

11/18/16 **UPTREND** Nasdaq Leads for the Week UP 1.6%, Hits All-Time High Friday.
Friday Volume 15 #224

>>>>No Armchair Investor classes Thanksgiving week – gobble, gobble up those stocks!

ARMCHAIR INVESTOR **TREND-FOLLOWING STRATEGY***

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



LAST WEEK: The major market direction indicting indices (Nasdaq and S&P500) both rose nicely last week:

- The Nasdaq was UP 1.6%
- The S&P500 was UP 0.8%
- Both had lower volume.

Although this week's rises are playing well in portfolios designed with strong CAN SLIM stocks (See Wm O'Neil's *How to Make Money in Stocks* book or the Investors.com web site), the two major indices are approaching new all-time highs which are likely to cause some resistance:

- Both indices closed the week within 1/2% of their all-time highs.
- On Friday, the Nasdaq touched above its prior high but closed back below it – the first evidence of resistance.

NEXT WEEK: I expect more attempts for the major indices to break through to new highs before succeeded. I am a patient person. I expect next week's Thanksgiving-shorten trading to have lower volume.

- Thursday, 11/24 – Thanksgiving, Markets closed
- Friday, 11/25 – early close at 1 p.m. eastern time.

FRIDAY: Volume was lighter on Friday, even though it was options expiration 3rd Friday. It was also the Friday before Thanksgiving and almost two weeks after the election. Perhaps, post-election shifting is petering out and a long weekend looked good to traders.

- The **Nasdaq and S&P500 were DOWN 0.23%** with lighter volume.
- Both indexes are holding great gains since last Monday (11/7).
- **Both indexes are within 1% of their all-time highs.** In the FUL newsletter, there is a table every night that tells you how far the Nasdaq, S&P500, NYSE, and DJIA are from their all-time highs (I continue to use the August 15, 2016 high for the DJIA since I am

not certain that staying above that prior high will hold.)

Download the full newsletter at www.armchairinvestor.com

- I am happy to see the tech stocks make another good showing today, broadening the Uptrending stocks.

CONCERN: Beware! The distribution count is high but falling! :

- **The Nasdaq distribution count now totals 7** distribution days.
- The S&P500 distribution count is a less daunting 3 distribution days.

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ArmchairInvestor.com

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MARKET DIAGNOSIS: "UPTREND"

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What to do now: The market is in an UPTREND and showing renewed strength. But with the high distribution count.

- I continue to hold my full QQQ position.
- I also started buying individual stocks last Wednesday. The Uptrend is clear.
- Because I have continued to build my watch list, I have an instant stock suggestion list.
- Be sure your stops stay active. Some brokers reset stops each month.
- Watch this column nightly for updates

LAST Week's Market Action

Week Ending 11/18/16	Index % Change	Volume % Change	Volume Above/ Below 10-week Avg	Type of Week
Nasdaq	+1.6%	-10.5%	+15%	Neither
S&P 500	+0.8%	-16.4%	+15%	Neither
NYSE Comp	+0.5%			Neither
DJIA	+0.12%			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.

Today's Market Action

11/18/16	Index Close	Index % Change	Volume % Change	Volume vs 50-day Avg	Accumulation or Distribution Day?	Current Trend: UPTREND Began 6/30/2016
Nasdaq	5321.51	-0.23%	-12.6%	-1.5%	Neither	+10.0%
S&P500	2182.00	-0.23%	NYSE Volume		Neither	+3.9%
NYSE	10,709.51	-0.28%	-6.1%	-6.0%	Neither	+2.0%
DJIA	18,869.10	-0.18%			Neither	+5.3%

A **Major ACCUMULATION Day**: Price RISES 1.0% or more 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 avg 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 avg 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.

