

ARMCHAIR INVESTOR **TREND-FOLLOWING STRATEGY***

(*For that part of your portfolio which is invested in a **market-tracking ETF** like the **QQQ**.)



The 2017 ARMCHAIR INVESTOR classes schedule is:

Monday 7:00 – 9:00 p.m. Barnes & Noble at Royal & Preston (northeast corner), Dallas
Tuesdays 4:00 – 6:00 p.m. Barnes & Noble at Royal & Preston (northeast corner), Dallas
Wednesday 10:00 am – noon, Barnes & Noble, on Beltline just east of Montfort, Addison

Visit a class as my guest. Call or text Charlotte a day before the class (or more) at 214-995-6702.

THURSDAY: Market didn't move much in total Thursday – perhaps the comfort of a bully second half of 2016 and the comfortable reassurance of two up day (Tuesday and Wednesday) allowed some traders to extend their holiday through this week.

- The **Nasdaq** was **UP 0.2%** but its volume was lower Thursday.
- The **S&P500** was **FLAT** (down 0.08%) with small volume change.

The **Nasdaq** distribution count dropped a second day this week (too old to be relevant). The distribution count is now **6** distribution days. (IBD says 7 – see 12/15 note). The **S&P500** distribution count is 4 distribution days, still nothing to get scared about. Attention is still focused on the Nasdaq's higher count.

NOTE: I have updated the recent highs of the “**HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?**” (see table below)

It is exciting to see the indexes close to breaking through all-time highs and is an indication of my **current optimism about the rising market**.

Download the **FULL ARMCHAIR INVESTOR NEWSLETTER** at:

ArmchairInvestor.com

Click on the **Free Newsletter** tab and then ...
the **Armchair Investor Current Newsletter**

MARKET DIAGNOSIS: “UPTREND”

What to do now: Hold the QQQ and add individual stocks if that is part of your investing strategy.

- I hold my full QQQ position
- You can also consider making an investment in the triple QQQ ETF (TQQQ).
 - The TQQQ is a riskier position that rises about 2 ½ to 3 times the QQQ’s rise.
 - BUT it also falls at 2 ½ to 3 times the drops in the QQQ.

TODAY’S MARKET ACTION

1/5/17	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg	Accumulation or Distribution Day?	Current Trend: UPTREND Began 6/30/2016
Nasdaq	5487.94	+0.20%	-5.7%	-1.4%	Neither	+13.5%
S&P500	2269.01	-0.08%	NYSE Volume		Neither	+8.1%
NYSE	11,247.70	+0.01%	+0.8%	-2.6%	Neither	+7.2%
DJIA	19,899.15	-0.22%			Minor distribution	+11.0%

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.

See additional notes on accumulation and distribution at the end of the FULL newsletter

A **Major ACCUMULATION Day**: Price RISES 1.0% or more with higher Volume than the day before

A **Minor accumulation Day**: Price RISES 0.2% but less than 1% and Volume is strong (either higher than the day before 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% but less than 1% and Volume is strong (either higher than the day before or is well-above average volume)

Distribution indicates institutions are selling their stock. The standard mathematical requirements for distribution days are shown above.

And there are additional types of distribution days that show **substantial selling** such as happened on Monday June 27, 2016, when the market fell 2.4%, closed near the bottom of the day’s price range but had lighter volume. The volume was still a strong 31% above average. In total, the day was heavy selling and labeled distribution (6/27/2016 was the second day of the market’s heavy selling response to England’s vote to leave the European Union.)

CURRENT TREND: There are two trends (UPTREND and DOWNTREND). But because most tops are rounded and happen over a couple of weeks or more, we find it useful to modify the Uptrend into “Uptrend under PRESSURE” when the distribution count gets uncomfortably high.

For more detailed explanation of Accumulation and Distribution days, please jump to the end of the FULL newsletter which can be downloaded at www.ArmchairInvestor.com .

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS FOR CURRENT UPTREND

Uptrend ETFs

1/5/17	Opening Price on 7/1/2015	Today's Price	ETF % Change Today	PROFIT/LOSS from 6/30/2016 Signal: "Market in Uptrend"
QQQ (1x)	107.49	120.87	+0.6%	+12.4%
QLD (2x)	71.14	89.52	+1.1%	+25.8%
TQQQ (3x)	96.15	134.77	+1.7%	+40.2%

If you had purchased the QQQ ETF the morning after the last "Market in UPTREND" signal on 6/30/2016, your investment would be up 10.1%. If you had purchased the TQQQ, you would be up 32.8%.

