

# Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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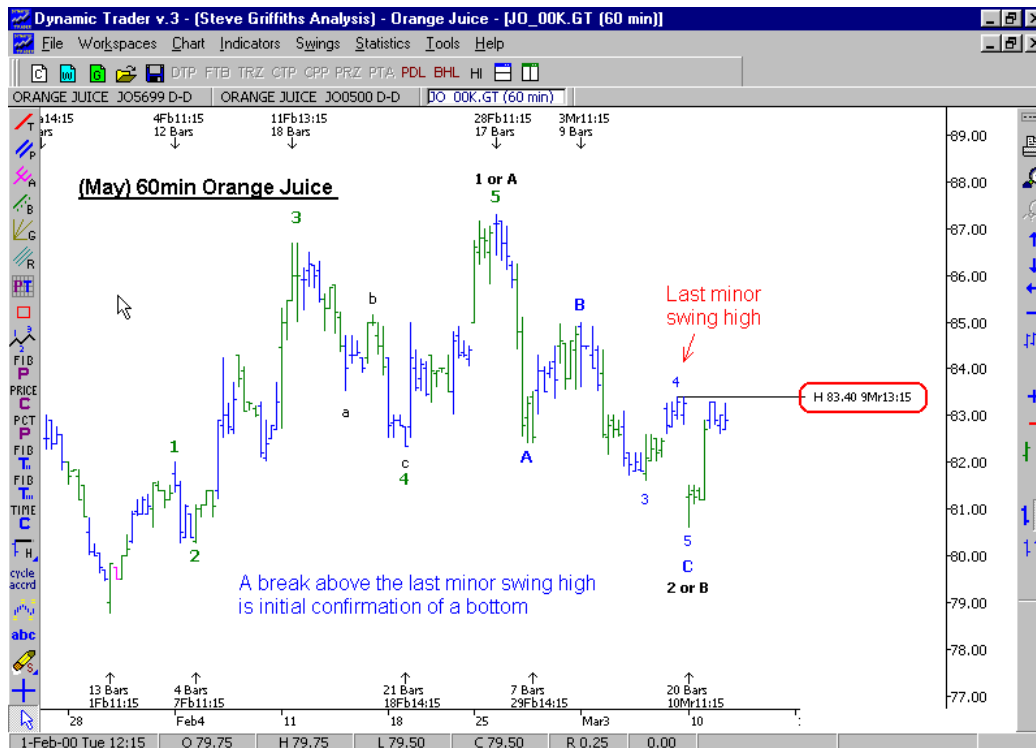
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The analysis and trading strategies described in this report are for educational purposes only. The commentary in this report may or may not relate to a specific trade recommendation made in the Dynamic Trader Report. The weekday issues of the Dynamic 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 a look at Initial Risk, and learning to think of Profits as a function of initial risk or initial capital exposure. I also want to look at the second trade entry technique for this week - using the shorter-term charts to enter a longer-term set-up.

## The break of the last minor swing high or low

For this example I would like to continue to use the current set-up on (May) Orange Juice. We had a detailed look at the trade set-up yesterday, and today I would like to start with another look at the 60min chart:



Once a market enters the **Price, Time** and **Pattern** coincidence for a potential trend termination, a break of the last minor swing pivot is *initial confirmation* of a top or bottom. In this Orange Juice example, the last minor swing high was at 83.40. If the market breaks 83.40, we can consider this as *initial confirmation* that the ABC correction into the Mar 10 low has terminated, and we can therefore consider a long position.

