

ARMCHAIR INVESTOR^(sm) MORNING MARKET NEWSLETTER

A TREND-FOLLOWING STRATEGY

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[Reminder: Ft Worth IBD Meetup tomorrow night \(Thursday\)](#)

Click on above link to register (to get a copy of the 30-page handout)

CURRENT MARKET DIRECTION: UPTREND

WEDNESDAY: GOOD NEWS: The Nasdaq kept Tuesday rise, holding above its 50-day moving average line.

With Tuesday's 1.7% rise with higher volume, the Nasdaq's Major Accumulation day was a welcome sign of upward strength. If you look at a daily chart for the Nasdaq over the last four months, you'll see three significant rises within the index's 20% drop. The most recent rise (up 13.5% from its recent low on 12/24) was the largest rise – an optimistic move!

The S&P500 also had a good day Tuesday (up 1.1%) which held on Wednesday.

Both indexes are still under their 200-day moving average lines (not a place of power in a new Uptrend):

- The S&P500 is 4.6% below its 200-day m.a.
- The Nasdaq is 5.6% below its 200-day m.a.

DAILY MARKET ACTION

1/16/19	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Recent Trend Gain/Loss from 1/6/2018 UPTREND SIGNAL
Nasdaq	7,034.69	+0.15%	+4.4%	-11.4%	Neither	+4.1%
S&P500	2,616.10	+0.2%	NYSE Volume		Minor accumulation	+3.2%
NYSE	11,907.63	+0.3%	+8.7%	-3.6%	Minor accumulation	+3.2%
DJIA	24,207.16	+0.6%			Minor accumulation	+3.1%

The ETF chart below shows you what your gains would be today if you had purchased the Uptrend ETFs on the opening price the day after the new Uptrend was called (drum roll, please.)

Uptrend ETFs	Armchair Investor Trend-following Returns for Current Uptrend			
1/16/19	Opening Price on 1/7/2019	Today's Closing Price	ETF % Change Today	Gain or Loss Since 1/4/19 Uptrend Signal
QQQ (1x)	156.54	162.37	-0.0%	+3.7%
QLD (2x)	68.98	74.07	-0.0%	+7.4%
TQQQ (3x)	38.47	42.71	+0.1%	+11.0%

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.

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

The stocks with A and B accumulation ratings (the ratings I require) have **more than doubled from 15% to 34% in just two weeks**. This shift indicates institutional money is buying and that one in three stocks meets my accumulation criteria.

Today, finding strong stocks is easier.

		A	B	C	D	E	As + Bs
4 weeks ago	12/17	4%	22%	21%	30%	23%	26%
3 weeks ago	12/24	3%	10%	12%	25%	50%	13%
2 weeks ago	1/2	3%	16%	19%	32%	29%	19%
1 week ago	1/9	5%	26%	24%	28%	17%	31%
Today	1/16	5%	29%	25%	27%	14%	35%
	#	350	1902	1619	1718	887	

LAST WEEK'S MARKET ACTION

1/11/19	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+3.5%	+21.1%	+2.0%	Major Accumulation
S&P 500	+2.5%	+27.4%	+1.0%	Major Accumulation
NYSE	+2.7%			Major Accumulation
DJIA	+2.4%			Major Accumulation

Nasdaq Daily chart, 4 months (updated **Wednesday**)

Nasdaq holds above 50-day moving average line



Nasdaq Weekly chart, 1 year (updated each **Friday**)

Nasdaq show strength open & close above prior resistance!



Charts are from StockCharts.com, a valuable site for investors w many free/advanced tools.

S&P500 Daily chart, 4 months (updated each Tuesday)

S&P500 holds just below 50-day moving average line



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

S&P500 shows strength closing week above prior resistance!



Charts are from StockCharts.com, a valuable site for investors w many free/advanced tools.

A NOTE ABOUT RECENT CHANGES IN THE DAILY ARMCHAIR INVESTOR NEWSLETTER

Many of the tables and notes that have been shown in this newsletter do not change day-to-day and will **only be updated on a weekly basis**. (Each table has the date of its most recent data update.)

DAILY UPDATES WILL INCLUDE AT LEAST:

- Daily and trend index table updates
- Daily and trend ETF table updates
- The 20-day history of the Nasdaq.
- The Accumulation/Distribution Ratings table (as time allows).

For your reference, these tables will be included in the daily chart

- Last week's price/volume action.
- Year-to-date price action on the four major indexes as of Friday.
- I may update others as time allows.

Please send your suggestions about the content of the daily newsletter to:

editor@armchairinvestor.com Thank you for your ideas!

I remind you to watch the volume with the price of each of your holdings. Together, they tell the truth about the market and your individual stocks

The rest of this newsletter is not updated nightly but is provided as a reference.

MARKET FACTORS, COUNTS & RATINGS		1/11/2019 Updated on Fridays		
Type of Day for <u>Nasdaq Index</u> Accumulation, Distribution or Neither		Neither		
I track the Nasdaq's price-volume because it usually leads the market direction.				
Market Direction Uptrend, Under Pressure, Downtrend		Uptrend		
Nasdaq Accumulation & Distribution Days (last 20 days)		Accumulation Days	Distribution Days	
		1	0	
Only accumulation and distribution days since the last market change (1/4/2019) are in this count.				
Count of Up Days and Down Days Nasdaq's last 10-days' price movement		Up Days	Down Days	
		7	1	
Only days that move at least + or - 0.2% are 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		1.9		
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	At	Below
		S&P 500	Below	Below
		NYSE	At	Below
		DJIA	Below	Below

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS THRU 1/11/2019?