TREND FOLLOWING IS A VALUABLE TOOL TO ADD TO YOUR PORTFOLIO.

But please remember, the TQQQ fall 3 times the QQQ when the market is dropping.

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.

The "Profit" calculation is based on buying the ETF at the opening price the morning AFTER the signal (as you would have if you followed the ARMCHAIR INVESTOR TREND-FOLLOWING strategy).

PROGRESS IN ACCUMULATION / DISTRIBUTION RATINGS

for Stocks Over \$5

		A	B	C	D	E	Total
4 weeks ago	12/6	19%	36%	18%	17%	11%	6318
3 weeks ago	12/13	24%	36%	17%	15%	7%	6322
2 weeks ago	12/20	18%	39%	18%	17%	8%	6317
1 week ago	12/28	18%	39%	18%	17%	8%	6324
Today	1/5	20%	45%	18%	13%	4%	
	#	1258	2861	1164	800	273	6356

The as and Bs of the week with the highest TOTAL of As and Bs are outlined in a heavy solid line.

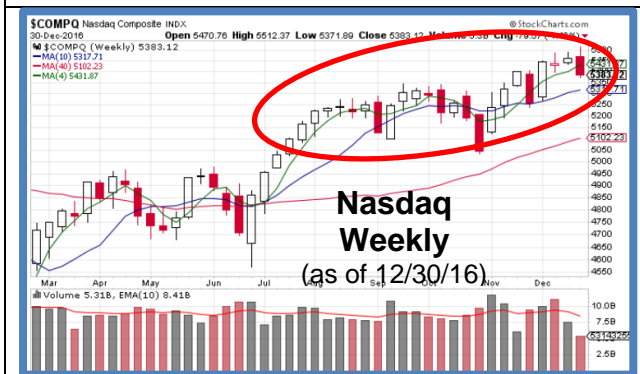
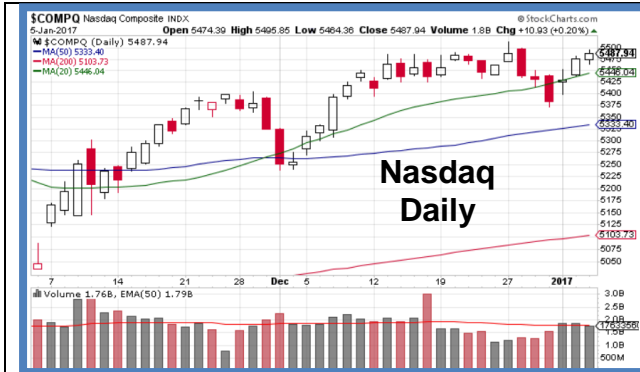
The As and Bs of the week with the lowest TOTAL of As and Bs are outlined in a red line.

The highest lowest totals of As plus Bs are highlighted in yellow.

Note: The Accumulation/Distribution ratings are calculated overnight & reported one day delayed. "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. Those lower are PINK

LAST Week's Market Action				
Week Ending 12/30/16	Index % Change	Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-1.2%	-37.6%	-23%	Neither
S&P 500	-1.0%	S&P 500 Volume		Neither
NYSE Comp	-0.5%	-33.9%	-69%	Neither
DJIA	-0.8%			Neither
<p>The "TYPES OF WEEK" are:</p> <p>ACCUMULATION WEEK Price RISES 1+% and Volume RISES 1+% DISTRIBUTION WEEK Price FALLS 1+% and Volume RISES 1+% Another type of DISTRIBUTION(*): WEEK Price FALLS 1+% & Volume is 15+% above average. The NYSE volume is used for the S&P500 and NYSE Composite.</p>				

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?				
	Nasdaq	S&P500	NYSE	DJIA
Date of Index High	All-time High (12/27/2016)	All-time High (12/13/2016)	All-time High (12/13/2015)	All-Time High (12/20/2016)
All-time High	5512.37	2277.53	11256.07	19987.63
Current Price	5512.37	2277.53	11256.07	19987.63
Below (-) or Above (+) Recent High (%)	5487.94	2269.01	11247.70	19899.15
Below (-) or Above (+) Recent High (\$)	-0.4%	-0.4%	-0.07%	-0.44%



The above charts are from **StockCharts.com**, a valuable site for investors with **many free tools**.
 On the **daily charts**: The **price 50-day and 200-day moving averages** are shown. If you don't see the 200-day price moving average, it is too low (or high) to show. But stay tuned – it will appear on these charts when the market direction changes. Also, the **volume 50-day moving average** is shown.
 On the **weekly charts**: The **price 10-week & 40-week moving averages** and the **10-week volume moving average** is shown.

