

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.

Protective stop loss movement

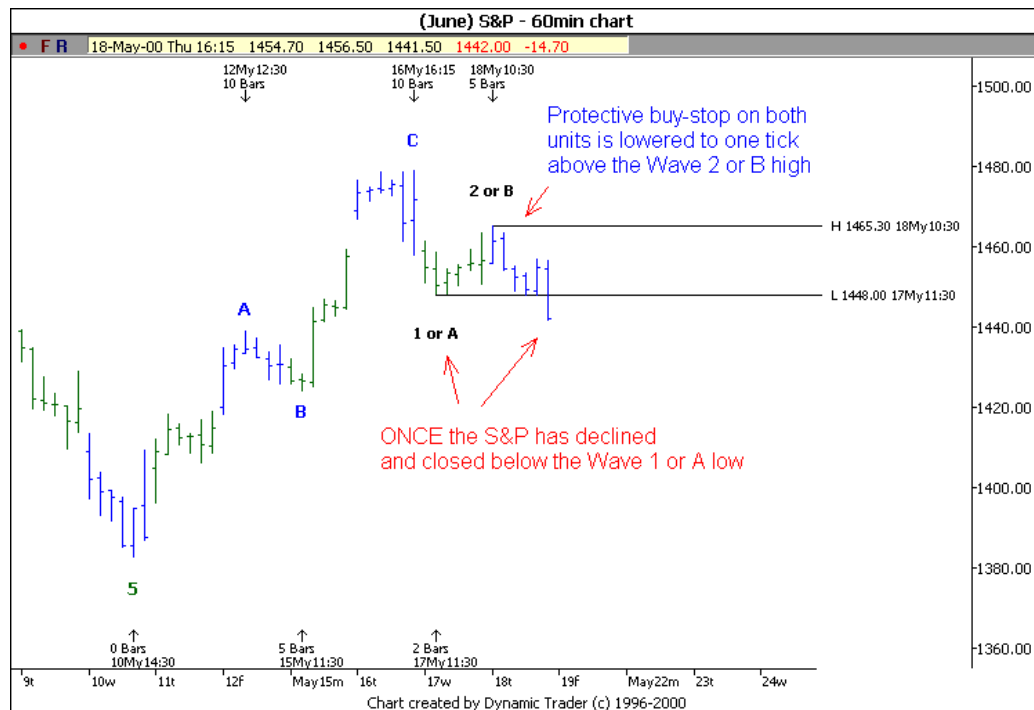
Continuing with the practical application of Price, Time and Pattern analysis as taught in prior tutorials, today I would like to look at how to manage the protective stop loss to protect open profits as a trade moves in your favour.

I would like to start with a look at the current short on the (June) S&P:



The current short trade was entered on the close of the Reversal Confirmation Day of May 17, with the initial protective buy stop placed one tick above the last swing high of May 16.

I will now move down to the 60min chart to follow the rest of the trade as the S&P declined.



The initial decline off the May 16 high is considered the Wave 1 or A low, with the minor corrective rally considered a Wave 2 or B high.

Once the S&P provides initial confirmation that the Wave 2 or B high is complete, by closing below the Wave 1 or A low, the initial protective buy-stop on both units is lowered to one tick above the Wave 2 or B high.

The S&P continued to decline, passing the *typical* Price relationship for a Wave 3 of 1.618% Wave 1. Probabilities suggest that Wave 3 is now nearing an end, therefore the stop on the ST position is moved closer to the market, *no further away* than one tick above the 1DH (one day high). Sometimes the shorter-term chart will allow a closer stop loss position.

The stop on the IT position may also be lowered to *no further away* than just above the Wave 1 low. Please see the first chart on the next page.

The S&P then rallied into a Wave 4 high, (normally the ST unit is stopped out for a profit during this Wave 4 correction). The stop on the IT unit remains just above the Wave 1 low until Wave 4 is complete, when the market declines below the Wave 3 low. The stop on the IT unit can then be lowered to one tick above the Wave 4 high. See the second chart on the next page.

