

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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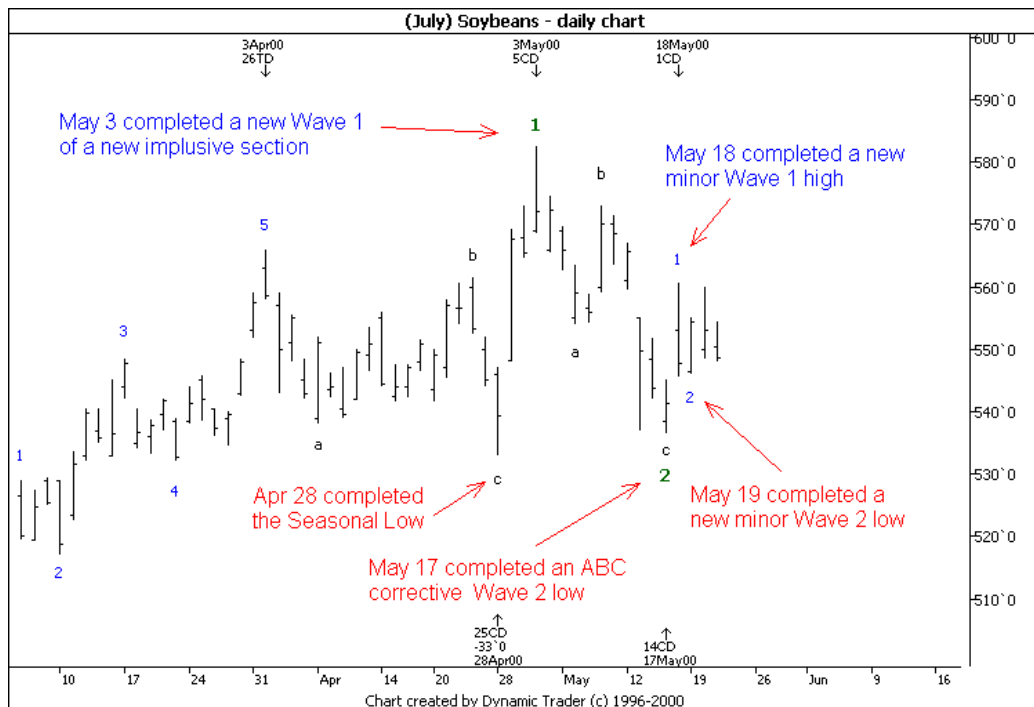
The analysis and trading strategies described in this report are for educational purposes only. The commentary in this report may or may not relate to a specific trade recommendation made in the Dynamic Trader Report. The weekday issues of the Dynamic Trader Report are prepared by Stephen Griffiths and are primarily for trading education purposes with alerts for potential trade set-ups for markets described in the Saturday issue prepared by Robert Miner.

Confirming or invalidating the current analysis

Continuing with a look at the practical application of Price, Time and Pattern analysis as taught in prior tutorials, today I would like to have a look at setting parameters that either confirm or invalidate the current analysis

Trading is always a matter of probabilities, therefore we need to define parameters where the market itself, by its own actions, either confirms or invalidates our current analysis.

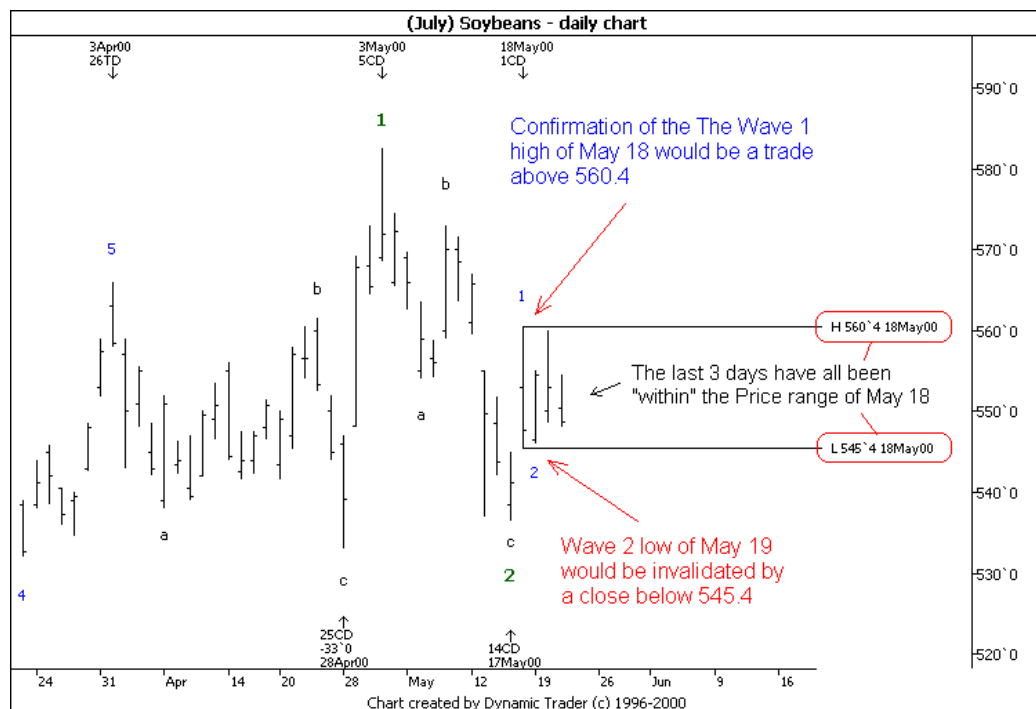
For example I would like to look at the current position of (July) Soybeans:



