

ARMCHAIR INVESTOR **TREND-FOLLOWING STRATEGY***

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



TUESDAY: A strong accumulation day for both major indexes (the Nasdaq and S&P500 are IBD's only market direction leading indicators)

- Remember Monday's newsletter said, "Both indexes showed strength as they fell in the morning to their 50-day m.a.'s and both rebounded more than 1% to close near their day's highs."
- And that strength showed up even stronger on Tuesday as both major indexes had accumulation days.
- The S&P500 was UP 0.7% with volume UP 3%.
- The Nasdaq was UP 0.6% with volume UP 7%.

MARKET DIAGNOSIS: "UPTREND under PRESSURE"

"REMEMBER":

THE MARKET CONTINUES IN THE DIRECTION IS IT GOING UNTIL IT DOESN'T.

What to consider now: Hold the QQQ. I will not add individual stocks tomorrow – I'll let the market settle out.

- I hold my full QQQ position and individual stocks. You might want to follow IBD's recommendation:
 - IBD suggests you sell half of your QQQ position when the Uptrend goes "Under Pressure." I am not selling this time – I just don't see much of a downtrend indication yet. But my figure is staying close to the sell button.

The FULL ARMCHAIR INVESTOR NEWSLETTER can be downloaded at ArmchairInvestor.com

Click on the [Armchair Investor Current Newsletter](#) tab

TODAY'S MARKET ACTION

3/28/17	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg	Accumulation or Distribution Day?	Current Trend: UPTREND Began 6/30/2016
Nasdaq	5875.14	+0.6%	+6.6%	-14.0%	Minor accumulation	+21.5%
S&P500	2358.59	+0.7%	NYSE Volume		Minor accumulation	+12.3%
NYSE	11,493.84	+0.7%	+3.4%	-6.30%	Minor accumulation	+9.5%
DJIA	20,701.78	+0.7%			Minor accumulation	+15.5%

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.)

A STALLING DISTRIBUTION DAY is called when the index or stock has risen to a new high or is near a high and...

- Price stalls - closes very close to the prior day (usually within 0.2%) and
- Volume is higher than the day before indicating an increase in trading without price progress – a sign of weakness.

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.

LAST Week's Market Action

Week Ending 3/24/17	Index % Change	Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	-1.2%	-9.7%	+3%	Neither
S&P 500	-1.4%	S&P 500 Volume		Neither
NYSE Comp	-1.5%	-7.0%	-1%	Neither
A	-1.5%			Neither

The "TYPES OF WEEK" are:

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.

ARMCHAIR INVESTOR TREND-FOLLOWING RETURNS FOR CURRENT UPTREND

Uptrend ETFs

3/28/17	Opening Price on 7/1/2016	Today's Price	ETF % Change Today	PROFIT/LOSS from 6/30/2016 Signal: "Market in UPTrend"
QQQ (1x)	107.49	131.64	+0.64%	+22.5%
QLD (2x)	71.14	103.08	-1.67%	+44.9%
TQQQ (3x)	48.08	86.83	+1.87%	+80.6%

If you had purchased the QQQ ETF the morning after the last "Market in UPTREND" signals 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).

MARKET ACTION 2017 YEAR-TO-DATE

3/28/17	2016 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	5383.12	5875.14	+9.1%
S&P 500	2238.83	2358.59	+5.3%
NYSE Comp	11,056.90	11,493.84	+4.0%
DJIA	19,762.60	20,701.78	+4.8%

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 2016 HIGHS?

3/28/17	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	5875.14	2358.59	11493.84	20701.78
Below (-) or Above (+) Recent High (%)	+6.6%	+3.6%	+2.1%	+3.6%
Below (-) or Above (+) Recent High (\$)	+\$362.77	+\$81.06	+\$237.77	+\$714.15



