

## Books & Trades #239

January 16, 2017

### US ... Mexico ... Classes, Traders' Camp ... Special

Dear Trader,

In my previous letter, sent to you shortly after Christmas, I wrote: "We are in a bull market, but this third major rally of 2016 is struggling at an overbought level." That day the S&P closed at 2249. Last Friday it closed at 2274. 25 S&P points in two weeks is not much of a rally. Let's see what our charts are saying now...



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

The weekly Impulse remains blue, the daily has turned green on Friday (it would have been blue if the S&P closed one point lower). The forward-looking NH-NL Index remains in the bullish zone in only one out of four lookback windows that we track. Its patterns of weakness persist, marked by slanted red arrows.

I added Triple ATR channels to this chart (Kerry Lovvorn, my partner in SpikeTrade presented them last week in our Password course). On the weekly chart these channels show the 2016 bull market gathering speed

with every new rally. The rally from the February bottom had reached +1.5 ATRs, from the Brexit bottom +2 ATRs, and from the pre-election bottom almost +3 ATRs. Since then the market has stalled, as it usually does after reaching that extreme level.

On the daily chart we see “an ATR divergence” between the December and the January peaks. The December rally blew out of its 3 ATR channel. The January rally briefly touched a new high, but the extent of that rally was only 2 ATRs, reflecting internal weakness.

These charts suggest that long-term we’re in a bull market, with higher prices on the horizon. Intermediate term: the market is overbought and stalling, a pullback is likely.

## **Mexico**

When someone asked Baron Rothschild, one of the wealthiest bankers in Europe, how he became so rich he answered: “Buy when blood is flowing in the streets.” One of his coups: when Napoleon was threatening England, he kept buying its depressed securities.

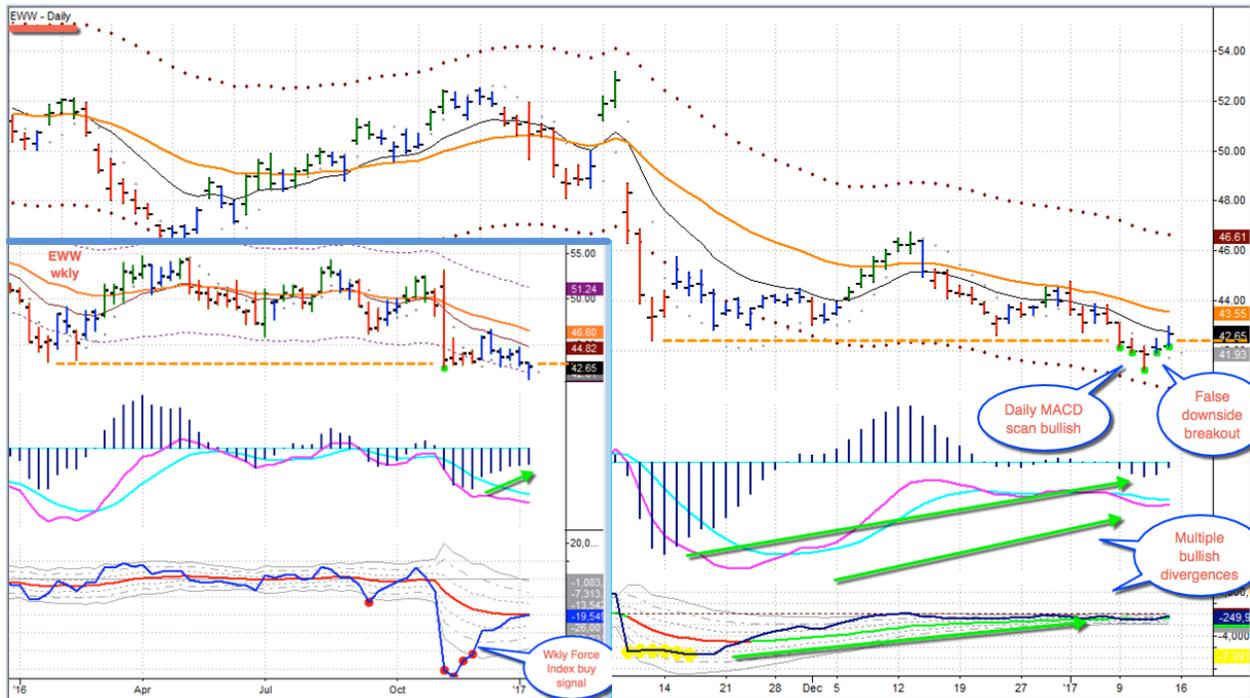
While I do not claim to be anywhere near the late Baron’s league, I like to follow his comment. Some 14 months ago, when Brazil was on the ropes, I started buying PBR around \$5; it is now trading near \$11 and has turned out to be my most profitable position of 2016.

Today the stock market of the US southern neighbor is depressed, following protectionist threats by the US President-elect. Let’s not confuse fiery language with practicalities. Mexican economy has markets outside the US, with growing links to Europe and Asia. A sign of a strong economy: one quarter of participants in our latest Traders’ Camp were Mexican businessmen.

