Dear Trader,

Chart patterns reflect mass behavior of all market participants. Technical tools – whether classical chart reading or modern computerized techniques – help identify trends and turns. Even such a great fundamentalist investor as Warren Buffett said: dealing with people who do not look at prices is like playing poker against people who think it doesn’t pay to look at cards. We all use charts and many of us rely on technical analysis.

This needs to be combined with solid risk management: proper trade sizing, setting targets and stops, and having realistic long-term expectations. This means aiming to grind out more or less steady profits while cutting losses short rather than shooting for the moon and taking wild risks.

Today I’d like to share with you a recent trade that I opened and closed during a Live Trading workshop in Austria. My attention was drawn to silver by an email from Ash M, a Camp graduate in Australia who wrote: “You may want to have a look at Silver for a long reversal trade opportunity. I like the false break on Friday and today the price is up. Note that weekly chart was in downtrend as of last week”
As I looked at Silver, I saw that the weekly chart was settling into a support zone, the weekly bars were becoming shorter, indicating a loss of interest in the downtrend. The Impulse system oscillated between red and blue.

On the daily chart I was struck by the similarity of current action to that of December-January. In both instances, there was a sharp drop outside of the envelope, followed by a rally to the value zone. Afterwards prices fell below the latest low but then rejected that level; they rallied in January, and I thought that this pattern may recur.

In class on Monday I entered a long trade near the day’s lows and protected my position with a stop. Silver rallied, and I took the trade overnight.

On Tuesday our group went skiing during the day, returning for a market review before dinner. I saw that while I was on the slopes there had been a perfect sell signal on a 25-minute chart – a false upside breakout and a bearish divergence. Had I been in the office, I would have exited. My stop was hit, the trade was profitable, but the lion share of the profit evaporated.

I had no regrets, as I spent a very enjoyable day skiing. My lessons: when leaving a profitable trade unattended, consider using a trailing stop.
Traders’ education

Please visit our website for more information on these events

March 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.

April 18 & 25, Webinar – “Current markets with Dr Elder.” Enter Dr. Elder’s trading room from your own computer and watch him review stocks and futures, including your picks if you wish.

May 18-19, Taipei, Taiwan. Intensive Workshop details will be posted soon on our website.

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It’s painful to see bright individuals blow up their accounts. If trading is a race between a hare and a turtle, our money is firmly on the slower guy with a hard shell on his back. Study this book to learn trading the right way.
Trades About to Happen

By David Weis

2013, hard cover, 224 pages.

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David Weis is a trader with over 40 years’ experience who played a large role in the development of many serious traders. Expanding on classical works of Richard Wyckoff, written almost a century ago, David has built a modern superstructure of market analysis. The changing heights of price bars, accompanied by rising or falling bars of volume are the basic irreducible elements from which David builds his market analysis. He uses these patterns to read the behavior of crowds across all markets and timeframes – and then to place his orders.

A careful reading of this book will open your eyes to the huge importance of false breakouts – what David calls springs (when they point down) and upthrusts (when they point up). He promises: “once you become attuned to the behavior of a spring and upthrust your eyes will be opened to an action signal that works in all time periods. The spring can provide the impetus for a short-term pop playable by day-traders or serve as the catalyst for long-term capital gains.”

The chapter on absorption will teach you to gauge the strength of the current trend. Is that trend moving forward like “the Greek phalanx marching in step across the Plain of Troy” as David puts it – or is its advance being absorbed by growing supply, which precedes a reversal? Now, as your eyes move across David’s charts, you’ll see how their price and volume patterns reveal their secret weaknesses or strengths.

Do not rush as you read this book. To fully benefit from it you need to let its many messages sink in. Be sure to apply David’s concepts to current charts, watch them open up to you and become more meaningful before returning to the book and studying another dozen pages. This isn’t a quickie book – it took David years to write, and the more attention you give it, the deeper will be your benefit.
Trades About to Happen + Catching Trend Reversals video

By David Weis

Book + video (on 4 DVDs)

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Best wishes for success!
Dr. Elder and team at elder.com