

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



The market is in UPTREND

Tuesday's Follow-through day signaled the start of a new Uptrend.
Let me know you some of the strength in this Uptrend.

LAST WEEK: What an abrupt change in price-volume action!

(Refer to the **Market Action Over the Last 20 Days** table on the **next page** during today's discussion.)

For the last four weeks, the two market leading indexes I follow (the Nasdaq and the S&P500) may have seemed erratic to you. Perhaps you aren't looking at them deeply enough.

For the 14 trading days 3/20 to 4/9 when the market fell pretty hard, twelve days had **price-volume action consistent with a downtrend**. Only two days were consistent with an Uptrend). The Downtrend owed the market!

During those 14 days, price-volume action was consistent with a Downtrend most days. Either:

- Price rose without volume support (e.g. lower volume), or
- Price fell with higher volume (distribution days).

That 3 week period had only two days consistent with an Uptrend.

If you have followed this newsletter for a few months, you might remember that Downtrends frequently turn into Uptrends after a single pivot day at the bottom. This sharp change in price action describes the recent reversal on both major indexes.

- The S&P500 went into an Attempted Rally when it pivoted up on Wednesday two weeks ago (4/4) and continued to rise, staying above that low.
- The Nasdaq pivoted two days later (4/6) and continued to rise, staying above its low.

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?
THE COLOR OF THE "CURRENT TREND DAY COUNT" tells you the current market direction: Red = Downtrend, Yellow = Uptrend under Pressure, Green = Uptrend							
20	3/16/18	7481.99	+0.00%	+11.4%	22	—	—
19	3/19/18	7344.24	-1.84%	-23.5%	23	—	UPTREND
18	3/20/18	7364.30	+0.3%	-15.6%	24	—	DOWNTREND
17	3/21/18	7345.29	-0.3%	+1.1%	25	Minor distribution day	DOWNTREND
16	3/22/18	7166.68	-2.4%	+18.2%	26	Major Distribution day	DOWNTREND
15	3/23/18	6992.67	-2.4%	+3.9%	27	Major Distribution day	DOWNTREND
14	3/26/18	7220.54	+3.7%	-5.4%	28	—	DOWNTREND
13	3/27/18	7008.81	-2.9%	+0.2%	1	Major Distribution day <i>Market moves into Downtrend</i>	DOWNTREND
12	3/28/18	6949.23	-0.9%	+8.0%	2	Major Distribution day	DOWNTREND
11	3/29/18	7063.45	+1.6%	+2.9%	3	Major Accumulation day	UPTREND
10	4/2/18	6870.12	-2.7%	-6.4%	4	—	UPTREND
9	4/3/18	6941.28	+1.0%	-4.2%	5	—	DOWNTREND
8	4/4/18	7042.11	+1.5%	-3.7%	6	—	DOWNTREND
7	4/5/18	7076.55	+0.5%	-5.8%	7	—	DOWNTREND
6	4/6/18	6915.11	-2.28%	+12.4%	8	Major Distribution day	DOWNTREND
5	4/9/18	6950.34	+0.5%	-11.6%	9	—	DOWNTREND
4	4/10/18	7094.30	+2.1%	+8.3%	1	Major Accumulation day <i>Market moves into UPTREND</i>	UPTREND
3	4/11/18	7069.03	-0.4%	-19.7%	2	—	UPTREND
2	4/12/18	7140.25	+1.0%	+10.8%	3	Major Accumulation day	UPTREND
1	4/13/18	7106.65	-0.5%	-12.3%	4	—	UPTREND

The new Uptrend was identified on Tuesday (4/10) when both major indexes had Follow-through days (a rise of 1.3% or more with higher volume on day four of its Attempted Rally or later). The market was then in a **“Confirmed Uptrend.”**

Look at the last 4 days since the market diagnosis went into Uptrend.

See the **Market Action** table above. **The confirmed Uptrend appears to be a good call.** The last column tells much – **the price-volume action of the last four days (since the market was called in Uptrend) is consistent with the Uptrend.** Either:

- Price rose with higher volume (accumulation days) or
- Price fell without selling support; that is volume was lower than the day before.

In a healthy Uptrend, I am less concerned about the jumping around of the closing prices than I am in **continued upward support across the lows of the days.** Now look at a daily chart of the indexes mentioned above. Both charts (daily Nasdaq and S&P500) are provided in the full Armchair Investor newsletter which you can download at the link below.

