

ARMCHAIR INVESTOR^(sm) MORNING MARKET NEWSLETTER

A TREND-FOLLOWING STRATEGY

[To open the FULL ARMCHAIR INVESTOR NEWSLETTER, click here](#)

Then click on [CURRENT NEWSLETTER](#).

CURRENT MARKET DIRECTION: UPTREND

Last Week: The Nasdaq rose over 2% and the S&P500 rose 0.9% for the week. The indexes had some days this week with weak price-volume action. (see my evaluation of the price-volume performance for the last 20 days in the FULL Armchair Investor Newsletter, downloadable at the link above.)

With higher volume, both indexes had accumulation weeks consistent with the Uptrend.

The Nasdaq has a B- accumulation rating; the S&P500 is a neutral C.

Conclusion: this Uptrend is healthy.

The IBD50 index rose 2.7% last week, out-performing both major indexes. Your next stock purchase might be in this weekend Investor's Business Daily newsletter which lists all the stocks in the IBD50 with 1-year charts, many key ratings and a critical comment on each chart ("in buy zone", "making base," etc.) available at Barnes & Noble, Albertson's, Tom Thumb and on investors.com.

LAST WEEK'S MARKET ACTION				
8/31/2018	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+2.1%	+13.6%	+5.0%	Major Accumulation
S&P 500	+0.9%	S&P 500 Volume		Minor accumulation
NYSE	+0.1%	+0.9%	-0.8%	Neither
DJIA	+0.7%			Minor accumulation

THE ARMCHAIR INVESTOR QUESTION TODAY:

"Now that the Nasdaq and S&P500 continue to rise to new highs:

- **Are you FULLY INVESTED in this market?**
- **If not, why not? At least use the QQQ for uninvested funds**

Year-to-date: Nasdaq is up 17.5%, The S&P500 is up 8.5% And look at this: The IBD50 index is up 53% this year!

Friday's Market: The Nasdaq rose 0.3%. The S&P500 held flat at 2900
 I always watch as a stock or index approaches ordinal numbers (large, whole numbers ending zeros). It is not uncommon for a stock or index to stall at those key points. That action would not be bad or good, except how the volume reacts. The question: Is a stall a sign of serious selling or a little profit taking. This is an area where distribution days can stack up. BUT not today! The Uptrend is intact with the Nasdaq winning.

There are a lot more stocks on the S&P500 that might be impacted by commodity pricing than the predominantly high-tech Nasdaq. Trump's tariff could especially hurt the earnings of commodity driven companies.

Where is the strength in this market? Follow the "price and volume."

- The Nasdaq has an Accumulation/Distribution rating of a solid B-
- The S&P500 has an Accumulation/Distribution rating of a questioning C

DAILY MARKET ACTION						
8/31/18	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	8,109.53	+0.3%	-6.3%	-4.6%	Neither	+14.9%
S&P500	2,901.52	+0.01%	NYSE Volume		Neither	+9.7%
NYSE	13,016.89	-0.17%	+3.1%	-8.4%	Neither	+4.1%
DJIA	25,964.82	-0.09%			Neither	+7.0%

Note: I use the volume from the Investors.com web site for the NYSE chart (not the preliminary numbers shown on their home page. The numbers above reflect the larger volume of trade in the NYSE stocks including the trading on other exchanges and is, therefore, a better representation of the full trading on those stocks.

I AM FULLY INVESTED IN THIS POWERFUL MARKET.

As you plan your current investing strategy, remember two points:

- **The market is in an Uptrend** (not even "Uptrend under Pressure"). It is not showing significant weakness.
- **The market continues in the direction it is going** (which is Uptrend) until it doesn't.
- **If you are investing in individual stocks, remember your opinion of a stock's potential is a good place to start research. But the stock's actual performance carries much more weight.**

NO LAZY MONEY IN MY ACCOUNT!

Are you FULLY INVESTED in this exuberant UPTREND? Or do you have uninvested funds waiting until you find the next perfect stock?

