Books & Trades # 189

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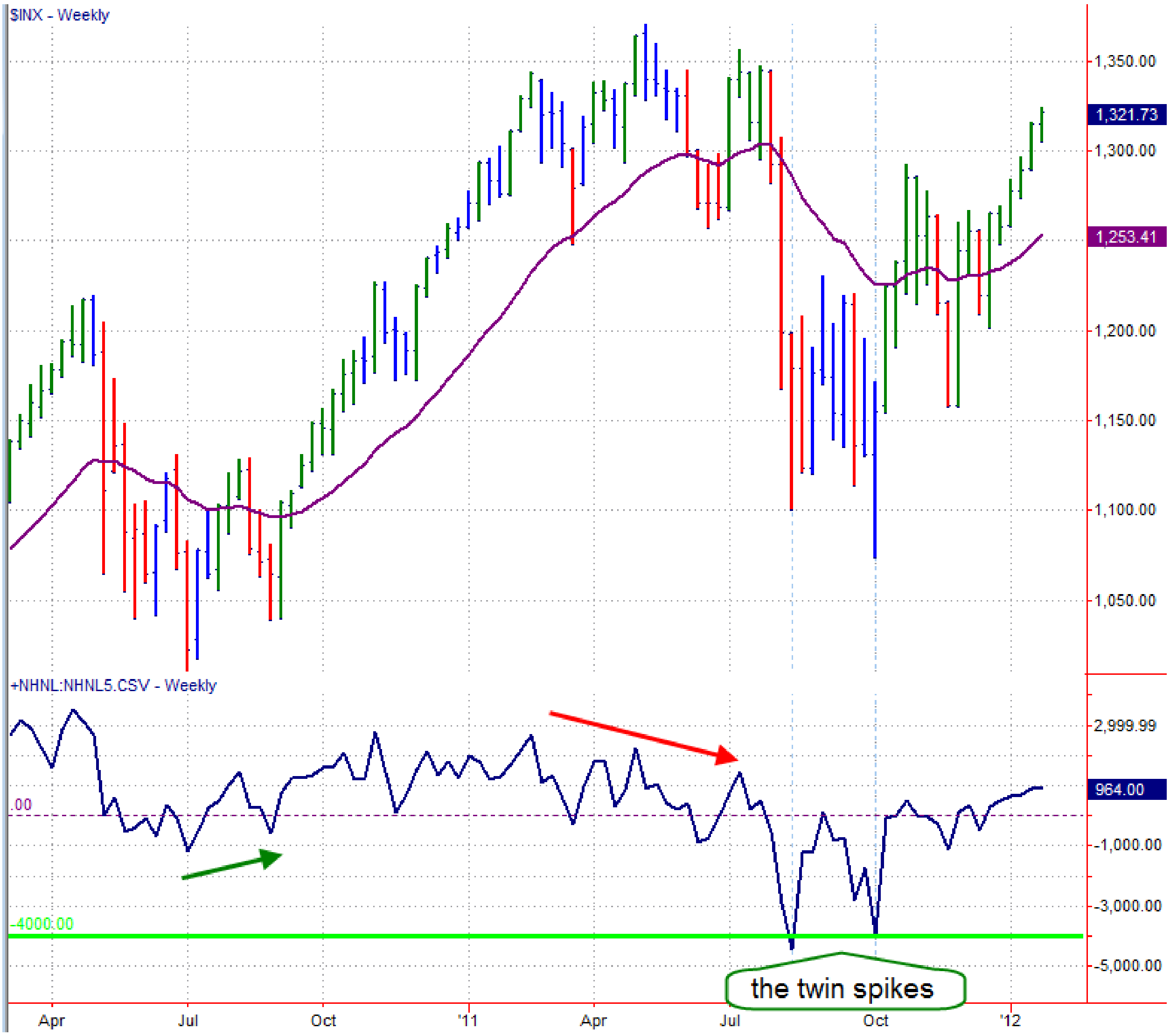
We will gladly unsubscribe or add names - just email us!

