

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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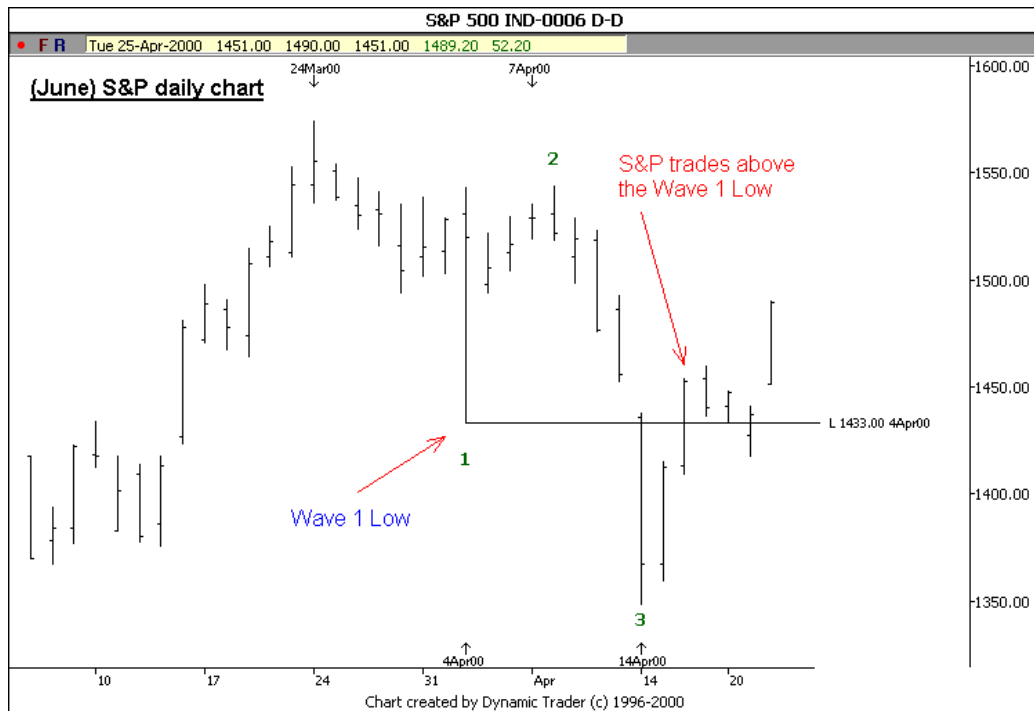
The analysis and trading strategies described in this report are for educational purposes only. The commentary in this report may or may not relate to a specific trade recommendation made in the Dynamic Trader Report. The weekday issues of the Dynamic Trader Report are prepared by Stephen Griffiths and 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's Lesson

How to identify the parameters that will either confirm or invalidate the current Elliott wave analysis with close only charts.

Today I would like to bring together the last two tutorials to show how we can use close only charts to help identify the parameters that will either confirm or invalidate our current opinion of the position of a market.

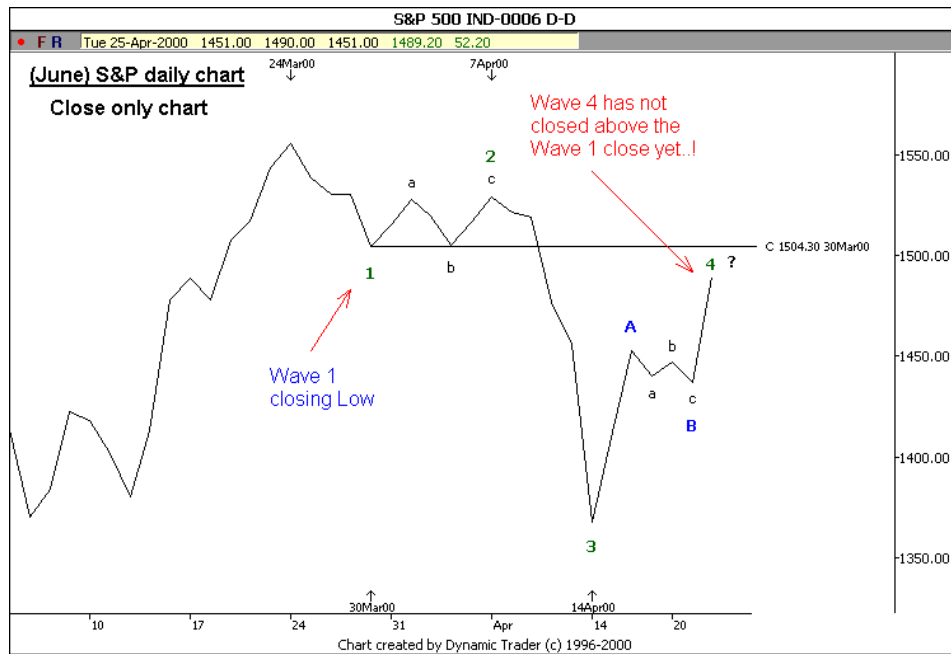
Let's have a look at a daily S&P chart as an example:



Here the S&P rallied off the Apr 14 low and traded above the Wave 1 low of Apr 4. With traditional Elliott wave rules, the Waves 1-3 wave count was

invalidated. A *close* into the *closing extreme* of the Wave 1 is more important, and what we use as a trigger to invalidate a potential Wave 4.