The current working assumption is that May 18 completed a lesser degree Wave 1 high off a Wave 2 (of a larger degree) Low on May 17, and the lesser degree Wave 2 is complete at the May 19 low.

The first question to ask is: What would Soybeans have to do to confirm this analysis? The answer would be to break the May 18 Wave 1 high at 560.4.

The second question to ask would be: What would Soybeans have to do to invalidate this analysis? The answer would be to close below the Wave 2 low of May 19.



The last 3 trading days have also been contained within the Price range of May 18, therefore the break from this Price range would also be an indication of *at least* the direction of the next short term move.

Therefore we have defined 2 parameters that would either confirm or invalidate the current working analysis on Soybeans:

- A trade above 560.4 would conform the analysis, and indicate higher prices to come.
- A trade, and in particular a close below 545.4 would invalidate the current analysis.

Once these criteria have been set, a trading strategy can be developed around them. In this case, the longer-term analysis suggests that Beans will make a seasonal rally into at least the June-July time period; therefore we should be looking for opportunities to take Long trades.

Hence the current specific trading recommendation to enter a new Long position on a break above 560.4, where the current analysis would be proved correct, as long as Beans do not invalidate the current analysis by closing below 545.4.

Tomorrow I will have a detailed look at another current set-up, to demonstrate the *practical application* of Price, Time and Pattern analysis, as taught in prior tutorials.

Lessons Learned

Examples of setting parameters to either confirm or invalidate the current analysis on a market set-up.

Good Trading,
Steve
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Specific Trade Recommendations Summary For May 24

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

Market	New Trade Recommendations or Stop-Loss For Existing Positions
E-Mini S&P: June <u>S - 5/17, 1456.0</u>	Today the S&P probably completed a 5-wave decline off the May 16 high, right in the 1356.25-1366.50 Price support area outlined in Monday's Report. See the two charts below. We should now anticipate at least an ABC rally into the 50% retracement of the decline off the May 16 high. As the decline off the May 16 high is probably complete, now is the time to bring stops on profitable open position close to the market. <u>ST & IT Units:</u> Trail the protective buy-stop one tick above the prior day's high; 1408.25 for tomorrow.
Dollar Index: June <u>S - 5/22, 111.16</u>	<u>ST and IT Units:</u> Maintain the protective buy-stop at 112.67.
Crude (July)	Today's rally stopped out the current short position at 29.81. There are no new recommendations.
Copper: July <u>S - 5/22, 83.55</u>	<u>ST & IT Units:</u> Maintain the initial protective buy-stop at 85.55. If Copper closes below 82.80 lower the protective buy -stop to 84.75.
Beans: July	Beans have now closed below 545.4, therefore invalidating the current outlook. We will stand aside this market for now. Today Beans closed right on the 78.6% Price retracement of the May 17 to May 18 rally. A market normally will not close below the 78.6% retracement if higher prices are to follow. See the chart below for some additional analysis and comments. There are no new recommendations.
Cotton: July	Today Cotton reversed as anticipated but did not trade to the start of the ideal Wave 5 Price target of 63.72. Today probably completed a Wave 5 High, therefore we will look for trade continuation sell set-ups in the coming days. There are no new recommendations.
Sugar: July	Today Sugar continued to rally and closed above 7.51, therefore invalidating the current set-up. There are no new recommendations.

