

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

Published By
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Wednesday, March 15, 2000

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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 start on the topic of objective and practical Elliott wave analysis. I intend to spend some time on this single topic, as the ability to consistently analyse any market at any time is the basis of our Price, Time and Pattern work.

Firstly, I would like to spend a little time reflecting on why we need to be able to place an Elliott count on a chart. In other words, what are we trying to achieve?

Here are two definitions taken from Bob's book, Dynamic Trading:

Forecast: *To predict a future condition, occurrence or event.* No one at any time knows what the future outcome of any event will be. All forecasts of future events can only be an educated guess. The outcome of any condition can only be a *probability*, never a certainty.

Probability: *Having more evidence for than against, but not proven conclusively.* All trading and investing activity deals in probabilities, never certainties. The objective of all market analysis and trading plans is to put the probabilities of success on our side. This includes eliminating those activities with a low probability of success and only engaging in those activities with a high probability of success.

Probability is a key concept required for long-term success in the business of trading and investing.

All trading decisions only have a *probability* of success, never a certainty. Losses are inevitable, and are just as much a part of a successful trading plan as profits. It is our ability to keep losses small in relation to profits that produces long-term success in the business of speculation.

The purpose of practical Elliott wave analysis is to provide a platform off which we can perform our Price, Time and Pattern analysis. This enables us to identify the high-probability, low-risk trade set-ups where we are able to enter the market with a small controlled risk, and **not** to accurately identify the position of every market all of the time or to forecast where a market will be at a future point in time.

Therefore, we need to think of practical Elliott wave analysis as another tool we use to identify these high-probability low-risk trade set-ups, and not as some miracle cure that will precisely define and categorize all markets all of the time.

The objective of practical Elliott wave analysis, just as with Price and Time analysis, is to put the **probabilities** on our side.

Practical Elliott Wave Analysis

I would like to start with an overview of the benefits of being able to quickly determine the *most likely* current position of a particular market. Please note I have said *most likely*. Always keep in mind that we are always dealing with *probabilities* in our analysis.

The important benefit of practical Elliott wave analysis is to be able to determine whether the current market position is in a trend or correction to the main trend; what pattern signals the termination of either the trend or correction; and what market activity will either confirm or invalidate the current opinion.

Please look at the examples on the next pages. Here we can quickly and easily determine that Wheat was in an impulsive trend off the Dec 13 low, and once Wheat entered Wave 5, the *probabilities* were suggesting that the current trend was nearing an end.

On the second chart of Orange Juice, the decline off the Feb 28 high unfolded as a simple ABC. This is a corrective pattern, and therefore suggests that the main trend is still up off the Feb 1 low.

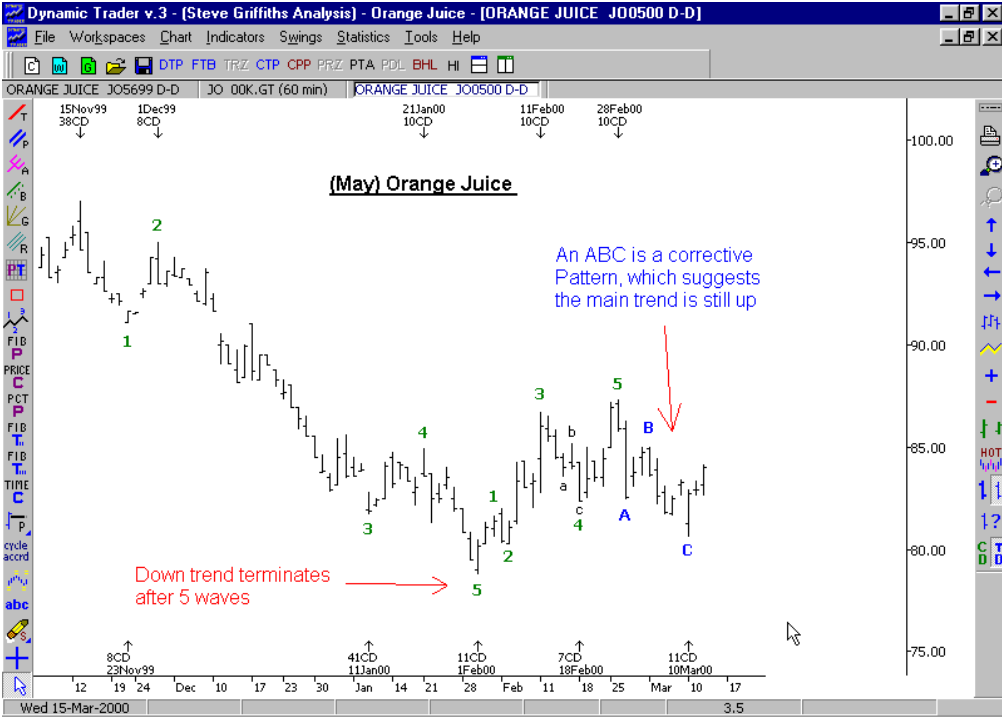
If we are able to identify a confident Elliott count on a particular market, this count will also provide us with the market activity that will either confirm or invalidate our current count. Call this a *Pattern Stop Loss* if you like. Chart 3, again on Orange Juice, shows an example of this.