If we now turn to a close only chart, this becomes a lot easier to see:



Here we can see that the current rally off the Wave 3, Apr 14 low has not closed above the Wave 1 closing low of 1504.30 on Mar 30. Therefore it still can be considered a valid Wave 4 correction.

The same process can now be extended to the last, lesser degree Wave C of the Wave 4 correction. If the advance from the Apr 14 low is not a Wave-4 correction but the beginning of an impulse trend, then Apr 19 to Apr 24 would be considered a Wave 1 and 2. Therefore the last swing from Apr 24 to today could be considered a Wave 3 in progress.

Since Wave 4 should not close into the closing extreme of Wave 1, a close below the Apr 18 closing high of 1452.70 which is labelled Wave 1 or A in the chart below would invalidate this alternate scenario, and provide *initial confirmation* that the rally off the Apr 14 low was indeed a corrective ABC not the initial stages of an impulse trend.

Chart 1

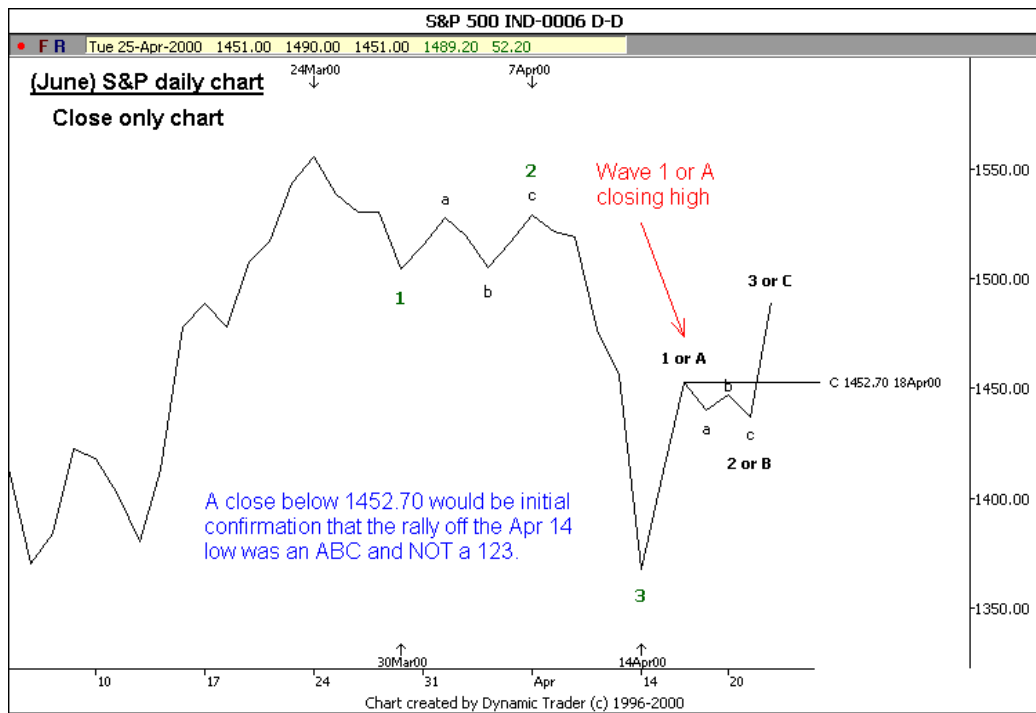
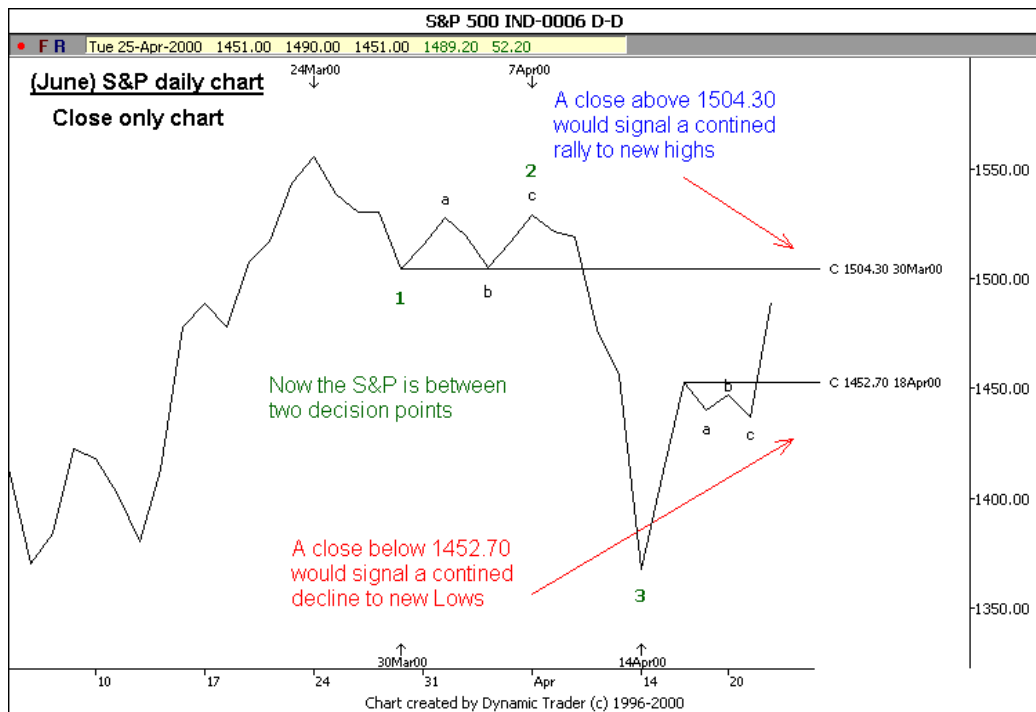


