

ARMCHAIR INVESTOR^(sm) MORNING MARKET NEWSLETTER

A TREND-FOLLOWING STRATEGY

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Then click on [CURRENT NEWSLETTER](#).

Section 1 – RIDE THE MARKET IN THE DIRECTION IT'S GOING

CURRENT MARKET DIRECTION: UPTREND

Here is the most important stock market insider secret you can use to improve your returns:

***The SINGLE BIGGEST PREDICTOR of INVESTING SUCCESS is
TRADING WITH THE MARKET TREND!***

The purpose of this newsletter is to equip you with THE MARKET TREND so you can trade with the trend and earn Well-Above Average Returns. This system is based on:

- [Being IN the market when the market is rising.](#)
- [Being OUT \(or short\) when the market is falling.](#)

It sounds simple? It is! IF you learn to use the market trend rules shown in this newsletter.

CURRENT UPTREND : After almost 5 weeks of only uptrend and neutral days, the market finally had one distribution day last week

This has been the longest run of days consistent with an Uptrend I can remember. **QUITE A NICE 5-WEEK RUN!** Did you get all of it? This newsletter is designed to give you important signals like “New Uptrend confirmed” on 1/4/2019.

Uptrend ETFs	Armchair Investor Trend-following Returns for Current Uptrend begun on January 4			
2/11/19	Opening Price on 1/7/2019	TODAY's Closing Price	ETF % Change Today	Gain or Loss Since 1/4/19 Uptrend Signal
QQQ (1x)	156.54	168.40	-0.1%	+7.6%
QLD (2x)	68.98	79.24	-0.1%	+14.9%
TQQQ (3x)	38.47	47.12	-0.2%	+22.5%

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.

Too many investors are too unsure to get in at the beginning of a new Uptrend and too uncertain to stay in a strong Trend. This newsletter will give the right signals to make it easy for you.

HOW CAN YOU CAPTURE THOSE GREAT GAINS? It's as easy as 1- 2- 3!

STEP 1: In an Uptrend, buy a Nasdaq 100 stock listed above.

Find the market direction diagnosis every night in this newsletter. At the Uptrend signal, buy the QQQ (or one of the multiple funds) the next morning. When you receive your confirmation of the purchase price, place an 8% STOP LOSS order to protect your portfolio from a sudden market reversal (rare). Your broker can help you set up this order.

TODAY'S ACTION: Hold your Uptrend ETF position

STEP 2: Watch this newsletter nightly as the Uptrend extends.

This is the most exciting part of trend-following – riding the escalator up, up, up as the market rises. Enjoy your ETF investment as it increases with the rise of the market. There will be flat and down days during this journey, but expect the Uptrend to continue until a concentration of distribution days shows the Uptrend is slowing down and may be ready to reverse lower. If you invest in individual stocks – **GOOD HUNTING!**

>>>>>>As of 2/8, we had one DISTRIBUTION days in the last 25 trading days. The Uptrend is intact...and I am enjoying it!

We will alert you when the Uptrend is “Under Pressure” and point to the next step for your consideration.

STEP 3: When the market diagnosis is no longer in Uptrend, consider selling your Uptrend position (QQQ, QLD or TQQQ) and going to cash.

After exiting the Uptrend ETF, wait in cash until the next Uptrend signal.

MONDAY'S MARKET: The first distribution day (price dropped with higher volume) on Thursday. On Friday, the market was blasé about that “event” closing with almost no change.

DAILY MARKET ACTION

2/11/19	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg.	Accumulation or Distribution Day?	Recent Trend Gain/Loss from 1/4/2018 UPTREND SIGNAL
Nasdaq	7,307.91	+0.1%	-8.45%	-21.5%	Neither	+8.1%
S&P500	2,709.80	+0.1%	NYSE Volume		Neither	+6.9%
DJIA	25,053.11	-0.2%	-7.6%	-16.7%	Neither	+6.7%

ACCUMULATION/DISTRIBUTION – Half of stocks are A or B!

