

## **ARMCHAIR INVESTOR<sup>(sm)</sup> MORNING MARKET NEWSLETTER**

**A TREND-FOLLOWING STRATEGY\***

*\*For that part of your portfolio which is invested in a market-tracking ETF like QQQ*



### **MARKET DIAGNOSIS: UPTREND**

**THURSDAY** The major indexes made good moves UP today (Nasdaq +1.6% and S&P500 +1.2%) with lower volume Confirming Wednesday's Follow-Through day which put the market back in **UPTREND**.

It is now time to start getting back into strong CAN SLIM stocks. I repeat William O'Neal's instructions to his money managers: **"The day the market goes into Uptrend, you must buy something."** Not your whole portfolio, but something. Now I understand why. If you buy something (anything), you put your head in the game and you will listen to the market from participation, not observation.

#### **PRIOR NOTES THAT ARE STILL RELEVANT:**

I recently completed a workshop at Landmark Worldwide, an extraordinary training/coaching organization that teaches life effectiveness skills. They called WON's insight, **"Being on the court, not in the stands."** Do you see it? It's easy to be in the stands watching a game and "know" exactly how the players should play the game. But your opinion would make no difference. The only place you can make a difference in the outcome of the game is "on the court."

**IT IS TIME TO GET "ON THE COURT!"** Follow WON's and my advice – buy something, even if it's just 25% of one position in a stock with a good breakout and high ratings. You will follow the market sooooo much more intently because you own a piece of it! You are on the court.

#### **Do you still own individual stocks?**

- Watch any stocks you still own. Sometimes, they take off (congratulations) in a new Uptrend. But sometimes, they languish as the sectors rotate elsewhere. Is it time to sell the old dogs?

**Remember the TREND-FOLLOWING intent of this newsletter.**

I always buy a position in the QQQ when the market goes into Uptrend. If you are confident about the new Uptrend, you could go with the double or triple ETF. Be sure to watch the distribution count. Although the Follow-Through day is 75% accurate in indicating a new Uptrend, that means it is 25% wrong. We will know if this time is one of those wrong periods if the distribution days start to add up.

Daily Market Action						
2/15/18	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Current Trend: UPTREND Began 6/30/2016
Nasdaq	7,256.43	+1.6%	-4.0%	-0.2%	Neither	+6.1%
S&P500	2,731.20	+1.2%	NYSE Volume		Neither	+4.5%
NYSE	12,856.91	+0.9%	-8.0%	+2.7%	Neither	+3.8%
DJIA	25,200.37	+1.2%			Neither	+4.6%

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 e or is well-above average volume)

**BE SURE YOU HAVE ACTIVE STOPS ON EVERYTHING YOU OWN**

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

Here is what you could have earned (last column) if you bought an Uptrend ETF at the last went into Uptrend on 6/30/2016 and sold on and sold when the market went into Downtrend on 2/5/2018 Wow!

Uptrend ETFs	Armchair Investor Trend-following Returns for Uptrend 6/30/2016 – Ended 2/5/2018 Position “sold” on opening prices on 2/6/2018			
2/6/18	Opening Price on 7/1/2016	Open Price on 2/6/2018	ETF % Change Today	PROFIT/LOSS from 6/30/2016 Signal: “Market in UPTrend”
QQQ (1x)	\$107.49	\$155.96	+2.6%	+51.0%
QLD (2x)	\$35.57	\$73.00	+5.1%	+122.3%
TQQQ (3x)	\$48.08	\$136.82	+8.0%	+221.4%

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.

You can download the FULL ARMCHAIR INVESTOR NEWSLETTER at:

[ArmchairInvestor.com](http://ArmchairInvestor.com)

Click on the [Free Newsletter](#) tab and then ...

