

## Books & Trades # 201

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Market update ... Education ... Specials

Dear Trader,

The market moves at its own speed. The rally we analyzed last month continues to crawl up, while its bearish divergences become deeper. While the New Highs still predominate, the number of New Lows is steadily growing.

During this earnings season, the market has become brutal to companies that miss analysts' estimates. Their drops are sharp and unforgiving. Will something similar happen to the market as a whole? As we trade individual stocks, we have the luxury of picking those stocks that give us the clearest signals.

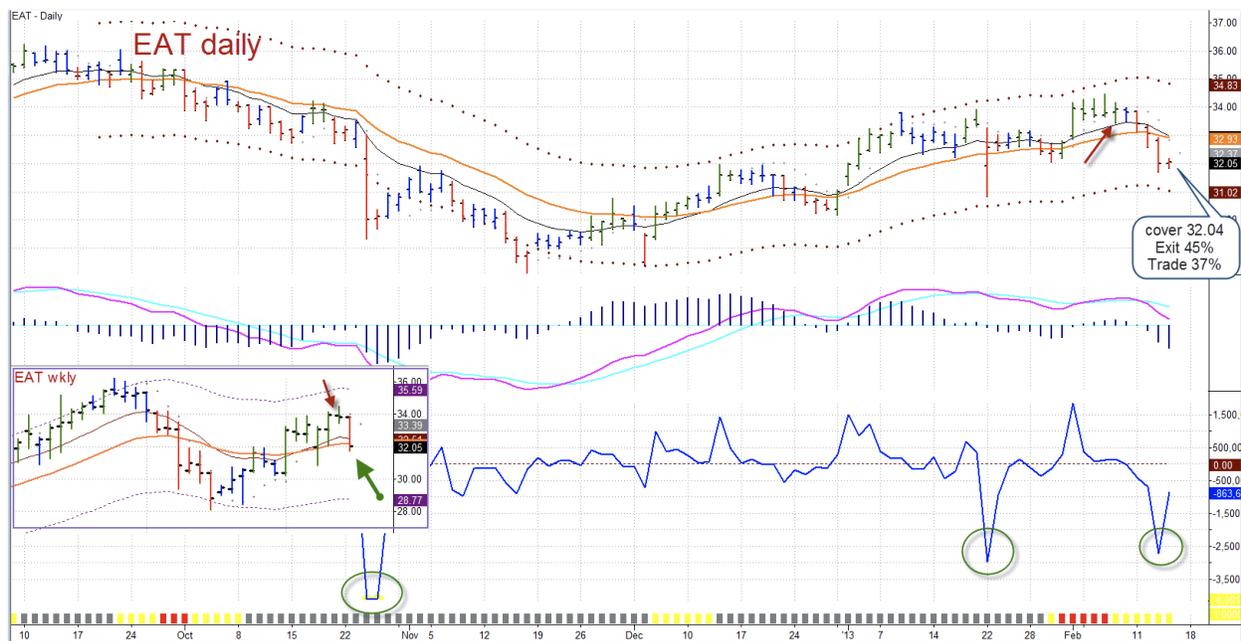
Let me share with you my latest trade. As you may know, almost every month I run a webinar, consisting of two sessions a week apart. Participants bring up stocks for analysis, and if I especially like someone's pick I say to class members that I intend to trade them. On Tuesday, February 5, a webinar participant asked me to look at a stock of Brinker's (ticker EAT), and I loved what I saw.



*Click on the chart to enlarge (must be online)*

The trends were up on the weekly and daily charts, marked by green bars of the Impulse system, but both were on the verge of turning. My software told me that the weekly would turn blue, permitting shorting just a few ticks lower, at 33.63. The daily (on the right), which would turn blue at 33.68, showed my favorite combination of a bearish divergence (marked with a red arrow) with a false upside breakout above the horizontal dashed line.

I placed an order on February 7 to short on a stop at 33.63 and soon suffered the worst slippage of the year, as the stock gapped down and I was filled at 33.54 (it was initially even worse, but I called to complain and the broker gave me a small adjustment). My target was in the area of 32 – near the 26-week moving average on the weekly chart – and my stop at 34.41, near the recent top. I was risking about 80 cents to make about \$1.60 – not the best ratio, but acceptable.



*Click on the chart to enlarge (must be online)*

The stock declined for several days, then dropped sharply on Wednesday, and stabilized on Thursday, February 14. The downspike of its Force Index on the daily chart reflected panic among longs; I noticed that previous downspikes (circled in green) helped identify bottoms. On the weekly chart (inset) EAT has reached its value zone – it was no longer overvalued. I covered at 32.04, taking 37% of the channel on the daily chart; I consider everything above 30% an A trade.

I am sharing it here with you to show how one can identify an overvalued stock, enter, place a stop, set a target, and cover when a move reaches it. The charts are from TradeStation with an elder-disk, but to capture and mark up these charts I use a wonderful software package called Snagit (from snagit.com).

I hope this example helps you see how I make swing trades in various markets. If you would like to see your picks analyzed, please join us at the March [webinar](#), described below.

## Traders' education

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

**March 20 & 27, 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.



**June 26, 2013** – a full-day intensive class in **Sydney** “The essential skills of a pro trader”

Best wishes for success!  
Dr. Elder and team at [elder.com](http://elder.com)