

5/09/2018 Uptrend. Nasdaq and S&P500 have Major Accumulation days!

Wednesday

Volume 17 #89

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



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>>>Are you interested in learning more about this style of investing for individual stocks? >>>>Survey was sent about midnight last night!

I am pleased to open an **ONLINE WEEKLY STOCK INVESTING CLASS** for a limited number of investors at a deeply discounted price so that we can work out the details of the most effective presentation method. When you receive the survey, please indicate your interest and the best day of the week and time to offer this first class series. Thank you. Or call me if you have any difficulty with the survey.

The market is in UPTREND

Wednesday was a good day in the stock market!

Both major indexes (Nasdaq and S&P500) were UP 1% with higher volume for **Major Accumulation days**, spending most of the day **above their 50-day moving averages!** Yeah! Lots of Green!

DAILY MARKET ACTION

5/9/18	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	7,339.91	+1.0%	+8.8%	+3.6%	Major Accumulation	+4.0%
S&P500	2,697.79	+1.0%	NYSE Volume		Major Accumulation	+2.0%
NYSE	12,632.49	+0.9%	+4.9%	+10.3%	Minor accumulation	+1.0%
DJIA	24,542.54	+0.8%			Minor accumulation	+1.1%

The Nasdaq and S&P500 have made their second “higher low” (see either daily chart). This is how a stock or market climbs out of a dip.

All of the index Accumulation/Distribution ratings ROSE on Wednesday.

- Accumulation/Distribution ratings: Nasdaq is a D+, the S&P500 and DJIA are a D.

Download the full Armchair Investor newsletter to see the RISING support lines I have drawn in the daily and weekly charts of the Nasdaq and S&P500. Impressive. Now we need continued buying to push the Accumulation/ Distribution ratings back up to the B or A level to show broadening buying.

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**The Market is in UPTREND.....
And..... We still need Volume!**

Without volume there is an underlying weakness to the market. And I am buying smaller positions and buying more cautiously.

Markets usually take off vigorously at the beginning of a new Uptrend but this one is IS NOT.

The MARKET FACTORS, COUNTS & RATINGS table (in the full newsletter) is showing less green (uptrend indicators).

TREND-FOLLOWING ACTION: With the market diagnosis as “Uptrend”, you have two Trend-following actions to take:

- Hold an Uptrend ETF such as the QQQ, QLD and TQQQ.
- 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.

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www.ArmchairInvestor.com

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Uptrend ETFs	Armchair Investor Trend-following Returns for Current Uptrend			
5/9/18	Opening Price on 4/12/2018	Today's Price	ETF % Change Today	GAIN OR LOSS SINCE 4/10/2018 UPTREND SIGNAL
QQQ (1x)	160.2	167.85	+1.1%	+4.8%
QLD (2x)	76.02	83.06	+2.3%	+9.3%
TQQQ (3x)	142.6	161.96	+3.4%	+13.6%

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			
5/9/18	2017 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6903.39	7339.91	+6.3%
S&P 500	2673.61	2697.79	+0.9%
NYSE Comp	12,808.84	12,632.49	-1.4%
DJIA	24,719.22	24,542.54	-0.7%

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
4 weeks ago	4/11	7%	34%	25%	24%	10%
3 weeks ago	4/18	9%	37%	24%	21%	8%
2 weeks ago	4/25	8%	33%	25%	24%	10%
1 week ago	5/2	7%	32%	26%	24%	10%
Today	5/9	8%	34%	25%	23%	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.

MARKET FACTORS, COUNTS & RATINGS		5/9/2018	
Type of DAY for <u>Nasdaq</u> Accumulation, Distribution or Neither		Major Accumulation	
Market Direction Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		UPTREND	
Nasdaq Accumulation & Distribution Days Nasdaq 20-day count		Accumulation Days 5	Distribution Days 3
Count of Up Days and Down Days Nasdaq last 10-days price movement only		Up Days 4	Down Days 3
Days that do not move at least 0.2% are not included in the Up/Down count which does not, therefore, add up to 10 days.			
Leaders Up/Down with High Volume Nasdaq 10-day ratio		1.8	
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 S&P 500 DJIA	D+ D 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		At	Above
NYSE		At	Above
DJIA		At	Above

