

# Books & Trades #227

## July 23, 2015

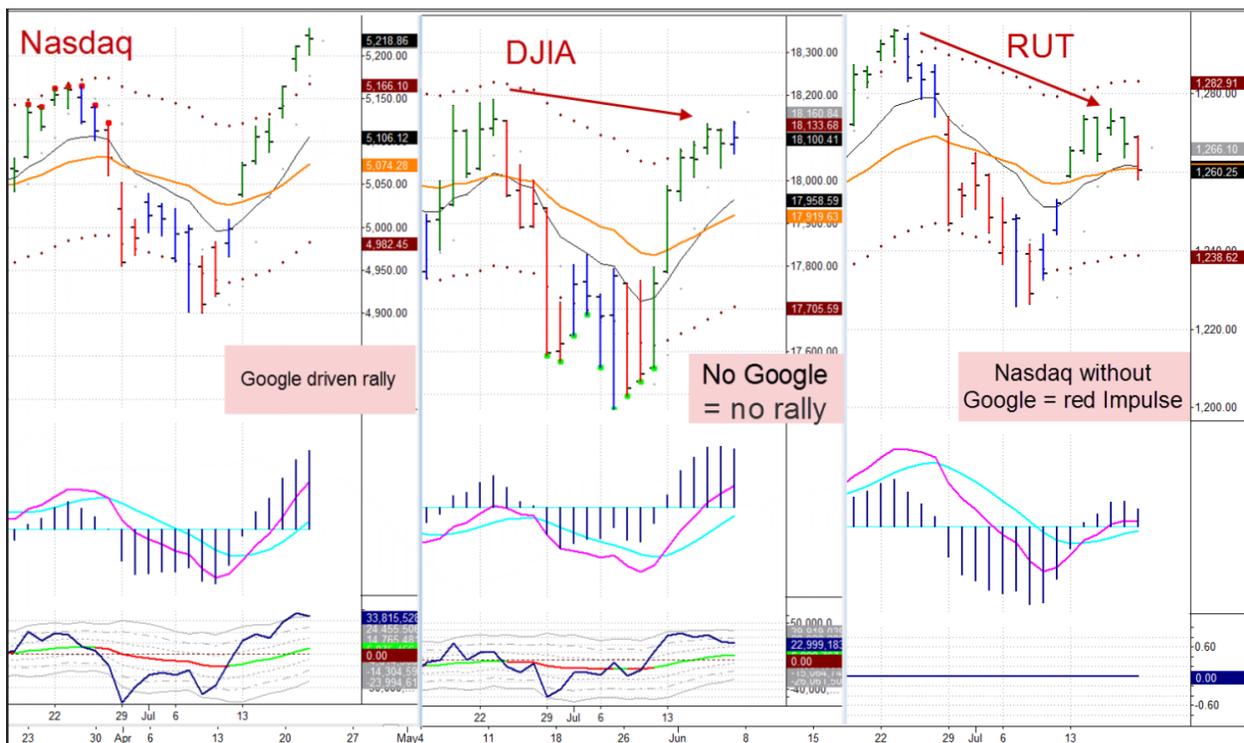
### Surface and reality ... Traders' education ... Special

Dear Trader,

The market speaks to us in its own language, which we can learn like any other. In the beginning, a foreign language may feel incomprehensible, but the longer you study and the more you hang out with locals and practice speaking, the more you understand. You can get some basic working knowledge in a few months, and after a few years you can become fluent in it.

The path to learning the language of the market is technical analysis.

In these monthly posts I draw your attention to various aspects of market language. Last month, for example, we dealt with trading false breakouts. The place to get an ongoing course of market language is SpikeTrade.com, where we apply our tools to the current market every day of the week. Here's a chart I posted in SpikeTrade last Monday.



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

The current week's price drop came as a surprise to most traders, lulled into bullish optimism by the previous week's powerful rally. That rally was the surface, while the underlying reality was quite different. What looked like a strong rally in the Nasdaq, and to some extent in the S&P, was driven by

one stock – Google. Take Google out of the picture, and you would have seen a declining market, in gear with dropping New High – New Low Index.

In addition to a few charts shown above, you can look up a few more, such as QQEW (Nasdaq 100 Equal Weighted Index) and RSP (Equal-Weighted S&P 500). They delivered the same message: without Google there was no rally. Behind the smoke-screen of a single wild stock the big money was unloading hundreds of stocks. It sure didn't look good for the bulls.

That was on Monday, but what about now? I'm keeping a sharp focus on this page <http://www.barchart.com/stocks/newhilo.php> which tracks New Highs and New Lows in several look-back windows.

	<u>Overall</u>
1-Month Highs	406
1-Month Lows	1051

As I write this, the number of monthly New Lows clearly exceeds the number of New Highs – a normal pattern for the bearish trend. Today, Thursday, we saw 406 New Highs but 1051 New Lows, for a reading of minus 645. If the number of New Highs grows and/or the number of New Lows declines, so that this index rises above minus 500, it will flash what we call a Spike Bounce signal, indicative of a rally.

Then we'll pull out our scale, which allows us to rate every Spike Bounce signal as weak, medium, or strong – calling for a rally of about 20, 60, or a 100 S&P points. We share our current analysis of NH-NL every evening Sunday through Thursday, helping our members to prepare for the week ahead.

A special invitation for you – treat yourself to a monthly [membership](#) and take your first month at half-price using this coupon code – **upgrade**.

## Traders' Education

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

**TAIWAN: August 9 - Workshop** –“The Three Ms of Successful Trading” – includes current market analysis and Q&A. Over 100 persons already registered. Information here - <http://service.tabf.org.tw/tw/user/2015ELDER/>

**ONLINE: August 19 & 26 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.**

**ALABAMA: September 27-28 – SpikeTrade Live Trading workshop.** An exclusive class, limited to 12 traders. Learn theory and watch Dr Elder and Kerry Lovvorn trade live. Must be a SpikeTrade Member to participate. **Sold out.**

**MACAU: October 20-25 – Pacific Traders' Camp.** Be sure to get your spot in our first Pacific Traders' Camp since 2012. Dr Elder has created a completely new program, designed to expedite your learning, help you practice new skills, and save you time and money. Instead of bringing in an assistant speaker, he will teach full-time. There will be lectures in the morning and homework with Dr. Elder in the afternoons. Attendance strictly limited, **only 2 spots left.**

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