

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 3's.

Wave 3's

Basic characteristics of a Wave-3:

Pattern

Wave 3 normally sub-divides into 5 waves of lesser degree.

Price

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

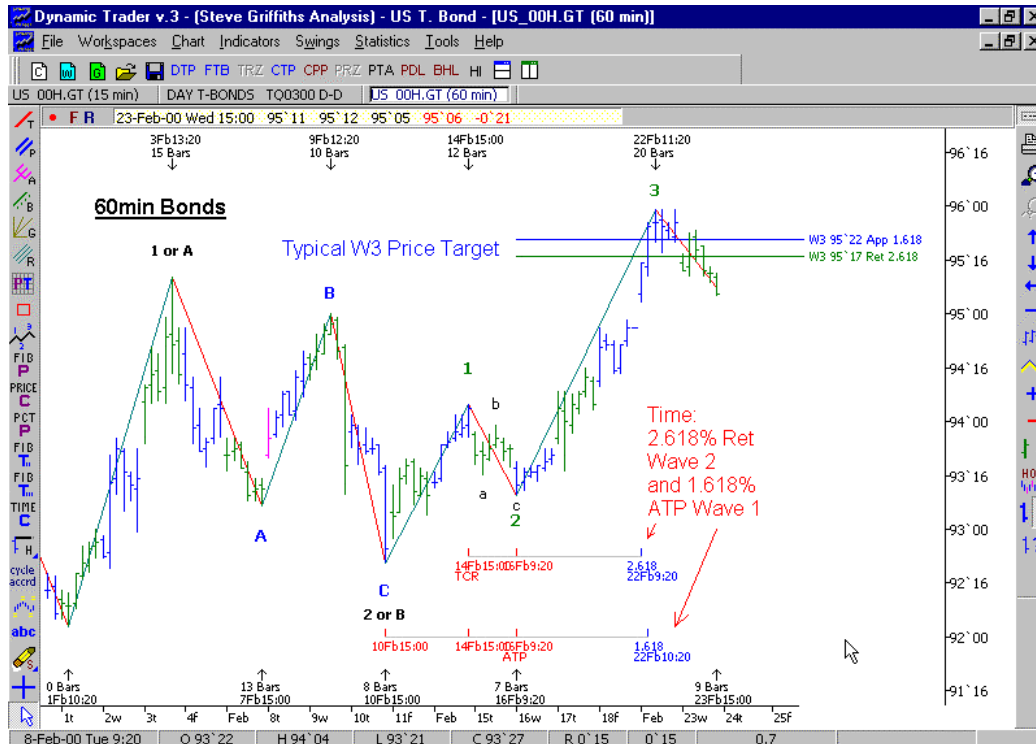
- Wave 3 = (100%, 161.8%, 261.8%) APP Wave 1
- Wave 3 = (161.8%, 261.8%) Ext Ret Wave 2

The Price *cluster* containing the 100% APP Wave 1 is the *minimum* Wave 3 Price target, the cluster containing 161.8% APP Wave 1 is the *typical* Price target and 261.8% APP Wave 1 is the *maximum* Price target of Wave 3.

Time

Wave 3 normally terminates at a *cluster* of **Time** relationships from the recent swings.

Let's have a look at a recent example on a 60min Bonds chart where Saturday's Report suggested that the rally off the Feb 16 low was now more likely to be a Wave 3 since bonds had traded above the Feb. 14 high (now labelled Wave-1).



Here we have the *typical* Wave 3 Price target falling at 95-17 to 95-22, and the *typical* Time target falling at 9:20 to 10:20 on Feb 22 (NY time). Both of these time and price clusters include where Wave-3 equals 162.8% of Wave-1.

As we can see from the above Chart, Bonds rallied as anticipated, terminating at 11:20 on Feb 22 and at 95-31 only 1 bar after and 9 ticks higher than the projected *typical* Wave 3 Price and Time targets. We have to remember that these Price and Time targets were projected off the Wave 2 low at 9:20 on Feb 6 at 93-10, which was 20 bars and 85 ticks earlier !!