Summary of Open Trade Positions as of May 24

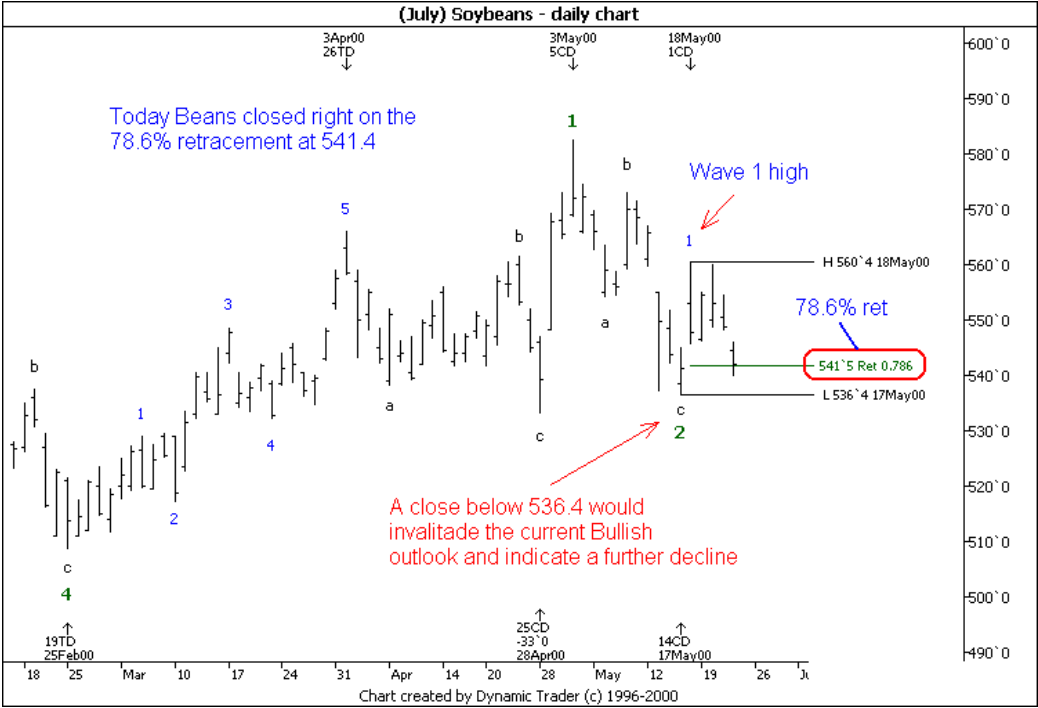
Market	Month	L / S	Unit	Opened	Price	Closed	Price	# Ctr	P/L	O/C
E-Mini S&P	June	S	ST&IT	5/17	1456.0	-	1402	2	\$5400	O
Dollar index	June	S	ST&IT	5/22	111.16	-	111.14	2	\$40	O
BP	June	L	ST&IT	5/22	1.4900	5/23	1.4928	2	(\$1425)	C
Crude Oil	July	S	ST&IT	5/22	29.49	-	29.81	2	(\$640)	C
Copper	July	S	ST&IT	5/22	83.55	-	83.90	2	(\$175)	O

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Other Markets of Interest Summary For May 24