Rejecting the lows … Education … A new book on divergences

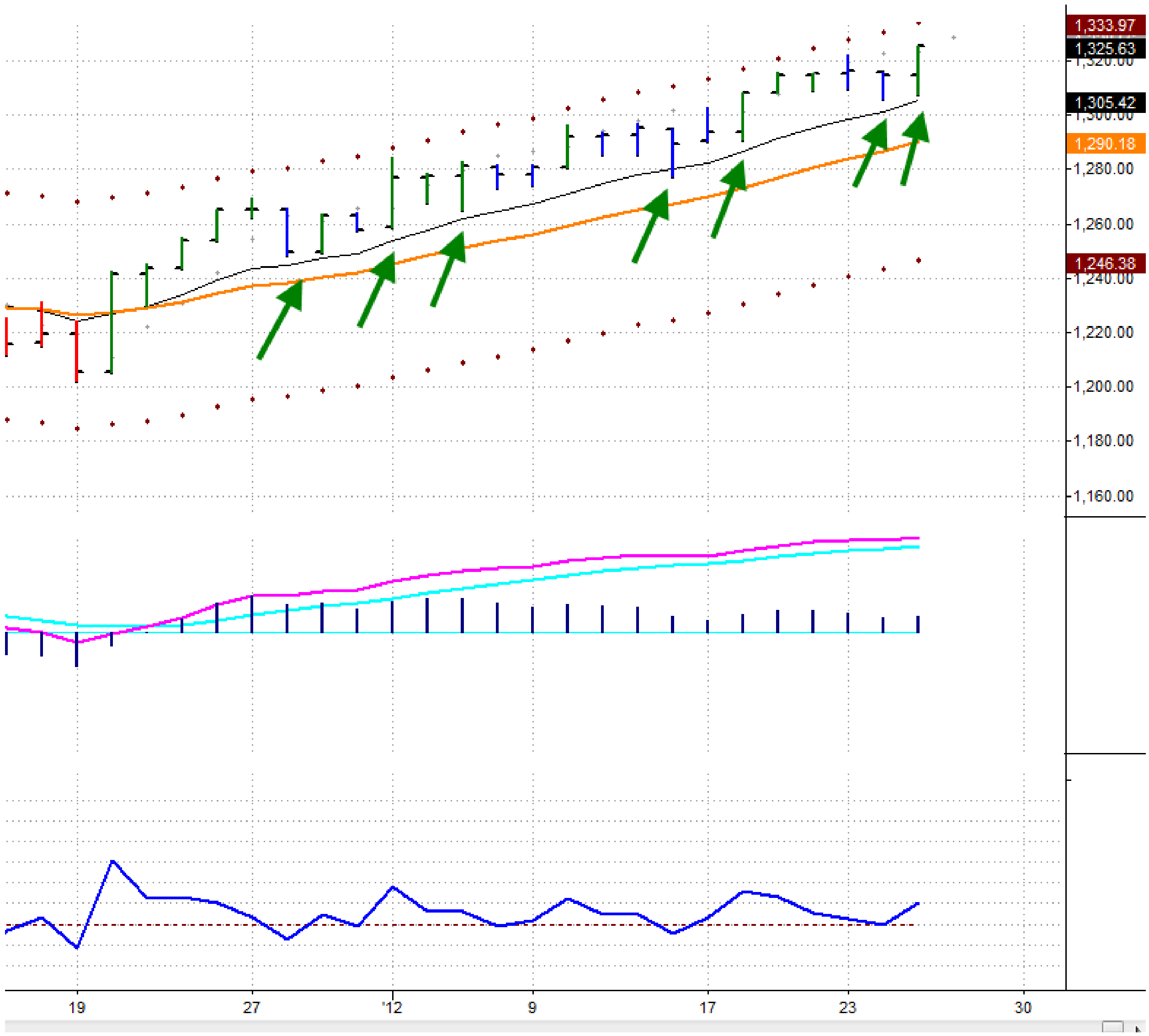
Dear Trader,

I am writing to you from New York, where I've just returned from our Traders' Camp in Guatemala (more about it below).

Our November newsletter was titled "The Media Cries Crisis; the Charts Say Cheers," while the December newsletter showed why we were in a bull market and approaching the end of a correction. Let's see what the current charts tell us.



I consider the New High – New Low Index the best leading indicator of the stock market. This weekly chart of the S&P shows not one but two downspikes below the minus 4,000 level – which is the strongest buy signal of this indicator. This signal occurs only at the bottoms of bear markets and major corrections. It tells us that there has been a panic washout which has shaken out weak holders and the market is ready to go higher.



This daily chart of the S&P illustrates a typical pattern of bullish behavior – an ongoing rejection of market lows. Take a look at the bars marked by green arrows. What all of them have in common is that they either opened near the lows of the day or stabbed towards those lows – but invariably closed near the high of the day. They show that bears may stage an intraday raid – but by the end of the day, the crucial money-counting time, bulls are in control.

Another typical bullish pattern is the relatively steady rise of the market. Short-covering rallies in bear markets tend to be very sharp, but a healthy bull move advances in a slow and steady manner – just as it is doing now.

Sure, the market is slightly overbought and pullbacks will occur, but that will not change the basic message of the charts shown here.

The monthly format of these letters makes me focus on the big picture. If you are interested in shorter-term timing I suggest visiting and taking a Trial membership in www.spiketrade.com That's where we monitor the market on a daily basis.

CLASSES with Dr Elder

Please visit our website for more information on these events

January 30 & February 6 Webinar –"Current markets with Dr Elder." Enter Dr. Elder's trading room from your computer and follow his analyses of stocks and futures, including those requested by you.

February 11-12, Singapore – Invest Wisely in 2012. More information please see http://www.poems.com.sg/elder2012/

May 19-26, 2012, Macau – Pacific Traders' Camp
9 spots out of 25 have already been taken - $300 discount in January – we encourage you to register quickly, as this Camp is sure to sell out.

A New Book

We are happy to announce the release of Dr. Elder's latest e-book **Two Roads Diverged: Trading Divergences**.

What you see on the surface is often deceptive – in trading, as well as in life. A trend may appear strong, while below the surface it may be weak and ready to reverse.

A divergence is a disagreement between the patterns of indicators and prices. This book will teach you to use indicators for measuring the internal power of trends. You'll find bullish divergences near market bottoms and bearish divergences near market tops. You will see how to ride price trends with greater confidence and recognize upcoming reversals before they hit the crowd. The book includes two dozen charts and four Reader Exercises. It costs only $8, and you can be reading it within minutes, after purchasing it here.

Best wishes for successful trading from all of us at elder.com

Dr. Alexander Elder & staff