

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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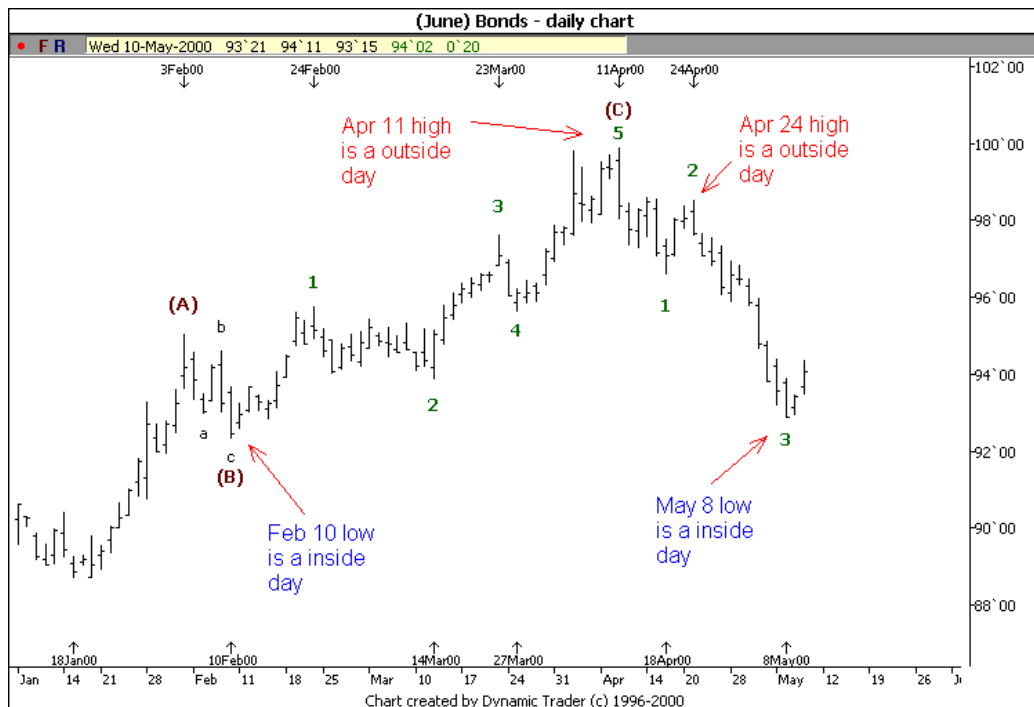
The analysis and trading strategies described in this report are for educational purposes only. The commentary in this report may or may not relate to a specific trade recommendation made in the Dynamic Trader Report. The weekday issues of the Dynamic Trader Report are prepared by Stephen Griffiths and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

The *Inside day* and the *outside day* can be used as *trend reversal* trade entry signals.

Throughout the earlier part of the week, I covered how the inside day and the outside day may be used as trade entry signals for *trend continuation* trade set-ups, where the set-up appears during an established trend. I also mentioned that both these trade set-ups could also be used as *trend reversal* trade entry signals.

For the first example, I would like to have a look at (June) Bonds:

