

Books & Trades #246

October 25, 2017

Current market ... Las Vegas / Holland ... Special

Dear Trader,

In my September letter I showed you the chart of my favorite forward-looking indicator, the New High – New Low Index. Its best intermediate-term buy signal is called Spike Bounce. That signal occurs several times each year and it can be weak, medium or strong. The message in SpikeTrade on August 22 (where we update this index daily) stated: “The projected target for such a move is between 60 and 90 S&P points, measured from the pre-signal day’s close. Adding that to 2428 S&P close on Monday gives us a target range of 2488 – 2518.”

My September letter to you showed why the rally had longer to run. It overshot its upper target, reaching 2578 this week. Today’s action is extinguishing this Spike Bounce signal.

What’s next? NH-NL delivers precise buy signals, but is rather vague on its sell messages. I am working on a new indicator for calling intermediate tops, but that is a work in progress, not yet ready for prime time. Once the Spike Bounce gets switched off, a trader has a choice. He or she may take profits on most longs and sit back, waiting for the next Spike Bounce to emerge – or rely on other time-tested indicators to identify shorting candidates.

To illustrate, here’s a short I added to my existing positions today:



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

The fantastic rally in the Dow was being driven by only a handful of stocks, while most of its 30 components were hanging flat or declining. Home Depot (HD) drew my attention. It was tracing one of my favorite patterns: False Breakout with a Divergence.

At the beginning of October HD reached a high of 166.63 and then sold off. Early this morning it raced up to 166.95 – a tiny upside breakout – and then sank below its early October high, leaving behind a false upside breakout. At the same time, the chart showed a set of massive bearish divergences.

Look at the divergence of MACD-Histogram: a powerful rally A, followed by a drop B below its zero line (breaking the back of the bull), and then a weaker second rally C. The downtick of MACD-H from the second peak completed a bearish divergence. Other divergences can be seen in MACD Lines and Force Index.

To repeat what I wrote to you in September: “There is a great deal of chaos in the markets, but a well-defined pattern represents an island of order in the ocean of chaos. When you are developing a trading system, you are in effect aiming to identify such ‘island of order’ and profit from it. A savvy trader waits for a trusted

pattern to emerge – and then pounces, without waiting, haggling, or second-guessing.”

To continue your trading education on a daily basis and to receive timely signals you're very welcome to join www.SpikeTrade.com

Traders' Education

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



Online: November 6 & 20 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.** 2017 **Camp** participants receive free access to webinars and scans for the rest of this year.



Las Vegas: November 2 – Live trading class with Dr Elder at the Traders’ Expo. The Three Key Parts of Trading Success (with Live Market Analysis). Learn to develop discipline, view two trading system in action, and discover the safety rules of money management. Live market analysis (including stocks and futures selected by you). Later that evening join Dr Elder for a casual dinner (advance registration a must). This is a 2-step process: book your spot with [Traders’ Expo](#), and then write to Elder.com to reserve your seat at dinner.



Caribbean: November 10 - 15 Traders' Camp

Last chance to register for our only Traders' Camp of 2017, taught exclusively by Dr Alexander Elder in November in the Dominican Republic. This intensive and newly redesigned course will help you achieve your goal of becoming a better trader. For details and to register please click [HERE](#)

Bonus: once you [register](#), you'll receive immediate access to Dr Elder monthly webinars; this includes his stock scans, sent out every weekend.



Intensive class in Holland, January 13, 2018

Get ready for the new challenges and opportunities of the new year. We'll review psychological rules and technical methods that are working well and apply them to the current markets. We'll combine the essentials of the old and the new to hit the road running in 2018. Click [HERE](#) for a complete description.

Special



Elder-disk for Think or Swim - version 2

Announcing the new key addition to this Elder-disk: **Force Index with ATR Channels**. This is one of the very best tools for identifying reversal zones in stocks, indexes, and futures. Some indicators work best at market bottoms, others are more helpful for catching tops. What makes Force Index with ATR Channels unique is that it works equally well with both. Dr Elder uses it for his weekend scans, looking for the best trading candidates in the coming week. Cost: only \$229.

To read the complete description and to order please click [HERE](#).

Note for version 1 purchasers: write to us and we will send you an upgrade link for only \$40.

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