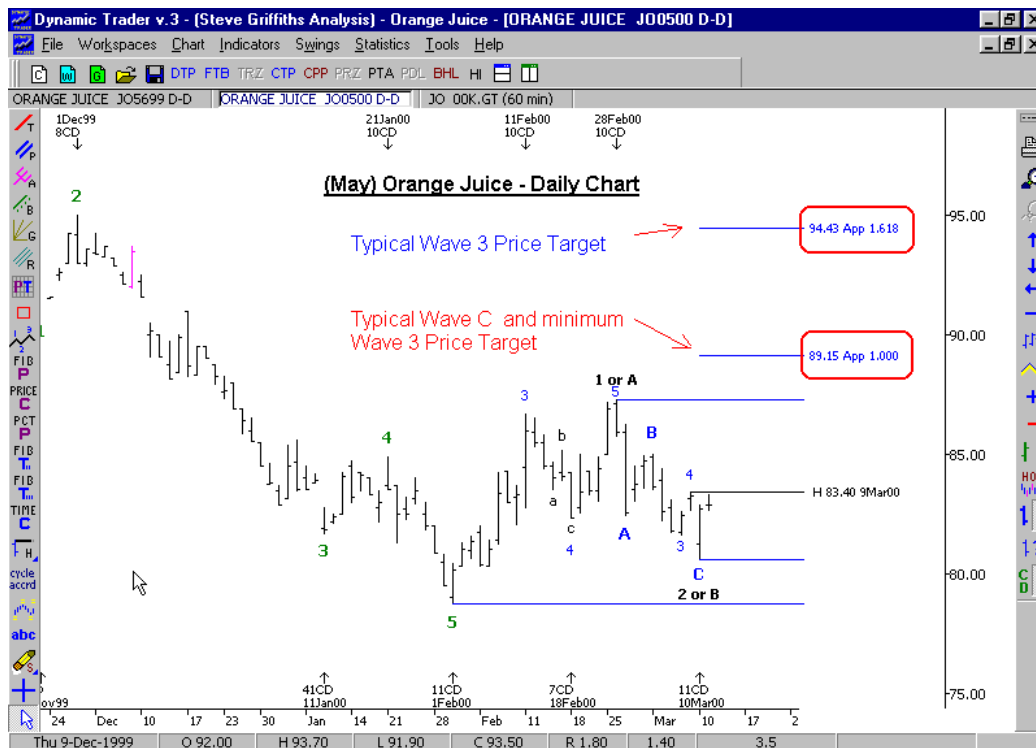
Hence the specific trade recommendation in Saturday's report.

The basic definition of a bull trend (reverse for a bear trend) is higher highs and higher lows. This is somewhat misleading, as we know that the *typical* correction consists of a simple ABC where the Wave C exceeds the price extreme of the Wave A. This would break the higher lows rule. This is why we only use this technique *once* a particular market has entered **Price, Time** and **Pattern** coincidence, signaling a possible trend termination.

Very often, the market provides us with an earlier entry point, for example a Reversal Day.

### Profit in relation to initial capital exposure

Normally, I do not focus on the "what happens if" a market reaches a certain Price target, but let's have a look at 2 possible Price targets *if* the low on Mar 10 turns out to be either a Wave B or Wave 2 low.



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Here we can see that we have 2 possible *typical* Price targets, one for a Wave C at 89.15 and the other for a Wave 3 at 94.43.

Let's have a look at the potential profit resulting from the specific trade recommendation in Saturday's Report *if* these 2 Price targets are reached. The initial trade set-up is to buy on a 83.45 stop, and if filled, place the protective sell stop at 81.20, all for an initial risk or initial capital exposure of:

$$\text{Initial Risk} = (83.45 - 81.20) \times \$150 = \underline{\$337.50} \text{ per contract}$$

As a *minimum*, we normally anticipate that a market will unfold as a simple ABC, thus *if* the market reaches the *typical* Wave C Price target at 89.15, the Profit would be just over 2 1/2 times the initial risk or initial capital exposure:

Current Portfolio:	£6,329.11	1.58	\$10,000.00	Commission:		\$0.00	
Commodity	Long or Short	No of Lots	Initial Price	Stop Price	Tick Value	Profit / (Loss)	% Risk
Contract Long	Long	1	83.45 Current Price:	81.20 89.15	\$150.0	(\$337.50) \$855.00	3.38% 8.55%
				Profit to Loss ratio:		2.53	
Contract Short	Short	-	- Current Price:	-	\$50.0	#VALUE! #VALUE!	#VALUE! #VALUE!
				Profit to Loss ratio:		#VALUE!	

*If* this rally then turned out to be a Wave 3 and Orange Juice reached the *typical* Wave 3 Price target at 94.43, the Profit would increase to nearly 5 times the initial risk or initial capital exposure:

Current Portfolio:	£6,329.11	1.58	\$10,000.00	Commission:		\$0.00	
Commodity	Long or Short	No of Lots	Initial Price	Stop Price	Tick Value	Profit / (Loss)	% Risk
Contract Long	Long	1	83.45 Current Price:	81.20 94.43	\$150.0	(\$337.50) \$1,647.00	3.38% 16.47%
				Profit to Loss ratio:		4.88	
Contract Short	Short	-	- Current Price:	-	\$50.0	#VALUE! #VALUE!	#VALUE! #VALUE!
				Profit to Loss ratio:		#VALUE!	