The following Accumulation/Distribution table is useful in understanding if stocks are being heavily bought or sold by institutional investors. When they are buying, the stock prices are rising. When the percent of A and B rated stocks is rising (see right column growth – Wow!), you know it will be easier to find good stocks to buy.

A whopping 49% of all stocks over \$5 have ratings of A or B, ratings that identify stocks that are being accumulated (bought) by the institutional investors. Finding rising stocks is now a 50-50 chance if you just throw darts. Add your expertise to look for strong EPS (earnings) and RS (relative strength: price rise compared to the S&P500) and you have a good chance of finding winners. All of these ratings can be found on www.investors.com

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS							
		A	B	C	D	E	As + Bs
4 weeks ago	1/11	5%	29%	24%	27%	14%	34%
3 weeks ago	1/18	6%	32%	26%	25%	12%	38%
2 weeks ago	1/28	7%	35%	25%	23%	9%	42%
1 week ago	2/4	8%	41%	25%	19%	7%	49%
Today	2/11	9%	40%	25%	19%	7%	49%
	#	591	2598	1622	1246	446	
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.							

MARKET ACTION 2019 YEAR-TO-DATE			
2/11/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	7307.91	+10.1%
S&P 500	2506.85	2709.80	+8.1%
NYSE	11374.39	12,297.90	+8.1%
DJIA	23327.46	25,053.11	+7.4%
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."			

MARKET FACTORS, COUNTS & RATINGS

2/11/2019

Type of Day for <u>Nasdaq Index</u> Accumulation, Distribution or Neither		Neither	
I track the Nasdaq's price-volume because it usually leads the market direction .			
Market Direction Uptrend, Under Pressure, Downtrend		Uptrend	
Nasdaq Accumulation & Distribution Days (last 20 days) Only accumulation and distribution days since the last market change (1/4/2019) are in this count.		Accumulation Days	Distribution Days
		7	1
Count of Up Days and Down Days Nasdaq's last <u>10-days</u> ' price movement		Up Days	Down Days
		4	5
Only days that move at least + or - 0.2% are included in the Up/Down count which does not always, therefore, add up to 10 days.			
Leaders Up/Down with High Volume Nasdaq 10-day ratio		1.6	
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	B-
		S&P 500	B-
		DJIA	C
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day	200-Day
Nasdaq		Above	Below
S&P 500		Above	Below
NYSE		Above	Below
DJIA		Above	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?
20	1/14/19	6905.91	-0.9%	-7.3%	7	—	UPTREND
19	1/15/19	7023.84	+1.7%	+6.6%	8	Major Accumulation	UPTREND
18	1/16/19	7034.69	+0.15%	+4.4%	9	—	—
17	1/17/19	7084.47	+0.7%	-8.7%	10	—	DOWNTREND
16	1/18/19	7157.23	+1.0%	+15.3%	11	Major Accumulation	UPTREND
15	1/22/19	7020.36	-1.9%	-3.6%	12	—	UPTREND
14	1/23/19	7025.77	+0.1%	-3.0%	13	—	—
13	1/24/19	7073.46	+0.7%	+5.2%	14	Minor accumulation	UPTREND**
12	1/25/19	7164.86	+1.3%	+1.6%	15	Major Accumulation	UPTREND
11	1/28/19	7085.68	-1.1%	-0.2%	16	—	UPTREND
10	1/29/19	7028.29	-0.8%	-16.6%	17	—	UPTREND
9	1/30/19	7183.08	+2.2%	+25.2%	18	Major Accumulation	UPTREND
8	1/31/19	7281.74	+1.4%	+2.5%	19	Major Accumulation	UPTREND
7	2/1/19	7263.87	-0.2%	-17.9%	20	—	UPTREND
6	2/4/19	7347.54	+1.2%	-12.5%	21	—	DOWNTREND
5	2/5/19	7402.09	+0.7%	+6.6%	22	Minor accumulation	UPTREND
4	2/6/19	7375.28	-0.4%	-4.7%	23	—	UPTREND
3	2/7/19	7288.35	-1.2%	+7.6%	24	Major Distribution	DOWNTREND
2	2/8/19	7298.20	+0.1%	-10.1%	25	—	—
1	2/11/19	7307.91	+0.1%	-8.45%	26	—	—

When Price and Volume move in the same direction, the day's action is consistent with an Uptrend, either both rising or both falling. Only moves of more than 0.2% are significant (counted).