There are many great stocks with strong ratings. Go to www.investors.com , take an inexpensive trial if you are not a subscriber and look through some of their best lists: the IBD50, the Sector Leaders, stocks highlighted in the Big Picture, Stocks making New Highs.

IF you can't decide which stocks to invest in right now or if you just don't have time or the knowledge to confidently push that buy button,

CONSIDER THIS ALTERNATIVE: Put your money to work - Buy the QQQ

The QQQ is a stock fund that invests in the 100 largest stocks on the Nasdaq including companies like: Amazon, Google (Alphabet), Microsoft and Netflix and is **UP 18% this year!**

>>>>The QQQ is a great place to put money to work when you haven't found the right stock to invest in yet.

- **Put any uninvested money to work in the QQQ and capture the upswing in this market.**
- **When you decide on an individual stock to own, sell the QQQ to buy the stock.**

>>>> I do not see signs of significant selling in the market as a whole!

Did you miss the huge returns of Bit Coin? I did!

But I'm not going to miss the next one. I reveal my **next hot industry group** in the FULL newsletter in the section FOR INVESTOR IN INDIVIDUAL STOCKS (near the end of the newsletter).

TREND-FOLLOWING STRATEGY

Are You a Trend Trader? Here is the current action:

HOLD your trend-following ETF (such as QQQ, QLD, and TQQQ)!

How's your trend-following doing? Are you following the market's signals and earning these nice returns?

TREND ETFs	ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS for Current Uptrend			
	8/31/18	Opening Price on 4/11/2018	Today's Price	ETF % Change Today
QQQ (1x)	160.20	186.65	+0.1%	+16.5%
QLD (2x)	76.06	101.52	+0.2%	+33.5%
TQQQ (3x)	47.53	72.30	+0.4%	+52.1%

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 QQ. The TQQQ is a more volatile Visit Proshares.com for more information.

THE ARMCHAIR INVESTOR TREND-FOLLOWING strategy is SIMPLE and FAST to execute:

- **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.

You could have earned the above ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS in less than 5 minutes a day.

Follow these Armchair Investor Trend-following Strategy moves:

- When the Market direction moves into UPTREND:
 - Buy an UPTREND ETF (and sell any DOWNTREND ETF you own)
- When the Market direction moves into DOWNTREND:
 - Buy a DOWNTREND ETF (and sell any UPTREND ETF you own)
- Repeat!!

Remember: It is hard for the big money (funds, banks and money managers) to hide their actions. But if you follow this newsletter, you will also learn to interpret their stealth moves and take appropriate action like holding during the recent 3-week dip, so you immediately capture the recovery gains as we did last week.

DO YOU INVEST IN INDIVIDUAL STOCKS?

Always consider taking some profit if significant distribution is showing up for your **individual stocks**. However, many individual stocks are rising with gusto! Look at all the lists in the Investor's Business Daily newspaper for stocks breaking out with high volume. **They are there!**

To get a deeper sense of the health of the market, look at the **MARKET FACTORS, COUNTS & RATINGS table** included each day in the FULL Armchair Investor newsletter. It looks at 7 key market direction factors and highlights the leaning of each:

- If the factor leans toward the **Uptrend**, that box will be green
- If the factor leans toward the **Downtrend**, that box will be orange or red

Questions? Contact Charlotte at 214-995-6702

YOU ARE INVITED TO BE MY GUEST AT AN ARMCHAIR INVESTOR WEEKLY CLASS.

We have 4 classes given each week in Dallas, Addison and ONLINE:

- [Monday night 7 – 9 p.m.](#)
- [Tuesday afternoon 3:30 – 5:30 p.m.](#)
- [Wednesday morning 10:00 a.m. to noon](#)
- [Sunday afternoon 3 – 5 p.m. ONLINE*](#)

PLEASE REGISTER for your visit at [Armchair Investor classes](#) OR CALL 214-995-6702. Seating is **strictly limited** to no more than 3 guests to ensure the paid subscribers receive full value.

