

**ARMCHAIR INVESTOR^(sm) MORNING
MARKET NEWSLETTER**
A TREND-FOLLOWING STRATEGY



The market is in UPTREND

TUESDAY: Day 6 of this Attempted Rally worked! Big price rise and volume increase defined a Follow-through day, the confirmation of a new Uptrend! Sometimes, they just pop up without warning. That's one reason why it is important to watch the market every day. Look at how strong the day was.....

DAILY MARKET ACTION

4/10/18	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?
Nasdaq	7094.30	+2.01%	+8.3%	-2.4%	Major Accumulation
S&P500	2,613.16	+1.7%	NYSE Volume		Major Accumulation
NYSE	12,565.94	+1.5%	15.7%	-7.2%	Major Accumulation
DJIA	23,979.10	+1.8%			Major Accumulation

About 75% of Follow-through signals work – the market does enter a new Uptrend. My only concern about today's market action is that the volume was below the 50-day moving averages for both indexes. It could have been stronger.

TREND-FOLLOWING ACTION: William O'Neil, the founder of Investor's Business Daily, used to walk up and down the halls of his office demanding that his money managers "buy something" on the first day of a new Uptrend. He said it "put their skin in the game." (So I've been told by some people who worked with O'Neil.)

It sure makes sense. If you decide to wait out this "new" Uptrend to see if it really works, you could miss a nice chunk of change. But buying even one stock (more was OK), his traders made this new Uptrend *their Uptrend*.

Where do you start the hunt for hot stocks? Why not look at today's "Leader Up on Volume" in the Big picture? Or review the top stocks in the IBD50 (available every day in the "Stock Lists" on the Investors.com web site.

Can you I buy back a great stock I sold during the Downtrend (market correction)? You bet! Be sure it still has great ratings, both fundamentals (financials such as EPS, SMR, increasing sales and earnings) and technicals (chart ratings such as RS, Accumulation/Distribution, a rising chart, a first, second or third stage recent base). Because this Downtrend was so short, the stock can't be far from where you sold it (it if were, you'd have to look for a new base or add-on buy point).

REMEMBER:

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

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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 own.

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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.

MARKET FACTORS, COUNTS & RATINGS		4/10/2018	
Type of DAY for <u>Nasdaq</u> Accumulation, Distribution or Neither		Neither	
Market Direction Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		UPTREND	
<u>ALL Nasdaq Accumulation & Distribution Days</u>		Accumulation Days	Distribution Days
Count of NASDAQ Accumulation & Distribution days		2	7
The usual 20-day count was dropped to 11 to show the recent accumulation and distribution around the "Uptrend under Pressure" and "Downtrend" period.			
Count of Up Days and Down Days (10-days on the Nasdaq)		Up Days	Down Days
		6	4
. Those days are not included in the Up/Down count which does not, therefore, add up to 10 days.			
Leaders Up/Down with High Volume 10-day ratio		0.8	
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			
Market Accumulation/Distribution Ratings "A": heavy accumulation, "B": moderate accumulation, "C": neutral, "D": moderate distribution, "E": heavy distribution. Accumulation = Institutions are BUYING, Distribution = Inst are SELLING		Nasdaq	D-
		S&P 500	E
		DJIA	E
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day	200-Day
Nasdaq		Below	Above
S&P 500		Below	Above
NYSE		At	Above
DJIA		Below	Above

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 (—)	CONSISTENT WITH: UPTREND or Downtrend?
THE COLOR OF THE "CURRENT TREND DAY COUNT" tells you the current market direction: Red = Downtrend, Yellow = Uptrend under Pressure, Green = Uptrend							
20	3/13/18	7511.01	-1.0%	+6.8%	19	Major Distribution day	DOWNTREND
19	3/14/18	7496.81	-0.19%	-14.8%	20	—	—
18	3/15/18	7481.74	-0.20%	-4.9%	21	—	UPTREND
17	3/16/18	7481.99	+0.00%	+11.4%	22	—	—
16	3/19/18	7344.24	-1.84%	-23.5%	23	—	UPTREND
15	3/20/18	7364.30	+0.3%	-15.6%	24	—	DOWNTREND
14	3/21/18	7345.29	-0.3%	+1.1%	25	Minor distribution day	DOWNTREND
13	3/22/18	7166.68	-2.4%	+18.2%	26	Major Distribution day	DOWNTREND
12	3/23/18	6992.67	-2.4%	+3.9%	27	Major Distribution day	DOWNTREND
11	3/26/18	7220.54	+3.7%	-5.4%	28	—	DOWNTREND
10	3/27/18	7008.81	-2.9%	+0.2%	1	Major Distribution day <i>Market moves into Downtrend</i>	DOWNTREND
9	3/28/18	6949.23	-0.9%	+8.0%	2	Major Distribution day	DOWNTREND
8	3/29/18	7063.45	+1.6%	+2.9%	3	Major Accumulation day	UPTREND
7	4/2/18	6870.12	-2.7%	-6.4%	4	—	UPTREND
6	4/3/18	6941.28	+1.0%	-4.2%	5	—	DOWNTREND
5	4/4/18	7042.11	+1.5%	-3.7%	6	—	DOWNTREND
4	4/5/18	7076.55	+0.5%	-5.8%	7	—	DOWNTREND
3	4/6/18	6915.11	-2.28%	+12.4%	8	Major Distribution day	DOWNTREND
2	4/9/18	6950.34	+0.5%	-11.6%	9	—	DOWNTREND
1	4/10/18	7094.30	+2.1%	+8.3%	1	Major Accumulation day New Uptrend!	UPTREND

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

TUESDAY: A BIG UP day on higher volume – a Major Accumulation day.

The market jumps into a new UPTREND.

This is a time to use that watch list you've been building.

REMEMBER:

YOU ARE NOT SMARTER THAN THE MARKET

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

And today (Tuesday) they didn't. It happens at the start of every new Uptrend.

PROTECT YOUR PORTFOLIO WITH AN 8% STOP

CHOOSE YOUR STOP & LIVE BY IT – NO EXCUSES!

What to do now:

1. **Buy one or a few stocks today**, perhaps partial positions. Then follow them and others on your watch list and buy more. 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)
2. **Sell your downtrend ETFs** and **buy Uptrend ETFs tomorrow morning.**
3. Buy back any stock you've sold short.

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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:

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 Uptrend Price-Volume Movement	Strong Action	Up	↑	↑	Up
	Weaker Action	Down	↓	↓	Down
Healthy Downtrend 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 Major Accumulation Day: Price RISES 1.0% or more and higher Volume than the day before</p> <p>A Minor accumulation Day: Price RISES 0.2% or more and Volume is strong (either higher volume or is well-above average volume)</p> <p>A Major Distribution Day: Price FALLS 1.0% or more and higher Volume than the day before.</p> <p>A Minor distribution Day: Price FALLS 0.2% or more, Volume is strong (either higher volume or is well-above average volume)</p> <p>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 <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> <p>• <u>When this column is GREEN, the index has moved in the direction of the market trend.</u></p> <p>• <u>HOWEVER, when this column is RED, the index change has fallen into negative territory (which could be a rise during a Downtrend)</u></p>						
<p>An ACCUMULATION day points at heavy buying by institutional money managers - the mutual funds, pension funds, banks, etc.</p> <p>A DISTRIBUTION day points at heavy selling by institutional money managers.</p>						