Please note that I am not forecasting that either of these scenarios will happen, as we never know exactly how the future will unfold, but this example does demonstrate one of the most important aspects of the Dynamic Trading approach:

**Keeping Losses small in relation to Profits, or to put it another way, keeping Profits large in relation to Losses.**

This will be a very important principle to keep in mind when we start on the next training topic tomorrow – objective Elliott Wave analysis.

## Today's Trading Lessons

1. *Once a market enters the **Price, Time** and **Pattern coincidence** for a potential trend termination, a break of the last minor swing pivot is *initial confirmation* of a top or bottom*

**Continued on next page.**

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## Potential Trade Set-ups and Trade Follow-ups

**Yen (June)** There was an error in the reported price for the roll-over to the June contract at midday on Friday. The corrected table is included here.

Yen	Unit	Opened	Price	Closed	Price	# Ctr	P/L	O/C
Long March (RO to June)	ST&IT	2/28	91.87	3/10	94.19	2	\$5800	C
Long June (RO from March)	ST&IT	3/10	95.71	-	96.73	2	\$2550	O

**Short and Intermediate Term Units (L-95.71, 3/10)**

Maintain the protective sell-stop on both units 1 tick below the 1-day low, 96.66 for tomorrow.

**Orange Juice (May)** Orange Juice rallied today, triggering the trade entry described in Saturday's Report.

**Short and Intermediate Term Units (L-83.45, 3/14)**

Maintain the protective sell-stop on both units at 81.20.

**Gold (April) and Silver (May)** The comments for both markets remain unchanged from yesterday.

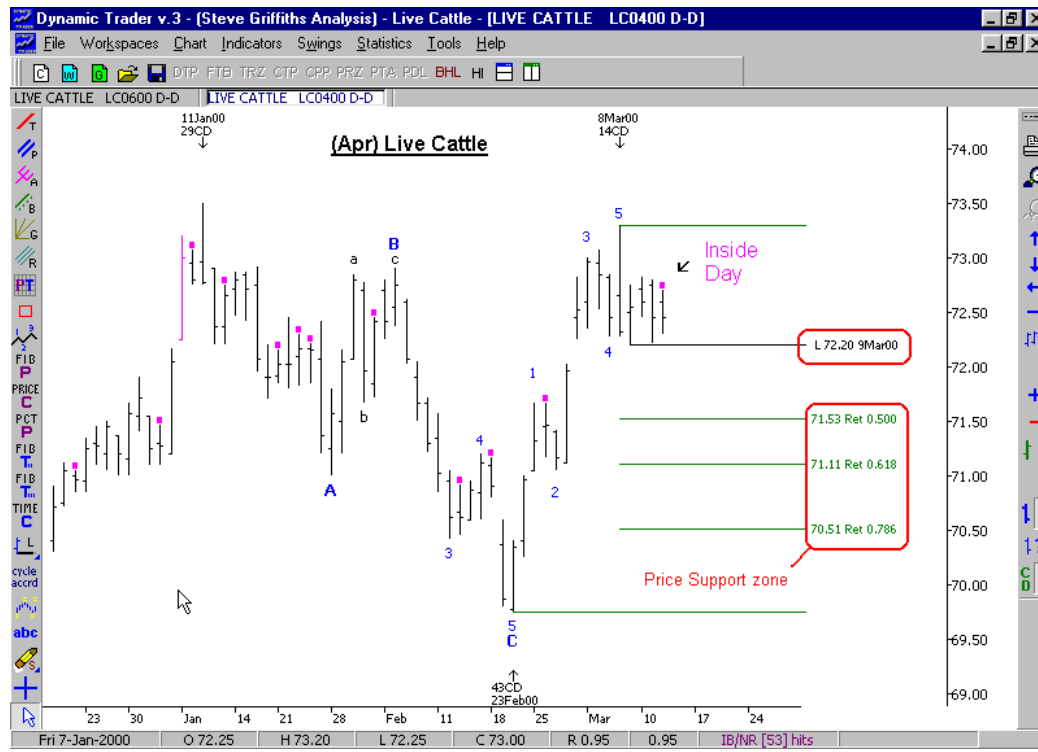
**Beans (May)** Beans rallied today, we will now look for either a trend continuation set-up or a minor abc correction to position long. If the market rallies above the Jan 28 high of 538, the next level of resistance is in the 548 - 549 area.