Uptrend ETFs	Armchair Investor Trend-following Returns for Current Uptrend			
11/18/16	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	117.32	-0.4%	+9.1%
QLD (2x)	71.14	84.24	-0.7%	+18.4%
TQQQ (3x)	96.15	123.13	-1.1%	+28.1%

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	10/21	9%	36%	23%	23%	9%	6290
3 weeks ago	10/28	8%	32%	23%	24%	12%	6251
2 weeks ago	11/4	5%	26%	23%	29%	17%	6189
1 week ago	11/11	11%	36%	19%	20%	14%	6232
Today	11/18	18%	35%	17%	17%	12%	
	#	1156	2222	1051	1067	774	6270

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

MARKET ACTION 2016 YEAR-TO-DATE

11/18/16	2015 Closing Price	Current Price	Index % Change Year-to-Date
Nasdaq	5007.41	5321.51	+6.3%
S&P 500	2043.94	2182.00	+6.8%
NYSE Comp	10143.42	10709.51	+5.6%
DJIA	17423.03	18869.10	+8.3%

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." "Buy and Hold" is never recommended by the Armchair Investor.

HOW CLOSE ARE THE INDICES TO ALL-TIME HIGHS?

Below are the highs as of September 2016. I will use these highs until the market has risen above those by at least 5%. Only the Nasdaq and S&P500 are considered "market direction indicators." Recently, the market has found the S&P500 8/15/2016 highs to be resistance (a barrier to rising higher).

	Nasdaq	S&P500	NYSE	DJIA
Date of Index High	All-time High (9/22/2016)	All-time High (8/15/2016)	All-time High (5/21/2015)	All-Time High (8/15/2016)
All-time High	5342.88	2193.81	11254.87	18668.44
Current Price	5321.51	2182.00	10709.51	18869.10
% Off All-Time High	-0.4%	-0.5%	-4.8%	+1.1%
\$ off the All-Time High Price	-\$21.37	-\$11.81	-\$545.36	+\$200.66



**Nasdaq
Daily**



**S&P500
Daily**



**Nasdaq
Weekly
(as of 11/18/16)**



**S&P500
Weekly
(as of 11/18/16)**

Both indexes are significantly below their all-time highs. Both indexes tumbled down a steep slope, closing lower 9 days in a row, then recovered nicely over the last 2 days.

Those highs now appear to be the prices to beat. The “How Close are the Indexes to All-Time Highs?” table (prior page) has been updated to refer to these all-time highs including new highs this year for the Nasdaq, S&P500 and DJIA. The NYSE is still below its 2015 high.

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 DIRECTION ADDITIONAL COMMENTS

(with more detailed comments on market direction and technical analysis for individual stocks)

FRIDAY : As the market closed higher for the second week in a row, I note again: the Market loves certainty – even if the initial announcement (the presidential election results) was a surprise.

I have a few good stocks that are rising and holding them, watching carefully. The members of my weekly Armchair Investor classes suggest great stocks each week, which we explore together. Last week, their top picks included:

- **HealthEquity HQY** and **Gigamon GIMO** both are within range of **GoldenTriangleSM** formations (bounces off the 50-day moving average with strong volume). Buy after the bounce-with-volume up to 5% above the start of the triangle (the highest price before the bounce).
- **Veeva VEEV** 42.68 buy price from a flat base. Wait to get earnings on Tuesday.
- **Palo Alto Networks PANW**, earnings due Monday 11/21
- Beware! Nvidia NVDA could be forming a **classic climax top** as it rose above its upper channel line. I like to ride these stops as they accelerate higher but sell very quickly when they start to fail. I'd rather be early than late – especially when a stock forms a climax top. A climax top occurs to a stock that has risen for 4 months or more, then takes off at an accelerated rate only to burn out and crash.

Good luck!

Remember:

The market continues in the direction it's going until it doesn't.

MARKET DIAGNOSIS: "UPTREND"

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- I started buying individual stocks on a week ago. The Uptrend is clear.
- Because I have continued to build my watch list, I have an instant stock suggestion list.

