Books & Trades # 199

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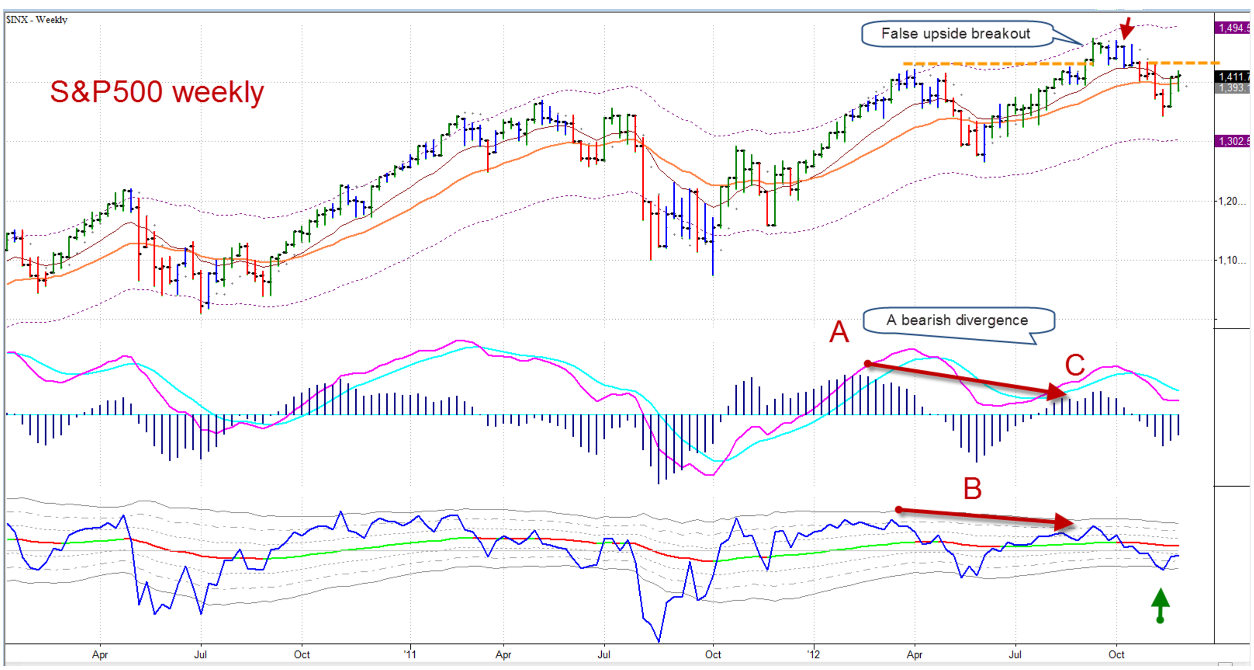
Market update … Education … Holiday Specials

Dear Trader,

On October 12 we sent out Books & Trades headlined "Run for the hills." It began: "There are growing signs that the US stock market is at an important peak – perhaps **the** peak of the 2009 – 2012 bull market." The letter clearly laid out the bearish case and offered you a recording of a webinar from a few days earlier with detailed recommendations. We're glad that many readers took that offer, helping them sidestep the ensuing decline and even profit from shorting.

