

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 I would like to continue with the current topic of reviewing some of the material taught in recent tutorials, with another look at Wave 5's.

I would like to thank all of you who wrote in with suggestions for these review tutorials. Although I cannot reply to individual e-mails, I will try and cover as much as possible.

Wave 5's

Where we have:

Pattern

Normally Wave 5 sub-divides into 5 waves of lesser degree.

Price

Wave 5 normally terminates at a *cluster* of **Price** relationships from the Waves 1,2,1-3 and 4. Where the **Price** relationships to use are summarised as:

- Wave 5 = (100%, 1.618%) App Wave 1
- Wave 5 = (38.2%, 61.8%, 100%) App Waves 1-3
- Wave 5 = (127.2%, 161.8%) Ext Ret Wave 4
- Wave 5 = (261.8%, 423.6%) Ext Ret Wave 2

Time

Wave 5 normally terminates at a *cluster* of **Time** relationships from the recent swings.

One subscriber wrote in with a great example on (May) Soybean Meal. Although this is not a market normally covered in the report, as the volumes traded are small, the current position of this market does demonstrate a potential Wave 5 top very nicely.

Again I will remind you that all these **Price**, **Time** and **Pattern** techniques are equally applicable on any market and any time frame.

Let's have a look at a Daily Chart of (May) Soybean Meal.



Here we see that Soybean Meal appears to be making a nice clear and clean 5 wave advance off the Dec 13 low. Wave 5 also appears to be sub-dividing into a minor 5 waves of lesser degree.

So, from a **Pattern** stand point Soybean Meal could be nearing the end of a 5 wave advance and hence we should be very alert for a potential top.

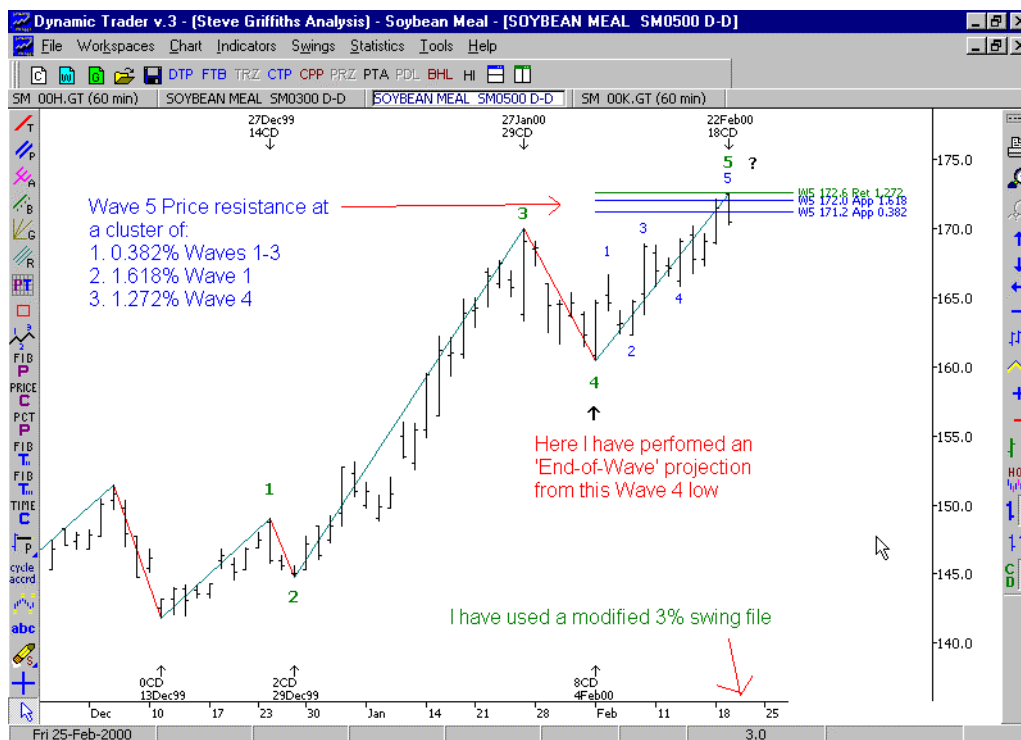
Now we need to turn to **Price** and **Time**, please see the two charts on the next page.