Click on the [Armchair Investor Current Newsletter](#) tab

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

© Armchair Investor<sup>(SM)</sup> 2018, Charlotte Hudgin 214-995-6702 All rights Reserved

### PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

		A	B	C	D	E	Total
4 weeks ago	1/18	24%	42%	13%	12%	6%	6502
3 weeks ago	1/25	26%	42%	15%	12%	6%	6518
2 weeks ago	2/1	15%	41%	20%	15%	8%	6503
1 week ago	2/8	6%	31%	24%	26%	13%	6476
Today	2/15	7%	32%	23%	24%	13%	
	#	476	2099	1506	1552	854	6487

Note: The Accumulation/Distribution ratings are calculated overnight & reported one day delayed. "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. Those lower are PINK.

### HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?

2/15/2018	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High	1/26/2018	1/26/2018	1/26/2018	1/9/2018
All-time High	7505.77	2872.87	13637.02	26616.71
Current Price	7256.43	2731.20	12856.91	25200.37
Below (-) or Above (+) Recent High (%)	-3.3%	-4.9%	-5.7%	-5.3%
Below (-) or Above (+) Recent High (#)	-249.34	-141.67	-780.11	-1416.34



The above charts are from **StockCharts.com**, a valuable site for investors with **many free tools**.  
 On the **daily charts**: The **price 20-day, 50-day and 200-day 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.  
 Also, the **volume 50-day moving average** is shown.  
 On the **weekly charts**: The **price 10-week & 40-week moving averages** and the **10-week volume moving average** is shown.

<b>MARKET FACTORS, COUNTS &amp; RATINGS</b>		<b>2/15/2018</b>	
<b>Type of DAY for <u>Nasdaq</u></b> Major (1%/1%) Accumulation, Distribution or Neither		<b>Neither</b>	
<b>Market Direction</b> Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		<b>Uptrend</b>	
<b><u>ALL Nasdaq Accumulation &amp; Distribution Days</u></b> 20-day count of <b>NASDAQ</b> Accumulation & Distribution days		<b>Accumulation Days</b> <b>6</b>	<b>Distribution Days</b> <b>6</b>
This field is designed to count ONLY Major Distribution days of 1% drop or more. In more volatile markets, this field will have larger counts.			
<b>Count of Up Days and Down Days</b> (10-days on the Nasdaq)		<b>Up Days</b> <b>6</b>	<b>Down Days</b> <b>4</b>
The Nasdaq moved an insignificant amount (less than 0.2% ) on 7/28, 8/2, 8/4 & 8/8. Those days are not included in the Up/Down count which does not, therefore, add up to 10 days.			
<b>Leaders Up/Down with High Volume</b> 2-day ratio (but I will build it back to the usual 10-day ratio)		<b>1.1</b>	
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			
<b>Market Accumulation/Distribution Ratings</b> "A": heavy accumulation, "B": moderate accumulation, "C": neutral, "D": moderate distribution, "E": heavy distribution. Accumulation = Institutions are BUYING, Distribution = Inst are SELLING		<b>Nasdaq</b> <b>C-</b>	<b>S&amp;P 500</b> <b>C</b>
		<b>DJIA</b> <b>B</b>	
<b>Are Major Indexes Above or Below Moving Averages?</b> "At" is within 1% above or below the moving average.		<b>50-Day</b>	<b>200-Day</b>
		<b>Nasdaq</b> <b>At</b>	<b>Above</b>
		<b>S&amp;P 500</b> <b>At</b>	<b>Above</b>
		<b>NYSE</b> <b>At</b>	<b>Above</b>
		<b>DJIA</b> <b>At</b>	<b>Above</b>