LAST WEEK: Nasdaq made mild upward progress but lighter volume showed a lack of power behind the move. The other indexes had smaller (less significant) moves, also with lighter volume

LAST WEEK'S MARKET ACTION				
2/8/19	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+0.5%	-11.8%	-2.0%	Neither
S&P 500	+0.05%	S&P 500 Volume		Neither
NYSE	-0.3%	-8.1%	-3.0%	Neither
DJIA	+0.17%			Neither
<p>The "TYPES OF WEEK" are:</p> <p>ACCUMULATION WEEK PRICE RISES 0.2% or more and VOLUME RISES</p> <p>DISTRIBUTION WEEK PRICE FALLS 0.2% or more and VOLUME RISES</p> <p>Another type of DISTRIBUTION(*): WEEK PRICE FALLS 0.2% or more & VOLUME is 15% or more above average even without an increase in volume.</p> <p>The NYSE volume is used for the S&P500, DJIA and NYSE Composite.</p>				

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?				
2/8/2019	Nasdaq	S&P500	NYSE	DJIA
Date of Index All-time High*	8/30/2018	9/21/2018	1/26/2018	10/3/2018
All-time High (as of last Friday)	8,133.30	2,940.91	13,637.02	26,824.78
Current Price	7,298.20	2,707.88	12,292.14	25,106.33
Below (-) or Above (+) Recent High (%)	-10.3%	-7.9%	-9.9%	-6.4%
Below (-) or Above (+) Recent High (#)	-835.1	-233.03	-1344.88	-1718.45
<p>*New Highs are updated each Friday. If an index makes a new high during the week, its price will be highlighted in light green and you will see how it grows past that prior high during the week.</p>				

Nasdaq Daily chart, 4 months (updated Friday)

Nasdaq could not break above 200-day moving average line last week



Nasdaq Weekly chart, 1 year (updated each Friday)

Nasdaq could not break above 200-day moving average line last week



Charts are from StockCharts.com, a valuable site for investors w many free/advanced tools.

S&P500 Daily chart, 4 months (updated Friday)

S&P500 could not break above 200-day moving average line last week



S&P500 Weekly chart, 1 year (Updated every Friday)

P500 could not break above 200-day moving average line last week



Charts are from StockCharts.com, a valuable site for investors w many free/advanced tools.

THE ARMCHAIR INVESTOR TREND-FOLLOWING strategy is SIMPLE and FAST to execute:

- **Be IN** the market when it's **going up**.
- **Be OUT** of (or short) the market when it's **going down**.

ADDITIONAL NOTE: If the market is too volatile, or makes you so crazy you can't sleep at night, consider moving to CASH.

- Protect yourself with an 8% stop.

The ARMCHAIR INVESTOR TREND-FOLLOWING STRATEGY is designed to allow you to capture much of the market's gains in less than 5 minutes a day.

Follow these Armchair Investor Trend-following Strategy moves:

1. **When the Market direction moves into UPTREND:**
 - Buy an UPTREND ETF (and sell any INVERSE ETFs you own)
2. **When the Market direction moves into DOWNTREND:**
 - Sell any Uptrend ETF such as QQQ, QLD or TQQQ
 - Buy an **INVERSE ETF** or wait in CASH IF YOU PREFER
3. Repeat !!
4. **>>>> In times of UNCERTAINTY, a move to CASH may be appropriate.**

WHY DOES THIS STRATEGY WORK SO WELL?

