

3/29/2018 Another Big Distribution Day sends market into DOWNTREND. Next?

Tuesday

Volume 17 #058

**ARMCHAIR INVESTOR^(sm) MORNING
MARKET NEWSLETTER**

A TREND-FOLLOWING STRATEGY



Join the Dallas-wide IBD Meetup on Wednesday 3/28. All are welcome. Details and registration at www.meetup.com/ibd-265/

MARKET DIRECTION IS THE SINGLE MOST IMPORTANT INDICATOR OF THE SUCCESS OF INDIVIDUAL STOCKS.

THE ARMCHAIR INVESTOR

MARKET DIRECTION WORKSHOP

Learn how to:

- Interpret the day-to-day market movements of the market
- Put it together for a market diagnosis
- Decode the price-volume action for your individual stocks.
- Get in a good Uptrend earlier.
- Get out faster by learning how to interpret when the market or your stocks are failing.
- History of the market signals and the extraordinary returns earned by following those signals included

Saturday, 3/31, 1:00 to 4:00 in a hotel near the DFW airport

75 page full-color workbook included.

Beat the standard price of \$195 by registering early for \$125.

Seating is limited! Call Charlotte 214-995-6702

A concentration of distribution days is the most significant market direction indicator.

The S&P500 has 9 distribution days with many other confirming signs of weakness

The market diagnosis is moved to DOWNTREND (frequently called "correction")

Tuesday was the 9th distribution day in the last 25 for the S&P500. Many of those d-days were major distribution days (when the index drop was 1% or more).

TREND-FOLLOWING ACTION: Consider exiting any uptrend ETFs such as the QQQ, QLD and TQQQ

DAILY MARKET ACTION

3/27/18	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Current Trend Gains: 2/14/2018
Nasdaq	7,008.81	-2.9%	+0.2%	+2.8%	Major Distribution	-2.7%
S&P500	2,612.62	-1.7%	NYSE Volume		Major Distribution	-3.7%
NYSE	12,302.53	-1.1%	+5.7%	-3.9%	Major Distribution	-4.0%
DJIA	23,857.71	-1.4%			Major Distribution	-4.8%

You can blame it on China, North Korea, Trump or Brexit but the **source of the market weakness does not matter**. I don't care about the cause. I just want to know what direction the market is going. A concentration of distribution days with confirming negative factors can build to a "Market in Downtrend" diagnosis as we have today.

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 for any stocks you still own.

Download the **FULL ARMCHAIR INVESTOR NEWSLETTER** at:

www.ArmchairInvestor.com

Click on the **Current Newsletter** tab

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

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HOW CLOSE ARE THE INDEXES TO ALL-TIME HIGHS?				
3/26/2018	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High	3/13/2018	1/26/2018	1/26/2018	1/26/2018
All-time High	7537.27	2872.87	13637.02	26616.71
Current Price	7220.54	2658.55	12433.10	24202.60
Below (-) or Above (+) Recent High (%)	-4.2%	-7.5%	-8.8%	-9.1%
Below (-) or Above (+) Recent High (#)	-316.73	-214.32	-1203.92	-2414.11

MARKET ACTION 2018 YEAR-TO-DATE			
3/27/18	2017 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6903.39	7008.81	+1.5%
S&P 500	2673.61	2612.62	-2.3%
NYSE Comp	12,808.84	12,302.53	-4.0%
DJIA	24,719.22	23,857.71	-3.5%

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."

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS							
		A	B	C	D	E	Total
4 weeks ago	2/27	10%	34%	24%	23%	11%	6510
3 weeks ago	3/6	8%	31%	22%	25%	14%	6522
2 weeks ago	3/13	11%	35%	22%	22%	10%	6514
1 week ago	3/20	9%	34%	23%	22%	12%	6500
Today	3/27	7%	31%	23%	27%	12%	6505
	#	439	2031	1500	1727	808	

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 RECENT UPTREND			
	<i>This table will be updated tomorrow with final numbers for this trend based exitin at the open prices 3/28.</i>			
3/27/18	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	\$159.08	-3.2%	-3.1%
QLD (2x)	\$80.57	\$75.14	-6.6%	-6.7%
TQQQ (3x)	\$158.00	\$141.24	-9.6%	-10.6%

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.

LAST WEEK'S MARKET ACTION				
3/23/2018	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-6.5%	-8.0%	+2.0%	Neither
S&P 500	-6.0%	-6.5%	-5.0%	Neither
NYSE	-4.7%			Neither
DJIA	-5.7%			Neither

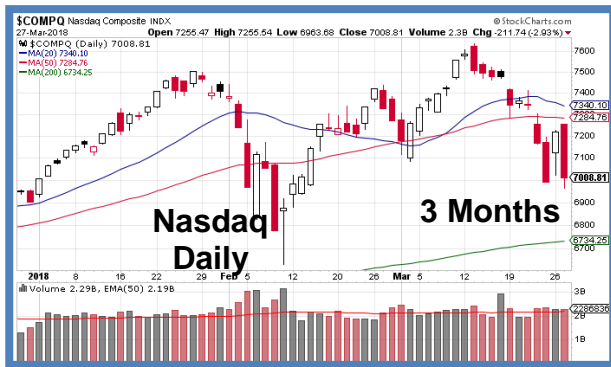
The "TYPES OF WEEK" are:

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.