Chart – 1

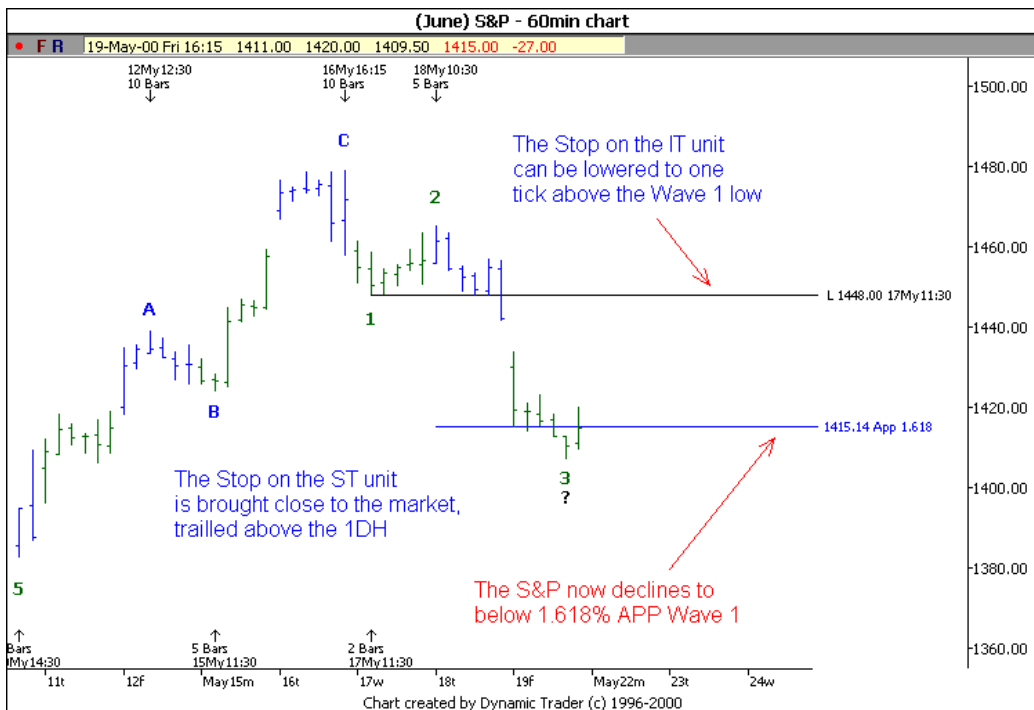


Chart – 2



The stop on the IT unit remains one tick above the Wave 4 high until the market enters the Price and Time coincidence for the potential termination of Wave 5. As this is potentially the termination of the entire 5-wave sequence, stops on *all open positions* should now be brought close to the market, trailed *no further* than one tick above the prior day's high. **Or**, if Wave 5 sub-divides into a lesser-degree 5 wave sequence, this can also be used to adjust the stop.



In the example on the S&P, the ST unit remained open throughout the Wave 4 correction as at no time did the S&P trade above the 1DH. Therefore the stops on both the ST and IT units are currently being trailed one tick above the prior day's high.

All stop loss adjustments are logical and the same procedure is used for any market and on any time frame.

Lessons Learned

Adjusting the protective stop loss position to protect open profits as a trade moves in your favour.

Good Trading,
Steve
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Specific Trade Recommendations Summary For May 25

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	<p>Today's rally stopped out both units at 1408.25. If May 24 completed a Wave 5 low, then today's initial rally and decline would be considered a Wave 1 or A high followed by a Wave 2 or B correction.</p> <p>A correction to a completed 5-wave sequence is anticipated to last at least 38.2% in time of the prior 5-wave sequence. A 38.2% Time retracement does not fall until late tomorrow afternoon.</p> <p>See chart below for additional analysis and comments.</p> <p>There are no new recommendations.</p>
Dollar Index: June <u>S – 5/22, 111.16</u>	<p><u>ST and IT Units:</u> Maintain the protective buy-stop at 112.67.</p> <p>If the Dollar Index closes below 110.08 lower the protective buy -stop on both units to 111.85. See chart below.</p>
Copper: July <u>S – 5/22, 83.55</u>	<p><u>ST & IT Units:</u> Maintain the initial protective buy-stop at 85.55.</p> <p>If Copper closes below 82.80, lower the protective buy-stop to 84.75.</p>
Cotton: July <u>New Rec.</u>	<p>Today Cotton rallied into the Wave 5 Price target of 63.72-64.19. See chart below.</p> <p><u>ST & IT Units:</u> As long as Cotton does not close above 64.19, sell on the close if the close is below the current day's open and the prior day's close. Place the initial protective Buy -stop one tick above the last minor swing high.</p>