## 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?
<b>MARKET IN UPTREND</b>							
20	1/19/2018	7336.38	+0.6%	-2.8%	392	—	—
19	1/22/2018	7408.03	+1.0%	+6.5%	393	Major Accumulation day	UPTREND
18	1/23/2018	7460.29	+0.7%	+1.1%	394	Minor accumulation day	UPTREND
17	1/24/2018	7415.06	-0.6%	+7.6%	395	Minor distribution day	DOWNTREND
16	1/25/2018	7411.16	-0.1%	-10.3%	396	—	—
15	1/26/2018	7505.77	+1.2%	+4.2%	397	Major Accumulation day	UPTREND
14	1/29/2018	7466.82	-0.5%	+2.2%*	398	Minor distribution day	DOWNTREND
13	1/30/2018	7402.48	-0.9%	+2.6%	399	Minor distribution day	DOWNTREND
12	1/31/2018	7411.48	+0.1%	+9.4%	400	—	—
11	2/1/2018	7385.86	-0.4%	-3.8%	401	—	—
10	2/2/2018	7240.95	-2.0%	+12.7%	402	Major Distribution day	DOWNTREND
9	2/5/2018	6967.53	-3.8%	+19.8%	1	Major Distribution day	DOWNTREND
8	2/6/2018	7115.88	+2.1%	+2.1%	2	Major Accumulation day	UPTREND
7	2/7/2018	7051.98	-0.9%	-25.6%	3	—	UPTREND
6	2/8/2018	6777.16	-3.9%	+14.3%	4	Major Distribution day	DOWNTREND
5	2/9/2018	6874.49	+1.4%	+17.4%	5	Major Accumulation day	UPTREND
4	2/12/2018	6981.96	+1.6%	-29.3%	6	—	—
3	2/13/2018	7013.51	+0.5%	-19.6%	7	—	DOWNTREND
2	2/14/2018	7143.62	+1.9%	+22.0%	1	Major Accumulation day	UPTREND
1	2/15/2018	7256.43	+1.6%	-4.0%	2	—	DOWNTREND

\* Means Investors.com adjusted this number after initial report. The change may also have affected the distribution/accumulation counts.

## **ADDITIONAL COMMENTS FOR INVESTORS IN INDIVIDUAL STOCKS**

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

**THURSDAY :** Even though you have read the following ideas around managing your portfolio in earnings season, please review them in light of today's market diagnosis changing to Uptrend.

**Earnings season is upon us!** Review your holdings to decide if you are willing to risk a sudden "adjustment" in their prices if an earnings surprise disappoints.

An 8% gain in your stock can be a buffer to protect you against a temporary drop response to its earnings announcement. If your stock has not produced at least an 8% gain, you may want to exit it or protect your portfolio against a negative earnings result with a stop. Some protective strategies include:

1. Put in a stop loss order to automatically sell your stock if it dips too much.
2. Sell stocks without an 8% buffer (gain.)
3. Buy a protective put.

Please talk to your broker if you are not clear on which of these strategies is right for you. Each can be tricky to implement and yield a nasty surprise if not set up correctly.

### **YOU ARE NOT SMARTER THAN THE MARKET**

Do you remember my second lesson for every new investor?:

**THE MARKET AND STOCKS CONTINUE IN THE DIRECTION  
THEY ARE GOING..... UNTIL THEY DON'T.**

I bet a few of you are asking, "What is the first lesson?"

You might know it so well that you have integrated it your investing and forgotten it:

**PROTECT YOUR PORTFOLIO WITH AN 8% STOP**

And, yes. You may have chosen a tighter 7% or 6% stop. The most important aspect of this first rule is:

## 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 <b>Uptrend</b> Price-Volume Movement	Strong Action	Up	↑	↑	Up
	Weaker Action	Down	↓	↓	Down
Healthy <b>Downtrend</b> 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.

### MARKET DIAGNOSIS: "UPTREND"

#### What to do now:

1. **WATCH YOUR INVESTMENTS CLOSELY:** 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)
2. **DON'T LOSE YOUR GAINS:** Sell any stock that is showing a concentration of distribution days. I sell more quickly in a Downtrend



## 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 the 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.

# 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 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 is:**

**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](mailto:Editor@ArmchairInvestor.com)

Some of your questions will be used in future newsletters.

Additional notes follow:

## 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.