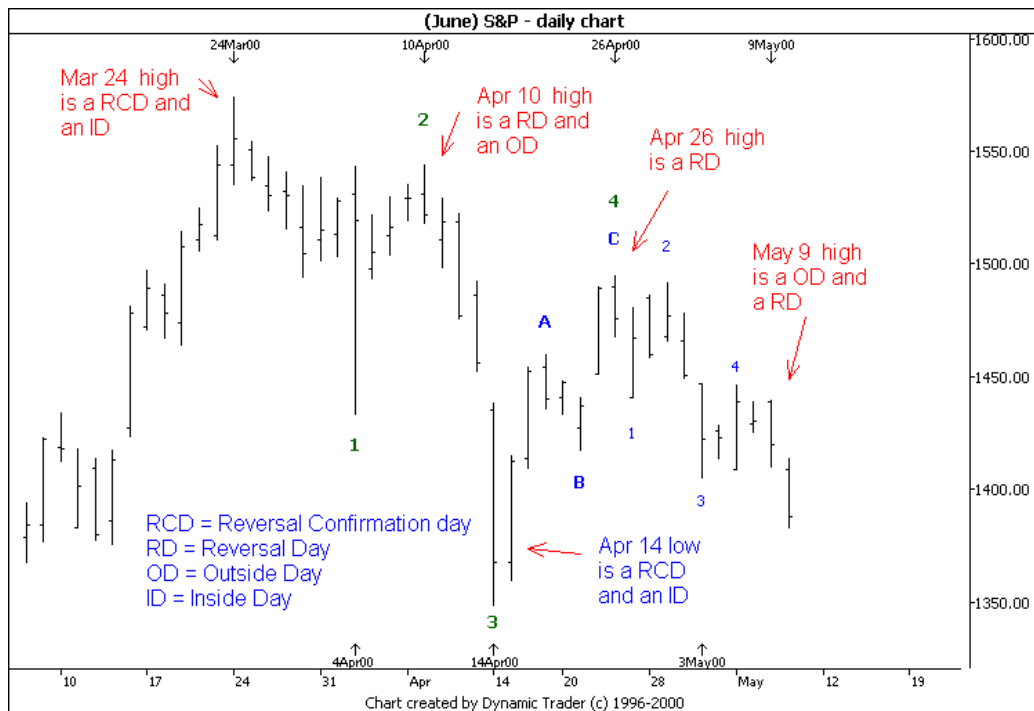


Here we can see that four of the trend reversals since the Jan 18 low were either an inside day or an outside day. By definition, a valid outside day, at a trend termination, will always be a reversal day. However, the rules for the outside day set-up (a break of the prior day's Price extreme) will very often allow for an earlier trade entry than on the close of the reversal day itself.

On the other side of the coin, an inside day, at a trend reversal, is very often a reversal confirmation day. Therefore the trend entry using the reversal confirmation day entry rules would provide an earlier trade entry when compared to the inside day set-up.

This provides you, as the trader, with a choice of entry techniques, depending on how closely you monitor the market. For example, a trader with access to real time data would be able to monitor and trade an outside day, whereas a trader who places orders before the open only would be able to place a *stop close only* order to take advantage of a potential reversal day set-up. Then, if the reversal day set-up was missed or the trader required the added confirmation that a reversal day had already unfolded, the trader could use an inside day as a way of taking advantage of a trend reversal, the next day (assuming an inside day appeared the next day).

The next example is on the (June) S&P:

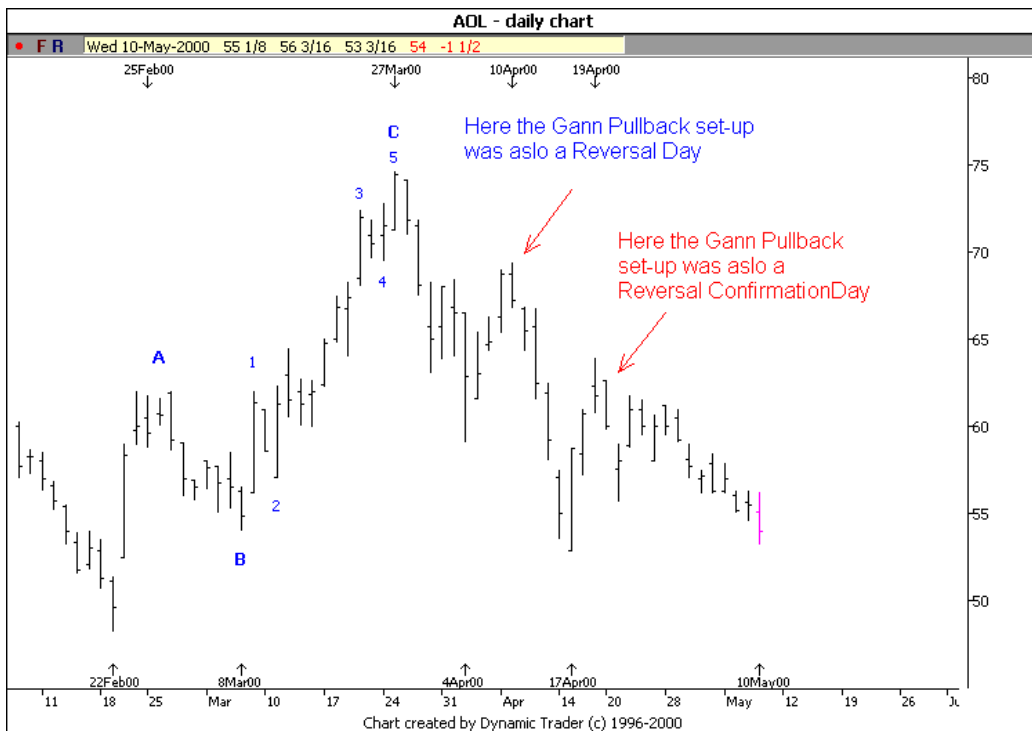


Here we can see the various trend reversal entry triggers that were present at the major trend terminations since the Mar 24 high.