Chart 2



In the second chart on the previous page, I have shown the pattern signal that will confirm or invalidate the pattern position.

A close above 1504.30 would invalidate the current rally as a corrective Wave 4; therefore making the alternate view of a new impulsive section starting from the Apr 14 low more likely. Whereas a close below 1452.70 would provide *initial confirmation* that an ABC Wave 4 correction has terminated and now the S&P is set to decline to new lows in a Wave 5.

The close only data and Elliott Wave pattern guidelines help us decide which side of the market to trade. In this S&P example, as long as the S&P has not closed above 1504.30, we should consider the rally off the Apr 14 low as a corrective Wave-4, hence we need to look for opportunities to enter short trades. If the S&P makes a close above 1504.30, we would look for opportunities to enter long positions for the continuation of the bull trend.

Lessons Learned

Close only data provides the best idea of what is the pattern position of the market and the most reliable signals to confirm or invalidate the trend direction based on Elliott Wave guidelines.

Good Trading,

Steve

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Specific Trade Recommendations Summary For April 26

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

Market – Current Position	New Trade Recommendations or Stop-Loss For Existing Positions for April 26
BP: June Same Rec. as yesterday	<u>ST & IT units</u> : As long as the BP has not traded below 1.5750, buy the BP on a 1.5842 stop and place the initial protective sell-stop at 1.5748.
S&P: June S-4/26, 1474.0	Analysis and trade strategies for the full S&P contract. Trade execution on the E-Mini contract. Today's reversal day triggered a new short trade on the close at 1474.0. See chart on next page. <u>ST & IT units</u> : Place the initial protective buy -stop at 1495.50, one tick above the reversal day high.
AD: June	Today's decline stopped out the long position at 0.5889. There are no new recommendations.
Copper: May/July L-4/18, 76.40	Apr 28 is the first notice day for May Copper. <u>ST & IT units</u> : On open tomorrow (Apr 27), roll forward the current long May position to the July contract. Place the protective sell-stop on the new July units at 77.85.
Crude: June	Today's decline stopped out the IT position at 24.73. There are no new recommendations
Bonds: June S-4/17, 97.03	Today Bonds continued to decline as anticipated. A close below 96.31 will indicate a continued decline as outlined on Monday. <u>ST & IT units</u> : Maintain the protective buy-stop on both units at 98.17. If Bonds trade below 95-06, trail the protective buy-stop on the ST position one tick above the prior day's high.

Continued on next page.

Other Markets of Interest Summary For April 26

Market	Other Markets of Interest – April 26
Nasdaq: June	No addition comments.
Soybeans: July	Today Beans made an outside reversal day. A trade below 541.4 would confirm today as a Wave 2 or B high.
Sugar: July	Today sugar declined as anticipated.
Corn: July	As with Soybeans, Corn made an outside reversal day. Today probably terminated an ABC correction.

(June) E-mini daily chart

