

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

Published By
Dynamic Traders Group, Inc.
DynamicTraders.com
dt@dynamictraders.com
520-797-3668

Thursday, March 23, 2000

Prepared by: Stephen Griffiths
Steve@dynamictraders.com

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 topic of practical Elliott wave analysis, with a look at the individual waves of a five wave sequence, today looking at Wave two.

Corrective Wave Two

First, I would like to start with a **summary** of Wave 2.

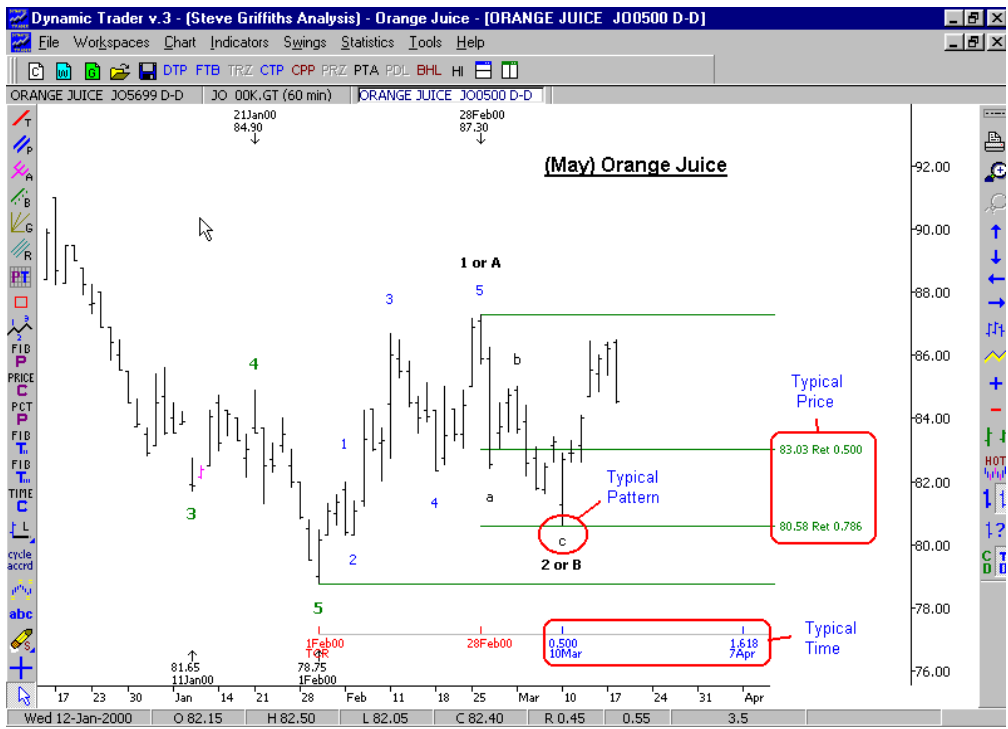
1. Wave 2 *cannot* exceed the beginning of Wave 1.
2. Wave 2 will *typically* terminate between a 50% to 78.6% **Price** retracement of Wave 1.
3. Wave 2 will *typically* terminate between a 50% to 161.8% **Time** Retracement of Wave 1.
4. Wave 2 will *typically* unfold in a simple ABC **Pattern** where Wave C exceeds the price extreme of Wave A.

Wave 2 is the first correction within a new five wave impulsive pattern. Wave 2 has the same characteristics as a Wave B. Both are corrections that should be followed by a 5 wave structure in the direction of the new trend, which will be either a Wave 3 or a Wave C.