LAST WEEK'S MARKET ACTION				
5/4/2018	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+1.3%	+3.5%	-1.0%	Major Accumulation
S&P 500	-0.2%	S&P 500 Volume		Minor distribution
NYSE	-0.8%	+8.1%	+15.0%	Minor distribution
DJIA	-0.2%			Minor distribution
<p>The "TYPES OF WEEK" are:</p> <p>ACCUMULATION WEEK PRICE RISES 0.2% or more and VOLUME RISES</p> <p>DISTRIBUTION WEEK PRICE FALLS 0.2% or more and VOLUME RISES</p> <p>Another type of DISTRIBUTION(*): WEEK PRICE FALLS 0.2% or more & VOLUME is 15% or more above average even without an increase in volume.</p> <p>The NYSE volume is used for the S&P500 and NYSE Composite.</p>				

HOW CLOSE ARE THE INDEXES TO ALL-TIME HIGHS?				
5/9/2018	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	7339.91	2697.79	12632.49	24542.54
Below (-) or Above (+) Recent High (%)	-2.6%	-6.1%	-7.4%	-7.8%
Below (-) or Above (+) Recent High (#)	-197.36	-175.08	-1004.53	-2074.17

Nasdaq Daily chart, 3 months

The Nasdaq daily price closed slightly above 50-day moving average.
Notice the **recent rising lows**.



Nasdaq Weekly chart, 1 year

The Nasdaq weekly also closed slightly above 10-week m.a.s.
Notice **the three higher lows** over the last five weeks.



