

4/17/2018 Uptrend Day 6: Market gaps UP and keeps going! A great day

Tuesday

Volume 17 #072

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



FREE ACCESS to www.INVESTORS.COM tools for 2 weeks! Well worth your time!

I'll see you at the **FORT WORTH IBD MEETUP this Thursday**, April 19, 6:45 – 8:45 at Ol' South Pancake House (near TCU). \$5 at the door.

Register on [www.Meetup.com /ibd-307/](http://www.Meetup.com/ibd-307/)

UPCOMING **FORT WORTH ARMCHAIR INVESTOR WORKSHOPS:**

Saturday 4/21 **BASE RECOGNITION** 1 – 5 p.m.

Saturday 5/5 **ADD-ON BUY SIGNALS** 1 – 5 p.m.

These two workshops give you the knowledge to powerfully buy new positions in today's Uptrending market. 100-page full color manual included. Details coming later today.

There is a one-time 2-for-1 DISCOUNT PACKAGE when you buy both! See the email sent out about 9:55 p.m. Tuesday night. I look forward to see you at the FW Meetup or the two workshops.

(Hang on, Dallas. Your April Meetup is 4/25 in north Dallas. Details tomorrow. And you will have the workshop series repeated in Dallas a little later this year.)

The market is in UPTREND

The April 10 Follow-through day signaled the start of a new Uptrend.
Let me show you some of the strengths in this Uptrend.

TUESDAY: The new Uptrend has not rested since the 4/10 Follow-through day but continues UP with another Major Accumulation day on Tuesday:

- Nasdaq rose 1.7% with volume +5.5%, a **Major Accumulation day**
- S&P500 rose 1.1% with volume +5.7%, a **Major Accumulation day**

So what's the problem? Volume! It has been below average for 4 weeks. The markets usually take off vigorously at the beginning of a new Uptrend but this one is rising acceptably in price, but where's the volume? Is it Syria, China, Korea, the wall, or tariffs? I don't know but I wish the market volume would wake up. Rising indexes (and stocks) without above average volume makes me uncertain about this Uptrend. I am looking for increasing, above-average volume to show the institutional investors are fully participating in this Uptrend. But I

don't see it, yet. The DAILY MARKET ACTION table below is ALL green. Thanks good.

DAILY MARKET ACTION						
4/17/18	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Recent Trend Gain/Loss FROM 4/10/2018 UPTREND SIGNAL
Nasdaq	7,281.10	+1.7%	+5.5%	-16.4%	Major Accumulation	+3.2%
S&P500	2,706.33	+1.1%	NYSE Volume		Major Accumulation	+2.4%
NYSE	12,705.76	+0.6%	+5.7%	-14.4%	Minor accumulation	+1.6%
DJIA	24,786.25	+0.9%			Minor accumulation	+2.1%

The MARKET FACTORS, COUNTS & RATINGS table is almost all green except for the Index Accumulation/Distribution ratings. The low index ratings in this table have been held down by the low volume days since the market sent back into Uptrend. The link for downloading the FULL newsletter is www.ArmchairInvestor.com

PRIOR NOTES FROM FRIDAY THAT ARE STILL RELEVANT:

The new Uptrend was identified on Tuesday (4/10) when both major indexes had **Follow-through days** (a rise of 1.3% or more with higher volume on day four of its Attempted Rally or later). The market was then in a **"Confirmed Uptrend."**

See the Daily **Market Action** table at the end of the full newsletter (download on www.ArmchairInvestor.com) for more details

The confirmed Uptrend appears to be a good call. The last column tells much – **the price-volume action of the last four days (since the market was called in Uptrend) is consistent with the Uptrend.** Either:

- Price rose with higher volume (accumulation days) or
- Price fell without selling support; that is volume was lower than the day before.

In a healthy Uptrend, I am less concerned about the jumping around of the closing prices. I would like to see **continued upward support across the lows of the days.** Now look at a daily charts of the indexes mentioned above. *Both charts (daily Nasdaq and S&P500) are provided in the full Armchair Investor newsletter which you can download at the link below.*

Notice **the upward sloping support lines** on the daily charts since the market reversal at the beginning of April. I have drawn those lines on the daily charts across the bottoms of the recent index bars (since the turnaround.)

Can you see the **price hopping right up that line?**

The highs aren't yet that organized, but the rising daily lows tell me the **bulls are gently accumulating stock**. When they buy all available stock at one price, they have to hop up a little higher to continue buying.

Not every new Uptrend takes off right away. **One concern right now is the low volume.**

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.

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.**

>>>Download the FULL ARMCHAIR INVESTOR NEWSLETTER at:

www.ArmchairInvestor.com

Click on the [Current Newsletter](#) tab

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Uptrend ETFs	Armchair Investor Trend-following Returns for Current Uptrend			
4/17/18	Opening Price on 4/12/2018	Today's Price	ETF % Change Today	GAIN OR LOSS SINCE : 4/10/2018 UPTREND SIGNAL
QQQ (1x)	\$160.20	\$166.10	+2.2%	+3.7%
QLD (2x)	\$76.02	\$81.51	+4.2%	+7.2%
TQQQ (3x)	\$142.60	\$158.10	+6.3%	+10.9%

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

4/17/18	2017 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6903.39	7281.10	+5.5%
S&P 500	2673.61	2706.33	+1.2%
NYSE Comp	12,808.84	12,705.76	-0.8%
DJIA	24,719.22	24,786.25	+0.3%

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."