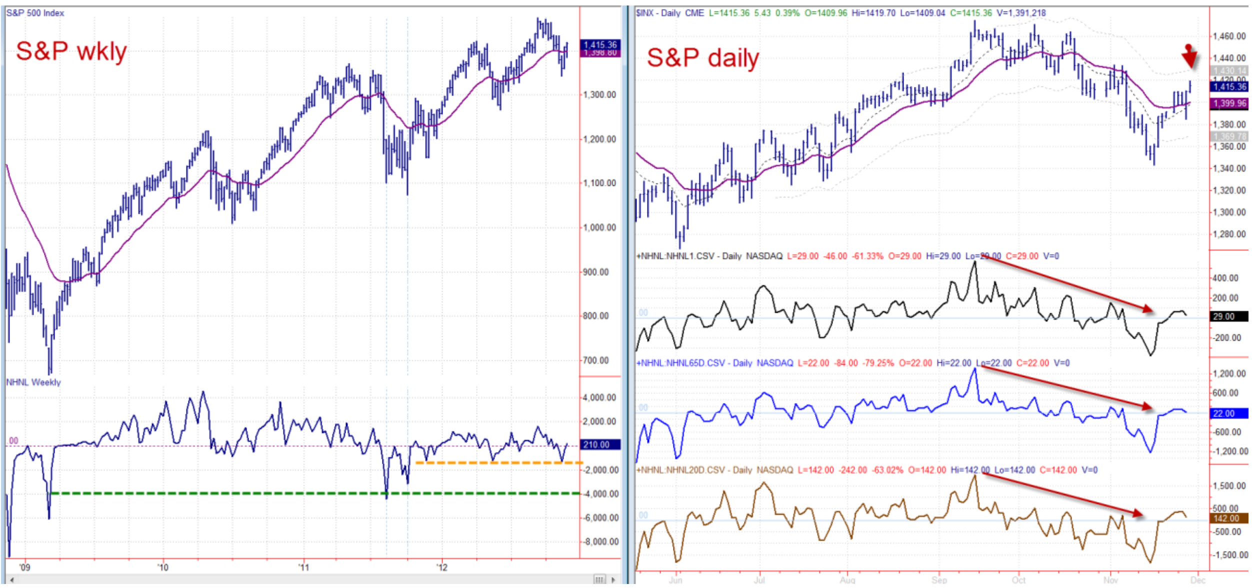
Technical analysis is like a set of headlights on a car. It doesn't show you all the way home, but it does illuminate a patch of ground ahead, allowing you to drive more safely, as long as you do it at a reasonable speed. Let's turn on our headlines and look at the road ahead …



On this weekly chart of the S&P500, a little red arrow near the upper right corner shows when the previous Books & Trades went out. You can see what prompted us to issue a bearish signal: an awesome combination of a false upside breakout with a set of bearish divergences of MACD-

Histogram, MACD Lines and Force Index. This is the strongest combination in technical analysis, likely to mark the end of the 2009-2012 bull market.

Near the right edge of the chart, we see that the Force Index has declined to its lowest channel line and recoiled. MACD-Histogram is below zero and rising. Prices are hitting their "value zone" between the fast and the slow EMAs – which is a normal target for countrtrend rallies.



I consider the New High – New Low Index the best leading indicator of the stock market. That's why we update it and comment on it daily at our other website, www.spiketrade.com The green horizontal line on the weekly chart marks the minus 4,000 "Spike" level. That is where the best buy signals emerge – but these do not come every year. The orange line marks the "mini-Spike" level at minus 1,500 – you can see that the latest decline stopped near that level, giving a short-term buy signal.

All three time windows on the daily chart show severe and persistent bearish trends of NH-NL. These reflect a 52-week, 3-months, and 1-month lookback periods. There is not a single bullish divergence in any one of them. The daily NH-NLs are currently having a bounce slightly above zero – this behavior typical of a countertrend rally. The small red arrow near the upper right corner points to the upper channel line – that may be as high as this rally wants to go.

In summary, the US stock market appears to have completed its first drop in a new bear market. It is currently enjoying a relief rally. It provides an opportunity for a few short-term bullish plays, while giving losing bulls an opportunity to get out. We are watching this rally very closely for any signs of newly emerging shorting opportunities. The monthly formt of these letters is not suitable for precision timing, but I hope this general overview will help you to orient yourself. If you wish to view our daily analyses, please join us at www.spiketrade.com

Traders' Education

Please visit our website for more information on these events

December 5 & 12, Webinar –"**Current markets with Dr Elder**." Enter Dr. Elder's trading room from your own computer and follow his analyses of stocks and futures, including those requested by you.

December 2012 – January 2013 – **Private Training with Dr. Elder**. You have a unique opportunity to select a week to work one-on-one with Dr. Elder.

January 19-26, 2013 Traders' Camp in Guatemala. This will be our only Camp in 2013. One spot is open.

February 17, 2013, a half-day class at a Traders' Expo in New York