

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



MARKET DIAGNOSIS: UPTREND

THURSDAY: The market was quiet today.

Every stock and every market has occasional distribution days. It is a concentration of distribution that:

- turns an Uptrend into an “Uptrend under Pressure” and
- Turns an “Uptrend under Pressure” into a Downtrend.

The distribution count for the S&P500 is a moderately high 6 with yesterday’s addition. The distribution count for the Nasdaq is a lower 3. That 3 distribution day difference is unusual although not unheard of. If this is the start of a new Downtrend (also called correction), then it is likely the S&P500 will lead us to it.

The lower distribution count in the Nasdaq also tells us that market is where we are more likely to find better stocks at the moment. Thursday’s Big Picture column, discusses 5 measures to use in monitoring the health of the market including #3 Are the true market leaders acting strongly? They answer that question with a, “Definitely yes.” The article goes on to identify 8 true market leaders that are acting “like champions”:

Grubhub GRUB, Salesforce.com CRM, Workday WDAY, Veeva Systems VEEV, KLA Tencor KLAC, MKS Instruments MKSI, and Maxim Integrated MXIM.

With the market in **UPTREND** and the leading stocks showing strength, I continue to buy more of the best stocks breaking out of strong bases and within the 5% buy zone.

If the market diagnosis goes into “**Uptrend Under Pressure.**” I will notch down my buying. **As a discipline, I will also review all my holdings (seldom over 6 stocks) and sell the weakest.** Selling one will

be hard since my holdings are doing well.

The importance of my “sell one stock at uptrend under pressure” rule is that it forces me to look over my portfolio with fresh eyes.

Sometimes I am surprised by what that practice reveals. We can fall in love with a stock and overlook its weaknesses until it has dropped much more than should have been allowed.

Prior notes that are still relevant:

To be an Armchair Investor and capture the general market rise, you could:

- **Buy the QQQ**, an ETF that is designed to move up and down with the Nasdaq100.
- **Buy a double ETF (QLD) or triple ETF (TQQQ)** designed to double or triple the gains and losses of the Nasdaq100.

If you buy **individual stocks** to outperform the market:

- **Buy stocks** with strong ratings and size that are breaking out of proper bases with volume support. *Download the FULL newsletter below. Go to the **FOR INVESTORS IN INDIVIDUAL STOCKS** near the end of this newsletter for more details and a follow-up on **LGND'S successful breakout. (LGND is in a buy range now!)***

If you follow the trend-following rules of this newsletter, history says you will probably outperform the market significantly. No guarantees!

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 of the market when it is going down.**
- **Protect yourself with an 8% stop.**

And “out of the market” includes going short in a downtrend, if you are willing and able to do so.

Be sure your stops are in.

One note: The EU proposed 3% tax on digital revenue: The tax will only hit companies that charge for digital service (like Facebook, Google and Amazon). Three percent off the top is a heavy burden. Stay tuned.

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

3/15/18	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Current Trend Gains: UPTREND 2/14/2018
Nasdaq	7,481.74	-0.2%	-5%	-10.0%	Neither	+3.9%
S&P500	2,747.33	-0.1%	NYSE Volume		Neither	+1.2%
NYSE	12,743.61	-0.1%	+3.1%	-8.1%	Neither	-0.6%
DJIA	24,873.66	+0.5%			Minor accumulation	-0.7%

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)

Current Trend Gains show the gains in these indexes if you bought each at the opening price on the day after the recent trend changed.

HOW CLOSE ARE THE INDEXES TO ALL-TIME HIGHS?

3/15/2018	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	7481.74	2747.33	12743.61	24873.66
Below (-) or Above (+) Recent High (%)	-0.3%	-4.4%	-6.6%	-6.5%
Below (-) or Above (+) Recent High (#)	-24.03	-125.54	-893.41	-1743.05

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

		A	B	C	D	E	Total
4 weeks ago	2/14	6%	31%	26%	26%	14%	6480
3 weeks ago	2/22	9%	32%	23%	24%	12%	6501
2 weeks ago	3/1	7%	29%	22%	27%	15%	6500
1 week ago	3/8	9%	32%	22%	25%	12%	6519
Today	3/15	9%	34%	23%	23%	11%	6515
	#	603	2233	1483	1477	719	

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.

Uptrend ETFs	ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS FOR CURRENT UPTREND			
3/15/18	Opening Price on 2/15/2018	Today's Price	ETF % Change Today	PROFIT/LOSS from 2/15/18 Signal: "Market in UPtrend"
QQQ (1x)	\$164.14	\$171.53	-0.1%	+4.5%
QLD (2x)	\$80.57	\$87.57	-0.3%	+8.7%
TQQQ (3x)	\$158.00	\$178.30	-0.4%	+12.8%

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			
3/15/18	2017 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6903.39	7481.74	+8.4%
S&P 500	2673.61	2747.33	+2.8%
NYSE Comp	12,808.84	12,743.61	-0.5%
DJIA	24,719.22	24,873.66	+0.6%

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."

LAST WEEK'S MARKET ACTION				
3/9/2018	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+4.2%	-2.2%	+6.0%	Neither
S&P 500	+3.5%	-14.0%	-5.0%	Neither
NYSE	+2.9%			Neither
DJIA	+3.3%			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 and NYSE Composite.



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.

