

ARMCHAIR INVESTOR^(sm) MORNING MARKET NEWSLETTER

A TREND-FOLLOWING STRATEGY

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Section 1 – RIDE THE MARKET IN THE DIRECTION IT'S GOING

CURRENT MARKET DIRECTION: UPTREND

The purpose of this newsletter is to equip you WITH THE RIGHT INFORMATION so you can earn well-above average returns in the market. This system is based on:

- Be in the market when it is in an Uptrend and
- Be out (or short) when it is in a Downtrend.

Let's start with how much you would have earned if you had invested in the Nasdaq during the current trend:

CURRENT UPTREND: On Monday, January 28, the market sold off (dropped in price) but here are two aspect which took some of the sting away:

- Volume was lighter – institutional investors didn't sell hard!
- In the second half of the day, the indexes showed strength, marching back up to close at the high of the day.

MONDAY'S MAJOR INDEXES' MARKET ACTION

1/28/19	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	7,085.68	-1.1%	-0.17%	+2.0%	Neither	+4.9%
S&P500	2,643.85	-0.8%	NYSE Volume		Neither	+4.3%
DJIA	24,528.22	-0.8%	-5.2%	-9.5%	Neither	+4.5%

HOW DO I CAPTURE THOSE GREAT GAINS? It's as easy as 1- 2- 3!

STEP 1: Buy a Nasdaq ETF (listed below)

The market trend-following ETFs are up 4%, 8% and 12% since the last Uptrend signal on January 7. Are you getting your share? (See the ETF tracking table below.)

Looking at the price-volume action over the last 20 days below can reveal the strength or weakness of the market. Create a table like this for each stock and ETF you own to reveal their strengths and weaknesses.

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?
20	12/28/18	6584.52	+0.08%	-0.6%	9	—	—.
19	12/31/18	6635.28	+0.8%	-3.1%	10	—	DOWNTREND
18	1/2/19	6665.94	+0.5%	+6.5%	11	Major Distribution day	DOWNTREND
17	1/3/19	6463.50	-3.0%	+16.6%	12	Major Distribution day	DOWNTREND
16	1/4/19	6738.86	+4.3%	-0.8%	1	New Uptrend (S&p500 Follow-thru Day)	S&P500 UPTREND
15	1/7/19	6823.47	+1.3%	-12.5%	2	—	DOWNTREND
14	1/8/19	6897.00	+1.1%	-5.4%	3	—	DOWNTREND
13	1/9/19	6957.08	+0.9%	+1.4%	4	Minor accumulation	UPTREND
12	1/10/19	6986.07	+0.4%	-17.7%	5	—	DOWNTREND
11	1/11/19	6971.48	-0.2%	-5.4%	6	—	UPTREND
10	1/14/19	6905.91	-0.9%	-7.3%	7	—	UPTREND
9	1/15/19	7023.84	+1.7%	+6.6%	8	Major Accumulation	UPTREND
8	1/16/19	7034.69	+0.15%	+4.4%	9	—	—.
7	1/17/19	7084.47	+0.7%	-8.7%	10	—	DOWNTREND
6	1/18/19	7157.23	+1.0%	+15.3%	11	Major Accumulation	UPTREND
5	1/22/19	7020.36	-1.9%	-3.6%	12	—	UPTREND
4	1/23/19	7025.77	+0.1%	-3.0%	13	—	—.
3	1/24/19	7073.46	+0.7%	+5.2%	14	Minor accumulation	UPTREND**
2	1/25/19	7164.86	+1.3%	+1.6%	15	Major Accumulation	UPTREND
1	1/28/19	7085.68	-1.1%	-0.2%	16	—	—.

MARKET FACTORS, COUNTS & RATINGS		1/28/2019	
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) Only accumulation and distribution days since the last market change (1/4/2019) are in this count.		Accumulation Days 5	Distribution Days 0
Count of Up Days and Down Days Nasdaq's last 10-days' price movement		Up Days 5	Down Days 3
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		1.2	
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 C	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	Below
S&P 500		Above	Below
NYSE		Above	Below
DJIA		Above	Below

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS							
		A	B	C	D	E	As + Bs
4 weeks ago	12/27	3%	12%	15%	32%	39%	15%
3 weeks ago	1/4	4%	17%	20%	32%	28%	20%
2 weeks ago	1/11	5%	29%	24%	27%	14%	34%
1 week ago	1/18	6%	32%	26%	25%	12%	38%
Today	1/28	7%	35%	25%	23%	9%	42%
	#	440	2298	1630	1513	613	

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.

LAST WEEK'S MARKET ACTION				
1/25/19	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+1.1%	-11.6%	-13.0%	Neither
S&P 500	+1.1%	S&P 500 Volume		Neither
NYSE	+1.1%	-23.2%	-22.0%	Neither
DJIA	+1.5%			Neither

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.

MARKET ACTION 2018 YEAR-TO-DATE			
1/28/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	7023.84	7085.68	+0.9%
S&P 500	2610.30	2643.85	+1.3%
NYSE	11868.68	12,065.11	+1.7%
DJIA	24065.59	24,528.22	+1.9%

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."

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

Nasdaq holds above 50 and 200-day moving average lines



Nasdaq Weekly chart, 1 year (updated each Friday)

Nasdaq shows strength, closing above its 50-day m.a.!



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

S&P500 Daily chart, 4 months (updated Monday)

S&P500 holds just below 50 and 200-day moving average lines



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

S&P500 shows strength closing above its 50 day moving avg!



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

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?				
1/28/2019	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)	8,133.30	2,940.91	13,637.02	26,824.78
Current Price	7,085.68	2,643.85	12,065.11	24,528.22
Below (-) or Above (+) Recent High (%)	-12.9%	-10.1%	-11.5%	-8.6%
Below (-) or Above (+) Recent High (#)	(1,047.62)	(297.06)	(1,571.91)	(2,296.56)
*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.				

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

- **Be IN** the market when it's going up.
- **Be OUT** of (or short) the market when it's 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

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

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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FOR INVESTORS IN INDIVIDUAL STOCKS

BEST INVESTING ADVICE: 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

If this newsletter no longer suits your needs, you may unsubscribe here:

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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.