The only strength in the Market Factors table is that the indexes are still above their 200-day moving averages. EVERYTHING else leans to the downside.

MARKET FACTORS, COUNTS & RATINGS		3/27/2018	
Type of DAY for <u>Nasdaq</u> Accumulation, Distribution or Neither		Major Distribution	
Market Direction Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		DOWNTREND	
<u>Accumulation & Distribution Days</u> 20-day count of NASDAQ Accumulation & Distribution days		Accumulation Days	Distribution Days
20-day count of S&P500 Accumulation & Distribution days		4	6
20-day count of S&P500 Accumulation & Distribution days		2	9
This category is designed to count distribution days of 0.2% drop or more with higher volume than the day before. Distribution days mount up as a market shows weakness (heavy selling). A high distribution count is one of the primary indicators that a market has gone into downtrend.			
Count of Up Days and Down Days (10-days on the Nasdaq)		Up Days	Down Days
		2	6
. 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		1.1	
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	E
		DJIA	E
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day	200-Day
Nasdaq		Below	Above
S&P 500		Below	At
NYSE		Below	At
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 (—)	<u>CONSISTENT WITH: UPTREND or Downtrend?</u>
MARKET IN UPTREND							
20	2/28/18	7273.01	-0.8%	+10.1%	10	Minor distribution day	DOWNTREND
19	3/1/18	7180.56	-1.3%	+5.9%	11	Major Distribution day >>>Uptrend under Pressure<<<	DOWNTREND
18	3/2/18	7257.87	+1.1%	-8.4%	12	—	DOWNTREND
17	3/5/18	7330.70	+1.0%	-11.9%	13	—	DOWNTREND
16	3/6/18	7370.78	+0.6%	-5.8%	14	—	DOWNTREND
15	3/7/18	7396.65	+0.3%	+3.0%	15	Minor accumulation day	UPTREND
14	3/8/18	7427.95	+0.4%	+6.0%	16	Minor accumulation day	UPTREND
13	3/9/18	7560.81	+1.8%	+0.8%	17	Major Accumulation day >>>UPTREND<<<	UPTREND
12	3/12/18	7588.32	+0.4%	+0.4%	18	Minor accumulation day	UPTREND
11	3/13/18	7511.01	-1.0%	+6.8%	19	Major Distribution day	DOWNTREND
10	3/14/18	7496.81	-0.19%	-14.8%	20	—	—
9	3/15/18	7481.74	-0.20%	-4.9%	21	—	UPTREND
8	3/16/18	7481.99	+0.00%	+11.4%	22	—	—
7	3/19/18	7344.24	-1.84%	-23.5%	23	—	UPTREND
6	3/20/18	7364.30	+0.3%	-15.6%	24	—	DOWNTREND
5	3/21/18	7345.29	-0.3%	+1.1%	25	Minor distribution day	DOWNTREND
4	3/22/18	7166.68	-2.4%	+18.2%	26	Major Distribution day	DOWNTREND
3	3/23/18	6992.67	-2.4%	+3.9%	27	Major Distribution day	DOWNTREND
2	3/26/18	7220.54	+3.26%	-5.4%	28	—	DOWNTREND
1	3/27/18	7008.81	-2.93%	+0.2%	1	Major Distribution day	DOWNTREND

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

TUESDAY : REPEATING THE IMPORTANCE OF PROTECTING YOUR PORTFOLIO: CASH IS A POSITION.

The market diagnosis is DOWNTREND.

This is a time to build a watch list. Many dips into “under pressure” are periods when the market realigns with reality, correcting prices of stocks that have risen too high, based on crowd exuberance. How will you know? If there is no news or changes in the company’s financials, but it still starts falling, don’t try to be smarter than the market. **THE MARKET IS ALWAYS RIGHT.**

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.

What to do now:

1. **WATCH YOUR INVESTMENTS CLOSELY:** Sell stalling and falling stocks quickly.
2. 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)
3. **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
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

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%
<p>A Major Accumulation Day: Price RISES 1.0% or more and higher Volume than the day before</p> <p>A Minor accumulation Day: Price RISES 0.2% or more and Volume is strong (either higher volume or is well-above average volume)</p> <p>A Major Distribution Day: Price FALLS 1.0% or more and higher Volume than the day before.</p> <p>A Minor distribution Day: Price FALLS 0.2% or more, Volume is strong (either higher volume or is well-above average volume)</p> <p>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 <u>bottom half of the day's range</u> and <u>volume is heavier or about equal to</u> the day before or strong compared to the past market. It's the <u>price closing low in the day's range</u> after an <u>uptrend</u> 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.</p>						
<p>** 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.</p> <p>• <b style="color: green;">When this column is GREEN, the index has moved in the direction of the market trend.</p> <p>• <b style="color: red;">HOWEVER, when this column is RED, the index change has fallen into negative territory (which could be a rise during a Downtrend)</p>						
<p>An <b style="background-color: green; color: black;">ACCUMULATION day points at heavy buying by institutional money managers - the mutual funds, pension funds, banks, etc.</p> <p>A <b style="background-color: red; color: black;">DISTRIBUTION day points at heavy selling by institutional money managers.</p>						