- Be sure your stops stay active. Some brokers reset stops each month.
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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 MORE SUBTLE, BUT TELLING MOVES

The last column is a more subtle 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 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 (—)	<u>CONSISTENT WITH:</u> UPTREND or DOWNTREND?
MARKET IN UPTREND							
20	10/24/16	5309.83	+1.0%	-7.1%	79	—	DOWNTREND
19	10/25/16	5283.40	-0.5%	+2.3%	80	Minor distribution Day	DOWNTREND
18	10/26/16	5250.27	-0.6%	+9.7%	81	Minor distribution Day	DOWNTREND
17	10/27/16	5215.97	-0.7%	+12.1%	82	Minor distribution Day	DOWNTREND
16	10/28/16	5190.1	-0.5%	-0.08%	83	—	—
15	10/31/16	5188.13	-0.02%	-12.6%	84	—	—
14	11/1/16	5153.58	-0.7%	+13.0%	85	Minor distribution Day	DOWNTREND
13	11/2/16	5105.57	-0.9%	-12.0%	86	—	UPTREND
12	11/3/16	5058.41	-0.9%	-0.25%	87	—	UPTREND
11	11/4/16	5046.37	-0.24%	-3.5%	88	—	UPTREND
10	11/7/16	5166.17	+2.4%	-5.8%	89	—	DOWNTREND
9	11/8/16	5193.49	+0.5%	-9.0%	90	—	DOWNTREND
8	11/9/16	5251.07	+1.1%	+62.2%	91	Major Accumulation Day Market back in UPTREND	UPTREND
7	11/10/16	5208.80	-0.8%	+3.2%	93	—	UPTREND
6	11/11/16	5237.11	+0.5%	-23.0%	95	—	UPTREND
5	11/14/16	5218.40	-0.4%	+3.1%	96	Minor distribution Day	DOWNTREND
4	11/15/16	5275.62	+1.1%	-7.9%	97	—	DOWNTREND
3	11/16/16	5294.58	-0.4%	-5.7%	98	—	UPTREND
2	11/17/16	5333.97	+0.7%	+3.3%	99	Minor accumulation Day	UPTREND
1	11/18/16	5321.51	-0.23%	-12.6%	100	—	UPTREND

ACCUMULATION / DISTRIBUTION RATINGS

FOR MAJOR INDICES w 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+
10/14/16	74	Fri - UPTREND under PRESSURE 4	D+	C	C
10/21/16	79	Fri - UPTREND under PRESSURE 9	C-	C	C-
10/28/16	83	Fri - UPTREND under PRESSURE 14	D-	D+	C
10/31/16	84	Mon - UPTREND under PRESSURE 15	D-	D+	C-
11/1/16	85	Tues - UPTREND under PRESSURE 16	E	D-	D+
11/8/16	90	Tue - UPTREND under PRESSURE 21	E	D	C-
11/9/16	91	Wed - UPTREND	D+	C	C+
11/10/16	93	Thu - UPTREND	D-	C+	B
11/11/16	95	Fri - UPTREND	D	C	B
11/14/16	96	Mon - UPTREND	D	C	B
11/15/16	97	Tue - UPTREND	D	C	B
11/16/16	98	Wed - UPTREND	D	C	B
11/17/16	99	Thu - UPTREND	D	C	B
11/18/16	100	Fri - UPTREND	D	C	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 regular ARMCHAIR INVESTOR class schedule (subject to change) is:

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

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

Wednesdays 10:00 am – noon, Barnes & Noble, on Beltline just east of Montfort, Addison

NOTE: The Armchair Investor classes are on vacation two weeks each quarter.

- 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 me at 214-995-6702 to schedule your FREE visit (new visitors only) to an ARMCHAIR INVESTOR class.

TO REGISTER FOR THE INTENSIVE ARMCHAIR INVESTOR WORKSHOPS OR TO VISIT A 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 0.5% 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 0.5% 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)**