

ARMCHAIR INVESTOR^(sm) MORNING MARKET NEWSLETTER

A TREND-FOLLOWING STRATEGY

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The purpose of this newsletter is to equip you with SPECIFIC KEY TOOLS so you can BEAT THE MARKET. Followers of these signals usually earn well-above average returns.

CURRENT MARKET DIRECTION: UPTREND

*The most important stock market insider secret you can use to improve your returns:
**The SINGLE BEST PREDICTOR of INVESTING SUCCESS is
 TRADING WITH THE MARKET TREND!***

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

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

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

LAST WEEK: The **tone of the market changed over the last 2 weeks:**

- **Two weeks ago, the market stalled,** ending flat inside the week (from Monday to Friday) with lower volume – a week of uncertainty which is a significant change in market “personality.”
- **Last week, the market fell 5 days in row,** including 3 distribution days (down days on higher volume indicating broad selling)
- **This 2-punch combination is not enough to turn the market diagnosis into “Uptrend under Pressure”;** but **one more significant distribution day** could do it.

LAST WEEK'S MARKET ACTION

3/1/19	Weekly Index % Change	Weekly Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+0.9%	+38.2%	+12.0%	Minor accumulation
S&P 500	+0.4%	S&P 500 Volume		Minor accumulation
DJIA	-0.02%	+34.7%	+7.0%	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, DJIA and NYSE Composite.

FRIDAY'S MARKET: A quiet end to a white knuckle week.

When a healthy Uptrend starts to show distribution days, you should be concerned.

- This dip may just be the uptrending market taking a break.
- Or it may be the defining of a new market top as it rolls over to start a correction (that's a polite word for Downtrend.)

Both major indexes (Nasdaq and S&P500) are about 1% below their 200-day moving average lines – a sign of uncertainty.

Your assignment next week is to watch the major indexes daily.

If you see additional distribution days, the market diagnosis could easily go into "Uptrend under Pressure." There are cautionary rules for handling your stocks during those times. Stay tuned to this nightly newsletter for updates!

DAILY MARKET ACTION						
3/8/19	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	7,408.14	-0.18%	-11.8%	-1.3%	Neither	+9.6%
S&P500	2,743.07	-0.21%	NYSE Volume		Neither	+8.2%
DJIA	25,450.24	-0.09%	-12.4%	-10.2%	Neither	+8.4%

• **WHAT ARE MY NEXT ACTIONS?**

1. Consider holding an uptrend ETF: QQQ position at the moment.
2. If the market diagnosis goes into Uptrend under Pressure, consider selling any multiple ETF and moving into the single. This trade will capture your recent gains and move you down to a lower, downside risk investment. You can always change back to the double or triple if the market resumes its upside climb. If this market makes you uncomfortable, consider moving to cash.

3. **Be sure your protective STOP is set.** Consider using a tighter stop. A 4% drop would be larger than any drop in the January 4 start of this Uptrend.
4. **If a market drop does trigger your stop,** you can buy back in if a solid upside reversal (price and volume) develops. Watch this section nightly for updates.
5. **What about individual stocks?** When I buy individual stocks, I sell each based on its own performance (triggered a stop or concentration of distribution days. In every market, **each stock fails on its own performance.** Some fail with the major indexes, some fail later. **Judge each stock individually (count those distribution days!**

Here are the gains you would have made if you bought an Uptrend Nasdaq 100 ETF (QQQ or multiple) right after the latest Uptrend signal.

Uptrend ETFs		Armchair Investor Trend-following Returns for Current Uptrend begun on January 4		
3/8/19	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	171.17	-0.2%	+9.3%
QLD (2x)	68.98	81.59	-0.4%	+18.3%
TQQQ (3x)	38.47	49.15	-0.6%	+27.8%

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.

INTERESTED IN OWNING THE BEST INDIVIDUAL STOCKS FOR HIGHER RETURNS?

I continue to look for good stocks to review in my weekly Armchair Investor classes. Today, we found several stocks with top ratings, chart strength and are within or near buy range. With the current moderate market weakness, I am buying only the best stocks (half position initial purchase) at the right signal: price breaking out of strong base and volume 40% above average or more.

The **IBD50 list of top stocks** is a great place to start searching. This list is available on the www.investors.com web site daily, under the STOCK LISTS tab and (my favorite) in the weekly Investor's Business Daily newspaper (small subscription required. Go to their site to be offered a low introductory price)

ACCUMULATION/DISTRIBUTION – The ratings slip!

The following Accumulation/Distribution table is useful in understanding if stocks are being heavily bought or sold by institutional investors. When they are buying, stocks, prices are rising.

The percent of stocks over \$5 with A or B accumulation ratings has fallen from a recent 60% to 48% in two weeks. This is a significant drop – a sign of some profit-taking by institutional investors.

PROGRESS IN ACCUMULATION/DISTRIBUTION RATINGS							
		A	B	C	D	E	As + Bs
4 weeks ago	2/7	9%	42%	24%	18%	6%	52%
3 weeks ago	2/14	10%	44%	24%	17%	5%	54%
2 weeks ago	2/22	12%	46%	23%	15%	4%	58%
1 week ago	3/1	12%	46%	24%	15%	4%	57%
Today	3/8	9%	40%	26%	20%	6%	48%
	#	565	2583	1689	1298	363	

The A's continue to rise as the market recovers after the 3-month, 24% bear market. Note above that the stocks over \$5 with As have almost doubled in the last month (6% to 10%). The stocks with A or B ratings are disproportionately high at 53% (an even distribution would have given the 5 grades only 20% each).