The most important number is that some 40% of the value of Mexican exports consists of inputs bought from the United States (source: The Economist magazine). Even though Mexico is losing some earlier planned factories, the US would be hurting its own economy if it cut imports from Mexico – and that our

businessman President is highly unlikely to do. Furthermore, a promised economic upswing in the US would spill south, over the border.

But rather than discuss fundamentals, which is not my forte, let's take a look at a chart.



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

This chart is EWW – a Mexico ETF traded in the US. There are many Mexican stocks listed on the NYSE, Nasdaq, and OTC markets. Many of them have low daily volumes, and furthermore, when trading a political opinion I prefer to focus on country ETFs rather than take risks in individual stocks. The volume of EWW is consistently above 10 million shares a week.

The weekly chart (the inset on the lower left) shows that last week's drop had punctured the 2016 low. By Friday's close EWW has almost completely recovered. Its MACD-H is rising, the Impulse system is blue – and let's not overlook a cluster of recent major bottoming signals from the Force Index.

Turning to the daily chart, we see that last week EWW has punctured its November low but closed above that level on Friday, completing a pattern we call a false downside breakout (some people call them "springs"). Such breakouts, coupled

with a set of bullish divergences, represent, in my view, the strongest combo in technical analysis.

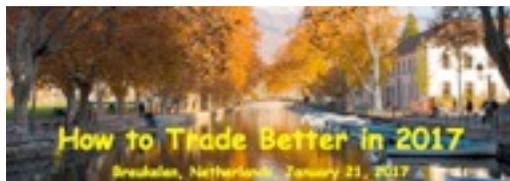
None of the above, of course, guarantees a rally in EWW. If you need a guarantee, buy yourself a Treasury bill or put your money into an insured savings account. The chart above offers no guarantee, but it points to quite attractive odds.

I will be following up on this analysis in SpikeTrade, whose daily format makes me comfortable sharing specific entries, targets and stops. If you are not a Member, treat yourself to a [Trial](#).

*A. Elder*

## Traders' Education

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



### Holland class

**How to Trade Better in 2017** – on January 21, European traders have a unique opportunity to learn from one of the world's top experts on trading. Dr Elder will show you how to recognize trends and turns, where to enter trades, how set stops and profit targets. You will see how to control risks and structure your homework. Everything will be illustrated using current market examples.

Please click [HERE](#) for a complete description.

**A special invitation** – if after attending this workshop you decide to join a Traders' Camp, half of your workshop fee will be credited towards the Budapest Camp.



**Online: February 8 & 15 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 Traders Expo: February 26 - 28**

Dr. Elder’s class – February 27.

Private dinner – February 26.

The biggest traders’ show in the city will be held at the Marriott Marquis Time Square. Browse a wealth of exhibits and listen to talks by many prominent figures.

Dr. Elder will teach a 4-hour class **How to Trade Better in 2017** on February 27. The evening before the class, on Sunday, February 26, he will host a **private dinner** for those class participants who come from his mailing list.

This is his only workshop scheduled in New York City in 2017. To register for the show and for the class please contact Traders’ Expo (they handle those registrations, we don’t.) Afterwards contact us for your dinner reservation.



## European Traders' Camp: May 26 - 31 in Budapest

We're happy to announce our first Camp in Europe after a 10-year interval. Topics include trading psychology, market analysis, trading systems with focus on entries, targets and stops. Long-term, swing, and day-trading, all with practical examples and possibility of live trading. Please read all about it on our website, and register early.

We limit Camp enrollments to ensure individual attention. Only 25 traders will be accepted (four spots already taken at the time of this writing). We offer the lowest rates in January. Once you [register](#), you'll receive immediate access to Dr Elder monthly webinars and his weekly stock scans.

## JANUARY SPECIAL



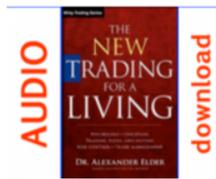
## Discounted 2016 webinar recordings – with a current webinar bonus

Our monthly webinars go beyond current market reviews. They provide an ongoing education for serious traders. Dr Elder review stocks and futures suggested by webinar participants, shows what works and what doesn't about those picks, and if he likes something a lot, he

shows how he plans to trade it, including an entry, a target, and a stop.

Each monthly webinar consists of two hour-long classes, one week apart. Access cost \$150 per month. This January you have a rare opportunity to receive all recording of 2016 webinars – 12 months, 24 sessions, over 24 hours – for only \$199. Now you can go back and review Dr Elder’s analysis and suggestions at the key turning points of 2016.

A special bonus in January: with your purchase you’ll receive access to the first February session of Dr Elder’s current webinar. Please order [here](#).



## The New Trading for a Living – audiobook at half price

The book is read by Dr Elder – a complete recording, word for word of his latest bestseller – *The New Trading for a Living*. Dr. Elder considers it his most important book. Psychology, trading techniques, risk control and self-management – it is all here, delivered to you by the author in his unique style.

WHY THIS AUDIOBOOK IS ON SALE? THERE ARE NO CHARTS. It is perfect for someone who has read the book or has access to it and wants a personal delivery from the author. If you do not have a printed copy, you should probably get it first, to be able to view its colorful charts.

List \$119, on sale for only \$59, delivered electronically. Please order [here](#).

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