 The rest of this newsletter is an in-depth look at today's market meant for those who enjoy exploring the market forces in more detail and manage individual stocks.

MARKET FACTORS, COUNTS & RATINGS		1/5/2017
Type of DAY for <u>Nasdaq</u> Major (1%/1%) Accumulation, Distribution or Neither	Neither	
Market Direction Uptrend, Under Pressure, Downtrend, or Attempted Uptrend	UPTREND	
<u>MAJOR</u> Accumulation / Distribution Momentum 20-day count of NASDAQ Major (1%/1%) Acc & Dist days	Major Accumulation Days 1	Major Distribution Days 0
IBD Distribution Day Count including ALL Major & Minor D-days. This count is the larger of S&P500 or Nasdaq distribution count for the last 25 trading day (but only since the last market Uptrend signal). The IBD Big Picture does not list accumulation days.	6	
Count of Up Days and Down Days (10-days on the Nasdaq)	Up Days 5	Down Days 5
Leaders Up/Down with High Volume (10-day ratio) 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	2.3	
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	B+
Are Major Indexes Above or Below Moving Averages? Nasdaq "At" is within 1% above or below the moving average. S&P 500 NYSE DJIA	50-Day	200-Day
	Above	Above
	Above	Above
	Above	Above
	Above	Above

MARKET DIRECTION ADDITIONAL COMMENTS

More detailed comments on market direction and technical analysis for individual stocks

THURSDAY : It is interesting that both leading indexes (the Nasdaq and the S&P500) plus the DJIA have Accumulation/Distribution ratings in the Bs. Over time, it is not unusual that the laggard index catches up to the leader and vice versa. We do know that over time, **the Nasdaq has a small edge over the S&P500 and DJIA** (I'll take any consistent edge I can get). That, plus the Nasdaq's higher volatility is why I pay more attention to the Nasdaq and its ETFs than those of the S&P500 or DJIA.

Note: I can get a bigger return using the Nasdaq's increased volatility (bigger gains during rising periods and bigger drops during falling periods) in my swing trading.

FROM YESTEREDAY'S NEWSLETTER:

In my Armchair Investor classes this week, we found a substantial list of attractive stocks ready to break out.

Good places to look for stocks to put on your watch list (or to buy tomorrow) are:

- **Stocks in the top industry groups listed in the Market page at the bottom of the daily Big Picture column. Be sure to look for industry groups that have risen fast recently over the last six weeks as shown in that table.**
- **The "Week in Review" list of top stocks with EPS and Relative Strength ratings of 85 or above updated on Thursdays and available every day on the website**
- **The IBD 50 list available every day on the website.**

BEWARE: None of these lists is a "buy it now" list. For example, Nvidia is still #1 on the IBD 50, but is down 13% from its high just 4 days ago. I am sure I will own NVDA again, but not at the moment.

Remember:

The market AND YOUR STOCKS continue in the direction they are going until they don't.

MARKET DIAGNOSIS: "UPTREND"

What to do now:

1. **WATCH YOUR INVESTMENTS CLOSELY**: 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)
2. **DON'T LOSE YOUR GAINS**: **Sell any stock that is showing a concentration of distribution days**
3. If you **need cash** for a hot new breakout, consider selling a stock that was a strong buy but hasn't taken off. It might be languishing near the buy point or it might have already round tripped – risen from a good buy point and bombed back or below the buy price.

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 a 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 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 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.

