

# Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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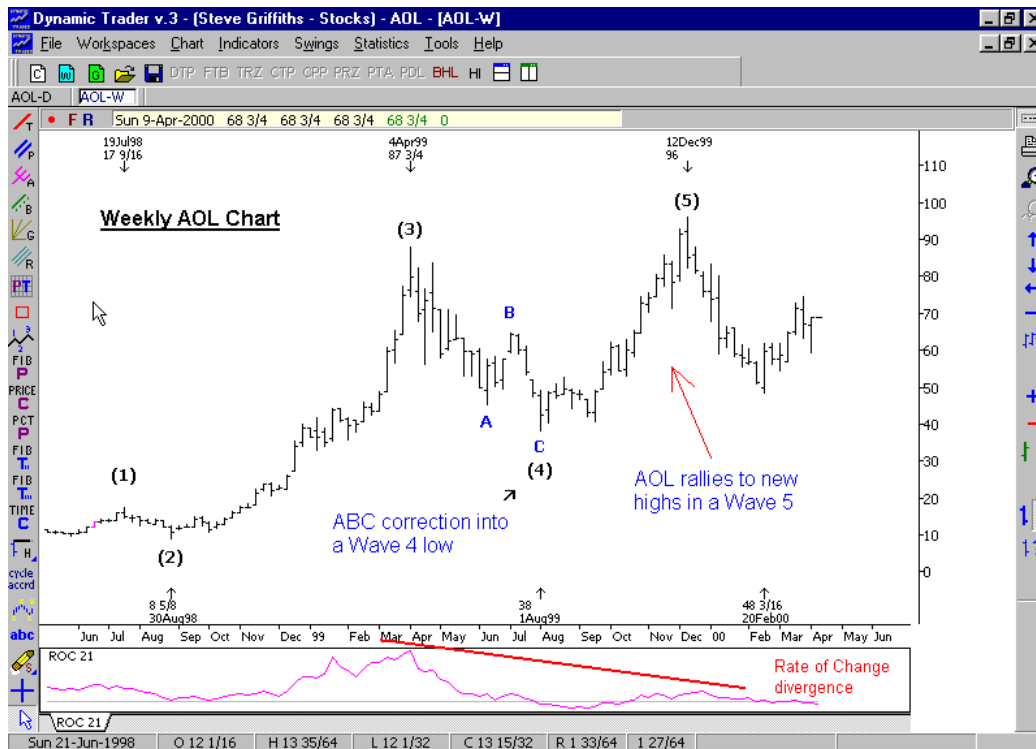
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The analysis and trading strategies described in this report are for educational purposes only. The commentary in this report may or may not relate to a specific trade recommendation made in the Dynamic Trader Report. The weekday issues of the Dynamic 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 the practical application of Elliott wave analysis, with a look at a few more examples.

