

# **ARMCHAIR INVESTOR<sup>(sm)</sup> 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.

**WEDNESDAY'S MARKET:** The major indexes rose to new highs for 2019. (The S&P500 retreated slightly below)

- Higher price and volume resulted to accumulation days for both major indexes (the Nasdaq and S&P500).
- Wednesday's action? HOLD YOUR UPTREND ETF!

### **DAILY MARKET ACTION**

| 3/13/19 | 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  | 7,643.41    | +0.7%          | +8.8%           | +2.1%                 | Minor accumulation                | +13.1%  |
| S&P500  | 2,810.92    | +0.7%          | NYSE Volume     |                       | Minor accumulation                | +10.9%  |
| DJIA    | 25,702.89   | +0.6%          | +10.1%          | -0.2%                 | Minor accumulation                | +9.5%   |

## WHAT ARE MY NEXT ACTIONS? Watch for a clear up or down signal

### 1. Consider **holding an uptrend ETF: such as the QQQ**

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<br>for Current Uptrend begun on January 4 |                       |                    |  |
|--------------|---|-----------------------|--------------------|--|
| 3/13/19      | 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  | 177.01                | +0.8%              | +13.1%                                   |
| QLD (2x)     | 68.98   | 87.18                 | +1.4%              | +26.4%                                   |
| TQQQ (3x)    | 38.47   | 54.22                 | +2.2%              | +40.9%                                   |

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.

- 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.
- 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.**
- 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.
- 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!**

## 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](http://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 | 2/12 | 9%  | 41%  | 25%  | 19%  | 7%  | 50%     |
| 3 weeks ago | 2/20 | 12% | 46%  | 22%  | 15%  | 4%  | 58%     |
| 2 weeks ago | 2/27 | 13% | 46%  | 22%  | 15%  | 4%  | 59%     |
| 1 week ago  | 3/6  | 11% | 44%  | 25%  | 15%  | 4%  | 55%     |
| Today       | 3/13 | 10% | 42%  | 26%  | 18%  | 5%  | 51%     |
|             | #    | 622 | 2726 | 1681 | 1172 | 312 |         |

The A's continue to rise as the market recovers after the 3-month, 24% drop in the 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.

# MARKET FACTORS, COUNTS & RATINGS

3/13/2019

|   |  |                           |                          |
|---|--|---------------------------|--------------------------|
| <b>Type of Day for <u>Nasdaq Index</u></b><br>Accumulation, Distribution or Neither   |  | <b>Minor accumulation</b> |                          |
| I track the Nasdaq's price-volume because it usually leads the market direction .   |  |                           |                          |
| <b>Market Direction</b><br>Uptrend, Under Pressure, Downtrend   |  | <b>Uptrend</b>            |                          |
| <b>Nasdaq Accumulation &amp; Distribution Days (last 20 days)</b><br>Only accumulation and distribution days since the last market change (1/4/2019) are in this count.   |  | <b>Accumulation Days</b>  | <b>Distribution Days</b> |
|   |  | 4                         | 4                        |
| <b>Count of Up Days and Down Days</b><br>Nasdaq's last <u>10-days</u> ' price movement  |  | <b>Up Days</b>            | <b>Down Days</b>         |
|   |  | 4                         | 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.   |  |                           |                          |
| <b>Leaders Up/Down with High Volume</b><br>Nasdaq 10-day ratio  |  | <b>0.9</b>                |                          |
| 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   |  |                           |                          |
| <b>Market Accumulation/Distribution Ratings</b><br>"A": heavy accumulation, "B": moderate accumulation, "C": neutral, "D": moderate distribution, "E": heavy distribution.<br>Accumulation = Institutions are BUYING, Distribution = Inst are SELLING |  | <b>Nasdaq</b>             | <b>B</b>                 |
|   |  | <b>S&amp;P 500</b>        | <b>B-</b>                |
|   |  | <b>DJIA</b>               | <b>C</b>                 |
| <b>Are Major Indexes Above or Below Moving Averages?</b><br>"At" is within 1% above or below the moving average.  |  | <b>50-Day</b>             | <b>200-Day</b>           |
|   |  | Nasdaq<br><b>Above</b>    | <b>Above</b>             |
|   |  | S&P 500<br><b>Above</b>   | <b>Above</b>             |
|   |  | NYSE<br><b>Above</b>      | <b>Above</b>             |
|   |  | DJIA<br><b>Above</b>      | <b>Above</b>             |