Notice **the upward sloping support lines** on the daily charts since the market reversal at the beginning of April. I have drawn those lines on the daily charts **across the bottoms of the recent index bars** (since the turnaround.)

Can you see the **price hopping right up that line?**

The highs aren't yet that organized, but the **rising daily lows** tell me the **bulls are gently accumulating stock.** When they buy all available stock at one price, they have to hop up a little higher to continue buying.

Not every new Uptrend takes off right away. **One concern right now is the low volume.**

Look at the **Daily Market Action** table below to see that the Friday volume for both major indexes was below their 50-day moving averages:

- Nasdaq's volume was 13% below its 50-day moving average.
- S&P500's volume was 20% below its 50-day m.a.

FRIDAY: The sting of the minor drop in Friday's indexes was lessened by the lower volume. Higher volume would have meant the institutional investors were selling heavily – a distribution day. The lower volume was a good thing.

DAILY MARKET ACTION						
4/13/18	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	GAIN OR LOSS SINCE : 4/10/2018 UPTREND SIGNAL
Nasdaq	7,106.65	-0.5%	-12.3%	-22.6%	Neither	+0.7%
S&P500	2,656.30	-0.3%	NYSE Volume		Neither	+0.5%
NYSE	12,546.05	-0.3%	-20.9%	-21.4%	Neither	+0.3%
DJIA	24,360.14	-0.5%			Neither	+0.4%

TREND-FOLLOWING ACTION: With the new shift to Uptrend, exit any Downtrend market tracking ETFs such as the PSQ,QID and SQQQ.

You have two Trend-following actions to take in a new Uptrend:

1. Buy an Uptrend ETF such as the QQQ, QLD and TQQQ.
2. Cover any individual stocks you have shorted.

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 or (or short) the market when it is going down.
- Protect yourself with an 8% stop.

>>>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.

© Armchair Investor^(SM) 2018, Charlotte Hudgin 214-995-6702 All rights Reserved

Uptrend ETFs	Armchair Investor Trend-following Returns for Current Uptrend			
4/13/18	Opening Price on 4/12/2018	Today's Price	ETF % Change Today	GAIN OR LOSS SINCE : 4/10/2018 UPTREND SIGNAL
QQQ (1x)	\$160.20	\$161.37	-0.5%	+0.7%
QLD (2x)	\$76.02	\$77.09	-0.9%	+1.4%
TQQQ (3x)	\$142.60	\$145.45	-1.5%	+2.0%

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.

MARKET ACTION 2018 YEAR-TO-DATE			
4/13/18	2017 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6903.39	7106.65	+2.9%
S&P 500	2673.61	2656.30	-0.6%
NYSE Comp	12,808.84	12,546.05	-2.1%
DJIA	24,719.22	24,360.14	-1.5%

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."

HOW CLOSE ARE THE INDEXES TO ALL-TIME HIGHS?				
4/13/2018	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	7106.65	2656.30	12546.05	24360.14
Below (-) or Above (+) Recent High (%)	-5.7%	-7.5%	-8.0%	-8.5%
Below (-) or Above (+) Recent High (#)	-430.62	-216.57	-1090.97	-2256.57

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS

		A	B	C	D	E
4 weeks ago	3/15	9%	34%	22%	23%	11%
3 weeks ago	3/22	9%	35%	23%	22%	11%
2 weeks ago	3/29	6%	28%	25%	27%	14%
1 week ago	4/6	7%	33%	25%	24%	11%
Today	4/13	8%	34%	25%	23%	10%

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.

Nasdaq Daily chart, 3 months



S&P500 Daily chart, 3 months



Nasdaq Weekly chart, 1 year



S&P500 Weekly chart, 1 year



The above charts are from **StockCharts.com**, a valuable site for investors with many free tools.

On the **daily** charts: The **20-day, 50-day and 200-day price 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. For the **volume**, the **50-day moving average** is shown.

On the **weekly** charts: The **10-week & 40-week price moving averages** and the **10-week volume moving average** is shown.