1/11/2019	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High*	8/30/2018	9/21/2018	1/26/2018	10/3/2018
All-time High (as of last Friday)	8133.30	2940.91	13637.02	26824.78
Current Price	6971.48	2596.26	11847.96	23995.95
Below (-) or Above (+) Recent High (%)	-14.3%	-11.7%	-13.1%	-10.5%
Below (-) or Above (+) Recent High (#)	-1161.82	-344.65	-1789.06	-2828.83

*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.

*New Highs are updated each Friday. If an index makes a new high during the week, you will see how it rows past that high during the week.

TREND-FOLLOWING STRATEGY APPLIED TO TODAY'S MARKET

ACTIONS TO TAKE when the market diagnosis is in an **UPTREND**:

After you have exited the inverse ETFs, consider:

- Buying an Uptrend ETF such as the QQQ (mimics the Nasdaq100 closely), double QQQ (QLD) or triple QQQ (TQQQ) to capture the market move.
- Start buying initial positions of a couple of the best stocks on your watch list. Add shares as they rise.

ETFs that MULTIPLY the uptrending Nasdaq include:

- QQQ (grows about 1x the Nasdaq move)
- QLD (double ETF that grows about 2x the Nasdaq)
- TQQQ (triple ETF that grows about 3x the Nasdaq)

The performance of these ETFs is not guaranteed by their fund managers. Read the prospectuses to understand the past performance of each fund. (I do not give stock ownership recommendations).

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.
ADDITIONAL NOTE: If the market is too volatile, or makes you so crazy you can't sleep at night, consider moving to CASH.
- Protect yourself with an 8% stop.

The ARMCHAIR INVESTOR TREND-FOLLOWING STRATEGY is designed to allow you to capture much of the market's gains in less than 5 minutes a day.

Follow these Armchair Investor Trend-following Strategy moves:

1. **When the Market direction moves into UPTREND:**
 - Buy an UPTREND ETF (and sell any INVERSE ETFs you own)
2. **When the Market direction moves into DOWNTREND:**
 - Sell any Uptrend ETF such as QQQ, QLD or TQQQ
 - Buy an **INVERSE ETF** or wait in CASH IF YOU PREFER
3. Repeat !!
4. **>>>> In times of UNCERTAINTY, a move to CASH may be appropriate.**

WHY DOES THIS STRATEGY WORK SO WELL?

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 advantage of that knowledge.

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

Visit an **ARMCHAIR INVESTOR CLASS**

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

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

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

Monday and Tuesday classes are in north Dallas near Preston & Royal.

Wednesday classes are Addison.

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

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WATCH YOUR NEST

Many people find identifying great stocks that are breaking out of bases is easy!

The real surprise comes when they find out it is harder to decide when to sell a stock to take a profit or to minimize losses. Sometimes they “get busy” and forget to review their overgrown portfolios. Waiting can cost them much of their precious gains.

I have an investing mantra I hope you’ll use as a reminder of how to manage your portfolio. I use these 3 steps:

BUY the BEST **WATCH the NEST** **VISIT the REST**

- **BUY the BEST** – self-explanatory: Do not compromise your stock buying rules. Only buy the best stocks in an UPTRENDing market close to a buy point.
- **WATCH the NEST** – Once I own a stock, my relationship to it completely changes. It’s “my” nest egg now. Take care of your chicks. Feed them as they grow (even add more shares). But if you discover your cute cuddly chick is fighting you, it may be time to pass it on to a new caretaker.
- **VISIT the REST** – What about all those other stocks you identified as “almost” ready buy? A secret I haven’t talked 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.

WHERE DO I FIND IDEAS FOR GREAT STOCKS TO ADD TO MY PORTFOLIO?

There are a growing number of strong stocks that are have broken out of well-formed bases or are closing in on buy points RIGHT NOW. I use Investors.com articles and stock lists (the IBD50, Sector Leaders, Stock

Market Today, The Stock of the Da, etc.) A monthly subscription to the www.investors.com web site can be started for \$5 for 5 weeks.

Later you may wish to upgrade to MarketSmith or Leaderboard services. I find MarketSmith instrumental in quickly identifying top stocks. Leaderboard looks at a smaller number of stocks and tracks them with daily commentary.

BEWARE OF OUTDATED STRATEGIES THAT ARE NO LONGER PROVIDING POSITIVE RETURNS:

There are many investing tactics that work in a particular market, then fail. Just because you or someone you know made money with a certain style of investing does not mean it will work in the future.

One of the reasons I pay so much attention to the Investor's Business Daily strategies and books (***How to Make Money in Stocks series***) is that they work consistently. If you or someone you know is interested in stock market investing, I encourage them to start with:

- ***How to Make Money in Stocks – Getting started*** by Matt Galgani.

Then they can move on to some of the more advanced books.

You can also invite your friends to visit:

- **The weekly Armchair Investor classes (you, too) in the Dallas area (3 time a week)**
- **The Sunday online Armchair Investor class**
- **The monthly Dallas and Fort Worth IBD Meetups.**

Visit www.ArmchairInvestor.com for details.

Or Call me: Charlotte Hudgin 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 that you paper-trade until you are successful and can sleep well at night.

Questions may be submitted to: Editor@ArmchairInvestor.com

Some of your questions may be used in future newsletters.

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 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:

SAMPLE 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.