The above charts are from **StockCharts.com**, a valuable site for investors with **many free tools**. On the **daily charts**: The **price 20-day, 50-day and 200-day moving averages** are shown. If you don't see the 200-day price moving average, it is too far away from the price bars 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		3/28/2017	
Type of DAY for <u>Nasdaq</u> Major (1%/1%) Accumulation, Distribution or Neither		Minor accumulation	
Market Direction Uptrend, Under Pressure, Downtrend, or Attempted Uptrend		UPTREND under PRESSURE	
<u>MAJOR</u> Accumulation / Distribution Momentum 20-day count of NASDAQ Major (1%/1%) Accumulation & Distribution days		Major Accumulation Days	Major Distribution Days
		1	1
IBD Distribution Day Count including ALL Major & Minor D-days.		6	
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.			
Count of Up Days and Down Days (10-days on the Nasdaq)		Up Days	Down Days
		6	1
The Nasdaq moved less than 0.2% on 3/9, 3/16 and 3/24/2017 and thus is not counted in the Up/Down days count. The count, therefore, does not add up to 10 days.			
Leaders Up/Down with High Volume (10-day ratio)		1.4	
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	B
Are Major Indexes Above or Below Moving Averages? "At" is within 1% above or below the moving average.		50-Day	200-Day
Nasdaq		Above	Above
S&P 500		Above	Above
NYSE		Above	Above
DJIA		Above	Above

MARKET DIRECTION ADDITIONAL COMMENTS

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

TUESDAY : In a market that isn't having customary big moves, an accumulation market day in the major indexes of 0.6% or 0.7% is exciting. There must be a pony in here somewhere!

- Coherent (COHR) could be that pony (NOT a recommendation but see what you think of it)
 - Note 99 and A are the strongest ratings:
 - Earnings Per Share 92
 - Relative Strength 98
 - Accumulation/Distribution A
 - Composite 99
 - COHR broke out Monday from a solid FLAT base (only 10% drop in the base) with big volume of 93% above average.
 - AND price is still in the 5% buy range (up to 210.56).

“Uptrend-under-Pressure or Uptrend” discussion update:

It's still a close bet. The Accumulation/Distribution ratings have stayed at a strong B+ for the **Nasdaq** and B for the **S&P500**.

Both leading indexes dipped to 5-week lows last week. And have now “bounced” off their 50-day moving averages with vigor (nice upward price move with substantially increased volume. A bounce AND volume – that's a double win!

The 10-day ratio of “leaders UP on volume” versus “leaders DOWN on volume” has risen to a 1.4 ratio. And 1.5 is my minimum for market strength.

- See the “**MARKET FACTORS, COUNTS & RATINGS**” table above which includes this ratio every day.

HOW DOES THE MARKET CHANGE FROM UPTREND TO DOWNTREND?

The market diagnosis always goes from a happy, rising Uptrend to a warning of "Uptrend under Pressure" for at least 1 day (frequently more than a week or two) before either going into Downtrend or back into Uptrend.

This short limbo period (uptrend under pressure) is why it is important to watch the market each night.

When (not if) the market goes into Downtrend, you will be warned about its likelihood and be prepared to take correct protective actions which I will discuss in this column when the time is appropriate.

Are you still riding this wave?? I am, cautiously!

YOU ARE NOT SMARTER THAN THE MARKET

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REMEMBER THESE IMPORTANT INVESTING RULES:

#1 Investing Rule

PROTECT YOUR PORTFOLIO WITH AN 8% STOP

And, yes. You may have chosen a tighter 7% or 6% stop. The most important aspect of this first rule is:

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!

#2 Investing Rule:

TRADE IN THE DIRECTION OF THE CURRENT MARKET

And remember:

THE MARKET AND STOCKS CONTINUE IN THE DIRECTION THEY ARE GOING..... UNTIL THEY DON'T.

Remember:

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

MARKET DIAGNOSIS: "UPTREND under PRESSURE"

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) **DON'T LOSE YOUR GAINS: Sell any stock that is showing a concentration of distribution days**
2. **BUY THE BEST STOCKS AS THEY BREAK OUT OF STRONG BASES.** If weary of this rising market (I don't call it extended because I don't see warning signs yet), buy in three moves (**pyramiding in**):
 - a. Buy 50% of your intended position as the stock has a good break out (volume at least 40% above average)
 - i. Buy another 30% as the stock rises 1 ½ to 2% above the buy price.
 - ii. Buy the final 20% as the stock rises another 1 ½ to 2% but avoid buying a stock that is more than 5% past the ideal buy price.
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 as institutions buy as much as they can at today's low prices. 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 the 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's closing price rose 0.7% and the volume rose 2%, the day 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 – 0.2% or volume change less than + or – 0.2% has no “consistent with” notation. Price and volume movements that small is not “significant” – not strong enough to tell us about the market movement.