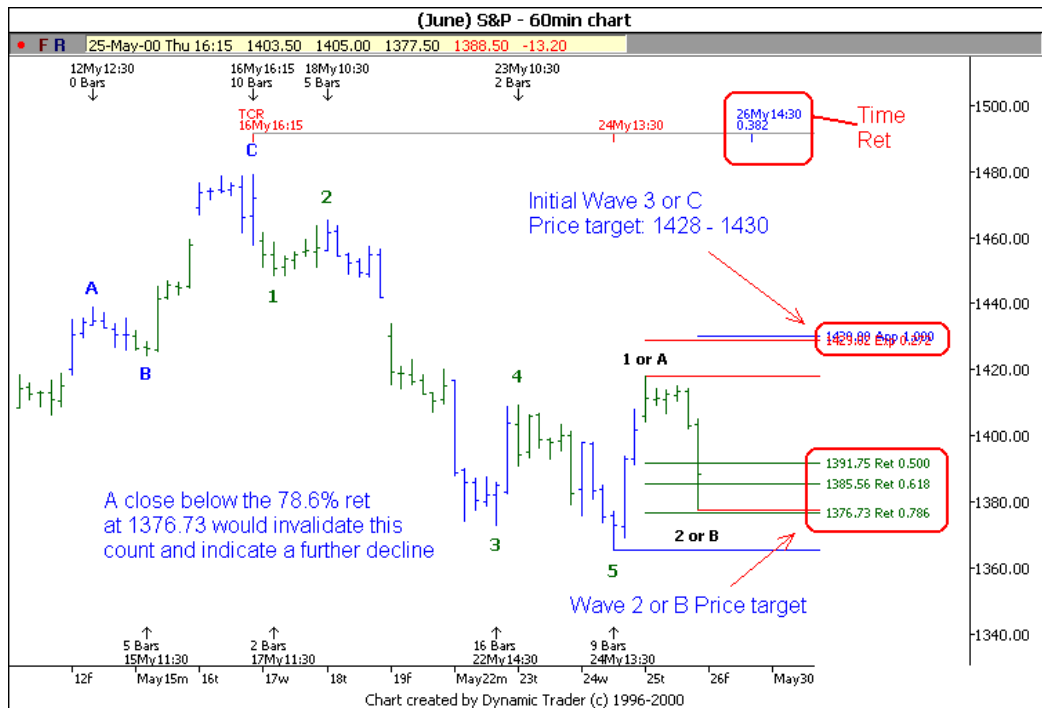
Summary of Open Trade Positions as of May 25

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	5/25	1408.25	2	\$4775	C
Dollar index	June	S	ST&IT	5/22	111.16	-	110.85	2	\$620	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	5/24	29.81	2	(\$640)	C
Copper	July	S	ST&IT	5/22	83.55	-	83.25	2	\$150	O

Other Markets of Interest Summary For May 25

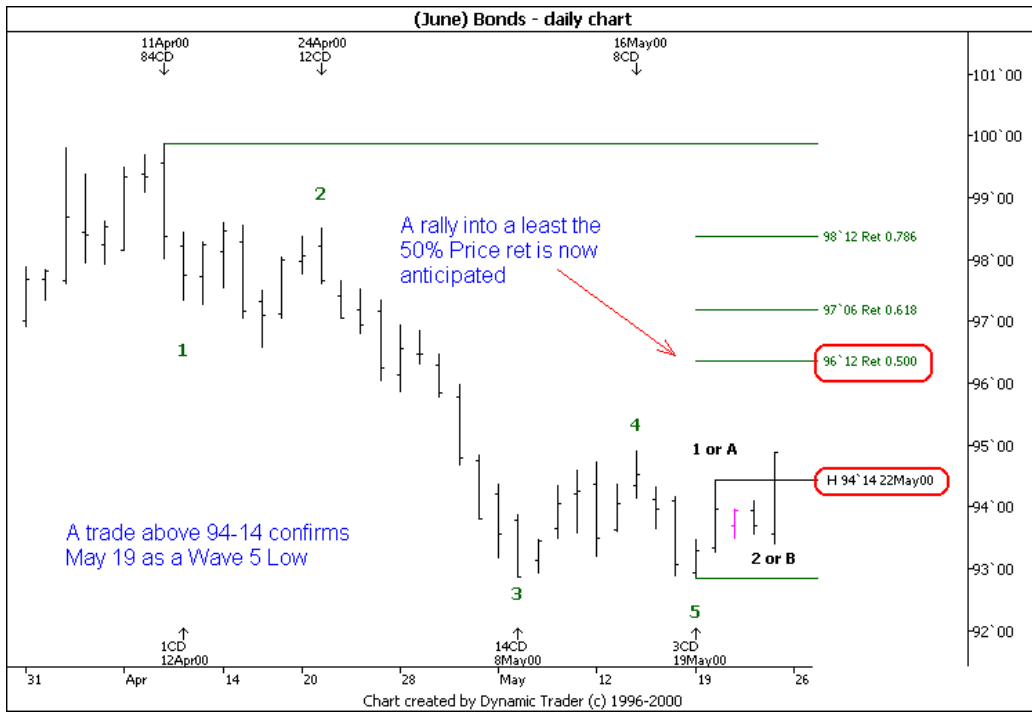
Market	Other Markets of Interest
Nasdaq 100	Similar position to the S&P. At least an ABC rally is now anticipated. A close below 2896 would indicate a continued decline to new lows.
Bonds	Today Bond's traded above Monday's high of 94-14; this confirms Wave 5 is complete at the May 19 low. See chart below.
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.
Soybeans	Soybeans declined sharply today; therefore we need to re-think their current position. I have included a chart below with an alternative wave count. The next support level is at 509-514.

(June) S&P – 60min chart



Continued on next page.

(June) U.S. T. Bonds – daily chart



(June) Dollar Index – daily chart

