

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



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The market is in UPTREND

The April 10 Follow-through day signaled the start of a new Uptrend.
Let me show you some of the strengths in this Uptrend.

LAST WEEK: The market's message this week was one of weakness as both indexes rose then fell back down. Think of it as a "Jack and Jill" week.

J & J ran up the hill...Jack fell down and broke his brown and Jill came tumbling after.

Although the indexes closed the week higher, the full message lies in the road they traveled to get there:

Look at the new, large daily charts of the Nasdaq and S&P500 available in the FULL Armchair Investor newsletter (see link at the top of this newsletter) or any other daily charting system.

The Nasdaq and the S&500 are leading market direction indicators. And they followed similar paths this week:

- **Monday and Tuesday** they rose and closed near the top of their trading ranges: good uptrend movement.
- **Wednesday** generated a classic topping "spinning top" doji (price opened higher, dropped a little, rose a little and closed back to the opening price.)
 - This doji is a sign of INDECISION and is frequently followed with a reversal in direction.
 - When a doji appears, hanging above the prior trend, there is a good chance of a short term change in market direction (down in this case).
- The open on **Thursday** gapped down and closed lower, a confirmation of a change in short-term direction to down.

- **Friday** opened lower and closed down almost 1% **ending below the 50-day moving average for both major indexes.**
 - The S&P500 had higher volume for a **strong distribution day.**
 - The Nasdaq 's volume was lower and missed the distribution count.
 - IMPORTANT NOTE: Two or three days of a reversal in daily price bars is NOT enough to turn an Uptrend into a Downtrend

LAST WEEK'S MARKET ACTION				
4/20/2018	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+0.6%	-4.6%	-9.0%	Neither
S&P 500	+0.5%	+4.6%	+3.0%	Minor accumulation
NYSE	+0.5%			Minor accumulation
DJIA	+0.4%			Minor accumulation

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.

FRIDAY: The Nasdaq took the biggest hit of the week on Friday, down 1.3% but was saved from a distribution day with lower volume. The S&P500 was not so lucky.

DAILY MARKET ACTION						
4/20/18	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Recent Trend Gain/Loss from 4/10/2018 UPTREND SIGNAL
Nasdaq	7,146.13	-1.3%	-5.5%	-11.7%	Neither	+1.3%
S&P500	2,670.14	-0.9%	NYSE Volume		Minor distribution	+1.0%
NYSE	12,607.16	-0.5%	+2.3%	-5.5%	Minor distribution	+0.8%
DJIA	24,462.94	-0.8%			Minor distribution	+0.8%

Both the S&p500 and Nasdaq have only one distribution day in their 20-day counts.

The Investor's Business Daily Accumulation/Distribution counts remain at a concerning low D- rating (A and B indicate institutional buying. D and E indicate selling). The D- rating is a warning flag that many stocks are being sold off.

A STEALTH SELLING LESSON

Some of this selling is what I call **"stealth" selling – an indicator that institutions are quietly exiting some of their positions.** You can see stealth selling when:

- The stock or index stays flat or rises and the price-volume action is not matched many to a flat environment:
 - Many of the DOWN days have HIGHER VOLUME and
 - Many of the UP days have LOWER VOLUME.

ARE YOUR STOCKS UNDER "STEALTH SELLING?"

- **Check here:**
 - Did the price of your stock end the week unchanged or rise?
 - But the Accumulation/Distribution rating is falling?
- **On a daily basis, Do you see:**
 - Falling days with high volume (distribution) and
 - Rising days with low volume (lack of support).
- **Is your stock's Acc/Dist rating out of whack with its price?**
 - Is your stock at or near an all-time high?
 - But its Acc/Dist Is a D or E?

Institutions can sometimes cover their selling with these stealth buying techniques but they know this is a short term solution to exiting stocks that are near 9-year highs.

I strongly suggest you track the Acc/Dist rating of each stock you own on a weekly basis (if not daily).

If you find you own a stock under stealth selling, consider exiting more quickly.

The Market is in UPTREND

- The percent of stocks with A or B accumulation ratings is rising slightly but is still only 9%. With 5 categories (A B C D E) an even market would have 20% in each. A rising market would have a higher A and B percentages.
- The Leaders' Up/Down ratio is holding at the minimum 1.5 uptrend positive ratio.
- There have been 5 Up days compared to 4 Down days in the last 10 trading days, A healthy Uptrend could lean much more heavily toward the Up days.
- Both major indexes closed below their 50-day moving averages but remain above their 200-day moving averages.

And..... We still need Volume! Without volume there is an underlying weakness to the market. And I am buying smaller positions and buying more cautiously.

Markets usually take off vigorously at the beginning of a new Uptrend but this one is rising acceptably in price, but without strong volume. Is it Syria, China, Korea, the wall, or tariffs? I don't know but I wish the market volume would wake up.

Rising indexes (and stocks) without above-average volume makes me uncertain about this Uptrend. I am looking for increasing, above-average volume to show the institutional investors are fully participating in this Uptrend. But I don't see it, yet.

The MARKET FACTORS, COUNTS & RATINGS table (in the full newsletter) is showing less green this weekend.

Low volume continues to plague the market

TREND-FOLLOWING ACTION: With the new shift to Uptrend, 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.**

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www.ArmchairInvestor.com

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Uptrend ETFs	Armchair Investor Trend-following Returns for Current Uptrend			
4/20/18	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	\$162.30	-1.6%	+1.3%
QLD (2x)	\$76.02	\$77.88	-3.3%	+2.4%
TQQQ (3x)	\$142.60	\$147.51	-4.9%	+3.4%

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.

