

# Books & Trades # 202

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Technical analysis and trading ... Classes ... New books

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"



*Click on the chart to enlarge (only when you're online)*

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.



*Click on the chart to enlarge (only when you're online)*

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.



**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