

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



Join us!

**THE ARMCHAIR INVESTOR SHORTING WORKSHOP**

**Saturday April 7 1 – 5 p.m.**

*“Making money on the way down.”*

*If you intend to attend this workshop, please register with a text or a call to Charlotte at 214-995-6702. Your return text/call will be your confirmation.*

**LET US KNOW YOU ARE COMING**

**TO THIS WORKSHOP EVEN IF YOU HAVE ALREADY PAID FOR A SERIES – WE WILL RESERVE YOUR SEAT AND PREPARE YOUR WORKBOOK.**

Learn ways make money as the market drops: The SHORTING WORKSHOP

- Shorting is easier than buying stocks long – Most of the work is chart analysis - price and volume!

**Saturday, 4/7, 1:00 to 5:00** 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 leave a message.

**The market is in DOWNTREND**  
**(frequently called “correction”)**

**STOP!**

The market is giving mixed signals.

Since the March 27 Market in Correction call, the indexes have “round tripped”, dropping in the new correction and then rising back above that March 27 final distribution day.

In a new Correction, we expect price to fall on higher volume –more distribution days. We had a few, but the last two days were big rises with lower volume on both indexes. I don’t usually worry about low volume

days, but these were whoppers, taking both indexes back above the 3/27 closes. If I don't understand what the market is doing, when it is inconsistent with prior market activity, I am happy to poll out of my positions and wait on the sidelines.

Note: If you hold any stocks, long or short, that are making money, you don't have to exit right now. But I won't hold little losses as they grow to bigger losses.

Earnings season will start in earnest on 4/16 with 195 companies reporting. That means we have a week and a half to wait for the wave of earnings to crash over us.

A suggestion? If you hold a stock that begins to drop hard before earnings, take the hint and get out. Institutions sell when they know enough to be concerned about a company's financial report disappointing.

The appropriate actions are now to:

- **Reel in weak investments** (sell all or sell half of faltering stocks),
- **Place stops closer** to current prices (trailing stops may be appropriate in this market),
- **Wait** to add new stocks to your portfolio and
- Build that **watch list** – we never know when the market will pop back up!
- If your short ETF position has lost money until you have given back all your initial gains, stop the bleeding by getting out.

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**Wednesday: Indexes rise, but volume is low.** The Downtrend continues. No Uptrend has only rising days. No Downtrend has only falling days. Every market has a mixture. But this market has taken away all of last week's gains with odd days – rising index with lower volume. **WHEN I DON'T UNDERSTAND A MARKET, I WILL REDUCE MY HOLDINGS OR STEP OUT COMPLETELY.**

The recent “weak/uncertain” days (see below) confuse me.

**Strong signal days:** The market moves (up or down) with **higher volume.**

**Weak/uncertain signal days:** The market moves (up or down) with **lower volume.**

## DAILY MARKET ACTION

4/4/18	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Recent Trend Gain/Loss: 3/27/2018 DOWNTREND
Nasdaq	7,042.11	+1.5%	-3.7%	-3.4%	Neither	+0.9%
S&P500	2,644.69	+1.2%	NYSE Volume		Neither	+1.3%
NYSE	12,466.35	+0.8%	-1.2%	-13.1%	Neither	+1.1%
DJIA	24,264.30	+1.0%			Neither	+1.6%

NOTE: The last column above tells you how much you lost if you were long in the major indexes. See the “**ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS**” for how much you would have made if you were in the single, double or triple inverse Nasdaq100 tracking ETFs! Sweet!

Next look at any chart of the Nasdaq or S&P500 index. Although both rose Tuesday and Wednesday, I’m not sure they have broken above the channel – not convincingly!

See the charts I include in the full newsletter with the channel lines drawn in.

**TREND-FOLLOWING ACTION:** Exit any uptrend market tracking ETFs such as the QQQ, QLD and TQQQ.

Now you have two Trend-following options in a Downtrend:

1. Buy a short (inverse) ETF such as the PSQ, QID and SQQQ.
2. Short individual stocks (see the Shorting workshop at the top of this newsletter.)

## ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS FOR CURRENT DOWNTREND

*The PROFIT/LOSS column shows the gain/loss from investing in the ETF the morning after the market went into “DOWNTREND.”*

Downtrend ETFs	Price at Open on the Day after the Trend Changed	Closing Price Today	ETF % Change Today *	PROFIT /LOSS from 3/27/18 Signal: Most recent “Market in DOWNTrend”
Short QQQ	158.25	159.74	-1.6%	-0.9%
PSQ (1x)	34.62	34.24	-1.6%	-1.1%
QID (2x)	12.50	12.22	-3.0%	-2.3%
SQQQ (3x)	19.03	18.33	-4.7%	-3.8%

**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 or (or short) 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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**HOW CLOSE ARE THE INDEXES TO ALL-TIME HIGHS?**

4/4/2018	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	7042.11	2644.69	12466.35	24264.30
Below (-) or Above (+) Recent High (%)	-6.6%	-7.9%	-8.6%	-8.8%
Below (-) or Above (+) Recent High (#)	-495.16	-228.18	-1170.67	-2352.41