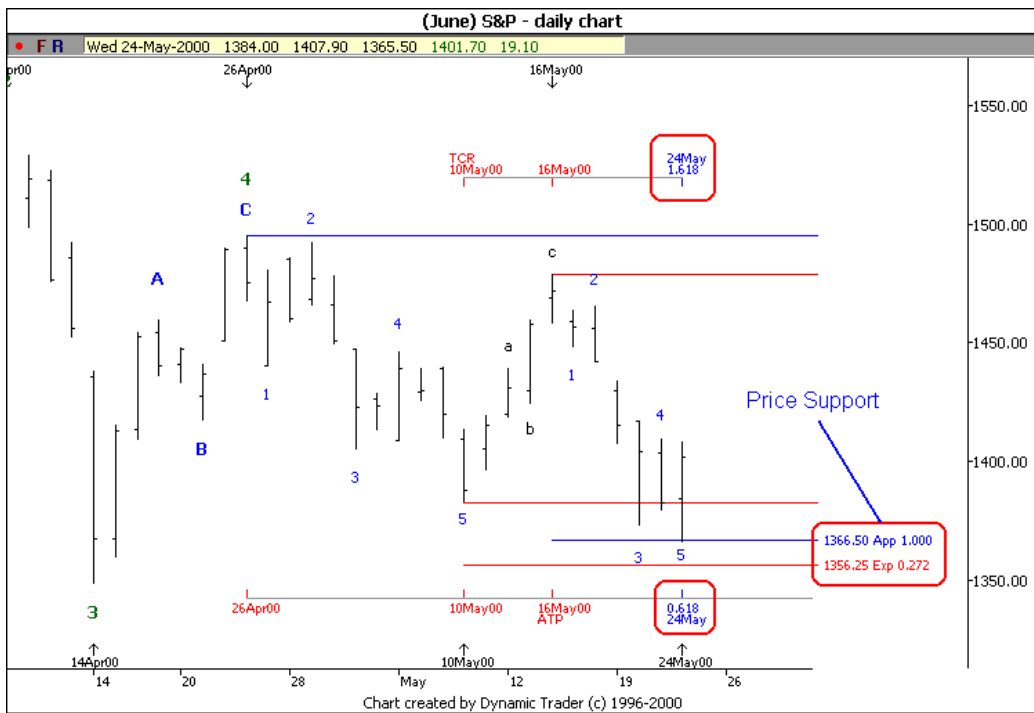
Market	Other Markets of Interest
Nasdaq 100	Today the Nasdaq made a Reversal Day low right in the Price support of 2896-3025, as anticipated yesterday. At least an ABC rally is now anticipated. A close below 2896 would indicate a continued decline to new lows.
Bonds	We are now past the ideal time for a Wave 5 low; a break above Monday's high of 94-14 would confirm Wave 5 is complete at the May 19 low.
Gold	Gold should complete a five-wave decline by early June. A trade above 284.0 (June) signals W.5:5 low is complete. No strong opinion of the long-term position.

(July) Soybeans – daily chart

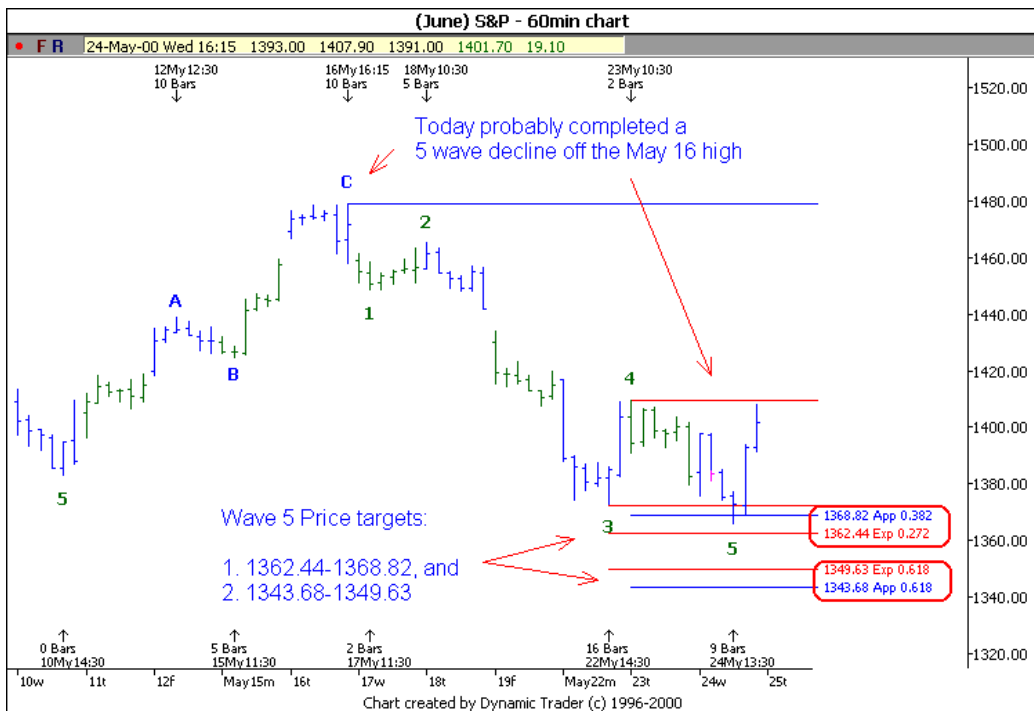


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(June) S&P – daily chart



(June) S&P – 60min chart



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