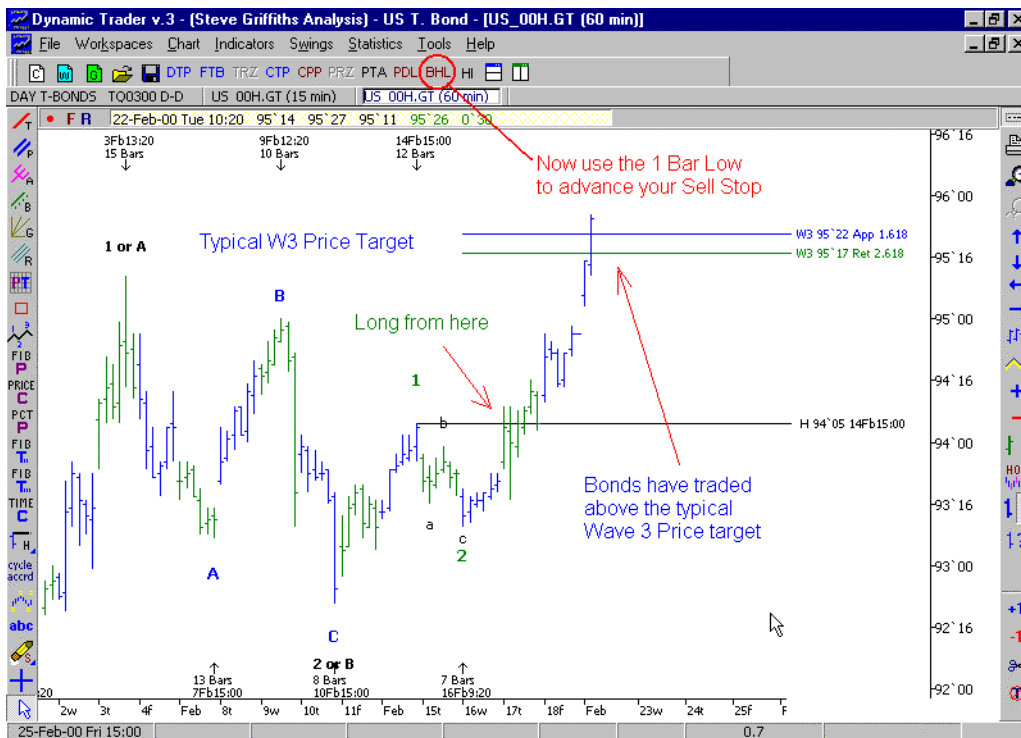
Last Wednesday's report suggested that you should consider stopping and reversing to a new net long position above 94-05, what is now considered the Wave 1 high.

For those of you who took this trade I would like to demonstrate a very simple method of managing the trade, and in particular, when to take Profits.

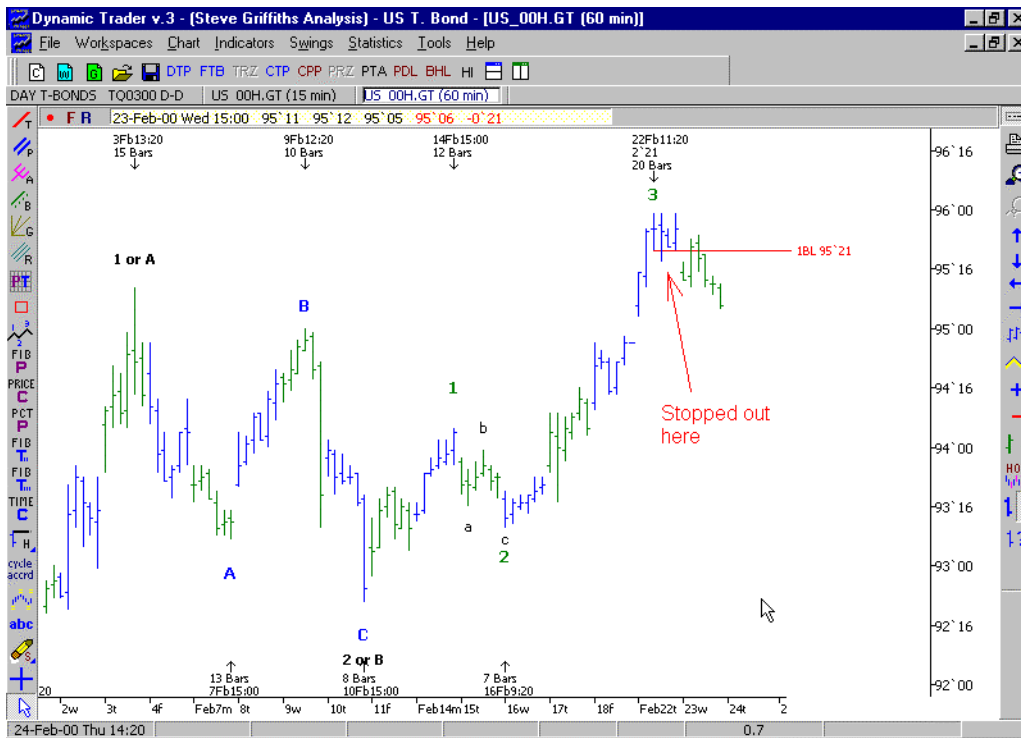
I am not intending to go into detail on the complete stop loss adjustment process, as this will be covered in a future tutorial, but just how it relates to taking profit *once the current move* has exceeded the *typical* targets for a Wave 3.

Please have a look at the next 2 charts:

Typical Wave 3 Price target has been exceeded.



Profit taken as the 1 Bar Low is exceeded.



