

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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The analysis and trading strategies described in this report are for educational purposes only. The commentary in this report may or may not relate to a specific trade recommendation made in the Dynamic Trader Report. The weekday issues of the Dynamic Trader Report are prepared by Stephen Griffiths and are primarily for trading education purposes with alerts for potential trade set-ups for markets described in the Saturday issue prepared by Robert Miner.

Today I would like to continue with the current review of some of the material taught in recent tutorials, with another look at Wave 4 corrections.

Wave 4 corrections – Price, Time and Pattern

Price

The best **Price** and **Time** support areas arise where *different* relationships from *different* swings and *different degrees of swing* all *cluster together* in a relatively tight range. For a Wave 4 we have three individual **Price** relationships to consider, the Wave 3 (last swing), Wave 2 (1st Alt) and Waves 1-3 (entire move so far).

The individual relationships for the **Wave 3** are:

- The *minimum Price* retracement anticipated is 38.2%
- The *typical Price* retracements anticipated are 38.2% or 50%
- The *maximum Price* retracement anticipated is 61.8%

The individual relationships for **Waves 1-3** (the entire move so far) are:

- The *minimum Price* retracement anticipated is 23.6%
- The *typical Price* retracements anticipated are 38.2% or 50%
- The *maximum Price* retracement anticipated is 61.8%

And lastly we have relationships to the length of the Wave 2, where we do not have any reliable *minimum* or *maximum* relationships (unlike with Time), but with the **Waves 2**, the 1st Alt, we have:

- Wave 4 is very often either 61.8%, 100% or 161.8% the length of Wave 2

Time

As with **Price**, we have 3 possible swings to work with: the Wave 3, Wave 2 and completed swing to date, Waves 1-3.

The individual relationships for the **Wave 3** are:

- The *minimum Time* retracement anticipated is 38.2%
- The *typical Time* retracements anticipated are 50%, 61.8% and 100%
- The *maximum Time* retracement anticipated is 61.8%

The minimum of 38.2% also applies to any completed 5 wave sequence (Wave 3's typically sub-divide into 5 waves of lesser degree).

The individual relationships for **Waves 1-3**, the entire move so far are:

- The *typical Time* retracements anticipated are 38.2%, 50% and 61.8%
- The *maximum Time* retracement anticipated is 100%

We do not have any reliable *minimum Time* relationships that are specific to the Waves 1-3, but we do have a *maximum* target of 100%. If a corrective swing starts to last longer in **Time** than the entire impulsive move to date, it is a *Time overbalance*, and a new trend in the opposite direction is now more likely.

The individual relationships for **Wave 2**, the 1st Alt, are:

- The *minimum Time* relationship anticipated is 100%
- The *typical Time* relationships anticipated are 100% and 161.8%

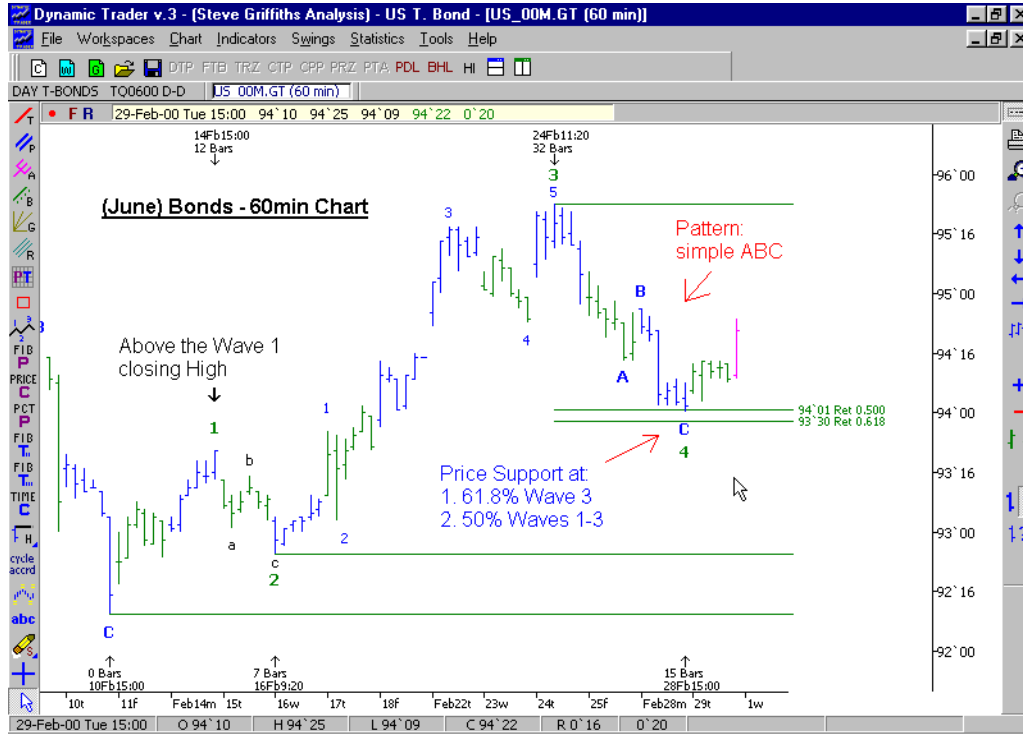
Wave 4's are normally longer in **Time** than Wave 2's, hence the *minimum Time* relationship of Wave 4 = 100% Wave 2.