**Corn (May)** Corn also rallied today, we will now look for either a trend continuation set-up or a minor abc correction to position long. The first level of resistance above the Jan 25 high of 236 is in the 240 - 241 area.

**S&P (June)** A close below what we currently consider as the wave B low of Mar 8 at 1367.0 is bearish and suggests a continued decline to below the Feb 28 low.

**Live Cattle (Apr)** Today, Live Cattle made an *inside day*. Mar 8 appears to have completed a minor 5 wave advance off the Feb 23 low, if this is correct Live Cattle will probably decline into *at least* the 50% retracement of this advance at 71.53. See Chart below.

Although not a specific trading recommendation, Traders may consider a short trade on a break below 72.20.

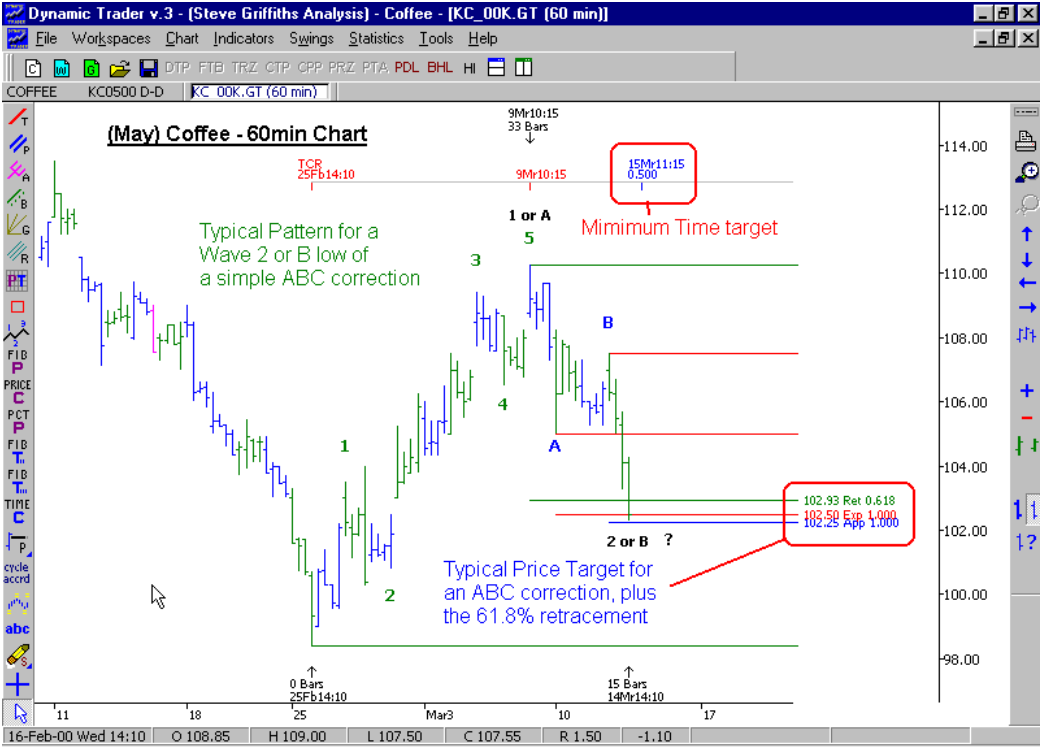


**Coffee (May)** Today's decline in Coffee terminated right at the *typical Price and Pattern* target for a *potential Wave 2* or B low.

Although not a specific trading recommendation, as this decline has not yet met the *minimum Time* requirement for a Wave 2 or B, Traders may look to position long on a Reversal Day signal tomorrow. See chart on next page.

A close below the 78.6% retracement at 100.94 voids this potential bullish set-up.

(May) Coffee Chart – 60min



Good Trading,

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