Here we can see that there is a cluster of **Price** relationships at the potential Wave 5 high of Feb 22 consisting of:

- Wave 5 = 38.2% APP Waves 1-3
- Wave 5 = 161.8% APP Wave 1
- Wave 5 = 127.2% ext ret Wave 4

And we have a **Time** for a potential high as Feb 18, one trading day before the potential Wave 5 high yesterday, Feb 22.

Wave 5 Price analysis



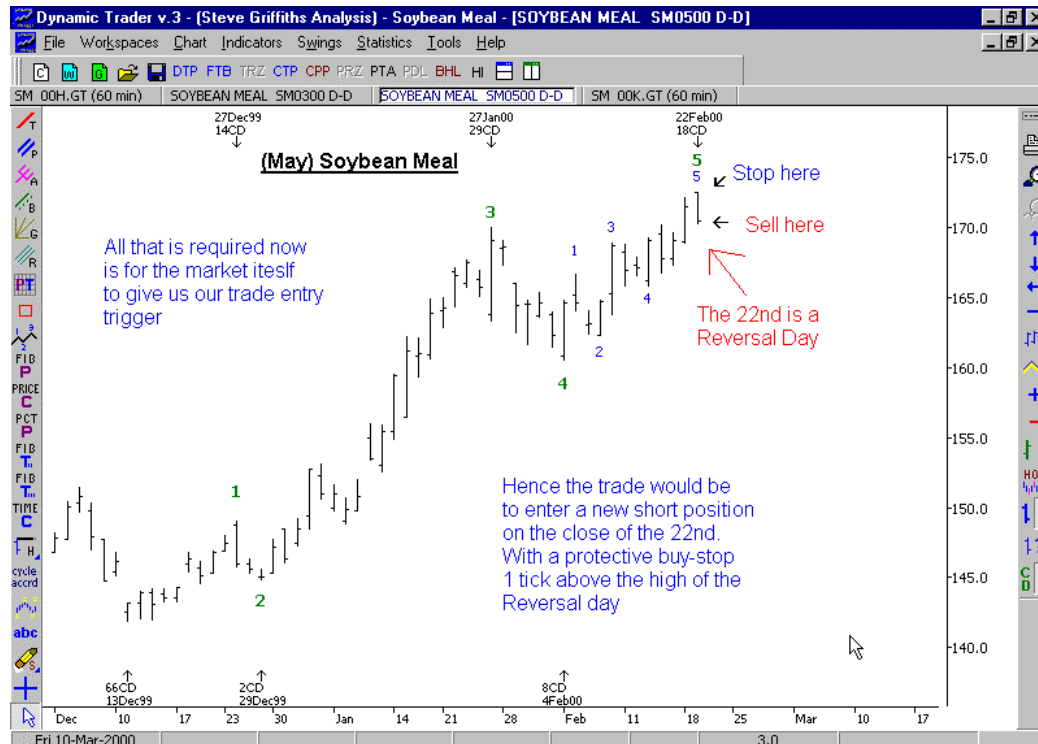
Wave 5 Time analysis



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So **Price**, **Time** and **Pattern** are coming together at the high of Feb 22 to signal a potential Wave 5 top and hence the termination of the entire advance off the Dec 13 low. All that is needed now is for the market itself to give us an entry trigger to be able to enter a new short position with a small controlled risk:



Yesterday, the 22nd was a Reversal Day; therefore the trade would have been to sell on the close of the reversal day, with a protective buy-stop 1 tick above the reversal day's high.

Today's Trading Lessons – Wave 5's

1. **Pattern:** Normally Wave 5 sub-divides into 5 waves of lesser degree.
2. **Price:** Wave 5 normally terminates at a *cluster* of **Price** relationships from the Waves 1,2,1-3 and 4.
3. **Time:** Wave 5 normally terminates at a *cluster* of **Time** relationships from the recent swings.
4. **Trade entry:** Once Price, Time and Pattern have coincided to signal a potential Wave 5 termination, look to enter the market using one of the Reversal Day strategies.
5. **Protective Stop:** This goes at the point where your analysis is proved incorrect, normally 1 tick beyond the Reversal Day high or low.

Potential Trade Set-ups and Trade Follow-ups

Soybeans (May).

Short and Intermediate Term Units (L-2/18, 522.2)

Today's decline stopped out both long positions at 513.2.