**LAST WEEK'S MARKET ACTION**

3/29/2018	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-1.4%	-10.7%	-10.0%	Neither
S&P 500		S&P 500 Volume		Neither
NYSE	+0.6%	-16.4%	-21.0%	Neither
DJIA	+0.6%			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 below 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>4/4/2018</b>	
<b>Type of DAY for Nasdaq</b> Accumulation, Distribution or Neither		<b>Neither</b>	
<b>Market Direction</b> Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		<b>DOWNTREND</b>	
<b>ALL Nasdaq Accumulation &amp; Distribution Days</b>		<b>Accumulation Days</b>	<b>Distribution Days</b>
<b>Count of NASDAQ</b> Accumulation & Distribution days		<b>1</b>	<b>4</b>
The usual 20-day count was changed to 10 days to show the recent accumulation and distribution in the "Uptrend under Pressure" and "Downtrend" period.			
<b>Count of Up Days and Down Days</b> (10-days on the Nasdaq)		<b>Up Days</b>	<b>Down Days</b>
		<b>4</b>	<b>6</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>0.7</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>Above</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:</u> UPTREND or Downtrend?
<b>THE COLOR OF THE “CURRENT TREND DAY COUNT” tells you the current market direction: Red = Downtrend, Yellow = Uptrend under Pressure, Green = Uptrend</b>							
20	3/7/18	7396.65	+0.3%	+3.0%	15	Minor accumulation day	UPTREND
19	3/8/18	7427.95	+0.4%	+6.0%	16	Minor accumulation day	UPTREND
18	3/9/18	7560.81	+1.8%	+0.8%	17	Major Accumulation day >>>UPTREND<<<	UPTREND
17	3/12/18	7588.32	+0.4%	+0.4%	18	Minor accumulation day	UPTREND
16	3/13/18	7511.01	-1.0%	+6.8%	19	Major Distribution day	DOWNTREND
15	3/14/18	7496.81	-0.19%	-14.8%	20	—	—
14	3/15/18	7481.74	-0.20%	-4.9%	21	—	UPTREND
13	3/16/18	7481.99	+0.00%	+11.4%	22	—	—
12	3/19/18	7344.24	-1.84%	-23.5%	23	—	UPTREND
11	3/20/18	7364.30	+0.3%	-15.6%	24	—	DOWNTREND
10	3/21/18	7345.29	-0.3%	+1.1%	25	Minor distribution day	DOWNTREND
9	3/22/18	7166.68	-2.4%	+18.2%	26	Major Distribution day	DOWNTREND
8	3/23/18	6992.67	-2.4%	+3.9%	27	Major Distribution day	DOWNTREND
7	3/26/18	7220.54	+3.7%	-5.4%	28	—	DOWNTREND
6	3/27/18	7008.81	-2.9%	+0.2%	1	Major Distribution day <i>Market moves into Downtrend</i>	DOWNTREND
5	3/28/18	6949.23	-0.9%	+8.0%	2	Major Distribution day	DOWNTREND
4	3/29/18	7063.45	+1.6%	+2.9%	3	Major Accumulation day >>>UPTREND<<<	UPTREND
3	4/2/18	6870.12	-2.74%	-6.4%	4	—	UPTREND
2	4/3/18	6941.28	+1.0%	-4.2%	5	—	DOWNTREND
1	4/4/18	7042.11	+1.5%	-3.7%	6	—	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.

Review each stock you own every night (about 10 minutes if you own the recommended 7 or less stocks.) Sell any stock that is failing, has a high distribution count, or shows other signs of significant weakness.

**WHAT TO DO NOW?** Consider shorting a stock or two that meets the most common “Head and shoulders” or “Failed base breakout” patterns. Join us on Saturday for the Armchair Investor workshop on shorting if you’d like to know more.

**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**

**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  
Some of your questions will be used in future newsletters.

Additional notes follow:

<b>EXPLANATION OF TERMS FOR THE</b>					
<b>MARKET ACTION OVER THE LAST 20 DAYS</b>					
<i>Four weeks of price and volume action reveal much about the direction of the market and the strength of that movement.</i>					
		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
<p>The chart below identifies the <b>market direction</b> indicated by the Nasdaq's price and volume action for the last 20 days at two levels of significance.</p> <p><b>ACCUMULATION/DISTRIBUTION COLUMN - TELLS YOU WHERE THE BIG MONEY IS GOING</b></p> <p>The listing includes: the date, Nasdaq closing price and percent change of the Nasdaq price and volume.</p> <ul style="list-style-type: none"> <li>• The next column identifies days that were <b>Major Accumulation</b> (serious UPTREND indicator) or <b>Major Distribution</b> (serious Downtrend indicator) using the 1% minimum rise or fall with higher volume.</li> <li>• <b>Minor accumulation</b> and <b>minor distribution days</b> are also identified – days that moved 0.2% or more but less than 1%.</li> </ul> <p><b>“CONSISTENT WITH” – THE SUBTLE, BUT TELLING MOVES</b></p> <p>The last column is an UPTREND /Downtrend indicator.</p> <p>Think of a healthy Uptrend. It will have many days where the index rises with increased volume.</p> <p>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 4747.62volume says they market is NOT selling off heavily – good news and consistent with the Uptrend.</p> <p>Using the Healthy UPTREND/Downtrend price and volume movement listed above.</p> <ul style="list-style-type: none"> <li>• For example, if the Nasdaq closing price rose 0.7% and the volume rose 2% (up and</li> </ul>					

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%

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 volume 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, Volume is strong (either higher volume or is well-above average volume)

A **Stalling minor distribution Day**: Only in an up-trending index or stock, price is FLAT or DOWN slightly compared to the day before, closing in the bottom half of the day’s range and volume is heavier or about equal to the day before or strong compared to the past market. It’s the price closing low in the day’s range after an uptrend 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.

\*\* 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.

- **When this column is GREEN, the index has moved in the direction of the market trend.**
- **HOWEVER, when this column is RED, the index change has fallen into negative territory (which could be a rise during a Downtrend)**

An **ACCUMULATION** day points at heavy buying by institutional money managers - the mutual funds, pension funds, banks, etc.  
A **DISTRIBUTION** day points at heavy selling by institutional money managers.