MARKET ACTION (Nasdaq) OVER THE LAST 20 DAYS <i>(For a full explanation of the terms in this table see end of this newsletter)</i>							
#	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	3/1/17	5902.63	+1.3%	+2.0%	168	Major accumulation Day	UPTREND
19	3/2/17	5861.22	-0.7%	-15.2%	169	—	UPTREND
18	3/3/17	5870.75	+0.16%	-9.2%	170	—	
17	3/6/17	5849.17	-0.4%	-4.4%	171	—	UPTREND
16	3/7/17	5833.40	-0.3%	+1.7%	172	Minor distribution day	DOWNTREND
15	3/8/17	5837.55	+0.06%	-10.7%	173	—	—
14	3/9/17	5838.60	+0.02%	+4.3%	174	—	—
13	3/10/17	5861.73	+0.4%	-3.1%	175	—	DOWNTREND
12	3/13/17	5875.78	+0.24%	-9.6%	176	—	DOWNTREND
11	3/14/17	5856.82	-0.3%	-7.4%	177	—	—
10	3/15/17	5900.05	+0.7%	+15.0%	178	Minor accumulation Day	UPTREND
9	3/16/17	5900.76	+0.01%	-8.2%	179	—	—
8	3/17/17	5901.00	0.00%	+61.8%	180	—	—
7	3/20/17	590.30	+0.01%	-39.2%	181	—	—
6	3/21/17	5793.83	-1.8%	+26.1%	182	Major Distribution day	DOWNTREND
5	3/22/17	5821.64	+0.5%	-14.9%	183	—	DOWNTREND
4	3/23/17	5817.69	+0.7%	-6.9%	184	—	—
3	3/24/17	5828.74	+0.19%	+7.1%	185	Stalling distribution day***	—
2	3/27/17	801.37	+0.20%	-9.9%	186	—	DOWNTREND
1	3/28/17	5875.14	+0.6%	+6.6%	187	Minor accumulation Day	UPTREND

*** A stalling distribution day (little price change with higher volume) can indicate weakness in the market with some underlying selling. It is not a powerful distribution day, but does indicate a weakness when the volume rises but price goes nowhere.

ACCUMULATION / DISTRIBUTION RATINGS FOR MAJOR INDICES

with Prior Trends for Reference

	# of Days in Trend	Trend Details	Nasdaq	S&P 500	DJIA
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	Tue – 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 1	E	D+	B+
12/6/16	111	Tue – UPTREND under PRESSURE 4	D	D	B+
12/7/16	112	Wed – UPTREND	D+	C	B+
12/23/16	124	Fri – UPTREND	B-	C-	B
2/3/17	151	Fri – UPTREND	B+	B	B
3/3/17	170	Fri – UPTREND	B+	B+	A-
3/10/17	175	Fri – UPTREND	B+	B+	B+
3/13/17	176	Mon – UPTREND	B+	B+	B+
3/17/17	180	Fri – UPTREND	A-	B+	B+
3/20/17	181	Mon – UPTREND	A-	B+	B+
3/21/17	182	Tue – UPTREND under PRESSURE 1	B+	B	B
3/22/17	183	Wed – UPTREND under PRESSURE 2	B+	B	B
3/23/17	184	Thu – UPTREND under PRESSURE 3	B+	B	B
3/24/17	185	Fri – UPTREND under PRESSURE 4	B+	B	B
3/27/17	186	Mon – UPTREND under PRESSURE 5	B+	B	B
3/28/17	187	Tue – UPTREND under PRESSURE 6	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 (northwest corner), 5959 Royal Ln, Dallas 75230

Tuesdays 4:00 – 6:00 p.m. Barnes & Noble at Royal & Preston (northwest corner), 5959 Royal Ln, Dallas 75230

Wednesday 10:00 am – noon, Barnes & Noble, on Beltline just east of Montfort, 5301 Beltline Rd, Dallas 75254 (in Addison with Dallas mailing address).

No Armchair Investor weekly classes on 3/20, 21 and 22.

- **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 editor@armchairinvestor.com
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.

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