If beans continue to decline, the ideal target to complete an ABC correction will be the relatively broad area of 499-489 which includes where Wave-C equals 100% Wave A and 127% Wave B and the 50%-61.8% retracements.

Silver (March).

Short and Intermediate Term Units (L-2/22, 530.0)

Maintain the protective sell-stop on both units at 523.5.

Bonds (March). The reversal in Bonds today is probably only a minor Wave 3 high. Although not a specific recommendation, Traders should be alert for a potential Wave 4 low in the coming days to position Long.

If we get a nice Wave A and B tomorrow I will look to give some specific Price and Time targets for the potential termination of this minor Wave 4 low.

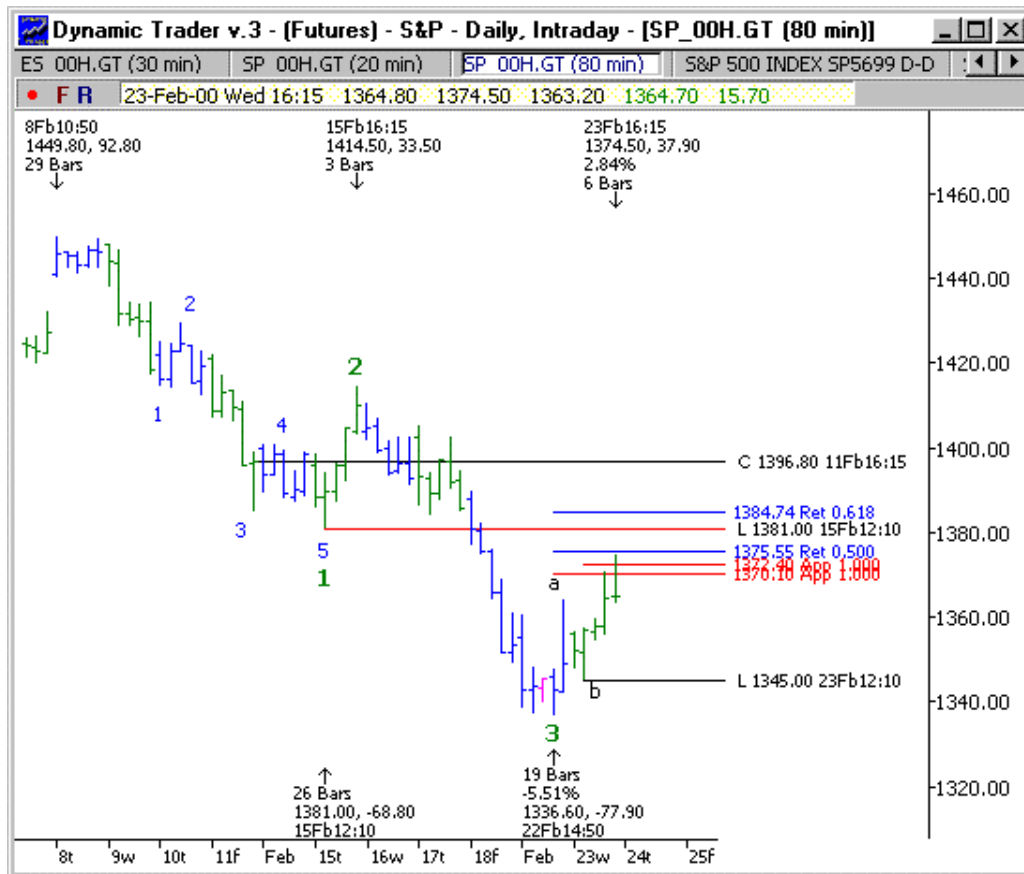


S&P (March)

The minor rally should be a minor Wave-4 counting from the Feb. 8 high. If this is the case, it should not close above 1396.8, the Wave 1 closing low. Ideally a W.4 high would be made in the 1370-1376 zone which includes where $W.4 = 100\% W.2$, $W.c:4 = 100\% W.b:4$ and the 50% retracement of W.3. The S&P reached this zone today.

A trade below 1345.00 (W.b:4 low) is the initial signal a Wave-4 is complete.

Traders should be oriented to the short side as long as the S&P has not closed above 1396.8. While not a specific trade recommendations, a daily reversal signal tomorrow would be an ideal set-up for a short trade.



Good Trading,

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