Monday and Tuesday classes are given at the Barnes and Noble bookstore 5959 Royal Lane (at Preston) at in the café.

Wednesday classes are given at the Barnes and Noble bookstore 5301 Beltline Rd, Addison in the café.

MARKET IN UPTREND

REMEMBER:

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

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

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MARKET ACTION 2018 YEAR-TO-DATE

8/31/18	2017 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6903.39	8109.53	+17.5%
S&P 500	2673.61	2901.52	+8.5%
NYSE Comp	12,808.84	13,016.89	+1.6%
DJIA	24,719.22	25,964.82	+5.0%

The MARKET ACTION 2018 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	8/3	9%	39%	24%	20%	8%
3 weeks ago	8/10	10%	40%	24%	19%	7%
2 weeks ago	8/17	9%	37%	23%	21%	10%
1 week ago	8/24	11%	40%	22%	20%	8%
Today	8/31	12%	41%	22%	18%	7%

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.

HOW CLOSE ARE THE INDEXES TO ALL-TIME HIGHS*?

8/31/2018	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High*	8/30/2018	8/29/2018	1/26/2018	1/26/2018
All-time High (as of last Friday)	8133.30	2916.5	13637.02	26616.71
Current Price	8109.53	2901.52	13016.89	25964.82
Below (-) or Above (+) Recent High (%)	-0.3%	-0.5%	-4.5%	-2.4%
Below (-) or Above (+) Recent High (#)	-23.77	-14.98	-620.13	-651.89
*New Highs are updated each Friday. If an index makes a new high during the week, its price will be highlighted in light green and you will see how it grows past that prior high during the week.				

LAST WEEK'S MARKET ACTION

8/31/2018	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+2.1%	+13.6%	+5.0%	Major Accumulation
S&P 500	+0.9%	+0.9%	-0.8%	Minor accumulation
NYSE	+0.1%			Neither
DJIA	+0.7%			Minor accumulation

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, DJIA and NYSE Composite.

Nasdaq Daily chart, 4 months

The Nasdaq through top resistance line but does not show strength.



Nasdaq Weekly chart, 1 year (updated each Friday)

The Nasdaq weekly broke out of the longer pennant to the top side !



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

S&P500 Daily chart, 4 months

The S&P500 hits another new all-time high then fades.



S&P500 Weekly chart, 1 year (Updated every Friday)

S&P500 Breaks to a NEW ALL-TIME HIGH. Continues in Upward channel.



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

MARKET FACTORS, COUNTS & RATINGS		8/31/2018	
Type of DAY for <u>Nasdaq</u> Accumulation, Distribution or Neither		Neither	
Market Direction Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		UPTREND	
All Nasdaq Accumulation & Distribution Days Nasdaq 20-day count		Accumulation Days 4	Distribution Days 3
I follow the Nasdaq more closely because it usually leads the change in trends. If the S&P500 is showing market reversal leadership (more distribution), it will be included here.			
Count of Up Days and Down Days Nasdaq last 10-days price movement only		Up Days 6	Down Days 1
Days that do not move at least + or - 0.2% are not included in the Up/Down count which does not always, therefore, add up to 10 days.			
Leaders Up/Down with High Volume Nasdaq 10-day ratio		2.2	
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 B-	S&P 500 C
		DJIA C	
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		Above	Above
DJIA		Above	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 (—)	<u>CONSISTENT WITH:</u> 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	8/6/18	7859.68	+0.6%	+9.8%	83	Minor accumulation day	UPTREND
19	8/7/18	7883.66	+0.3%	-1.9%	84	—	DOWNTREND
18	8/8/18	7888.33	+0.06%	-4.6%	85	—	—
17	8/9/18	7891.78	+0.04%	-2.3%	86	—	—
16	8/10/18	7839.11	-0.7%	+2.7%	87	Minor distribution	DOWNTREND
15	8/13/18	7819.71	-0.2%	-9.1%	88	—	—
14	8/14/18	7870.89	+0.7%	+0.6%	89	Minor accumulation day	UPTREND
13	8/15/18	7774.12	-1.2%	+19.5%	90	Major Distribution day	DOWNTREND
12	8/16/18	7806.52	+0.4%	-13.7%	91	—	DOWNTREND
11	8/17/18	7816.33	+0.13%	-6.2%	92	—	—
10	8/20/18	7821.01	+0.06%	-8.2%	93	—	—
9	8/21/18	7859.17	+0.5%	+4.2%	94	Minor accumulation day	UPTREND
8	8/22/18	7889.10	+0.4%	-0.3%	95	—	DOWNTREND
7	8/23/18	7878.46	-0.13%	+13.1%	96	—	—
6	8/24/18	7945.98	+0.9%	+0.1%	97	—	—
5	8/27/18	8017.90	+0.9%	+22.9%	98	Minor accumulation day	UPTREND
4	8/28/18	8030.04	+0.15%	-15.0%	99	—	—
3	8/29/18	8109.69	+1.0%	-4.1%	100	—	DOWNTREND
2	8/30/18	8088.36	-0.3%	+6.6%	101	Minor distribution	DOWNTREND
1	8/31/18	8109.53	+0.3%	-6.3%	102	—	DOWNTREND

