

Books & Trades #214

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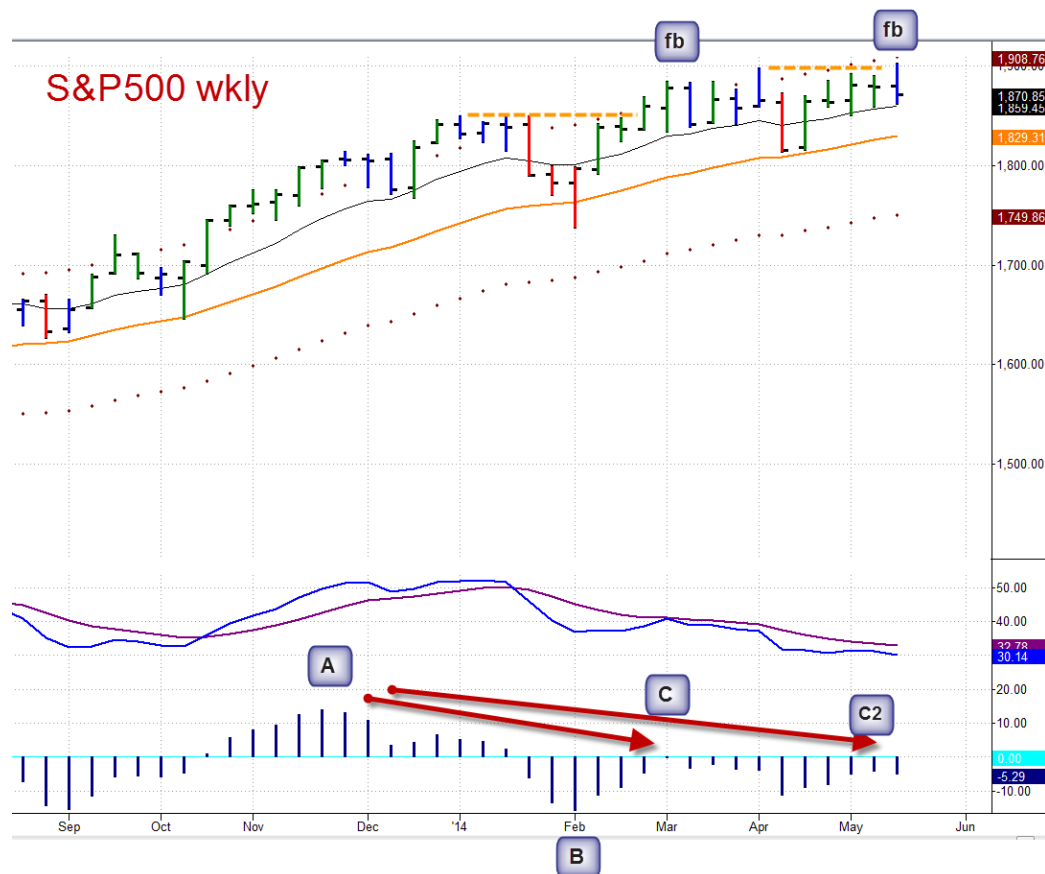
The Strongest Signal in Technical Analysis ... Meeting in Seattle ... Specials

Dear Trader,

The theme of the recent SpikeTrade Reunion was “What Is Your A-Trade?” Have you ever asked yourself this question?

What does a market, a stock, a commodity such as gold, or a currency such as Dollar/Yen has to do in order for you to say – “This is it! This is the exact pattern I trust – an A-Trade.”

My partner in SpikeTrade Kerry Lovvorn says to his students: if you don’t know what’s your A-Trade, you shouldn’t be trading. I know exactly what my A-Trade looks like, and the challenge I face is different – patiently waiting for a true A-pattern emerge and not settle for any B-Trades. Last week Kerry and I, with a group of SpikeTrade members spent several days sharing and discussing our A-Trade patterns.



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

Right after SpikeTrade Reunion the US stock market has completed a pattern that I like and trust. I call it “a divergence with a false breakout.”

In area A MACD-Histogram rallied to a new peak, reflecting high power of the bulls. In area B this indicator dropped below its zero line – I call it “breaking the back of the bull.” In area C it rallied again but barely reached its zero line, even though the S&P rallied to a new high. That bearish divergence was accompanied by a false upside breakout, marked “fb” – prices rallied above their previous peak but could not stay up and fell below their breakout line. To me, a false breakout, coupled with a divergence is the strongest signal in technical analysis.

That signal led to a sharp break in April. Latecomers and dip buyers stepped in and led the index to a recovery. All the while MACD-Histogram reflected their pathetic lack of power – note that the latest top C2 of MACD-Histogram was formed well below the zero line. Still, the index managed to touch a new high before collapsing, leaving behind a false upside breakout coupled with a bearish divergence – an extremely bearish signal.

There is more to trading than a single pattern. An “A pattern” provides a good start when looking for high probability trades. Then we add multiple timeframe review, the New High – New Low Index, trade planning, sizing and risk management.

This pattern works in all markets and timeframes. In the example shown below you can see a weekly chart of Sydney’s All Ordinaries index –similar patterns can be found around the globe.



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

For precision timing, stock trading ideas, and much more take a Trial membership of www.SpikeTrade.com

Traders' Education

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

ONLINE: May 21 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.**

SEATTLE: August 8 - 9, Dr. Elder speaks at Chartcon, a StockCharts.com annual event.

May Special



First time ever and once only – discounted access to Dr. Elder’s webinars

Each of our monthly webinars consists of two sessions of an hour or longer, a week apart. You see Dr. Elder’s computer screen and hear his voice. He analyzes current markets and dedicates the bulk of the hour to answering participants’ questions. You’re welcome to ask him review up to three stocks, commodities or currencies. In these small-group webinars you receive answers to your questions, unlike overcrowded free events.

If the time of our webinars (starting at 6 pm ET) is inconvenient for you, no worries. We record these webinars, and the next morning send you a link to the latest recording – whether or not you were there in person.

Our fee for these webinars is \$140 per month (includes two sessions) or \$349 per three month (six sessions). **Special:** now for the first time ever and one a one-time basis only, we offer you three months (6 sessions) for only \$199. If you're currently a participant, you may add them to your current term. This offer is good only during May 2014. Take it while it lasts!

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