This information alone is invaluable to the trader as this allows us to keep our trades on the correct side of the market.

(May) Wheat – Chart 1



(May) Orange Juice – Chart 2



(May) Orange Juice – Chart 3



We have now laid out some basic principles on the purpose of practical Elliott wave analysis, and the benefits of being able to quickly determine whether a market is either in a trend or counter-trend move, and the pattern position that signals the termination of a trend. Tomorrow I will move onto the basics of practical Elliott wave analysis.

Today's Trading Lessons

1. The objective of practical Elliott wave analysis, just as with Price and Time analysis, is to put the **probabilities** on our side.
2. The important benefits of practical Elliott wave analysis are to be able to determine whether the current market position is in a trend or correction to the main trend; what pattern signals the termination of either the trend or correction; and what market activity will either confirm or invalidate the current opinion.

Potential Trade Set-ups and Trade Follow-ups

Yen (June) Today's decline stopped out both positions on open at 96.32

Short and Intermediate Term Units (L-95.71, 3/10)

Flat

Orange Juice (May) Orange Juice continued to rally today, initial resistance is at 86.97-87.30, then 89.15

Short and Intermediate Term Units (L-83.45, 3/14)

Raise the protective sell-stop on both units to 82.55, just below the last minor swing low and the 61.8% retracement.

If Orange Juice trades to 89.15, the *typical* Price target for a Wave C, raise the protective sell stop on the short-term unit to 1 tick below the 1 day low.

Silver (May) A long trade was entered on today's rally at 517.5.

Short and Intermediate Term Units (L-517.5, 3/15)

Maintain the protective sell-stop on both units at 507, just below the last minor swing low, and the 78.6% retracement.

Due to the increased volatility in some markets over the past couple of days, Bob will be providing an extra update in today's report.

Good Trading,

Steve

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When markets become volatile, we may lose sight of the big picture. I would like to take a look at three key markets that we are watching closely and review the current position.

S&P (June)

Even though the short-term pattern has not unfolded as anticipated in Saturday's report, the intermediate term has not changed.

March 17-21 remains a key period for the S&P as a potential high. How important that high may be will depend on the price and pattern position if the S&P continues to advance into that period as anticipated.

The two key resistance zones shown in Saturday's report are slightly expanded by using the swing made so far this week.

1442-1452.5 The immediate resistance zone is expanded to begin at 1442, the 100% Alternate Price Projection the recent swings. This remains a target even if the advance from the Feb. 28 low is a correction.

1473-1483.4 This key resistance zone is expanded slightly to include the new 162% APP.

Bearish Reversal A decline below the March 15 low at 1375.0 voids the bullish outlook.

Immediate Outlook The S&P should continue to advance to at least 1442.0. A close over 1452.2 indicates a continued rally to 1473 or higher.



Bonds (June)

I have no strong opinion of the pattern of bonds at this time. However, the short-term 9-11 bar H-H time rhythm has continued. Today's high was 11 bars from the prior high. Be alert to at least a short term decline tomorrow.