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

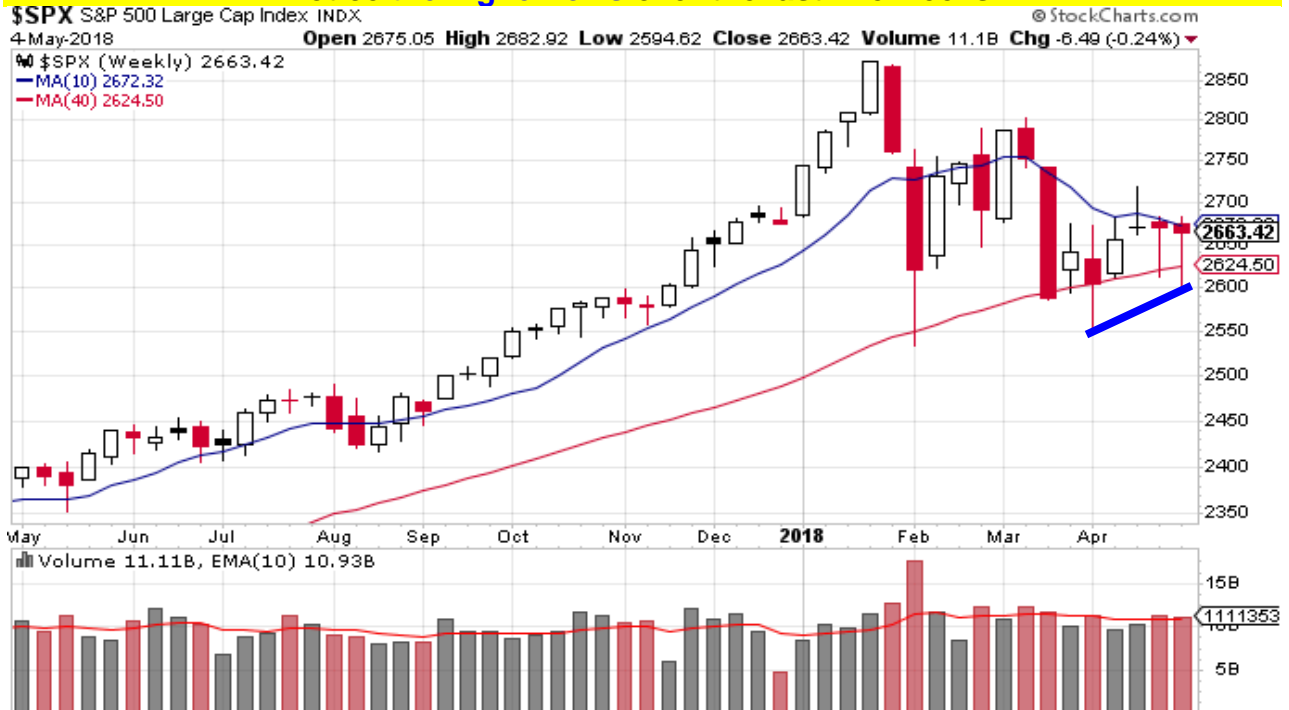
S&P500 Daily chart, 3 months

The S&P500 rises and is slightly below its 50-day moving average.
Notice the recent rising lows.



S&P500 Weekly chart, 1 year

S&P500 weekly rallies to just under its 10-week moving average.
Notice the higher lows over the last five weeks.



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

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	4/12/18	7140.25	+1.0%	+10.8%	3	Major Accumulation day	UPTREND
19	4/13/18	7106.65	-0.5%	-12.3%	4	—	UPTREND
18	4/16/18	7156.28	+0.7%	+1.2%	5	Minor accumulation day	UPTREND
17	4/17/18	7281.10	+1.7%	+5.5%	6	Major Accumulation day	UPTREND
16	4/18/18	7295.24	+0.19%	-0.9%	7	—	—
15	4/19/18	7238.03	-0.8%	+5.7%	8	Minor distribution day	DOWNTREND
14	4/20/18	7146.13	-1.3%	-5.5%	9	—	UPTREND
13	4/23/18	7128.60	-0.3%	-9.7%	10	—	UPTREND
12	4/24/18	7007.35	-1.7%	+26.5%	11	Major Distribution day	DOWNTREND
11	4/25/18	7003.74	-0.05%	-5.0%	12	—	—
10	4/26/18	7118.68	+1.6%	+3.8%	13	Major Accumulation day	UPTREND
9	4/27/18	7119.80	+0.06%	-2.3%	14	—	—
8	4/30/18	7066.27	-0.8%	-4.3%	15	—	UPTREND
7	5/1/18	7130.70	+0.9%	-3.3%	16	—	DOWNTREND
6	5/2/18	7100.90	-0.4%	+11.8%	17	Minor distribution day	DOWNTREND
5	5/3/18	7088.15	-0.18%	+9.5%	18	—	—
4	5/4/18	7209.62	+1.7%	-12.7%	19	—	DOWNTREND
3	5/7/18	7265.21	+0.8%	-5.2%	20	—	DOWNTREND
2	5/8/18	7266.90	+0.03%	+5.5%	21	—	—
1	5/9/18	7339.91	+1.0%	+8.8%	22	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

WEDNESDAY this newsletter is NOT designed to recommend stocks to watch or buy. But occasionally I get in the mood to talk about a few stocks that are breaking out or near breakout points. Today I draw your attention to:

- **Cheniere Energy (LNG)** which operates the Sabine Pass LNG receiving terminal. Its ratings are acceptable considering that Oil & Gas companies fluctuate between good years and bad years – it's just part of the business. IBD's EPS calculation would like to see steady growing earnings and has no way to account for the faster swings of this industry group. What you can do is look for recent return to profitability with more expected which fits LNG to a tee.
- **LNG** broke out on Friday with a 6% pop in price and volume of 125% above average. Price held at that attractive level on Monday and Tuesday. It is not unexpected that its volume declined with some profit taking. **Wednesday: This was the 4th day in a row that LNG closed almost unchanged, after the recent breakout. THAT IS SUPPORT: Someone is buying all offered at about 62.50.**

I AM STILL CAREFULLY BUYING INDIVIDUAL STOCKS which are breaking out of good bases with high volume on the breakout day. Volume is the factor which is hard to find right now but I can wait! ----- With the current weakness in the market, I am buying smaller first bites. If you are having trouble finding enough good stocks to buy, consider adding the QQQ or another Uptrend-Index ETF. This is one place I put some of my money when I can't find the right stock at a buy point.

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!

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.