Pattern

As with all corrections, we always start with the assumption that the correction will be a *minimum* of a simple ABC where the Wave C exceeds the Wave A extreme. This is the same for Wave 4's.

However, there is the principle of alternation. One of the Elliott Rules (or guidelines as I prefer to think of them) is that the patterns of Wave 2 and Wave 4 *alternate*. In other words, *if* Wave 2 is a simple ABC then Wave 4 will be complex, or *vice versa*. Typically, Wave 2 unfolds as a simple ABC, hence the Wave 4 correction very often turns out to be something more complex.

Let's have a look at a recent example on Bonds:



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Today was a very detailed review of Wave 4's because I wanted to complete the current example on Bonds, as I am going to devote tomorrow to a 1-day special tutorial on Day trading, using the move off Monday's low in the Bonds as an example.

Today's Trading Lessons

1. The best **Price** support and resistance areas are where a *cluster* of **Price** relationships fall together in a *relatively tight range*.
2. The *minimum Price* retracement for a Wave 4 is 38.2% of Wave 3. From a trading perspective, do not be too keen to enter a position before this *minimum Price* retracement, unless the internal structure of Wave 4 appears complete.
3. As a *maximum Price* target, Wave 4 *should not close* into the *closing* extreme of Wave 1.
4. The best **Time** support and resistance areas are where a *cluster* of **Time** relationships fall together in a *relatively tight range*.
5. The two *minimum Time* targets to be particularly alert for are 100% Wave 2 (1st ATP) and 38.2% Time retracement of Wave 3, particularly if Wave 3 sub-divides into a minor 5 waves of lesser degree.
6. As a *maximum*, Wave 4 *should not* take more **Time** than the completed impulsive swing to date, 100% Waves 1-3.
7. **Pattern:** As with all corrections, we always *start* with the assumption that the correction will be a *minimum* of a simple ABC where the Wave C exceeds the Wave A extreme.
8. The principle of alternation: if Wave 2 unfolds as a simple ABC then Wave 4 will *normally* unfold as one of the many complex corrections and vice versa.
9. The termination of Wave 4, even if it is unfolding as a complex correction, will normally be at a **Price** and **Time cluster** of prior swings.

Continued on next page.

Potential Trade Set-ups and Trade Follow-ups

Yen (March) A close above the 100% APP at 93.08 confirms that this minor rally is more likely to be a Wave 3 rather than a Wave C.

Short and Intermediate Term Units (L-2/28, 91.87)

Raise the protective sell-stop on both units to 91.72, just below the minor Wave 1 closing high.

If the Yen trades to 94.38, trail the stop on the short-term unit 1 tick below the 1 day low (minor W3 = 1.618% minor W1 at 94.38).

