

Books & Trades # 190

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Contrary Opinion ... Education ... Traders' Camp in Macau

Dear Trader,

One of the methods I use in analyzing markets is the contrary opinion approach. Whenever a strong consensus emerges on a market trend, I become very curious about taking an opposite stance.

What is the logic of this seemingly paradoxical style? In many markets, especially those for which futures are traded, the number of long and short positions is equal. For every long there is a short, and if there are 100,000 contracts on the long side, there must be 100,000 contracts on the short side. Now, if the consensus in that market becomes 75% bullish, it means that there are 3 bulls for every bear. Since the total size of their positions is equal, this means that an average bear holds a position about three times as large as average bull. This is a sign that the big money is on the bearish side. The big money did not become big by being stupid. The big money tends to be smart money, which is why at sentiment extremes I tend to side with the minority and against the majority.

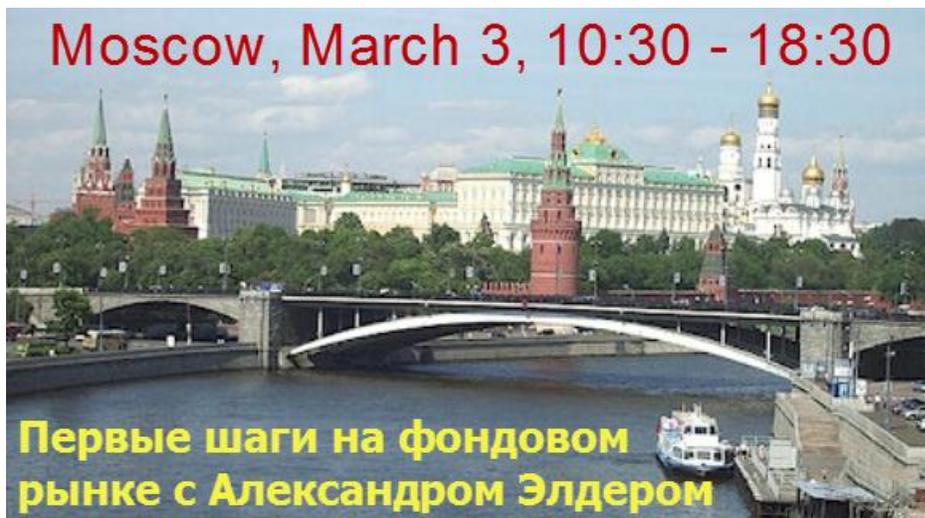
How does one detect such extreme areas of sentiment? There is no one sure-fire method – this is not like looking at a thermometer – but there are several ways to detect crowd extremes. One website I like to use is sentimentrader.com, which mostly focuses on the stock market but often comments on futures as well. Another is oanda.com, which shows you the actual positions their traders have in currencies and gold. For example, earlier this month I saw that the bullish consensus in Japanese Yen had reached 90%. It meant that the average bear had nine times more money than an average bull. I looked at the charts, the technicals for the yen looked topy, and I shorted that top.

What about today's stock market? We've had a pretty decent run. 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. Our January letter was titled "Rejecting the Lows." Now, with the market near its 2011 highs, it seems like everybody and their grandmother is waiting for a pullback. What everyone waits for seldom happens, which is why I remain cautiously bullish.

The monthly format of these letters forces us to focus on the big picture. If you are interested in daily timing I suggest taking a Trial membership in www.spiketrade.com That's where we monitor the stock market on a daily basis.

CLASSES

Please visit [our website](#) for more information on these events



March 3, Moscow – a full-day [class in Moscow](#)

March 5 & 12, 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.



May 19-26, 2012, Macau – Pacific Traders’ Camp

Get a bigger discount in February + a free March webinar (\$140 value) if you register by Mar 1

13 spots out of 25 have already been taken – only 12 are left. Receive a \$200 discount in February and receive a free access to March webinars. We encourage you to register quickly, as this Camp is sure to sell out.

You are cordially invited to an event that occurs only once every two years – a Traders' Camp in Asia Pacific region. Join an intensive course that will help you become a disciplined and successful trader: invest a week in your own development with a prominent teacher of traders – **Dr. Alexander Elder**. He will be assisted by a guest instructor – **Colin Nicholson**, former President of Australia Technical Analysts Association.

We will show you how to organize all aspects of your trading, from stock selection through record-keeping. We will also pay attention to futures, options, and forex. Our world-famous Traders' Camp will help you achieve competence in these essential areas:

- Trading Psychology
- Technical Analysis
- Money Management & Risk Control
- Organization & Record-Keeping
- Decision-Making Tree

In addition to this core program, Dr. Elder will teach brief courses on international trading, futures trading, and day-trading (with the possibility of live trading if an opportunity presents itself).

We limit our Camp to 25 traders, to make sure you receive individual attention. 13 spots have already been taken. To encourage early registrations, we offer a \$200 discount in February.

Please visit the Camp page <http://www.elder.com/traders-camps-and-classes-bali/welcome/> explore the links, and write to tell us you want to join the Camp at info@elder.com

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

Dr. Alexander Elder & staff