Books & Trades #232
April 25, 2016

Current market … Trader education … Special

Dear Trader,

I had a busy winter and early Spring, and then realized I haven't written to you in three months. Let me do a quick recap before we focus on the current market situation.

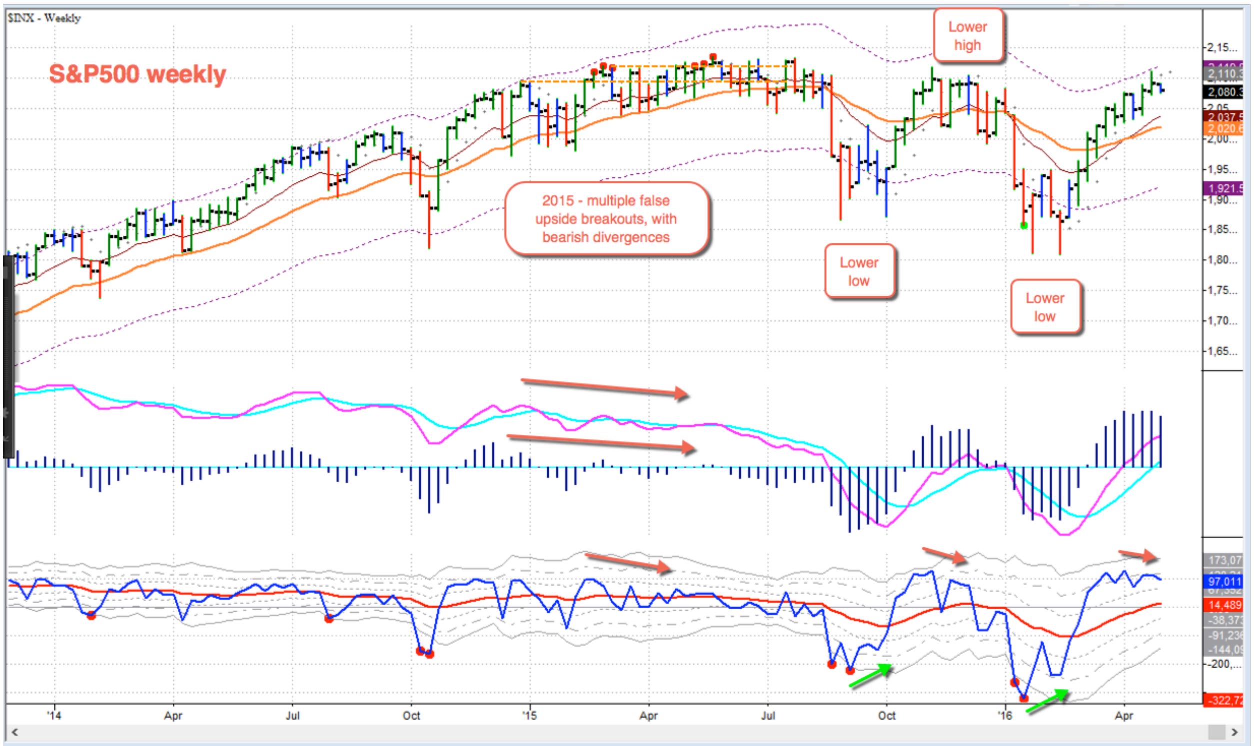
My previous Books & Trades post, near the end of January, fairly screamed: "Make no mistake – we're on the verge of getting a very important buy signal." The rest, as they say, is history. The Dow rallied 2,700 points and the S&P500 260 points from the January-February bottom to the last week's high. That rally was well worth trading – but now, I think, it's at its end. More about it in a moment.

In other news: we had an intensive trading class in Holland in January. It was good to see old friends and meet new ones. I'll probably return there in January 2017.

Thank you for keeping my latest (and I think most important) book, *The New Trading for a Living*, firmly on the bestseller list on amazon. We will soon release an updated 3rd edition of the New High – New Low e-book.

Working with Kerry Lovvorn in SpikeTrade.com, we've developed a Password course (see an announcement below). All of those projects took every free minute left over from trading. Still, I'll be watching the calendar attentively, aiming to return to our monthly publishing schedule.

Turning to the current markets, we see that the rally that erupted in February is in trouble.



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

I like using weekly charts for longer-term timing. Here, on the chart of the S&P500, we can trace the formation of the bull market top in 2015. The aging bull tossed out a set of false upside breakouts and bearish divergences before collapsing into a typical bear market pattern of lower lows and lower highs.

Today, when most people hear the words "bear market" they wring their arms and moan "Oh no, not 2008 again."

That's not what I am suggesting. History rhymes, but it doesn't repeat. The quality of rallies and declines tends to alternate. Great bull markets are followed by sluggish bull markets, and vicious bear markets (like the one we had in 2008) are followed by rather meek bears. The bear or 2016 is likely to be fairly mild.

Still, even a mild bear can inflict very unpleasant damage on an unprepared hiker. This chart lets you see that near the right edge the weekly S&P stabbed its upper channel line and recoiled from it. Weekly MACD-Histogram has turned down, turning the Impulse system blue which permits shorting. The Force Index shows a bearish divergence at the right edge; those divergences have a good history of catching intermediate tops and bottoms.

All in all, a trip towards the February lows appears likely.

You may want to consider joining www.spiketrade.com where we monitor markets on a daily basis.

Traders' Education – announcing a Password Course

Please visit our website for more information on these events

Online: April 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**.

Online: April 27 at 6pm ET – inaugurating the SpikeTrade Password Course – Session One: What Works and What Doesn't in Classical Charting. This course consists of intensive monthly sessions, focusing on key trading techniques. Each session lasts an hour, including a carefully prepared presentation and the the Q&A. Session 1 will be presented by Dr Elder. For details on how to get access, please click HERE

Live Trading workshop: May 15-16 (limited to 12 traders) – SOLD OUT**.**

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