MARKET FACTORS, COUNTS & RATINGS		3/15/2018	
Type of DAY for <u>Nasdaq</u> Accumulation, Distribution or Neither		NEITHER	
Market Direction Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		UPTREND	
<u>ALL Nasdaq Accumulation & Distribution Days</u> 20-day count of NASDAQ Accumulation & Distribution days		Accumulation Days 5	Distribution Days 5
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.			
Count of Up Days and Down Days (10-days on the Nasdaq)		Up Days 7	Down Days 2
. Those days are not included in the Up/Down count which does not, therefore, add up to 10 days.			
Leaders Up/Down with High Volume 10-day ratio		1.7	
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 E
		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 Above	Above
		S&P 500 At	Above
		NYSE Below	Above
		DJIA Below	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 (—)	CONSISTENT WITH: UPTREND or Downtrend?
MARKET IN UPTREND							
20	2/15/2018	7256.43	+1.6%	-4.0%	2	—	DOWNTREND
19	2/16/2018	7239.47	+0.2%	-4.7%	3	—	DOWNTREND
18	2/20/18	7234.31	-0.1%	-5.2%	4	—	—
17	2/21/18	7218.23	-0.2%	+1.2%	5	Minor distribution day	DOWNTREND
16	2/22/18	7210.09	-0.1%	-1.0%	6	—	—
15	2/23/18	7337.39	+1.8%	-1.9%	7	—	DOWNTREND
14	2/26/18	7421.46	+1.2%	-1.3%	8	—	DOWNTREND
13	2/27/18	7330.35	-1.2%	+14.8%	9	Major Distribution day	DOWNTREND
12	2/28/18	7273.01	-0.8%	+10.1%	10	Minor distribution day	DOWNTREND
11	3/1/18	7180.56	-1.3%	+5.9%	11	Major Distribution day >>>Uptrend under Pressure<<<	DOWNTREND
10	3/2/18	7257.87	+1.1%	-8.4%	12	—	DOWNTREND
9	3/5/18	7330.70	+1.0%	-11.9%	13	—	DOWNTREND
8	3/6/18	7370.78	+0.6%	-5.8%	14	—	DOWNTREND
7	3/7/18	7396.65	+0.3%	+3.0%	15	Minor accumulation day	UPTREND
6	3/8/18	7427.95	+0.4%	+6.0%	16	Minor accumulation day	UPTREND
5	3/9/18	7560.81	+1.8%	+0.8%	17	Major Accumulation day >>>UPTREND<<<	UPTREND
4	3/12/18	7588.32	+0.4%	+0.4%	18	Minor accumulation day	UPTREND
3	3/13/18	7511.01	-1.0%	+6.8%	19	Major Distribution day	DOWNTREND
2	3/14/18	7496.81	-0.19%	-14.8%	20	—	—
1	3/15/18	7481.74	-0.20%	-4.9%	21	—	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

THURSDAY :

When looking for individual stocks, we all like to have a strong suggestion. Investors.com can be an excellent site for good stock ideas.

But..... I always do my own additional research.... And sometimes, I disagree. I have been happily following Ligand Pharma:

Update On Ligand Pharmaceuticals If you read last week's Thursday newsletter, you know Ligand LGND broke out, rising 4% with double the average volume. Nice! On Friday LGND continued up. Its breakout price was \$170.30 (many respectable stocks are over \$100 these days) and its volume is low - just under 300,000. Its ratings are spectacular: EPS 98, RS 93, Accumulation A+, Composite 98. Wow!

The following notes are in reverse date order so you can read the most current comments first. And prior notes are still available:

LGND Thursday Update: If you are patient and honor your buy rules (#1 buy within 5% of the stock's ideal buy price), sometimes a stock gets away from you. On Monday, only two days after it broke out a second stage flat base, LGND popped above its 5% buy range. Rats you say? Patience my dear. More than half of stocks that rise out of their 5% buy zone, revisit it. On Tuesday, Wednesday and today, Thursday, LGND dipped its toe back below the max 5% buy price, allowing waiting investors the opportunity to buy LGND correctly. If you haven't added LGND to your portfolio but want to, put in a limit order at the top of the 5% zone and wait. You may get lucky for a 4th day dip.

CALCULATION OF MAX PROPER BUY PRICE for LIMIT order:

Price at start of the base (prior high): 170.30

Multiply by 1.05 to find the 5% upper limit: 178.82

LGND Wednesday Update: After Tuesday's 2.5% drop on lower volume, you had an opportunity to buy into this strong stock today as it rose 1.0% on increased volume. If you don't have a full position in LGND, today was

the day to buy some more.

LGND Tuesday Update: Good news! If you don't own a full position of LGND yet and were annoyed that its price was out of the buy range on Monday, its price fell Tuesday (with the market) back into its 5% buy range. The drop was on lighter volume which means Tuesday was not a distribution day. You could add that last 20% of your intended pyramid purchase.

LGND Monday Update: I just have to use LGND tonight as another volume example. LGDN had a very strong breakout on Thursday of last week and continues to rise. Pull up its daily chart.

- Across the recent base: Notice the low red volume bars (on days when price dropped from the day before) versus the high, blue volume bars (on days when price rose). The picture: Much more buying than selling in this base!
- The ratings are fabulous A's, 98s with the lowest rating a 94!
- At the Breakout: Volume was almost double the average rate with price ending the day up almost 4%.
- The next day: Price rise just a bit. What happened? Look at the volume: it was low compared to the breakout as some institutions sold some stock to take a little profit off the table. That action is common after a new high breakout. Price held up well
- Monday: Price was up another 4% with volume 62% above average: heavy institutional buying continues!

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

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

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!

Remember:
The market AND YOUR STOCKS continue in the direction they
are going until they don't.

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

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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 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
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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.