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?
MARKET IN UPTREND							
20	12/7/16	5393.76	+1.1%	+8.1%	112	Major Accumulation Day Market back in UPTREND	UPTREND
19	12/8/16	5417.36	+0.4%	-7.9%	113	Minor accumulation Day	UPTREND
18	12/9/16	5444.50	+0.5%	-15.6%	114	—	DOWNTREND
17	12/12/16	5412.54	-0.6%	-5.8%	115	—	UPTREND
16	12/13/16	5463.83	+1.0%	+7.2%	116	Major Accumulation Day	UPTREND
15	12/14/16	5436.67	-0.5%	-5.9%	117	—	UPTREND
14	12/15/16	5456.85	+0.4%	+5.6%	118	Minor accumulation Day	UPTREND
13	12/16/16	5437.16	-0.4%	+35.2%	119	Minor distribution Day	DOWNTREND
12	12/19/16	5457.44	+0.4%	-40.6%	120	—	DOWNTREND
11	12/20/16	5483.94	+0.5%	-0.8%	121	Minor accumulation Day	UPTREND
10	12/21/16	5471.43	-0.23%	-11.1%	122	—	UPTREND
9	12/22/16	5447.42	-0.4%	+5.8%	123	Minor distribution Day	DOWNTREND
8	12/23/16	5462.69	+0.3%	-27.3%	124	—	DOWNTREND
7	12/27/16	5487.44	+0.5%	+6.7%	125	Minor accumulation Day	UPTREND
6	12/28/16	5438.56	-0.9%	+8.1%	126	Minor distribution Day	DOWNTREND
5	12/29/16	5432.09	-0.12%	-3.3%	127	—	—
4	12/30/16	5383.12	-0.9%	+32.7%	128	Minor distribution Day	DOWNTREND
3	1/3/17	5429	+0.9%	+21.6%	129	Minor accumulation Day	UPTREND
2	1/4/17	5477.00	+0.9%	+0.5%	130	Minor accumulation Day	UPTREND
1	1/1/17	5429.08	+0.20%	-5.7%	131	—	DOWNTREND

ACCUMULATION / DISTRIBUTION RATINGS FOR MAJOR INDICES

with Prior Trends for Reference

	# of Days in Trend	Trend Details	Nasdaq	S&P 500	DJIA
1/26/16	1	Tue - A Follow-Through day = NEW UPTREND	E	E	E
2/5/16	9	Fri - UPTREND under PRESSURE 1	D-	D-	D+
2/8/16	1	Mon - Distribution = NEW DOWNTREND	D-	D-	D
2/16/16	6	Tue - DOWNTREND Attempted Rally 3	E	E	D-
2/17/16	1	Wed - A Follow-Through day = NEW UPTREND	E	D-	D+
6/24/16	91	Fri - UPTREND under PRESSURE 1	D	C	C-
6/27/16	1	Mon - Distribution = NEW DOWNTREND	E	E	E
6/29/16	3	Wed - DOWNTREND Attempted Rally 2	E	D-	D-
6/30/16	1	Thu - A Follow-Through day = NEW UPTREND	D-	C	C
8/26/16	40	Fri - UPTREND under PRESSURE 3	C-	B-	C
9/2/16	45	Fri - UPTREND under PRESSURE 8	D+	C+	C-
9/6/16	46	Tues - UPTREND	C	B-	C-
9/8/16	48	Thu - UPTREND	C-	C+	C-
9/9/16	49	Fri - UPTREND under PRESSURE 1	D-	C-	D-
9/16/16	54	Fri - UPTREND under PRESSURE 6	C	D	D-
9/23/16	59	Fri - UPTREND	B-	C-	D
10/10/16	70	Mon - UPTREND	B-	C+	C
10/11/16	71	Tues - UPTREND under PRESSURE 1	C-	C+	C+
11/8/16	90	Tue - UPTREND under PRESSURE 21	E	D	C-
11/9/16	91	Wed - UPTREND	D+	C	C+
11/30/16	107	Wed - UPTREND	D	C-	B
12/1/16	108	Thu - UPTREND under PRESSURE	E	D+	B+
12/6/16	111	Tue - UPTREND under PRESSURE	D	D	B+
12/7/16	112	Wed - UPTREND	D+	C	B+
12/20/16	121	Tue - UPTREND	C+	C-	B
12/21/16	122	Wed - UPTREND	B-	C-	B
12/22/16	123	Thu - UPTREND	B-	C-	B
12/23/16	124	Fri - UPTREND	B-	C-	B
12/27/16	125	Tue - UPTREND	B-	C-	B
12/28/16	126	Wed - UPTREND	B-	C-	B
12/29/16	127	Thu - UPTREND	B-	C-	B
12/30/16	128	Fri - UPTREND	C	C-	B+
1/3/17	129	Tue - UPTREND	B-	C+	B+
1/4/17	130	Wed - UPTREND	B-	B-	A-
1/5/17	131	Thu - UPTREND	B-	B-	B+

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).

The 2017 ARMCHAIR INVESTOR classes schedule is:

Monday 7:00 – 9:00 p.m. Barnes & Noble at Royal & Preston (northeast corner), Dallas

Tuesdays 4:00 – 6:00 p.m. Barnes & Noble at Royal & Preston (northeast corner), Dallas

Wednesday 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 and to reserve your spot.**

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 [0](#)

Some of your questions will be used in future newsletters.

Armchair Investor, P.O. Box 671146, Dallas, TX 75367, USA

Additional notes follow:

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
Nasdaq	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.