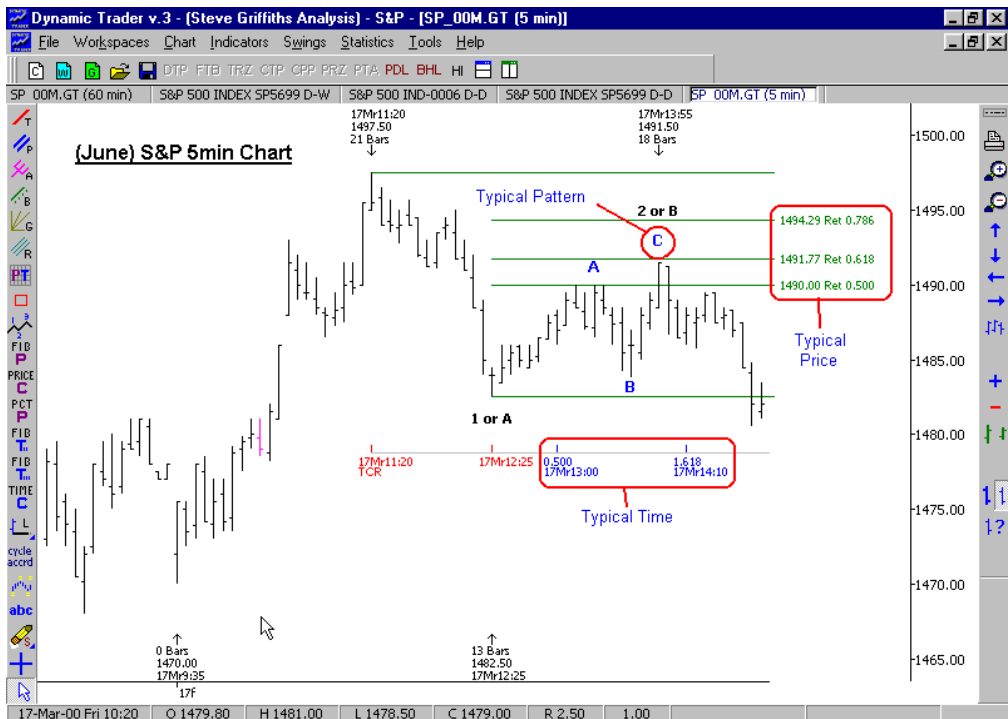
Therefore one of our trading strategies should be to identify the termination of a Wave 2 or B to look to be well positioned to take advantage of the next trend, whether it turns out to be a Wave 3 or Wave C.

Let's have a look at some examples:

Typical Wave 2 or B low in (May) Orange Juice



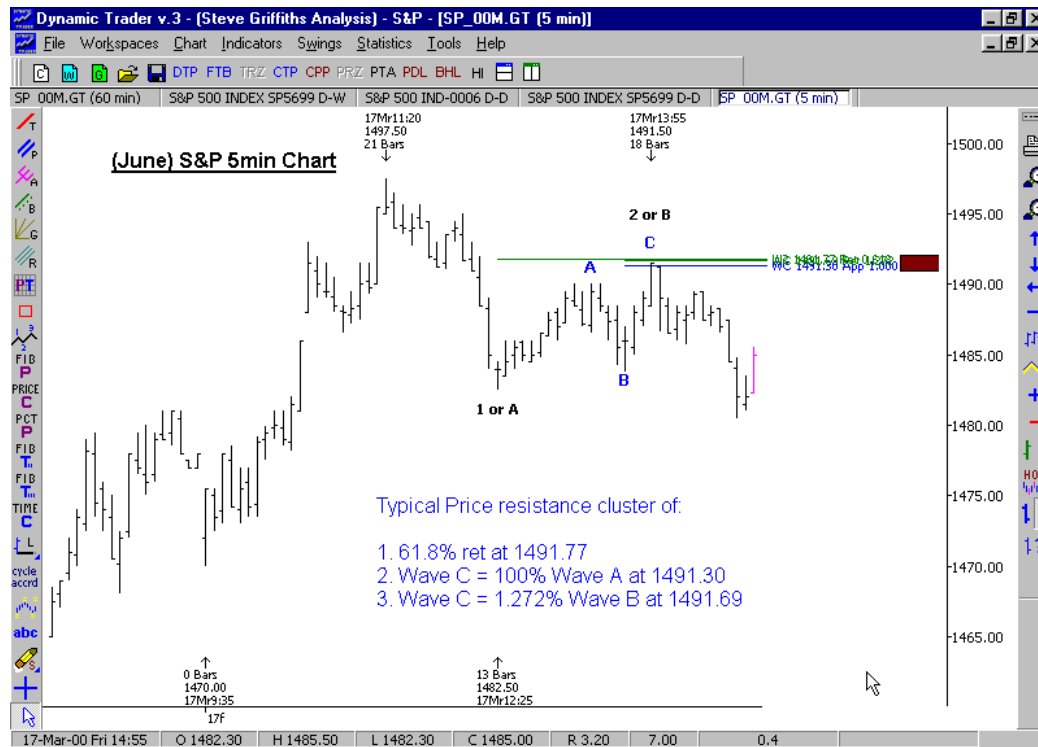
Typical Wave 2 or B High on a 5min Chart in the S&P



Copyright 2000, Dynamic Traders Group, Inc. (520-797-3668, www.dynamictraders.com).
Trading futures is risky. Past performance is no guarantee of future performance. Trade at your own risk. This information is supplied for the paid subscriber and may not be copied or distributed in any manner.

The charts on the previous page show two recent examples, one on a Daily Orange Juice chart and the second on a five minute S&P Chart where the Wave 2 or B terminated right in the typical **Price, Time** and **Pattern** for a Wave 2 or B.

We can then use the minor sub-divisions of the Wave 2 or B itself to help narrow down the original analysis:



This Wave 2 or B high terminated at 1491.50 exactly in the *typical* **Price** target for a Wave C of 1491.30 – 1491.77 in this example.

