, "B": moderate accumulation, "C": neutral, "D": moderate distribution, "E": heavy distribution. Accumulation = Institutions are BUYING, Distribution = Inst are SELLING		<b>Nasdaq</b> <b>D-</b>	<b>S&amp;P 500</b> <b>E</b>
		<b>DJIA</b> <b>E</b>	
<b>Are Major Indexes Above or Below Moving Averages?</b> "At" is within 1% above or below the moving average.		<b>50-Day</b>	<b>200-Day</b>
<b>Nasdaq</b>		<b>Below</b>	<b>Above</b>
<b>S&amp;P 500</b>		<b>Below</b>	<b>At</b>
<b>NYSE</b>		<b>Below</b>	<b>At</b>
<b>DJIA</b>		<b>Below</b>	<b>Above</b>

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

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

#	Date	Close	Index % Change	Volume % Change	Current Trend Day Count	Type of Day: Accumulation, Distribution or Neither (—)	<u>CONSISTENT WITH: UPTREND or Downtrend?</u>
<b>MARKET IN UPTREND</b>							
20	3/1/18	7180.56	-1.3%	+5.9%	11	Major Distribution day >>>Uptrend under Pressure<<<	DOWNTREND
19	3/2/18	7257.87	+1.1%	-8.4%	12	—	DOWNTREND
18	3/5/18	7330.70	+1.0%	-11.9%	13	—	DOWNTREND
17	3/6/18	7370.78	+0.6%	-5.8%	14	—	DOWNTREND
16	3/7/18	7396.65	+0.3%	+3.0%	15	Minor accumulation day	UPTREND
15	3/8/18	7427.95	+0.4%	+6.0%	16	Minor accumulation day	UPTREND
14	3/9/18	7560.81	+1.8%	+0.8%	17	Major Accumulation day >>>UPTREND<<<	UPTREND
13	3/12/18	7588.32	+0.4%	+0.4%	18	Minor accumulation day	UPTREND
12	3/13/18	7511.01	-1.0%	+6.8%	19	Major Distribution day	DOWNTREND
11	3/14/18	7496.81	-0.19%	-14.8%	20	—	—
10	3/15/18	7481.74	-0.20%	-4.9%	21	—	UPTREND
9	3/16/18	7481.99	+0.00%	+11.4%	22	—	—
8	3/19/18	7344.24	-1.84%	-23.5%	23	—	UPTREND
7	3/20/18	7364.30	+0.3%	-15.6%	24	—	DOWNTREND
6	3/21/18	7345.29	-0.3%	+1.1%	25	Minor distribution day	DOWNTREND
5	3/22/18	7166.68	-2.4%	+18.2%	26	Major Distribution day	DOWNTREND
4	3/23/18	6992.67	-2.4%	+3.9%	27	Major Distribution day	DOWNTREND
3	3/26/18	7220.54	+3.7%	-5.4%	28	—	DOWNTREND
2	3/27/18	7008.81	-2.9%	+0.2%	1	Major Distribution day	DOWNTREND
1	3/28/18	6949.23	-0.9%	+8.0%	2	Major Distribution day	DOWNTREND

The CURRENT TREND column colors: Green: Uptrend. Yellow: Uptrend under Pressure. Red: Downtrend.

## **FOR INVESTORS IN INDIVIDUAL STOCKS**

*More detailed comments on market direction and technical analysis for individual stocks*

**WEDNESDAY :** REPEATING THE IMPORTANCE OF PROTECTING YOUR PORTFOLIO: CASH IS A POSITION.

**The market diagnosis is DOWNTREND.**

**This is a time to build a watch list.** Many dips into “under pressure” are periods when the market realigns with reality, correcting prices of stocks that have risen too high, based on crowd exuberance. How will you know? If there is no news or changes in the company’s financials, but it still starts falling, don’t try to be smarter than the market. **THE MARKET IS ALWAYS RIGHT.**

**REMEMBER:**

**YOU ARE NOT SMARTER THAN THE MARKET**

**THE MARKET AND STOCKS CONTINUE IN THE DIRECTION THEY ARE GOING..... UNTIL THEY DON'T.**

**PROTECT YOUR PORTFOLIO WITH AN 8% STOP**

And, yes. You may have chosen a tighter 7% or 6% stop. The most important aspect of this first rule is:

**CHOOSE YOUR STOP & LIVE BY IT – NO EXCUSES!**

And you don’t have to wait for your stock to fall to the stop. A concentration of distribution is a good reason to get out wherever it happens!

**Remember:**

**The market AND YOUR STOCKS continue in the direction they are going until they don’t.**

**What to do now:**

1. **WATCH YOUR INVESTMENTS CLOSELY:** Sell stalling and falling stocks quickly.
2. Do a quick **review of each stock you own every night.** Look for strength and weakness signals in the price-volume action, especially watching for distribution (signs of institutional selling)
3. **DON'T LOSE YOUR GAINS:** Sell any stock that is showing a concentration of distribution days. I sell more quickly in a Downtrend



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## ARMCHAIR INVESTOR WEEKLY CLASS SCHEDULE

Join us for the ARMCHAIR INVESTOR classes.

**Be my guest** (FREE) if you have not visited in the last six months (guest seating limited).

Please register on the Meetup site so I will have a handout for you (25 pages of articles and

[Link to registering for the Armchair Investor Meetup- CLICK HERE](#)

**The 2018 ARMCHAIR INVESTOR classes schedule.**

**Pre-register please! Schedules change! See phone number below:**

**Mondays** 6:00 – 8:00 p.m. Barnes & Noble at Royal & Preston (northeast corner), Dallas

**Tuesdays** 3:30 – 5:30 p.m. Barnes & Noble at Royal & Preston (northeast corner), Dallas

**Wednesdays** 10:00 am – noon, Barnes & Noble, on Beltline just east of Montfort, Addison

- **Guest attendance** is limited to ensure class members get their full value. -
- **Be sure to call to confirm we are having a class** (we are occasionally on vacation) and have an open chair.