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.

To see more of the inner workings of this market, open the full newsletter.
[To open the FULL ARMCHAIR INVESTOR NEWSLETTER, click here](#)
Then click on CURRENT NEWSLETTER.

HOW CAN YOU CAPTURE THOSE GREAT GAINS SHOWN ABOVE?

It's as easy as 1- 2- 3!

THE ARMCHAIR INVESTOR PLAN DESIGN:

STEP 1: In an Uptrend, buy the QQQ, a Nasdaq 100 ETF.

Find the market direction diagnosis every night in this newsletter. At the Uptrend signal, buy the QQQ (or one of the multiple ETFs) 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.

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

This is the most exciting part of trend-following – Ride the escalator up, up, up as the market rises. Enjoy your ETF investment as it increases with the rise of the market.

- The **Nasdaq is up 10%** since the market returned to Uptrend on January 4
- The **S&P500 is up 8%** since the market returned to Uptrend on January 4
- Both are **showing some weakness (selling)**.

Did you get your share of those extraordinary rises in a little over one month! If you are looking for strong individual stocks in a buy range, they are out there – **GOOD HUNTING!**

All Uptrends have occasional distribution days.

This market's sideways pause is not (yet) an end to this year's mighty Uptrend but the distribution days have risen notably.

This newsletter will alert you when the Uptrend is "Under Pressure" and point to the next step for your consideration.

STEP 3: When the market diagnosis changes to Downtrend, 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.

NOTE: Not every market direction signal ends with a positive return. But overall, the ETFs have outperformed the market when traded according to these guidelines. Plus the market direction signals will help you by indicating when it is most effective to consider adding individual stocks to your portfolio (with a strong uptrending market).

MARKET FACTORS, COUNTS & RATINGS

3/8/2019

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	
		4	4	
Count of Up Days and Down Days Nasdaq's last <u>10-days</u> ' price movement		Up Days	Down Days	
		2	4	
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		1.0		
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	C+	
		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	At
		S&P 500	Above	At
		NYSE	Above	At
		DJIA	Above	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?
20	2/8/19	7298.20	+0.1%	-10.1%	25	—	—.
19	2/11/19	7307.91	+0.1%	-8.45%	26	—	—.
18	2/12/19	7414.62	+1.5%	+10.7%	27	Major Accumulation	UPTREND
17	2/13/19	7420.83	+0.08%	+0.3%	28	—	—.
16	2/14/19	7426.95	+0.1%	-0.15%	29	—	—.
15	2/15/19	7472.41	+0.6%	+6.7%	30	Minor accumulation	UPTREND
14	2/19/19	7486.77	+0.19%	-12.6%	31	—	—.
13	2/20/19	7489.07	+0.03%	+10.8%	32	—	—.
12	2/21/19	7459.71	-0.4%	+0.1%	33	—	—.
11	2/22/19	7527.54	+0.9%	+13.0%	34	Minor accumulation	UPTREND
10	2/25/19	7554.46	+0.4%	-2.33%	35	—	DOWNTREND
9	2/26/19	7549.30	-0.07%	-7.16%	36	—	—.
8	2/27/19	7554.51	+0.07%	+19.4%	37	—	—.
7	2/28/19	7532.53	-0.3%	+7.8%	38	Minor distribution	DOWNTREND
6	3/1/19	7595.35	+0.8%	+0.6%	39	Minor accumulation	UPTREND
5	3/4/19	7577.57	-0.2%	+2.4%	40	Minor distribution	DOWNTREND
4	3/5/19	7576.36	-0.02%	-16.8%	41	—	—.
3	3/6/19	7505.92	-0.9%	+5.4%	42	Minor distribution	DOWNTREND
2	3/7/19	7421.46	-1.1%	+5.8%	43	Major Distribution	DOWNTREND
1	3/8/19	7408.14	-0.18%	-11.8%	44	—	—.

MARKET ACTION 2019 YEAR-TO-DATE

3/8/19	2018 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	6635.38	7408.14	+11.6%
S&P 500	2506.85	2743.07	+9.4%
NYSE	11374.39	12,415.13	+9.1%
DJIA	23327.46	25,450.24	+9.1%

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 INDICES TO ALL-TIME HIGHS? Closing in but still a significant distance to rise!

3/8/2019	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	7,408.14	2,743.07	12,415.13	25,450.24
Below (-) or Above (+) Recent High (%)	-8.9%	-6.7%	-9.0%	-5.1%
Below (-) or Above (+) Recent High (#)	-725.16	-197.84	-1221.89	-1374.54

*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.

*New Highs are updated each Friday. If an index makes a new high during the week, you will see how it rows past that high during the week.

Nasdaq Daily chart, 6 months (updated Friday)

Nasdaq reverses at prior highs and falls below its 50-day and 200-day moving average lines



Nasdaq Weekly chart, 1 year (updated each Friday)

Nasdaq falls just below its 40-week moving average line



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

S&P500 Daily chart, 6 months (updated Friday)

S&P500 tops at prior high and pulls back below its 50-day and 200-day moving average lines.



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

S&P500 falls just below its 40-week moving average line



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

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:

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 PRICE-VOLUME ACTION

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.