The CURRENT TREND column colors: **Green:** Uptrend, **Yellow:** Uptrend under Pressure. **Red:** Downtrend.

**** 7/24 is a Stalling Distribution day – a day near the top of a rise, on significantly higher volume than the day before when price starts the day off with a rise then give most or all the rise back.**

Distribution days drop off the 20-day count for 2 reasons. The Index or stock:

(1) **TIMES OUT:** the distribution day is 21 days old or older

CLIMBS OUT: The index rises 5% or more above the close of the distribution day

FOR INVESTORS IN INDIVIDUAL STOCKS

More detailed comments on market direction and technical analysis for individual stocks

MARKET IN UPTREND

THE STRENGTH OF THIS UPTREND CAN BE SEEN IN THE PERFORMANCE OF ITS BEST STOCKS.

Earnings announcements continue to launch top stocks higher.

STILL IN THE BUY ZONE: Palo Alto Networks (PANW) continued climbing out of its 2nd base and topped the 5% buy zone. Four days in the buy zone gave you ample time to build a full position of PANW in your portfolio. PANW has now stalled on lighter volume, waiting for the earnings report in 3 days.

BASED ON MY ANALYSIS OF THE STRENGTH OF THE IBD50, I suggest you consider it as an addition to your portfolio if you can't settle on other stocks to allocate your available funds.

I have created a 1-year comparison chart of the IBD50 versus the Nasdaq and S&P500. It will be available on my site, www.armchairinvestor.com under the **Archive button**.

Prior winners:

- **Automated Data Processing (ADP)** at the top of its buy zone with an A acc/dis rating and a 97 Composite rating . Volume remains light.
- **THE MOST INTERESTING STOCK OF RECENT DAYS: Canopy Growth CGC** a producer of medical and recreational marijuana products. It is not expected to be profitable until sometime next year. But this industry group will be huge! After Tuesday's 7% pullback, CGC ended the week up and 25% above its breakout price.
- **IS MEDICAL MARIJUANA THE NEXT BIG THING???**

>>> **Did you miss the big wins in Bit Coin? I did!** I thought, “What a silly idea – unregulated “currency” – like playing a rigged game in Vegas. Maybe all that was true, but I certainly missed a lot of easy gains.

NOW I believe marijuana will be the next big winner. (Remember, NO recommendations in this newsletter!) It makes me kind of woozy just to imagine how big this market is! And legalization of all levels (medical to recreational) is happening, no matter what your opinion! Which will win and which will, (excuse me, I have to say it) go up in smoke. I suspect there will be an eventual consolidation of the better companies. But right now, playing a little in some publicly traded stocks could work. I suspect many will languish. **Marijuana ETFs might be a solution.**

I suggest you invest small amounts and nothing more than you can afford to lose. Put those stops in, too. **If you have insights into this industry group, I would like to have a conversation with you! Call me!**
Charlotte 214-995-6702

Remember Portfolio Lesson #2: Avoid Over-Diversification – Even though excessive diversification would have helped you on Thursday, it hurts your returns most of the time.