All these choices may seem a little confusing, but each one has specific trade entry and stop placement rules, all of which can be applied automatically once the market is at the Price, Time and Pattern position for a potential trend termination.

The most important aspect of any trade entry technique is the ability to have a pre-defined protective stop position. Therefore the initial capital exposure on any trade (barring gaps and bad fills) can be controlled and quantified before trade entry. Both trend reversal entry and trend continuation entry techniques allow you to do this – to enter the market with a small controlled risk. I will be exploring this topic in more detail next week.

Lastly (as the Gann Pullback was covered yesterday), although the Gann Pullback is normally thought of as a trend continuation set-up, trend reversal triggers often appear as the Gann Pullback trade sets up. For example, here are the two Gann Pullback set-ups from yesterday:



Lessons Learned

Use of the *Inside day* and the *outside day* as *trend reversal* trade entry signals.

Good Trading,
Steve

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Specific Trade Recommendations Summary For May 11

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

Market	New Trade Recommendations or Stop-Loss For Existing Positions
S&P: June <u>S-5/9, 1419.25</u>	All analysis and trade strategies for the full S&P contract. Trade execution on the E-Mini contract. Today's rally closed out the ST unit at 1410.25. <u>IT Unit</u> : Maintain the protective buy stop at 1440.
Beans: July <u>L-5/10, 564.0</u>	Long from the 564.0 buy-stop. <u>ST & IT Units</u> : Maintain the initial protective sell-stop at 554.0, one tick below the recent low.
Cotton: July <u>L-5/1, 57.19</u>	Today's Outside Reversal was just short of the next Price target of 62.68 - 63.52. The ST position was closed out at 60.15, one tick under the 1DL. <u>IT Units</u> : Raise the protective sell-stop on the IT unit to 58.90, one tick below the Wave 1 closing high. See chart below.
Coffee: July	Today's decline stopped out both positions at 98.00. There are no new recommendations.

Summary of Open Trade Positions and Trade Activity For The Week of May 8

Market	Unit	Opened	Price	Closed	Price	# Ctr	P/L	O/C
Bonds (S-June)	ST&IT	4/17	97.03	5/9	93.13	2	\$7375	C
Cotton (L-July)	IT	5/1	57.19	-	60.00	1	\$1405	O
Cotton (L-July)	ST	5/1	57.19	5/11	60.15	1	\$1480	C
Coffee (L-July)	ST&IT	5/9	100.85	5/11	100.00	2	(\$2137.5)	C
E-mini (S-June)	IT	5/9	1419.25	-	1415	1	\$212.5	O
E-mini (S-June)	ST	5/9	1419.25	5/11	1410.25	1	\$450	C
Beans (L-July)	ST&IT	5/10	564.0	-	568.2	2	\$425	O

Other Markets of Interest Summary For May 11

Market	Other Markets of Interest – May 11
Nasdaq 100: June	May 1 should be Wave-4 high. A close below 3225 would indicate a continued decline to new lows.
Dollar Index	At or very near a Wave-5 top. Ideal time for top is late last week and maximum time target for W.5 is around Memorial Day weekend (May 26-30).
Swiss Franc: June	May 5 probably completed a Wave 5 decline off the Apr 4 high. A close below the 78.6% Price retracement at 0.5796 would void this outlook and signal a continued decline to new lows.
Copper: July	A Wave 1 or A high probably completed on May 8. Today made an inside day. A break below Wednesday's low of 82.60 would probably signal a continued decline into at least the 50% ret at 80.00. Best trading strategy to wait for Wave-B low to position long.
Corn: July	Correction complete on April 28. Bull trend should continue to early June or later.

(July) Cotton – daily chart