MARKET ACTION 2018 YEAR-TO-DATE			
4/20/18	2017 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6903.39	7146.13	+3.5%
S&P 500	2673.61	2670.14	-0.1%
NYSE Comp	12,808.84	12,607.16	-1.6%
DJIA	24,719.22	24,462.94	-1.0%

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?				
4/20/2018	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	7146.13	2670.14	12607.16	24462.94
Below (-) or Above (+) Recent High (%)	-5.2%	-7.1%	-7.6%	-8.1%
Below (-) or Above (+) Recent High (#)	-391.14	-202.73	-1029.86	-2153.77

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS						
		A	B	C	D	E
4 weeks ago	3/22	9%	35%	23%	22%	11%
3 weeks ago	3/29	6%	28%	25%	27%	14%
2 weeks ago	4/6	7%	33%	25%	24%	11%
1 week ago	4/13	8%	34%	25%	23%	10%
Today	4/20	9%	37%	25%	21%	9%
<p>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.</p>						

Nasdaq Daily chart, 3 months

The Nasdaq daily price dropped under recent support but volume lighter



Nasdaq Weekly chart, 1 year

The Nasdaq weekly closed higher but near bottom of week's range, volume lower.



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

S&P500 Daily chart, 3 months

The S&P500 dropped below recent support. Higher volume = DISTRIBUTION



S&P500 Weekly chart, 1 year

S&P500 weekly closed higher but near bottom of week's range, volume up slightly



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

MARKET FACTORS, COUNTS & RATINGS		4/20/2018	
Type of DAY for Nasdaq Accumulation, Distribution or Neither		Neither	
Market Direction Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		UPTREND	
ALL Nasdaq Accumulation & Distribution Days		Accumulation Days	Distribution Days
Count of NASDAQ Accumulation & Distribution days		5	6
The usual 20-day count was dropped to 11 to show the recent accumulation and distribution around the "Uptrend under Pressure" and "Downtrend" period.			
Count of Up Days and Down Days (10-days on the Nasdaq)		Up Days	Down Days
		5	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		1.5	
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	At
		S&P 500	At
		NYSE	At
		DJIA	At

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	3/23/18	6992.67	-2.4%	+3.9%	27	Major Distribution day	DOWNTREND
19	3/26/18	7220.54	+3.7%	-5.4%	28	—	DOWNTREND
18	3/27/18	7008.81	-2.9%	+0.2%	1	Major Distribution day <i>Market moves into Downtrend</i>	DOWNTREND
17	3/28/18	6949.23	-0.9%	+8.0%	2	Minor distribution day	DOWNTREND
16	3/29/18	7063.45	+1.6%	+2.9%	3	Major Accumulation day	UPTREND
15	4/2/18	6870.12	-2.7%	-6.4%	4	—	UPTREND
14	4/3/18	6941.28	+1.0%	-4.2%	5	—	DOWNTREND
13	4/4/18	7042.11	+1.5%	-3.7%	6	—	DOWNTREND
12	4/5/18	7076.55	+0.5%	-5.8%	7	—	DOWNTREND
11	4/6/18	6915.11	-2.3%	+12.4%	8	Major Distribution day	DOWNTREND
10	4/9/18	6950.34	+0.5%	-11.6%	9	—	DOWNTREND
9	4/10/18	7094.30	+2.1%	+8.3%	1	Major Accumulation day <i>Market moves into UPTREND</i>	UPTREND
8	4/11/18	7069.03	-0.4%	-19.7%	2	—	UPTREND
7	4/12/18	7140.25	+1.0%	+10.8%	3	Major Accumulation day	UPTREND
6	4/13/18	7106.65	-0.5%	-12.3%	4	—	UPTREND
5	4/16/18	7156.28	+0.7%	+1.2%	5	Minor accumulation day	UPTREND
4	4/17/18	7281.10	+1.7%	+5.5%	6	Major Accumulation day	UPTREND
3	4/18/18	7295.24	+0.19%	-0.9%	7	—	—
2	4/19/18	7238.03	-0.8%	+5.7%	8	Minor distribution day	DOWNTREND
1	4/20/18	7146.13	-1.3%	-5.5%	9	—	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:

I am cautiously buying strong individual stocks breaking out of good bases with high volume on the breakout day. Volume is the factor which is hard to find right now but I can wait!

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

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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 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					
<i>Four weeks of price and volume action reveal much about the direction of the market and the strength of that movement.</i>					
		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
<p>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.</p> <p>ACCUMULATION/DISTRIBUTION COLUMN - TELLS YOU WHERE THE BIG MONEY IS GOING</p> <p>The listing includes: the date, Nasdaq closing price and percent change of the Nasdaq price and volume.</p> <ul style="list-style-type: none"> 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%. <p>“CONSISTENT WITH” – THE SUBTLE, BUT TELLING MOVES</p> <p>The last column is an UPTREND /Downtrend indicator.</p> <p>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 4747.62volume says they market is NOT selling off heavily – good news and consistent with the Uptrend.</p> <p>Using the Healthy UPTREND/Downtrend price and volume movement listed above.</p> <ul style="list-style-type: none"> For example, if the Nasdaq closing <u>price rose 0.7%</u> and the <u>volume rose 2%</u> (up and up), that movement is “consistent with” the price-volume action of a <u>Healthy UPTREND</u>. If the <u>price drops 0.5%</u> and the <u>volume rises 1.2%</u> (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.