

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



**The market is in UPTREND**

Tuesday's Follow-through day signaled the start of a new Uptrend.

**WEDNESDAY:** On Wednesday, day 2 of the new Uptrend, the major indexes, the Nasdaq and S&P500, fell. That price action was not the confirmation of Tuesday's Follow-through day that I had hoped for. The lower volume on Wednesday kept the day from being a distribution day.

Here's an encouraging point. The "Bulls versus Bears" weekly survey of investment newsletter writers shows that Bullish writers have dropped sharply from about 65% to 42% in the last two months. Why is that good news? Because historically, the newsletter writers are wrong. When a high percent of newsletter writers are bullish about the future of the market, the bull market is frequently topping as it did a few weeks ago. Now that the ratio of bullish writers is quite low, the contrarian take is that the market is ready to start a new Uptrend. Just remember, most economic/market newsletters believe what is currently happening now will continue. They naively confuse market momentum with market health.

**TREND-FOLLOWING ACTION:** With the new shift to Uptrend, exit any Downtrend market tracking ETFs such as the PSQ, QID and SQQQ.

You have two Trend-following actions to take in a new Uptrend:

1. Buy an Uptrend ETF such as the QQQ, QLD and TQQQ.
2. Cover any individual stocks you have shorted.

DAILY MARKET ACTION					
4/11/18	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?
Nasdaq	7,069.03	-0.4%	-19.7%	-19.4%	Neither
S&P500	2,642.24	-0.6%	NYSE Volume		Neither
NYSE	12,514.62	-0.7%	-14.8%	-20.8%	Neither
DJIA	24,189.73	-0.9%			Neither

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)

**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.**

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

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**No advice is ever given in this newsletter. It is provided for your education only.**

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<b>MARKET ACTION 2018 YEAR-TO-DATE</b>			
4/11/18	2017 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6903.39	7069.03	+2.4%
S&P 500	2673.61	2642.24	-1.2%
NYSE Comp	12,808.84	12,514.62	-2.3%
DJIA	24,719.22	24,189.73	-2.1%

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."

<b>HOW CLOSE ARE THE INDEXES TO ALL-TIME HIGHS?</b>				
4/11/2018	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	7069.03	2642.24	12514.62	24189.73
Below (-) or Above (+) Recent High (%)	-6.2%	-8.0%	-8.2%	-9.1%
Below (-) or Above (+) Recent High (#)	-468.24	-230.63	-1122.40	-2426.98

## LAST WEEK'S MARKET ACTION

4/6/18	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-2.1%	+17.4%	+5.0%	Major Distribution
S&P 500	-1.4%	S&P 500 Volume		Major Distribution
NYSE	-0.8%	+14.6%	-4.0%	Major Distribution
DJIA	-0.7%			Major Distribution

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.

## PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

		A	B	C	D	E
4 weeks ago	3/13	11%	35%	23%	22%	10%
3 weeks ago	3/20	9%	34%	23%	22%	12%
2 weeks ago	3/27	7%	31%	23%	27%	12%
1 week ago	4/4	6%	29%	24%	27%	14%
Today	4/11	7%	34%	25%	24%	10%

Stocks with an A or B rating are under accumulation (being bought.)

Stocks with a D or E rating are under distribution (being sold).

"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. Lower ratings are PINK.

### Nasdaq Daily chart, 3 months



### S&P500 Daily chart, 3 months



### Nasdaq Weekly chart, 1 year



### S&P500 Weekly chart, 1 year



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

On the **daily charts**: The **20-day**, **50-day** and **200-day price 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. For the **volume**, the **50-day moving average** is shown.

On the **weekly charts**: The **10-week & 40-week price moving averages** and the **10-week volume moving average** is shown.

# MARKET FACTORS, COUNTS & RATINGS

4/11/2018

<b>Type of DAY for <u>Nasdaq</u></b> Accumulation, Distribution or Neither		<b>Neither</b>	
<b>Market Direction</b> Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		<b>UPTREND</b>	
<b><u>ALL Nasdaq Accumulation &amp; Distribution Days</u></b>		<b>Accumulation Days</b>	<b>Distribution Days</b>
<b>Count of NASDAQ</b> Accumulation & Distribution days		<b>2</b>	<b>6</b>
The usual 20-day count was dropped to 11 to show the recent accumulation and distribution around 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>6</b>	<b>4</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>1.0</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>D-</b>
		<b>DJIA</b>	<b>D</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 (—)	CONSISTENT WITH: 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	3/14/18	7496.81	-0.19%	-14.8%	20	—	—
19	3/15/18	7481.74	-0.20%	-4.9%	21	—	UPTREND
18	3/16/18	7481.99	+0.00%	+11.4%	22	—	—
17	3/19/18	7344.24	-1.84%	-23.5%	23	—	UPTREND
16	3/20/18	7364.30	+0.3%	-15.6%	24	—	DOWNTREND
15	3/21/18	7345.29	-0.3%	+1.1%	25	Minor distribution day	DOWNTREND
14	3/22/18	7166.68	-2.4%	+18.2%	26	Major Distribution day	DOWNTREND
13	3/23/18	6992.67	-2.4%	+3.9%	27	Major Distribution day	DOWNTREND
12	3/26/18	7220.54	+3.7%	-5.4%	28	—	DOWNTREND
11	3/27/18	7008.81	-2.9%	+0.2%	1	Major Distribution day <i>Market moves into Downtrend</i>	DOWNTREND
10	3/28/18	6949.23	-0.9%	+8.0%	2	Major Distribution day	DOWNTREND
9	3/29/18	7063.45	+1.6%	+2.9%	3	Major Accumulation day	UPTREND
8	4/2/18	6870.12	-2.7%	-6.4%	4	—	UPTREND
7	4/3/18	6941.28	+1.0%	-4.2%	5	—	DOWNTREND
6	4/4/18	7042.11	+1.5%	-3.7%	6	—	DOWNTREND
5	4/5/18	7076.55	+0.5%	-5.8%	7	—	DOWNTREND
4	4/6/18	6915.11	-2.28%	+12.4%	8	Major Distribution day	DOWNTREND
3	4/9/18	6950.34	+0.5%	-11.6%	9	—	DOWNTREND
2	4/10/18	7094.30	+2.1%	+8.3%	10	Major Accumulation day <i>Market moves into UPTREND</i>	UPTREND
1	4/11/18	7069.03	-0.4%	-19.7%	11	—	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*

**WEDNESDAY:** Tuesday's new Uptrend means investors can start getting back into the market.

Realize that good stocks from the recent past may not be the big winners again. A rotation of winning sectors is not uncommon. Evaluate each stock you own and each you are considering to buy.

- Do they meet all of the CAN SLIM criteria?
  - If they don't, you can put them on a watch list.
- The stocks to focus on at the beginning of a new Uptrend are the current top performers
  - Let the numbers be your guide.
- The Investor's Business Daily stock lists are a great place to search for strong stocks in their buy ranges:
  - The IBD50 available in the weekly newspaper with annotated charts, and as a list every day under the Stock Lists tab.
  - The Leaders UP on Volume list in the Big Picture Market Pulse box every day under the Market Trend tab.
  - MarketSmith 250 daily lists including the "Stocks breaking out" and "Stocks near a Breakout" lists.

**Remember: CASH IS A POSITION.**

**The market diagnosis is UPTREND.**

**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!

**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 be sure to register through the Meetup site listed below or a text or call to Charlotte.

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 <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%

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.