HOW CLOSE ARE THE INDEXES TO ALL-TIME HIGHS?

4/17/2018	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	7281.10	2706.33	12705.76	24786.25
Below (-) or Above (+) Recent High (%)	-3.4%	-5.8%	-6.8%	-6.9%
Below (-) or Above (+) Recent High (#)	-256.17	-166.54	-931.26	-1830.46

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

		A	B	C	D	E
4 weeks ago	3/19	10%	35%	23%	21%	10%
3 weeks ago	3/26	6%	28%	22%	27%	16%
2 weeks ago	4/3	5%	27%	23%	29%	16%
1 week ago	4/10	6%	31%	25%	25%	12%
Today	4/17	8%	35%	25%	23%	9%

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.

In case you missed the weekend market direction analysis summarizing the market direction turnaround, here it is again – **AN EXCELLENT REVIEW OF THE RECENT SHIFT FROM DOWNTREND TO UPTREND!**

LAST WEEK: What an abrupt change in price-volume action!

For the last four weeks, the two market leading indexes I follow (the Nasdaq and the S&P500) may have seemed erratic to you. Perhaps you aren't looking at them deeply enough.

For the 14 trading days from 3/20 to 4/9, the market fell fairly hard.

- Twelve days had **price-volume action consistent with a downtrend.**
- Only two days were consistent with an Uptrend.
- The Downtrend owed the market!

During those 14 days, price-volume action was consistent with a Downtrend most days. Either:

- Price rose without volume support (e.g. lower volume), or
- Price fell with higher volume (distribution days).

That 3 week period had only two days consistent with an Uptrend.

If you have followed this newsletter for a few months, you might remember that Downtrends frequently turn into Uptrends after a single pivot day at the bottom. This sharp change in price action describes the recent reversal on both major indexes.

- **The S&P500 went into an Attempted Rally when it pivoted up on Wednesday two weeks ago (4/4) and continued to rise, staying above that low.**
- The Nasdaq pivoted two days later (4/6) and continued to rise, staying above its low.

MARKET FACTORS, COUNTS & RATINGS		4/17/2018	
Type of DAY for <u>Nasdaq</u> Accumulation, Distribution or Neither		Major Accumulation	
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		5	6
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
		7	3
Leaders Up/Down with High Volume 10-day ratio		1.7	
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	D+
		DJIA	D+
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day	200-Day
Nasdaq		Above	Above
S&P 500		Above	Above
NYSE		At	Above
DJIA		At	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	3/20/18	7364.30	+0.3%	-15.6%	24	—	DOWNTREND
19	3/21/18	7345.29	-0.3%	+1.1%	25	Minor distribution day	DOWNTREND
18	3/22/18	7166.68	-2.4%	+18.2%	26	Major Distribution day	DOWNTREND
17	3/23/18	6992.67	-2.4%	+3.9%	27	Major Distribution day	DOWNTREND
16	3/26/18	7220.54	+3.7%	-5.4%	28	—	DOWNTREND
15	3/27/18	7008.81	-2.9%	+0.2%	1	Major Distribution day <i>Market moves into Downtrend</i>	DOWNTREND
14	3/28/18	6949.23	-0.9%	+8.0%	2	Major Distribution day	DOWNTREND
13	3/29/18	7063.45	+1.6%	+2.9%	3	Major Accumulation day	UPTREND
12	4/2/18	6870.12	-2.7%	-6.4%	4	—	UPTREND
11	4/3/18	6941.28	+1.0%	-4.2%	5	—	DOWNTREND
10	4/4/18	7042.11	+1.5%	-3.7%	6	—	DOWNTREND
9	4/5/18	7076.55	+0.5%	-5.8%	7	—	DOWNTREND
8	4/6/18	6915.11	-2.3%	+12.4%	8	Major Distribution day	DOWNTREND
7	4/9/18	6950.34	+0.5%	-11.6%	9	—	DOWNTREND
6	4/10/18	7094.30	+2.1%	+8.3%	1	Major Accumulation day <i>Market moves into UPTREND</i>	UPTREND
5	4/11/18	7069.03	-0.4%	-19.7%	2	—	UPTREND
4	4/12/18	7140.25	+1.0%	+10.8%	3	Major Accumulation day	UPTREND
3	4/13/18	7106.65	-0.5%	-12.3%	4	—	UPTREND
2	4/16/18	7156.28	+0.7%	+1.2%	5	Minor accumulation day	UPTREND
1	4/17/18	7281.10	+1.7%	+5.5%	6	Major Accumulation day	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: The below average volume

Another strong, rising day with 5 leader stocks rising on higher volume compared to 3 falling. That's a good, uptrend day.

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!

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 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%

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.