More importantly, although bonds have made a slight new high, they are in the 55-60 calendar day count from the Jan. 18 low which is a high probability period for a trend change for bonds. With a Fed meeting coming up on Monday, I would be alert to a sharp reversal from a "false breakout" to new highs just as this week's break to a new low reversed sharply.

I have no specific trade recommendations at this time because the pattern is very unclear. However, we will be watching bonds close the next few day's.



Beans (May)

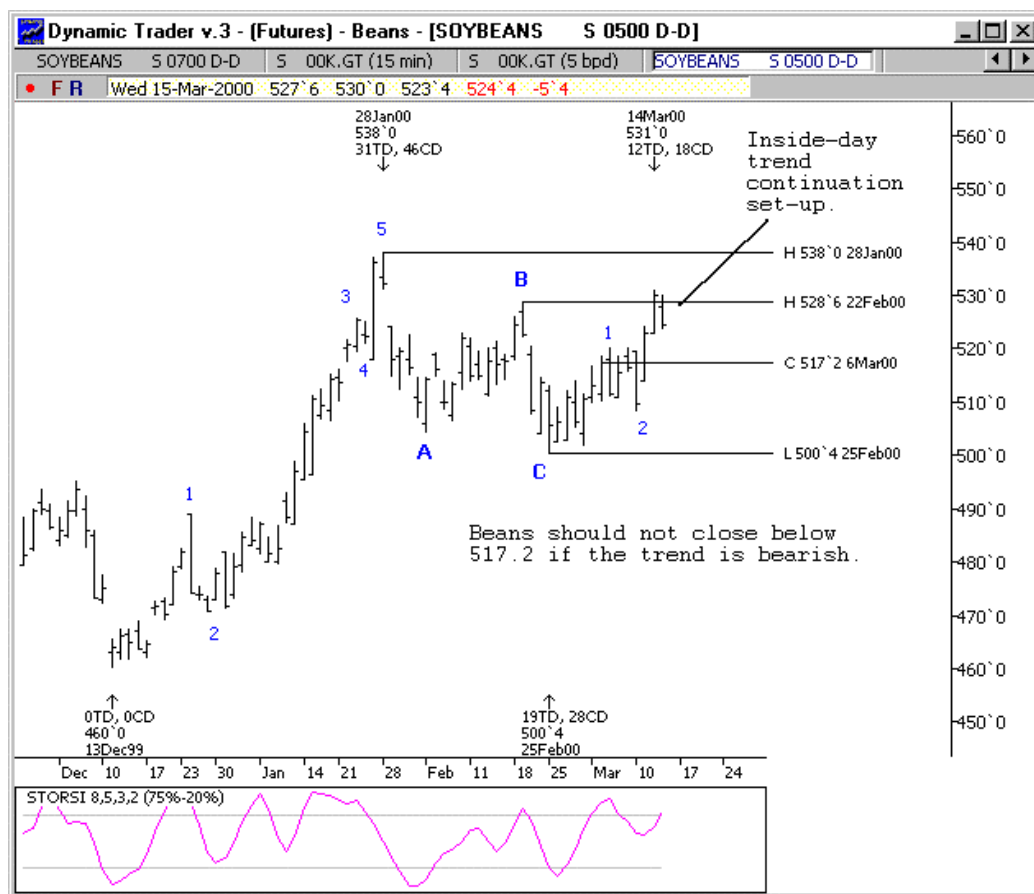
This week's rally above the May 7 high has voided the outlook for a Wave-E decline as outlined in Saturday's report. Don't lose sight of the big picture. If Feb. 25 is the completion of an ABC correction, beans are only in the very initial stages of a spring-summer bull trend. There will be lots of opportunities to position long.

A close below 517.2 (potential W.1 closing high) is bearish.

Today's inside-day provides a low-risk trend-continuation set-up for a potential long position.

Short and Intermediate Term Units – For Thursday Only

Buy May beans on a 531.2 stop and place the initial protective sell-stop 523.2.



Regards,
Robert Miner