I usually own a max of 5 stocks (occasionally up to 7). Do these low numbers represent “conservative” diversification? Many brokers want you to hold 20 or more stocks in your portfolio. **The high number protects them not you!** If one stock dropped 19% as FB did recently, your 20 stock portfolios would have lost only 0.5% from that one stock.

And **the reverse happens when you have a big winner – the winnings are watered down** as well. I find 5 diversified stocks a good middle ground – I still get nice impact from gains while protection from too much exposure to losses in one stock (and using well-placed stops.)

In William O’Neil’s work, he says, ‘If you could buy the best seven stocks, why would you want to water down your returns by buying the next 10 or 20?’

Conclusion: Over-diversification (more than 7 stocks) tends to:

- **Reduce your returns and**
- **Takes more time to manage.**

You can find many high performing stocks by **reviewing the IBD 50 stocks shown in the weekend Investor’s Business Daily newspaper** and on the

investors.com web site. I am a visual analyst and prefer using the newspaper. It has more complete, key data with charts for each of the 50 stocks than my broker.

One source of stocks that are showing strong upward moves is the **Weekly Winners and Losers** list of the ten IBD 50 stocks with biggest weekly upward price movement. This list does show the ten IBD50 stocks with the biggest losses, but I am not interested in those stocks until the market goes into a Downtrend.

Will the market continue to new highs? My guess, "YES!"

REMEMBER: THE MARKET CONTINUES IN THE DIRECTION IT IS GOING, UNTIL IT DOESN'T.

MARKET IN UPTREND

Every day at www.investors.com, Investor's Business Daily has great ideas (for subscribers). Besides the IBD50 list, I always look at the:

IBD STOCK OF THE DAY – Read the full IBD "Stock of the Day" articles (through your IBD subscription)

Note: Friday, 7/13 ended our following of the IBD "Stocks of the Week."

I have a new investing mantra I hope you'll use as a reminder of how to manage your portfolio:

Buy the BEST
Watch the NEST
Visit the REST

- **Buy the BEST** – self-explanatory: Do not compromise your stock picking or your signal to buy.
- **Watch the NEST** – Once I own a stock, my relationship to it completely changes. It's "my" stock now. Take care of your chicks. Feed them as they grow (even add more). But if you discover your cute cuddly chick is weak or fighting you, it may be time to pass them on to a new caretaker.
- **Visit the REST** – What about all those other stocks you identified as "almost" ready buy? A secret I don't talk about: I have two watch lists. One I look at daily with stocks very near buy points or waiting for EPS announcement. And a second weekly list of stocks that are getting close to a buy signal.

If you take a MarketSmith trial, please mention the Dallas and Fort Worth Meetup leader (Charlotte Hudgin) as your source. This helps us get occasional guest speakers from IBD and access to MarketSmith! Thank you.

I AM 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:

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 days is always a reason for me to get out wherever it happens!

What to do now:

- **WATCH YOUR INVESTMENTS CLOSELY:** Add positions in top stocks at buy or add-on points. Sell stalling and falling stocks quickly. 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)
- **DON'T LOSE YOUR GAINS:** Sell any stock that is showing a concentration of distribution days. I sell more quickly in a Downtrend

ARMCHAIR INVESTOR WEEKLY CLASS SCHEDULE

NO ARMCHAIR CLASSES WEEK OF 7/2 – 7/4

Join us for the ARMCHAIR INVESTOR classes NEXT WEEK!

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

Sundays 3:00 – 5:00 p.m. ONLINE! This is a new class and you are welcome to visit it. (see below)

- **Guest attendance** is limited to ensure paid 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

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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 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 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 changes less than + or – 0.2% 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.