

ARMCHAIR INVESTOR^(sm) MORNING MARKET NEWSLETTER <i>A TREND-FOLLOWING STRATEGY</i>	
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The market is in UPTREND

Summary of Recent comments

- **Wednesday:** Yes. Sometimes IBD and I disagree about the market direction call. Today IBD dropped their rating to a cautionary “UPTREND UNDER PRESSURE.” I did not.
- **Thursday:** >>>> I am glad I did NOT change to Uptrend under Pressure on Wednesday. There was a **nice rebound Thursday!**
- **Friday:** Indexes end the day almost unchanged.

LAST WEEK: The **Nasdaq** dropped a modest 0.4% with higher volume for a **minor distribution week**.

The **S&P500 was unchanged**.

Both the Nasdaq and S&P500 remain in weak territory – below their 50-day moving averages.

Both major indexes rose above their 50-day moving averages last week, but quickly slipped down again. One could consider last week’s momentary highs to be weak, lower-highs since all-time highs for both major indexes earlier this year. Every market will have periods of increased volatility and lower highs. If you step back, both major indexes have stay above their February lows – a sign of support.

LAST WEEK’S MARKET ACTION				
4/27/2018	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-0.4%	+7.4%	-2.0%	Minor distribution
S&P 500	-0.0%	S&P 500 Volume		Neither
NYSE	-0.1%	+4.7%	+9.0%	Neither
DJIA	-0.6%			Minor distribution

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.

Let's talk about a current hot economic topic: **The flattening of the interest yield curve.**

Background: If a bank decides to lend \$10,000 to credit-worthy you (employed with good credit history), you would probably receive a **low interest rate** due to your solid financial position and the **short time frame** of risk for the bank.

But if you ask to borrow the money for 10 years, the bank would probably offer you a **higher interest rate** due to facing a much **longer period of uncertainty** in your ability to pay back the loan and the uncertainty in the cost of money.

If you chart out the cost of borrowing money over years, you get the interest rate yield curve, usually rising from the lowest short term rates to higher long-term rates. But if current rates rise without a change in long-term rates, the curve will "flatten" as it has recently. Flattening is frequently bad news about long-term growth of the economy and might indicate the expectation of a recession.

You can read IBD's interest rate curve article at: [27 The Big Squeeze: Why The Stock Market's Bull Run Faces Its Biggest Threat In Years](#)

FRIDAY: The major indexes were FLAT on Friday with volume and price below their 50-day moving averages.

DAILY MARKET ACTION						
4/27/18	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	7,122.97	+0.1%	-2.3%	-4.9%	Neither	+1.0%
S&P500	2,669.97	+0.1%	NYSE Volume		Neither	+1.0%
NYSE	12,594.02	+0.1%	-11.8%	-7.9%	Neither	+0.7%
DJIA	24,310.43	-0.05%			Neither	+0.1%

The next challenge is the indexes topping their 50-day moving averages.

I always feel better about the market when the major indexes are above their 50-day moving averages. This positive statement could be achieved Friday.

- The distribution day count remains 2 for both indexes. Nice!
- The Accumulation/Distribution ratings have risen to D's today – still weak.

Here are few negative aspects of this market. We are clearly not out of the woods yet.

- Both major indexes spending too much time below their 50-day moving averages.
- The percent of stocks with A or B accumulation ratings fell to 8% over the last few down days. 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 a low 1.1 ratio.

How did the indexes get such low Acc/Dist ratings? Stealth selling:

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

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.

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

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:

- Buy an Uptrend ETF such as the QQQ, QLD and TQQQ.
- 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			
4/27/18	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	\$162.09	+0.06%	+1.2%
QLD (2x)	\$76.02	\$77.53	+0.16%	+2.0%
TQQQ (3x)	\$142.60	\$146.43	+0.23%	+2.7%

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			
4/27/18	2017 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6903.39	7119.80	+3.1%
S&P 500	2673.61	2669.97	-0.1%
NYSE Comp	12,808.84	12,594.02	-1.7%
DJIA	24,719.22	24,310.43	-1.7%

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?				
4/27/2018	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	7119.80	2669.97	12594.02	24310.43
Below (-) or Above (+) Recent High (%)	-5.5%	-7.1%	-7.6%	-8.7%
Below (-) or Above (+) Recent High (#)	-417.47	-202.90	-1043.00	-2306.28

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

The Nasdaq daily price had a nice rebound Thursday.



Nasdaq Weekly chart (last week), 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 finds support at its 200-day m.a. 3 times.



S&P500 Weekly chart (last week), 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		4/27/2018	
Type of DAY for <u>Nasdaq</u> Accumulation, Distribution or Neither		Neither	
Market Direction Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		UPTREND	
Nasdaq Accumulation & Distribution Days 20-day count		Accumulation Days 5	Distribution Days 3
Count of Up Days and Down Days (10-days on the Nasdaq)		Up Days 3	Down Days 4
Days that do not move at least 0.2% 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	Above
		S&P 500 At	Above
		NYSE At	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?
THE COLOR OF THE "CURRENT TREND DAY COUNT" tells you the current market direction: Red = Downtrend, Yellow = Uptrend under Pressure, Green = Uptrend							
20	4/2/18	6870.12	-2.7%	-6.4%	4	—	UPTREND
19	4/3/18	6941.28	+1.0%	-4.2%	5	—	DOWNTREND
18	4/4/18	7042.11	+1.5%	-3.7%	6	—	DOWNTREND
17	4/5/18	7076.55	+0.5%	-5.8%	7	—	DOWNTREND
16	4/6/18	6915.11	-2.3%	+12.4%	8	Major Distribution day	DOWNTREND
15	4/9/18	6950.34	+0.5%	-11.6%	9	—	DOWNTREND
14	4/10/18	7094.30	+2.1%	+8.3%	1	Major Accumulation day <i>Market moves into UPTREND</i>	UPTREND
13	4/11/18	7069.03	-0.4%	-19.7%	2	—	UPTREND
12	4/12/18	7140.25	+1.0%	+10.8%	3	Major Accumulation day	UPTREND
11	4/13/18	7106.65	-0.5%	-12.3%	4	—	UPTREND
10	4/16/18	7156.28	+0.7%	+1.2%	5	Minor accumulation day	UPTREND
9	4/17/18	7281.10	+1.7%	+5.5%	6	Major Accumulation day	UPTREND
8	4/18/18	7295.24	+0.19%	-0.9%	7	—	—
7	4/19/18	7238.03	-0.8%	+5.7%	8	Minor distribution day	DOWNTREND
6	4/20/18	7146.13	-1.3%	-5.5%	9	—	UPTREND
5	4/23/18	7128.60	-0.3%	-9.7%	10	—	UPTREND
4	4/24/18	7007.35	-1.7%	+26.5%	11	Major Distribution day	DOWNTREND
3	4/25/18	7003.74	-0.05%	-5.0%	12	—	—
2	4/26/18	7118.68	+1.6%	+3.8%	13	Major Accumulation day	UPTREND
1	4/27/18	7119.80	+0.06%	-2.3%	14	—	—

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 looking for strong individual stocks to buy which are 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! ----- With the current weakness in the market, I am buying smaller first bites.

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

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 4747.62volume 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.