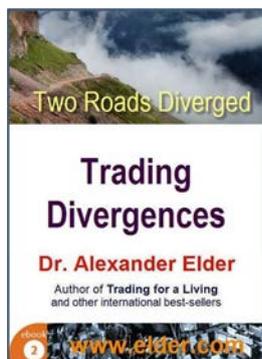


Trading Divergences (e-book)



Two Roads Diverged

By Dr Alexander Elder

After the success of his first e-book *To Trade or Not to Trade: A Beginner's Guide*, Dr Elder has written a second e-book.

There are many, many ways to make money in the markets. The method you use must fit your personality in the fullest meaning of that word: everything that you are today as a person, reflecting you knowledge, skills, experience and tolerance for risk. However, I share with Dr Elder in seeing two main categories that traders and investors fall into. First, there are those who buy breakouts and exploit the trend that ensues. This is essentially my own method and I think that it is primarily appropriate for investors, though I have met many traders who say that they are breakout traders. The second group are those who try to identify potential reversals in trend. This is the aspect of Dr Elder's own methods that he discusses in this new e-book. It is likely to appeal primarily to traders, but there is no reason why investors cannot use it in their timeframe to time the buying and selling of stocks and also their overall market exposure strategies.

So, what is good about this e-book? The first thing is that in my experience, most traders and investors have a basic idea of what a divergence is, but struggle to define it clearly such that any other trader or investor could confirm or deny the existence of any divergence. I must

admit that I too had struggled with the definition of a divergence and sometimes found myself in disagreement with other traders or investors and unable to resolve the matter by reference to a definitive source. That will never be the case again, now that I have this e-book. The definition that Dr Elder provides is crystal clear. This definition is backed up with a number of specific examples and even a short self-marking test, which has great value if you do it before looking up the answers.

It is not a long book. If you were to print it out, it would be only 47 pages. However, just as a book should not be judged by its cover, the length of a book is often misleading as a guide to its value. The best way to see *Trading Divergences* is that in a big text book on technical analysis-based trading, it would be one lengthy chapter. It does not merely provide a definition and examples, it also discusses

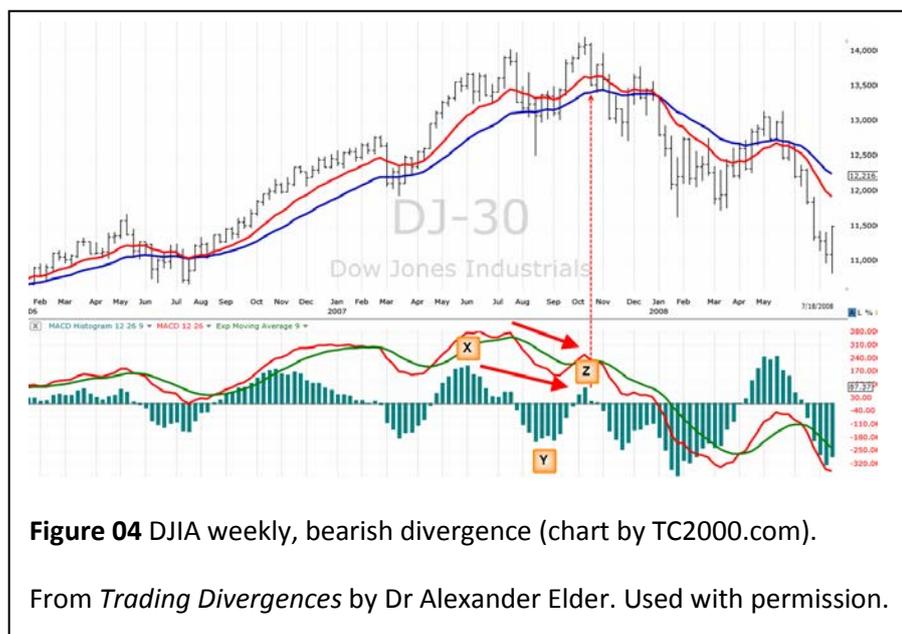


Figure 04 DJIA weekly, bearish divergence (chart by TC2000.com).

From *Trading Divergences* by Dr Alexander Elder. Used with permission.

trading strategy for divergences and Dr Elder is very precise in nominating an entry signal for MACD Histogram divergences. He does likewise for Force Index divergences.

There is also a useful section on the practical use of divergences in multiple timeframes and some discussion of the problem that everyone would like to be able to solve: scanning for divergences. Dr Elder admits that it is very difficult to scan for divergences and, to his knowledge, nobody has been able to program a scan. However, Dr Elder presents a partial solution which he calls a semi-automatic scan and shares this methodology with his readers.

Finally, the price: Dr Elder sells this book off his website www.elder.com for US\$8. It is in PDF format.