**Call or text me** at 214-995-6702 to schedule your FREE visit (new visitors only) to an ARMCHAIR INVESTOR class.

TO REGISTER FOR THE COMPREHENSIVE, SINGLE SUBJECT  
ARMCHAIR INVESTOR WORKSHOPS  
OR TO VISIT AN ARMCHAIR INVESTOR CLASS:

**CALL OR TEXT** CHARLOTTE HUDGIN AT 214-995-6702

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

Questions may be submitted to: [Editor@ArmchairInvestor.com](mailto:Editor@ArmchairInvestor.com)

Some of your questions will be used in future newsletters.

Additional notes follow:

## EXPLANATION OF TERMS FOR THE

### MARKET ACTION OVER THE LAST 20 DAYS

*Four weeks of price and volume action reveal much about the direction of the market and the strength of that movement.*

		Price		Volume	
Healthy <b>Uptrend</b> Price-Volume Movement	Strong Action	Up	↑	↑	Up
	Weaker Action	Down	↓	↓	Down
Healthy <b>Downtrend</b> Price-Volume- Movement	Strong Action	Down	↓	↑	Up
	Weaker Action	Up	↑	↓	Down

The chart below identifies the **market direction** indicated by the Nasdaq's price and volume action for the last 20 days at two levels of significance.

#### **ACCUMULATION/DISTRIBUTION COLUMN - TELLS YOU WHERE THE BIG MONEY IS GOING**

The listing includes: the date, Nasdaq closing price and percent change of the Nasdaq price and volume.

- The next column identifies days that were **Major Accumulation** (serious UPTREND indicator) or **Major Distribution** (serious Downtrend indicator) using the 1% minimum rise or fall with higher volume.
- **Minor accumulation** and **minor distribution days** are also identified – days that moved 0.2% or more but less than 1%.

#### **“CONSISTENT WITH”– THE SUBTLE, BUT TELLING MOVES**

The last column is an UPTREND /Downtrend indicator.

Think of a healthy Uptrend. It will have many days where the index rises with increased volume.

But even in the most robust Uptrend, \* not every day will be up. In any Uptrend, there will be some down days. If they have higher volume, then the day becomes a distribution day but if the volume is lighter (as frequently happens in an Uptrend), then the down day is NOT a distribution day. In fact, a drop on lighter 4747.62 volume says they market is NOT selling off heavily – good news and consistent with the Uptrend.

Using the Healthy UPTREND/Downtrend price and volume movement listed above.

- For example, if the Nasdaq closing price rose 0.7% and the volume rose 2% (up and up), that movement is “consistent with” the price-volume action of a Healthy UPTREND.
- If the price drops 0.5% and the volume rises 1.2% (down and up), that movement is “consistent with” the price-volume action of a Healthy Downtrend as indicated in the table above.
- Any index change less than + or – 0.3% or volume change less than + or – 1% has no “consistent with” notation. Price and volume movements that small is not strong enough to tell us about the market movement.

## EXAMPLE OF ACCUMULATION AND DISTRIBUTION WITH EXPANDED EXPLANATION OF TERMS:

Today's Market Action with explanation						
2/5/16	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg	Accumulation or Distribution Day?	Current Trend: DOWNTREND Began 1/4/2015
Index	4363.14	-3.2%	+13.8%	+21.8%	Major Distribution	+11.3%
S&P500	1879.92	-1.9%	NYSE Volume		Neither	+6.6%
NYSE	9,390.33	-1.5%	-5.3%	+15.0%	Neither	+6.2%
DJIA	16,204.62	-1.3%			Neither	+5.5%
<p>A <b>Major Accumulation Day</b>: Price RISES 1.0% or more and higher Volume than the day before            A <b>Minor accumulation Day</b>: Price RISES 0.2% or more and Volume is strong (either higher volume or is well-above average volume)</p>						
<p>A <b>Major Distribution Day</b>: Price FALLS 1.0% or more and higher Volume than the day before.            A <b>Minor distribution Day</b>: Price FALLS 0.2% or more, Volume is strong (either higher volume or is well-above average volume)</p>						
<p>A <b>Stalling minor distribution Day</b>: Only in an up-trending index or stock, price is FLAT or DOWN slightly compared to the day before, closing in the <u>bottom half of the day's range</u> and <u>volume is heavier or about equal to</u> the day before or strong compared to the past market. It's the price closing low in the day's range after an <u>uptrend</u> that is the key for this designation. Price close to flat and higher or consistent volume indicates the big money (institutions: mutual funds, banks, etc.) are gently selling, trying to sneak out so you won't notice.</p>						
<p>** The "CURRENT TREND" column calculates how far each index has moved in the current trend assuming you purchased the index (which is not buyable) at the opening price on the day after the trend change signal.</p>						
<ul style="list-style-type: none"> <li>• <b style="color: green;">When this column is GREEN, the index has moved in the direction of the market trend.</b></li> <li>• <b style="color: red;">HOWEVER, when this column is RED, the index change has fallen into negative territory (which could be a rise during a Downtrend)</b></li> </ul>						
<p>An <b style="background-color: green; color: black;">ACCUMULATION</b> day points at heavy buying by institutional money managers - the mutual funds, pension funds, banks, etc.            A <b style="background-color: red; color: black;">DISTRIBUTION</b> day points at heavy selling by institutional money managers.</p>						