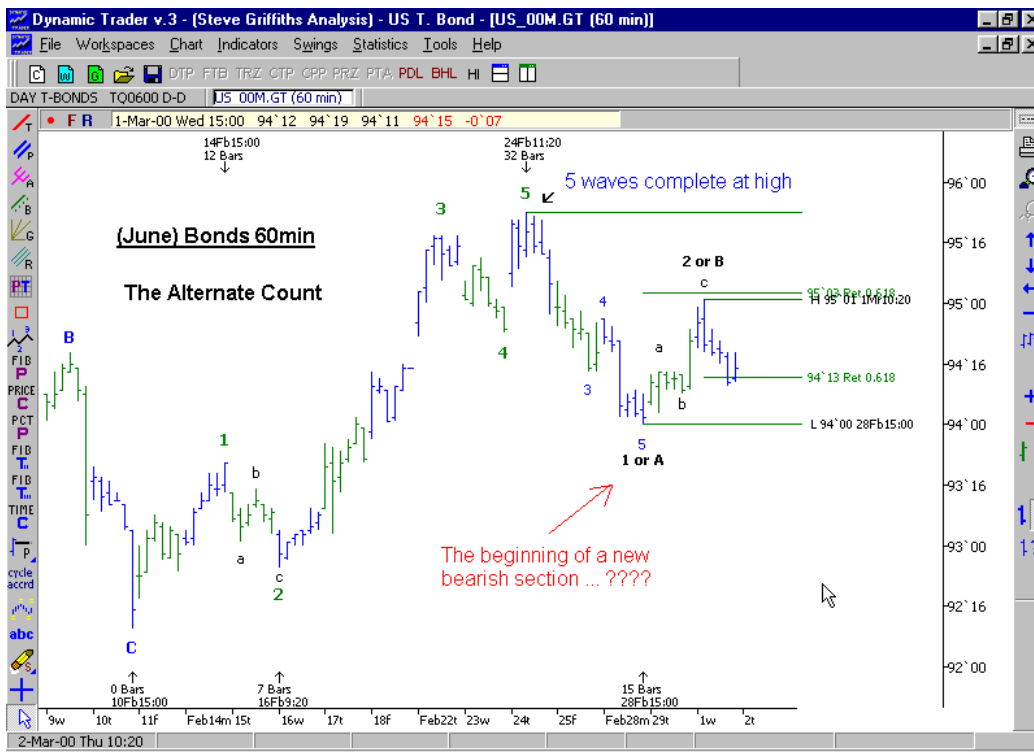
Bonds (June) A long trade was entered today at 94-29. Today's failure to follow through means we must consider the alternative wave count outlined yesterday. See below Chart. A trade below what is currently considered the minor Wave 4 low at 94-00 would confirm Feb 24 completed a minor 5 wave high, and a continued decline is anticipated.

A close above today's high of 95-01 would indicate a continued advance to new highs.

Either way, the parameters are clearly defined to either confirm or invalidate the current bullish outlook.

Short and Intermediate Term Units (L-2/29, 94-29)

Change the protective sell-stop at 94-02 to a stop-and-reverse.



S&P (Mar) Today the S&P closed above the bullish reversal signal of 1374.50 as outlined in Saturday's Report. The current rally is considered a Wave 1 or A. The safest entry is to wait until this rally has terminated and then look to the initial Wave 2 or B correction to consider a long position.

Major resistance is at 1419-1425 and Mar 8 which includes the 100% APP and 100% ATP from the last 2 swings and the 78.6% Price retracement of the Feb 8 to Feb 28 decline. New closing highs above this level and past Mar 8 would be a bullish signal.

Cocoa (May) Today Cocoa made a *Gann Pull-back*. Although not a specific trading recommendation, Traders may consider a short trade on a break of yesterday's low of 770 for a *trend continuation* trade.

Silver (May) Today Silver made a *Gann Pull-back*. Although not a specific trading recommendation, Traders may consider a short trade on a break of yesterday's low of 512.0 for a *trend continuation* trade.

Soybeans (May) Today Soybeans made a *Gann Pull-back*. Although not a specific trading recommendation, Traders considering a short trade on a break of yesterday's low of 505 for a *trend continuation* trade should stay alert to the *ideal* Price and Time targets for a corrective Wave C low outlined in Saturday's Report.

Orange Juice (May). Although Orange Juice made an *inside day* today, the ideal set up for a short position would be on the termination of a corrective ABC rally into the 50% - 78.6% retracement of the decline off the Feb 28 high.

Good Trading,

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