

Books & Trades #224

February 12, 2015

Market Update ... Education ... Special

Dear Friend,

My previous letter on January 5 concluded: “The current pattern – a false upside breakout – gives a strong bearish signal.” That day is marked with a vertical red arrow on the daily chart. Now let’s take a fresh look at the market...



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

I believe that the New High – New Low Index is the best leading indicator of the stock market. Its severe bearish divergence on the weekly chart (marked with a downsloping red arrow) doesn't call for anything too good for the bulls going forward.

Turning to the daily chart, we see an informative technical pattern (you'll see it better if, while being online, you double-click on the chart). You can see how the January decline ended with false downside breakout (a green circle). This pattern occurs when prices break below support (marked with a dashed line), but then reverse and close above that line. One of the big differences between professionals and amateurs is that beginners love chasing breakouts, while the pros prefer to fade them – trade against them.

Near the right edge (I'm writing this on Feb 11) we're seeing what looks like another false breakout just about to be completed – but this one is to the upside. Bulls broke above the previous peak, but seem unable to carry on. The slightest decline from here will complete a false upside breakout and give a signal to short. Not yet, but very close.

How likely is the uptrend to continue? The daily NH-NL reflects the weakness of bullish leadership. NHNL is only slightly above zero, in all three timeframes that we track. That is certainly not a sign of strength...

To receive daily updates of NHNL and great deal a lot more, consider taking a [Trial](#) membership in SpikeTrade.com. One of the many features of that website is that our members post their planned trades; my partner and I indicate which of them we'll "piggy-back" in our personal accounts and then post diaries of our trades. My latest chart is shown below. Members have access to all the numbers, including targets, stops, sizes, etc.



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

Traders' Education

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

ONLINE: February 18 & 25 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](#). **A private dinner** with Dr Elder – email us your workshop confirmation, and we’ll send you an invitation.

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.

LOS ANGELES: May 2 – an intensive all-day trading [workshop](#). Includes a copy of *The New Trading for a Living*. Seats limited. **Special rate until March 1.**

Please contact us with any questions.

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