

Books & Trades #248

January 22, 2018

Current market ... New York ... Macau ... Lots of Specials

Dear Trader,

In this first letter of the year, I'd like to share with you a recent post in SpikeTrade by my partner Kerry Lovvorn. We take turns writing our weekend posts. Here's an excerpt from Kerry's post, titled "Are the Indexes Parabolic?"



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

"A parabolic rally has three parameters:

1. Two closes outside a three-standard-deviation channel of a 24-month Average True Range (ATR).
2. The five-month moving average is within 5% of the three standard deviations of the 24-month ATR (very near 3-ATR channel).
3. The maximum drawdown from high to close in the past six months is less than 15%.

When a market moves outside of its monthly 3-ATR channel for two consecutive months, the monthly 5-MA is within 5% of the 3-ATR and it has not experienced a closing drawdown of more than 15% in the past six months, we consider this a parabolic move.

Based on these criteria, the S&P500 does meet all requirements for a parabolic condition.

Timing a parabolic move as to when it will end is near impossible. When these moves end, they tend to do it abruptly and harshly. Every parabolic move in history had a nasty ending.

A market that goes parabolic does not have to crash immediately. A parabolic move can persist beyond any logical measure, but the longer it lasts, the more vicious the subsequent crash.

Let's review several examples. During the mid-1990's the S&P500 moved into a parabolic state and remained there for years. The S&P briefly went parabolic again in May 2007, a few months prior to the top in October 2007.

The market is certainly in a parabolic state. How long it will last is anyone's guess.

Historically, the ends of parabolic moves are marked by the index moving below its 5-month moving average. That level for the S&P500 is currently at 2,655."

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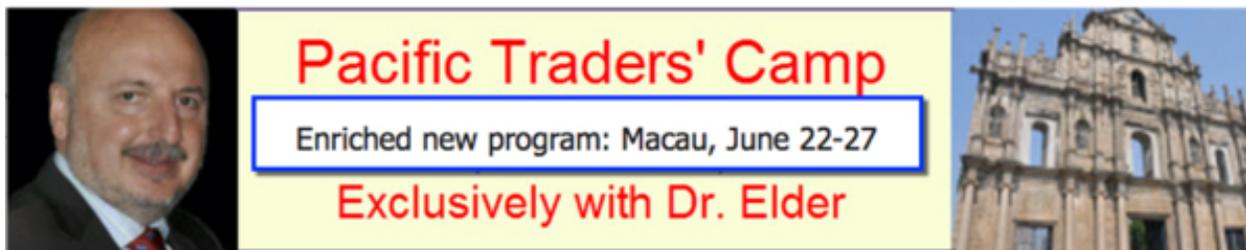


Online: January 25 at 6pm ET - Webinar – “Current markets with Dr Elder.” [Enter](#) Dr. Elder’s trading room from your own computer and watch him review stocks and futures. Send your picks to him and ask him to review them. **An ongoing bonus for all webinar participants – receive an email each weekend giving you the results of bullish and bearish scans of the S&P500.**



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For the first time in years, Alex & Kerry have scheduled a 3-hour class in New York City. They booked a small theater space in downtown Manhattan for Sunday, February 25, from 2pm to 5pm. Come, take your comfortable seat, watch their presentations, and ask them any questions you may have. Their topics are listed [HERE](#).

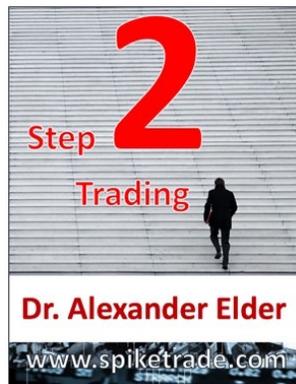


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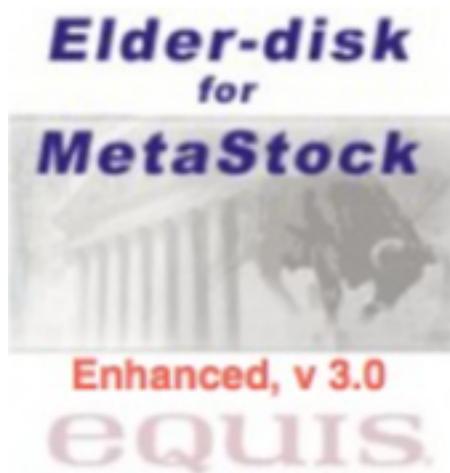


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*Best wishes for successful trading from all of us at elder.com
Dr. Alexander Elder & staff*