This may seem like I am repeating old ground here, but this is the best way to approach Elliott Wave analysis, to become totally familiar with the *typical characteristics of all the individual Elliott Waves*.

Once we know and can recognize each and every wave and know the minimum, typical and maximum characteristics inside out, upside down and even in our sleep, then we can start to apply this consistently to the markets.

And more importantly, by knowing all the *typical characteristics*, we will very quickly be able to determine when a particular market **is not** unfolding as in a typical manner. Knowing when a market pattern is *not ideal* is sometimes more important than knowing when *it is* !!

Key trading strategies for Wave 2

The ideal objective is to enter near the completion of Wave 2 to be well positioned in the early stages of a Wave 3 move, which should be the strongest and longest of the impulsive waves.

Since Wave 2's typically retrace at least 50% of Wave 1 in Price, don't be too eager to enter a trade prior to a 50% retracement unless the corrective pattern clearly appears complete. Also since Wave 2's are typically complete by a 78.6% Price retracement of Wave 1, don't consider entering a Wave-2 trend reversal trade if the market has exceeded this level.

If Waves A and B are clearly evident, all efforts should now be made to identify the potential termination of Wave C, as the termination of Wave C will also be the termination of the completed Wave 2 or B.

This Elliott wave tutorial series will continue next week when I will take a look at the characteristics of Wave 3.

Today's Trading Lessons

1. Wave 2 *cannot* exceed the beginning of Wave 1.
2. Wave 2 will *typically* terminate between a 50% to 78.6% **Price** retracement of Wave 1.
3. Wave 2 will *typically* terminate between a 50% to 161.8% **Time** retracement of Wave.
4. Wave 2 will *typically* unfold in a simple ABC **Pattern** where Wave C exceeds the price extreme of Wave A.

Specific Trade Recommendations Summary

This table only includes those markets with outstanding trades and open specific trade recommendations.

Market – Current Position	Trade Recommendations and Stop-Loss For Existing Positions March 23
BP: June	<p>The Pound has continued to rally today. This is probably the early stage of a Wave 1 or A. The best strategy is to wait for the current rally to terminate, and then look for the following Wave 2 or B correction to consider a long position.</p> <p><u>ST&IT Units</u>: There are no current recommendations.</p>
Corn: May	<p>A trade below Tuesday's low voided yesterday's buy set-up. A close below 228.6 confirms that Mar 17 completed a top.</p> <p><u>ST&IT Units</u>: There are no current recommendations.</p>
Yen: June New Rec	<p>The Yen has now declined into the area for a potential Wave-B low. Today is a 50% Time retracement of the Wave 1 or A rally, and today reversed off a 50% Price retracement at 94.35.</p> <p><u>ST&IT Units</u>: For tomorrow, buy on a 94.71 stop, 1 tick above today's high. If filled, place the protective sell-stop 1 tick below the recent low.</p>
Beans: May New Rec	<p>Beans are still in a position for a potential minor W.4 low.</p> <p><u>ST&IT Units</u>: As long as beans do not trade below 517.2. Buy on close if the close is above the current day's open and the prior day's close. If filled, place the protective sell-stop 1 tick below the recent low.</p>
Silver: May Rec from yesterday	<p>The outlook for silver has not changed. Time analysis suggests the breakout from the prolonged trading range should be up.</p> <p><u>ST&IT Units</u>: Buy silver on a 523.5 stop and place the protective sell-stop at 514.5.</p>
SF: June L – 3/23, 60.65	<p>A long trade was triggered on open today at 60.65</p> <p><u>ST&IT Units</u>: Raise the protective sell-stop on both units to 60.16</p>
Cattle: June L – 3/22, 69.20	<p><u>ST & IT Units</u>: Maintain the protective sell stop on both units at 68.62.</p>
Sugar: May L – 3/23, 530	<p>The stop and reverse buy-stop was triggered for a new long position at 5.30 on open today.</p> <p><u>ST & IT Units</u>: Raise the protective sell-stop on both units to 5.14, just under the 78.6% retracement.</p> <p>If Sugar trades to 5.59, trail the stop on the ST unit 1 tick below the prior day's low</p>
OJ: May L-3/14, 83.45	<p><u>ST&IT Units</u>: Maintain the protective sell-stop on both units at 82.55. If OJ trades to 89.05, trail the stop on the ST unit one tick below the prior day's low.</p>

Other Markets of Interest Summary

Market	Other Markets of Interest - March 23
S&P: June	The S&P has continued to rally today without declining below 1505. There is no analysis for the S&P today; a full update will be included in Saturdays' report.
Bonds: June	As with the S&P, Bonds continued to rally today without declining below 96-05. There is no analysis for Bonds today; a full update will be included in Saturdays' report.

(June) Yen Chart



(May) 60min Sugar



Good Trading,

Steve
Steve@dynamictraders.com