

Books & Trades #223

January 5, 2015

Market Update ... Last days of Meeting Discounts

Dear Friend,

Best wishes for a happy New Year from Verona, Italy. Many thanks to readers of these letters who wrote to me with friendly suggestions where to spend a skiing holiday.

Market Update

While the monthly format of these letters isn't conducive for precision timing, I use them to convey a sense where we may be in the big picture. On December 2, Books & Trades #222 identified a market top (marked on the chart). The ensuing decline dropped the key indexes to their lower channel lines on the daily charts.



Click [here](#) to enlarge this chart (only when you're online)

That decline was followed by a whiplash of a rally, taking the key indexes to new record highs. Two key comments on that rally: first, its wild sharpness is characteristic of short-covering rallies. Normal bullish rallies proceed more slowly, but when shorts panic, the market can go vertical. Second, those rallies, once they lost their speed, exceeded the previous tops by tiny amounts. Now, the current decline, breaking below that upside breakout line, shows that bulls have been trapped. The current pattern – a false upside breakout – gives a strong bearish signal.

Increasing the power of that signal is a bearish divergence of MACD-Histogram and the New High – New Low Index. I consider this combo, which I call FB+BD (a false breakout with a bearish divergence), the strongest signal in technical analysis.

If you have any long positions, be sure to protect them with hard stops. As the market is forming a top, rallies keeps creating shorting opportunities.

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Traders' Education

Notice that **reduced fees for advance registrations will end in a few days**

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

HOLLAND: January 17 – an intensive all-day trading [workshop](#). Includes a copy of *The New Trading for a Living*. Seats limited. **Special rate ends January 15.**

ONLINE: January 21 & 28 at 6pm ET - **Webinar** –“Current markets with Dr Elder.” [Enter](#) Dr. Elder’s trading room from your own computer and watch him review stocks and futures. Send your picks to him and ask him to review them. **An ongoing bonus for all webinar participants – receive an email each weekend giving you the results of bullish and bearish scans of the S&P500.**

NEW YORK: March 2 – an intensive half-day trading workshop at the [Trading Expo](#).

LIVE TRADING, AUSTRIA: March 8-9 – Only [two spots](#) remain in this exclusive class, limited to only 12 traders. Learn theory and watch Dr Elder trade live. 300 euros savings rate ends **January 8.**

Please contact us with any questions

*Best wishes for successful trading from all of us at elder.com
Dr. Alexander Elder & staff*