## 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? |
|----|---------|---------|----------------|-----------------|-------------------------|--|--|
|    | 2/13/19 | 7420.83 | +0.08%         | +0.3%           | 28                      | —  | —.                                     |
| 19 | 2/14/19 | 7426.95 | +0.1%          | -0.15%          | 29                      | —  | —.                                     |
| 18 | 2/15/19 | 7472.41 | +0.6%          | +6.7%           | 30                      | Minor accumulation                                     | UPTREND                                |
| 17 | 2/19/19 | 7486.77 | +0.19%         | -12.6%          | 31                      | —  | —.                                     |
| 16 | 2/20/19 | 7489.07 | +0.03%         | +10.8%          | 32                      | —  | —.                                     |
| 15 | 2/21/19 | 7459.71 | -0.4%          | +0.1%           | 33                      | —  | —.                                     |
| 14 | 2/22/19 | 7527.54 | +0.9%          | +13.0%          | 34                      | Minor accumulation                                     | UPTREND                                |
| 13 | 2/25/19 | 7554.46 | +0.4%          | -2.33%          | 35                      | —  | DOWNTREND                              |
| 12 | 2/26/19 | 7549.30 | -0.07%         | -7.16%          | 36                      | —  | —.                                     |
| 11 | 2/27/19 | 7554.51 | +0.07%         | +19.4%          | 37                      | —  | —.                                     |
| 10 | 2/28/19 | 7532.53 | -0.3%          | +7.8%           | 38                      | Minor distribution                                     | DOWNTREND                              |
| 9  | 3/1/19  | 7595.35 | +0.8%          | +0.6%           | 39                      | Minor accumulation                                     | UPTREND                                |
| 8  | 3/4/19  | 7577.57 | -0.2%          | +2.4%           | 40                      | Minor distribution                                     | DOWNTREND                              |
| 7  | 3/5/19  | 7576.36 | -0.02%         | -16.8%          | 41                      | —  | —.                                     |
| 6  | 3/6/19  | 7505.92 | -0.9%          | +5.4%           | 42                      | Minor distribution                                     | DOWNTREND                              |
| 5  | 3/7/19  | 7421.46 | -1.1%          | +5.8%           | 43                      | Major Distribution                                     | DOWNTREND                              |
| 4  | 3/8/19  | 7408.14 | -0.18%         | -11.8%          | 44                      | —  | —.                                     |
| 3  | 3/11/19 | 7558.06 | +2.0%          | -4.6%           | 45                      | —  | DOWNTREND                              |
| 2  | 3/12/19 | 7591.03 | +0.4%          | -0.6%           | 46                      | —  | DOWNTREND                              |
| 1  | 3/13/19 | 7643.41 | +0.7%          | +8.8%           | 47                      | Minor accumulation                                     | UPTREND                                |



**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 ACTION 2019 YEAR-TO-DATE

| 3/12/19 | 2018 Closing Price | Current Price | Index % Change Year-to-Date |
|---------|--------------------|---------------|-----------------------------|
| Nasdaq  | 6635.38            | 7591.03       | +14.4%                      |
| S&P 500 | 2506.85            | 2791.52       | +11.4%                      |
| NYSE    | 11374.39           | 12,585.98     | +10.7%                      |
| DJIA    | 23327.46           | 25,554.66     | +9.5%                       |

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

| 3/12/2019                              | 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                          | 7,591.03  | 2,791.52  | 12,585.98 | 25,554.66 |
| Below (-) or Above (+) Recent High (%) | -6.7%     | -5.1%     | -7.7%     | -4.7%     |
| Below (-) or Above (+) Recent High (#) | -542.27   | -149.39   | -1051.04  | -1270.12  |

\*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.

**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   |                       |                        |                                 |              |
|---|-----------------------|------------------------|---------------------------------|--------------|
| 3/8/19  | Weekly Index % Change | Weekly Volume % Change | Volume Above/ Below 10-week Avg | Type of Week |
| Nasdaq  | -2.5%                 | -4.1%                  | +8.0%                           | Neither      |
| S&P 500   | -2.2%                 | S&P 500 Volume         |                                 | Neither      |
| DJIA  | -2.2%                 | -5.0%                  | +4.0%                           | Neither      |
| <p>The "TYPES OF WEEK" are:</p> <p><b>ACCUMULATION WEEK</b> PRICE RISES 0.2% or more and VOLUME RISES</p> <p><b>DISTRIBUTION WEEK</b> PRICE FALLS 0.2% or more and VOLUME RISES</p> <p>Another type of DISTRIBUTION(*): WEEK PRICE FALLS 0.2% or more &amp; VOLUME is 15% or more above average even without an increase in volume.</p> <p>The NYSE volume is used for the S&amp;P500, DJIA and NYSE Composite.</p> |                       |                        |                                 |              |



## Nasdaq Daily chart, 6 months (updated Wednesday)

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 Wednesday)**  
**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 times a week)**
- **The Sunday online Armchair Investor class**
- **The monthly Dallas and Fort Worth IBD Meetups.**

Visit [www.ArmchairInvestor.com](http://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

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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](mailto: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 <b>Uptrend</b><br>Price-Volume<br>Movement    | Strong Action | Up    | ↑ | ↑      | Up   |
|   | Weaker Action | Down  | ↓ | ↓      | Down |
| Healthy <b>Downtrend</b><br>Price-Volume-<br>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.