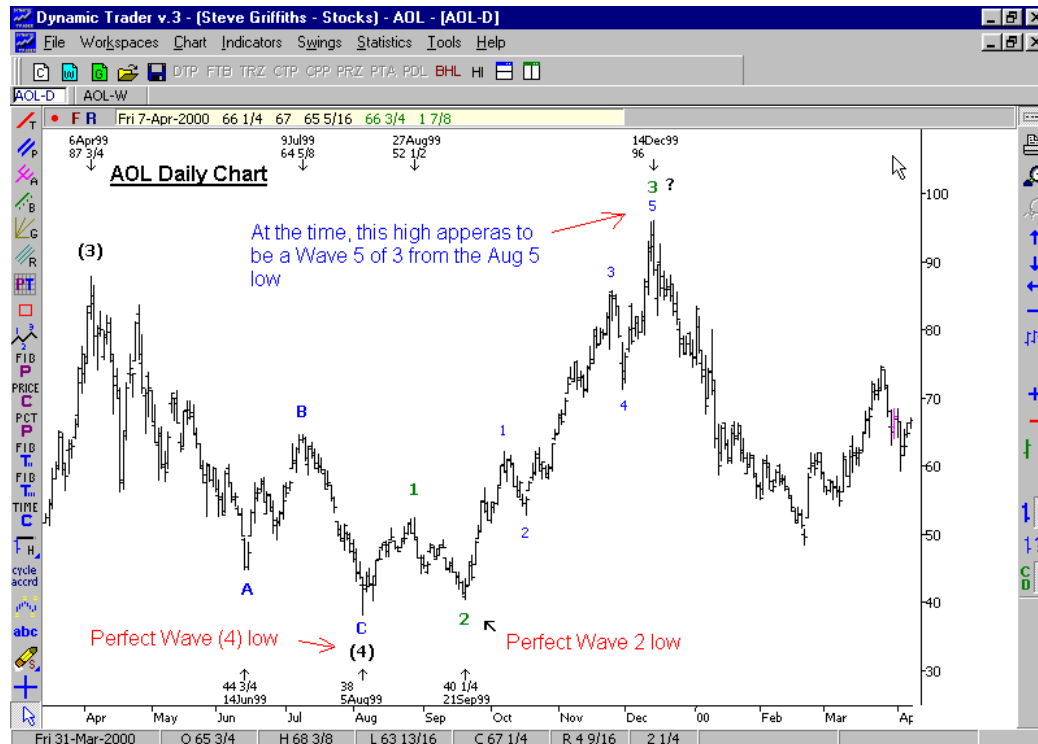
## More practical Elliott Wave examples

Today I would like to have a look at another Stock. Here is a Weekly chart of AOL:



AOL made a strong Wave 3 rally into the Apr 99 high, which was followed by a perfect ABC correction into a Wave 4 low in Aug 99. This was then followed by a continued rally into a Wave 5 high.

This was a nice simple and obvious count, but when we move down a time frame to the Daily Chart, things become slightly more difficult.



AOL made a perfect Wave (4) low on Aug 5 1999, this was then followed by a Wave 1 rally, then a perfect Wave 2 low unfolded on Sep 21 1999 (I will detail these at the end of the Report, to demonstrate how all the same Price, Time and Pattern techniques apply equally well to Stocks as well as Futures). AOL then made a strong Wave 3 type rally, that sub-divided into a perfect minor 5 waves going into the Dec 14 1999 High. So far this was perfect textbook Elliott!

From a *practical trading viewpoint*, the ideal trade would have been long off either the Wave (4) low on Aug 5 or the Wave 2 low on Sep 21. Hence as the Wave 3 was sub-dividing perfectly into 5 minor Waves, as AOL was rallying into the Dec 14 high on the Daily chart, the *probabilities* suggested that the current move was nearing an end. The same picture was unfolding on the Weekly chart where AOL appeared to be in a Wave (5), which as we know is the last Wave in a completed Elliott wave impulse sequence, hence from a *practical trading viewpoint* it was time to tighten stops on profitable long positions.

After the High on Dec 14 completed on the Daily chart, we would have been looking for a Wave 4 corrective low before one last leg (Wave 5) to new highs. As we can see from the previous chart, AOL continued to decline into Feb of this year. Hence from a *practical trading viewpoint*, we would have had **no trade**.

If we now look closer at this decline, it appeared to unfold as a 5 Wave pattern. The rally off the Feb 22 low then terminated with an *inside day* right at the *maximum Price* target for a Wave C. Hence a *tradable opportunity* to enter a new short trade presented itself.



AOL is now right between the two parameters that would either *confirm* or *invalidate* this new count. A break above the minor Wave b high of Apr 3 would signal that Apr 4 completed a Wave 4 low and hence the Mar 27 high is a Wave 3. Whereas a decline below the Apr 4 low would confirm that Mar 27 did indeed complete a Wave C high and signal a continued decline to below the Feb 22 low.

