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**Today's Stock Traders' and Investors' Free Wrap is based on
An EXTRACT from Edition 525 of our Mentoring style
'Investing & Online Trading' Report**

New! How to Trade Falling Markets (Part 1) By Jim Berg and John Atkinson

1. Introduction

In Edition 505 of our weekly 'Investing & Online Trading Report' of 28 March 2015, Jim posted his first Warning Signals article regarding the USA Market. He has progressively updated the charts from that article several times since.

In Edition 511 of 9 May, Jim posted his first 2015 Caution notice for the Australian market, because even though the ASX200 Index was in a rising trend at that time, the closing price had just fallen below the moving average and prices had made a pivot point lower high and lower low, as republished below:



XJO Weekly Chart: May 2015

As a result of this Caution warning, Jim gradually wound back notional positions as their stops were triggered or targets achieved and ceased adding new positions to our Report's notional portfolio.

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Subsequently, the market fell further, such that by Edition 516 of 13 June 2015, the XJO had switched to a falling trend - as all three of Jim's criteria for a rising trend had been reversed:

- i) The closing price was below the moving average
- ii) The moving average was falling and
- iii) Prices had made a pivot point lower high and lower low

as republished from Edition 516 below:



XJO Weekly Chart: June 2015

Jim closed the remaining 'open' notional Australian position (CSL) in Edition 517 and has continued to post his JB Alerts for the USA market only while the S&P500 and Nasdaq remain in rising trends.

In late December 2007, Jim posted warnings for the Australian and USA markets then too, ahead of what turned out to be the Global Financial Crisis.

At that time, the market fell quicker and only two weeks later, Jim closed the notional portfolio in early January 2008 and it remained 'in cash' during the GFC for 18 months until a re-entry signal was given in June 2009.

Many markets around the world fell in the order of 50% or more during those eighteen months.

Those Members who followed Jim's lead at that time and 'went to cash' saved themselves from not losing millions of dollars of their Trading accounts and Superannuation/retirement funds.

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We cannot predict how far the market will fall. While it is in a falling trend we each have the choice to:

- i) Attempt to trade/invest in shares which are still rising while the overall market is falling. This is akin to trying to swim upstream against an outgoing tide.
- ii) Switch to cash to prevent the risk of further losses, watch from the sidelines and use the time to build on your education, e.g. by carrying out the educational exercises we provide in our weekly mentoring-style 'Investing & Online Trading' Report, studying 'The Trading Plan Guide' located in the [Members' Library](#), watching Jim's DVD, etc.

Then, when the market gives a re-entry signal, instead of trying to *rebuild* back to where your account had been beforehand, you can *add* to previously locked-in capital.

- iii) Learn how to trade the downside, with the aim of profiting from falling trends. This will require additional education regarding new instruments, particularly as it may include the use of leveraged products which carry additional financial risk.

In this series of articles we plan to show our Report Members how to trade falling markets and will feature Jim's research as it happens over the next few weeks/months.

2. Background

In March 2015, when the Australian and USA markets gave their first warning Signals, Jim was initially planning to use Inverse Exchange Traded Funds (ETFs) to trade the downside.

However, additional research has shown that U.S. inverse ETFs are only suitable for very short term trading as mathematically they do not actually mirror changes in the underlying index over longer trading periods.

Therefore, as an update for this weekly Report and Jim's [new daily Signals Service](#):

- 1) For the USA Market:** The Dow Jones Industrial switched to a falling trend on Friday 14th August ([See Page 7 of this week's Edition](#)). Jim is planning to use Australian index warrants on U.S. Indices if the S&P500 also switches to a falling trend, or continue with USA stocks if the market rises.
- 2) For the Australian Market:** Jim plans to use Australian share warrants over Australian companies to add to his originally planned strategy to trade the Australian Bear Managed Fund, with the aim of profiting from a decline in the Australian equities market.

Next week, we will continue this new series of articles in our 'Investing & Online Trading' Report by looking further in detail at the Bear Fund.

To continue reading this week's Edition 525 and to make sure you do not miss the rest of this new series on '[How to Trade Falling Markets](#)',

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