

Books & Trades #225

March 31, 2015

Trading in This Volatile Market ... New Webinar Features ... New e-book

Dear Friend,

Taking profits from trending markets is relatively straightforward. As long as you get the long-term trend right and use a reasonable trade size (do not overtrade), you should be able to hold your positions through minor swings until the long-term trend reasserts itself and lets you exit with profits.

Not so in volatile, transitional markets, the sort we've been having this year.

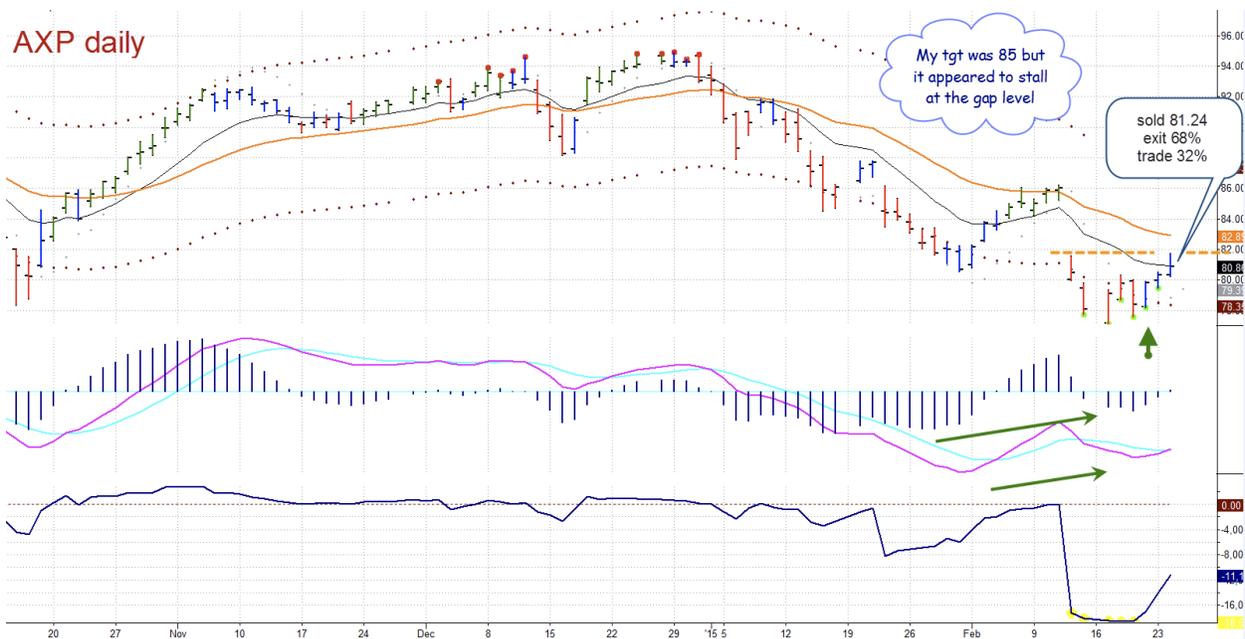
Here you have to be nimble on your feet, very precise with your entries and quick to take profits. I found that my results seriously improved in 2015 after I stopped looking for a grand reversal of the aging bull market and focused instead on short-term swings.

Buy low – sell high. Short high – cover low. No greed – grab profits quickly. It helps that I am just as comfortable shorting as buying.

My primary tool for catching turning points for entries is MACD-Histogram Semiautomatic Divergence Scanner. I wrote here before that I've never seen a good scanner of divergences – probably because a divergence is an analog pattern while scanners are digital – they just do not get it. And I say this after having met some of the best trading programmers in the country.

My workaround is a semiautomatic scanner. It looks not for divergence but for conditions that precede them. Every weekend I run all 500 component stocks of the S&P500 through this scanner, which delivers a menu of choices for the coming week.

Let me show you two recent examples – one long, another short.



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

You see a bunch of green dots near the right edge of this chart. They pop up automatically when the scanner detects a potential bullish divergence – a lower low in price with a higher low of MACD-Histogram. It doesn't wait for a divergence to be completed, but gives instead a very useful early warning.

The trade lasted two days – I bought near the lower channel line and took profits in the value zone. This trade took place right after Costco dumped AmEx, proving once again that technicals beat fundamentals, at least in the short-to-intermediate run.



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

Here's another recent example – short EXPD. Red dot began to pop up near the right edge when prices broke out to a new high, while MACD-Histogram traced a much lower top. This is not an automatic slightly below the upper channel line, covered in the value zone. Not a huge move, but you trade enough shares this gets very rewarding. And this scanner produces such signals week after week, in both directions.

It pays to combine the best features of your computer and your brain. Let your computer grind through mounds of data to narrow down your choices – and then use your brain to zero in on the most promising opportunities.

How can you get hold of this scanner? Well, we [offer it](#) but only for TradeStation. There is another solution. Every weekend I send out my scan results to all participants in our monthly webinars as their extra bonus. Not only that, I send them complete diaries of my trades triggered by this scanner, complete with entry and exit charts, stops and targets, risk management, etc. If you want to try it, look for an offer in our Special section, near the end of this letter.

Traders' Education

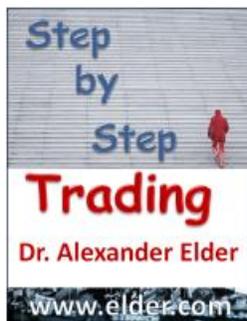
Please visit [our website](#) for more information on these events

ONLINE: April 15 & 22 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.**

LOS ANGELES: May 2 – an intensive all-day trading [workshop](#). Sold out.

ALABAMA: September 27-28 – Live Trading workshop. Only [three spots](#) remain in this exclusive class, limited to only 12 traders. Learn theory and watch Dr Elder trade live. Must be a SpikeTrade Member to participate.

Please contact us with any questions.



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some experience, you'll find much that is useful and surprising in this book.

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*Best wishes for successful trading from all of us at elder.com
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