MARKET FACTORS, COUNTS & RATINGS		4/13/2018	
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>		Accumulation Days	Distribution Days
20-day count of NASDAQ Accumulation & Distribution days		3	6
Count of Up Days and Down Days (10-days on the Nasdaq)		Up Days	Down Days
		6	4
. 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		1.2	
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	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	Below
		S&P 500	Below
		NYSE	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 (—)	CONSISTENT WITH: UPTREND or Downtrend?
THE COLOR OF THE "CURRENT TREND DAY COUNT" tells you the current market direction: Red = Downtrend, Yellow = Uptrend under Pressure, Green = Uptrend							
20	3/16/18	7481.99	+0.00%	+11.4%	22	—	—
19	3/19/18	7344.24	-1.84%	-23.5%	23	—	UPTREND
18	3/20/18	7364.30	+0.3%	-15.6%	24	—	DOWNTREND
17	3/21/18	7345.29	-0.3%	+1.1%	25	Minor distribution day	DOWNTREND
16	3/22/18	7166.68	-2.4%	+18.2%	26	Major Distribution day	DOWNTREND
15	3/23/18	6992.67	-2.4%	+3.9%	27	Major Distribution day	DOWNTREND
14	3/26/18	7220.54	+3.7%	-5.4%	28	—	DOWNTREND
13	3/27/18	7008.81	-2.9%	+0.2%	1	Major Distribution day <i>Market moves into Downtrend</i>	DOWNTREND
12	3/28/18	6949.23	-0.9%	+8.0%	2	Major Distribution day	DOWNTREND
11	3/29/18	7063.45	+1.6%	+2.9%	3	Major Accumulation day	UPTREND
10	4/2/18	6870.12	-2.7%	-6.4%	4	—	UPTREND
9	4/3/18	6941.28	+1.0%	-4.2%	5	—	DOWNTREND
8	4/4/18	7042.11	+1.5%	-3.7%	6	—	DOWNTREND
7	4/5/18	7076.55	+0.5%	-5.8%	7	—	DOWNTREND
6	4/6/18	6915.11	-2.28%	+12.4%	8	Major Distribution day	DOWNTREND
5	4/9/18	6950.34	+0.5%	-11.6%	9	—	DOWNTREND
4	4/10/18	7094.30	+2.1%	+8.3%	1	Major Accumulation day <i>Market moves into UPTREND</i>	UPTREND
3	4/11/18	7069.03	-0.4%	-19.7%	2	—	UPTREND
2	4/12/18	7140.25	+1.0%	+10.8%	3	Major Accumulation day	UPTREND
1	4/13/18	7106.65	-0.5%	-12.3%	4	—	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

FRIDAY: The percent of stocks with A and B Accumulation/Distribution ratings by Investor's Business Daily is rising.

- Two weeks ago the percent of A's plus B's was 34%.
- Friday the A's plus B's is now 42%.

This rise means that there a growing number of stocks with strong accumulation to find and research.

- We aren't yet near the pre-downtrend percentages, but should see the numbers continue to rise if the new Uptrend continues. (See the PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS table in the full newsletter)

A note on buying back recently sold stocks.

When you sell a stock based on a drop in price, a concentration of distribution days or other signs of weakness, **do not assume it is "dead to you."**

Since the market is back in an Uptrend, **you can review recently sold stock to see if a prior winner has returned to stardom.** *Realize that good stocks from the recent past may not be the big winners again. A rotation of winning sectors is not uncommon.* But some recently sold stocks may have lingered near buy points just waiting for a little loving from the market and you.

Evaluate each stock are considering to buy back just as you would with a stock for a first time purchase. Except, If you sold a stock recently, and the stock still has good ratings, you do not have to wait for the stock to form a base or other buy point.

- Does the stock meet all the CAN SLIM ratings requirements?
 - If it doesn't, you can put it on a watch list.

Also watch for new stocks to focus on at the beginning of a new Uptrend - the current top performers.

- Let the numbers be your guide.
- **The Investor's Business Daily stock lists are a great place to search for strong stocks in their buy ranges:**
 - **The IBD50** available in the weekly newspaper with annotated charts, and as a list every day under the Stock Lists tab.
 - **The Leaders UP on Volume list** in the **Big Picture** Market Pulse box every day under the Market Trend tab.
 - **MarketSmith 250** daily lists including the "Stocks breaking out" and "Stocks near a Breakout" lists.

CASH IS A POSITION.

The market diagnosis is UPTREND.

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

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!

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

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

[Unsubscribe](#) | [Change Subscriber Options](#)

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 be sure to register through the Meetup site listed below or a text or call to Charlotte.

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%

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.