It is hard for the big money (funds, banks and money managers) to hide their actions. But if you follow this newsletter, you will also learn to interpret their stealth moves and take advantage of that knowledge.

DO YOU INVEST IN INDIVIDUAL STOCKS?

Always consider taking some profit if significant distribution is showing up for your individual stocks. However, many individual stocks are rising with gusto! Look at all the lists in the Investor's Business Daily newspaper for stocks breaking out with high volume. **They are there!**

To get a deeper sense of the health of the market, look at the **MARKET FACTORS, COUNTS & RATINGS table** included each day in the FULL Armchair Investor newsletter. It looks at 7 key market direction factors and highlights the leaning of each:

- If the factor leans toward the **Uptrend**, that box will be **green**
- If the factor leans toward the **Downtrend**, that box will be **orange** or **red**

Questions? Contact Charlotte at 214-995-6702

One of the reasons I pay so much attention to the Investor's Business Daily strategies and books (***How to Make Money in Stocks series***) is that they work consistently. If you or someone you know is interested in stock market investing, I encourage them to start with:

- ***How to Make Money in Stocks – Getting started*** by Matt Galgani.

Then they can move on to some of the more advanced books.

You can also invite your friends to visit:

- The weekly Armchair Investor classes (you, too) in the Dallas area (3 time a week)
- The Sunday online Armchair Investor class
- The monthly Dallas and Fort Worth IBD Meetups.

Visit www.ArmchairInvestor.com for details.

Or Call me: Charlotte Hudgin 214-995-6702

Visit an **ARMCHAIR INVESTOR CLASS**

We have 4 classes given each week in Dallas, Addison and ONLINE:

- [Sunday afternoon 3 – 5 p.m. ONLINE \(No class on 2/10 see you next week\)](#)
- [Monday night 7 – 9 p.m.](#)
- [Tuesday afternoon 3:30 – 5:30 p.m.](#)
- [Wednesday morning 10:00 a.m. to noon](#)

PRIOR REGISTRATION REQUIRED FOR YOUR FREE VISIT at Armchair

FOR INVESTORS IN INDIVIDUAL STOCKS

BEST INVESTING ADVICE: WATCH YOUR NEST!

Many people find identifying great stocks that are breaking out of bases is easy!

The real surprise comes when they find out it is harder to decide when to sell a stock to take a profit or to minimize losses. Sometimes they “get busy” and forget to review their overgrown portfolios. Waiting can cost them much of their precious gains.

I have an investing mantra I hope you’ll use as a reminder of how to manage your portfolio. I use these 3 steps:

BUY the BEST

WATCH the NEST

VISIT the REST

- **BUY the BEST** – self-explanatory: Do not compromise your stock buying rules. Only buy the best stocks in an UPTRENDing market close to a buy point.
- **WATCH the NEST** – Once I own a stock, my relationship to it completely changes. It’s “my” nest egg now. Take care of your chicks. Feed them as they grow (even add more shares). But if you discover your cute cuddly chick is fighting you, it may be time to pass it on to a new caretaker.
- **VISIT the REST** – What about all those other stocks you identified as “almost” ready buy? A secret I haven’t talked about: I have two watch lists! One I look at daily with stocks very near buy points or waiting for EPS announcement. And a second weekly list of stocks that are getting close to a buy signal.

WHERE DO I FIND IDEAS FOR GREAT STOCKS TO ADD TO MY PORTFOLIO?

There are a growing number of strong stocks that are have broken out of well-formed bases or are closing in on buy points RIGHT NOW. I use Investors.com articles and stock lists (the IBD50, Sector Leaders, Stock

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

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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 well at night.

Questions may be submitted to: Editor@ArmchairInvestor.com

Some of your questions may be used in future newsletters.

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 changes less than + or – 0.2% 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:

SAMPLE 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.