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Here we see that Bonds exceeded the typical Price target for the anticipated Wave 3 rally, hence probabilities were now suggesting that the Wave-3 was nearing an end. So now is the time to bring your protective sell-stop closer to the market to protect your open profits.

This is where trailing the stop one tick beyond the 1 Bar high or low is a very simple and effective method of protecting accumulated profits. The long position would have been stopped out for a profit on the very bar of the Wave 3 high.

As we have seen in this example, use of the 1 bar high or low is equally applicable on intraday charts, as well as Daily Charts.

Today's Trading Lessons – Wave 3's

1. **Pattern:** Wave 3 normally sub-divides into 5 waves of lesser degree.
2. **Price:** Wave 3 normally terminates at a *cluster* of **Price** relationships from the Waves 1 and 2.
3. **Time:** Wave 3 normally terminates at a *cluster* of **Time** relationships from the recent swings.
4. **Protective Stop:** If in a profitable position, you can use the 1 Bar high or low trailing stop to protect accumulated profits *once the market has exceeded the typical/Wave 3 Price and Time targets.*

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Potential Trade Set-ups and Trade Follow-ups

Silver (March).

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

Today's decline stopped out both units at 523.5.

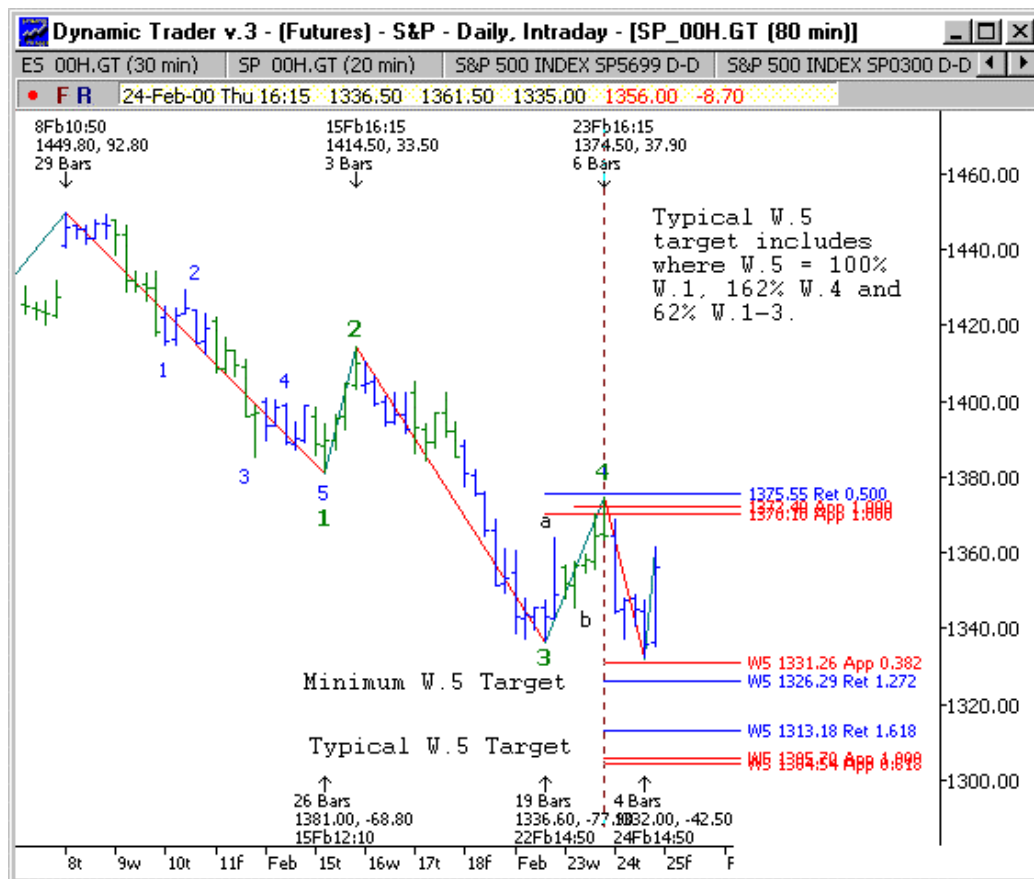
S&P (March)

The S&P declined today from the ideal W.4 target shown in yesterday's report.

1332-1226: Minimum W.5 target

1314-1304: Ideal W.5 target. This target coincides from the larger degree support projection at 1309-1303 shown on the daily chart in last Saturday's report.

A daily close below 1303 is very bearish.



OJ (May)

We don't follow OJ on a regular basis, but a subscriber brought the price and pattern position of OJ to our attention a few days ago. OJ also has a bullish seasonal bias from late Feb. into the second half of March. The Wed.-Thur., inside-outside day combo has set OJ up for a potential long position.

Short and Intermediate Term Units

Buy OJ on a 85.05 stop and place the initial protective sell-stop at 82.95.



Good Trading,

Steve
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