The main point of today's example is how Elliott wave analysis can appear to be unfolding absolutely perfectly, then things appear to get confused. Then later, just as if a fog lifts, the picture clears again and presents us with a new *tradable opportunity*. This is a good example of why I consider that we normally have an obvious and workable Elliott count present on a chart about 50% of the time.

Elliott wave analysis is a *practical tool* that helps us to identify *tradable opportunities* and provides us with the pattern signals that either *confirm or invalidate* our current opinion. Don't get too hung up on *forecasting a definite future outcome* resulting from the count you currently have on your Chart. Be flexible and work with any new information provided by the market, and accept that sometimes the picture will become unclear. As with all our analysis, the best trading opportunities arise from *ideal set-ups* where everything falls into place. Use Elliott wave analysis as one of the tools (Price, Time and Pattern) for identifying *tradable opportunities* and not *forecasting the future!*

Tomorrow I will move back to Futures with a look at some more practical examples.

### Today's Trading Lessons

1. Accept that sometimes the Elliott picture is unclear. If this happens, don't force a count. Have the patience and discipline to wait until the picture becomes clear again. This may mean looking to another market for a better trading opportunity.
2. Use Elliott wave analysis as one of the tools (Price, Time and Pattern) for identifying *tradable opportunities* and not *forecasting the future!*

As a **PS** to today's tutorial, I would like to include the full **Price** and **Time** analysis of the weekly Wave (4) in Aug 99, and then the following Wave 2 low on Sep 21. This is to demonstrate that all our Price, Time and Pattern analysis applies equally well to Stock analysis as to Futures. Any valid analysis technique should be applicable to *any market and on any time frame!*

Weekly AOL Chart – showing the ideal Wave (4) low in Aug 99



Daily AOL Chart – zooming into the ideal Wave 2 low on Sep 21 1999



## Specific Trade Recommendations Summary For April 10

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

Market – Current Position	New Trade Recommendation or Stop-Loss For Existing Positions April 10
<b>SF: June</b> Same Rec as Sat.	<b>ST &amp; IT Units:</b> As long as the SF has not closed below .6050, trail a buy-stop to go long one tick above the previous day's high and place the initial protective sell-stop one tick below the recent low.
<b>Gold: June</b> L-4/10, 285.0	Long from open today at 285.0. <b>ST &amp; IT Units:</b> Maintain the protective sell-stop at 281.8.
<b>Yen: June</b>	Today's decline stopped out the remaining IT position on open at 95.14. There are no current recommendations.

## Other Markets of Interest Summary For April 10

Market	Other Markets of Interest – April 10
<b>S&amp;P: June</b>	The S&P should continue to advance to a Wave-5 high, ideally in the April 10-12 time period and 1612 or higher.
<b>Bonds: June</b>	Potential W.C high on April 4. A decline below 97.29 signals the high should be complete.
<b>AD: June</b>	Probable W.5 low this week, ideally April 11-13 at .5966 or lower, when we will be alert to a trend reversal trade if the AD declines into the time and price targets for a W.5 low.
<b>Silver: May</b>	Today Silver rallied as anticipated. Wave 5 Price target is at 524-528. Ideal strategy is to wait for a five-wave advance to complete and then prepare to go long on Wave 2 or B corrective low.
<b>Copper: May</b>	Near the time, price and pattern set-up to complete a Wave-5 low. Today's rally may be a minor Wave a:4. If a minor abc Wave 4 completes, we will then be able to project the minor w5 Price targets for a potential low.
<b>Beans: July</b>	If April 3 is a W.5 high as anticipated, ideal set-up is to identify a corrective low, which should not be made before April 28 for a long position.
<b>Corn: May</b>	Probable Wave-C low April 17-May 1 at either the 222-217 or 211-210 price zones.
<b>Sugar: May</b>	The assumption is April 6 completed a Wave-3 high and the trading strategy is to identify a Wave four low which ideally will be made around April 14 at 5.77 or lower.

There are no Charts included with today's trade updates.

Good Trading,

Steve

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