

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 topic of practical Elliott wave analysis with a look at the individual waves of a five wave sequence. Today we will look at Wave four.

Corrective Wave Four

First, I would like to start with a **summary** of Wave 4.

1. Wave 4 should not close beyond the closing extreme of Wave 1.
2. The principle of alternation: If Wave 2 was a simple correction (ABC) then Wave 4 will usually unfold as one of the more complex corrections and vice versa. This is a *tendency and not a rule*
3. If Wave 4 unfolds as one of the many complex, flat corrections (otherwise know as consolidations or trading ranges), it usually will not retrace more than 38.2% of Wave 3.
4. The Wave 4 price retracement of Wave 3 will almost always be a *smaller* percentage retracement compared to the percentage retracement of Wave 2 compared to Wave 1.
5. Wave 4 usually lasts longer in Time than Wave 2.

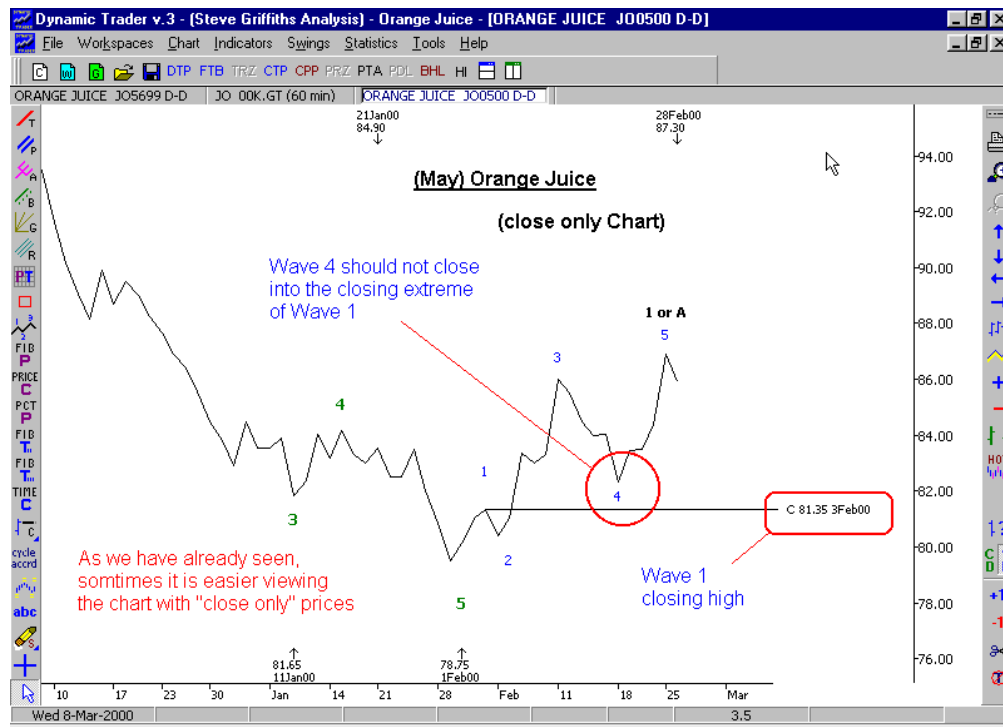
Wave 4 is often called the Profit Taking correction, as during Wave 4 many of the traders who have been long (for a bull move), though Wave 3 will start to take profits. Wave 4 is very often a prolonged correction.

Let's have a look at a few examples.

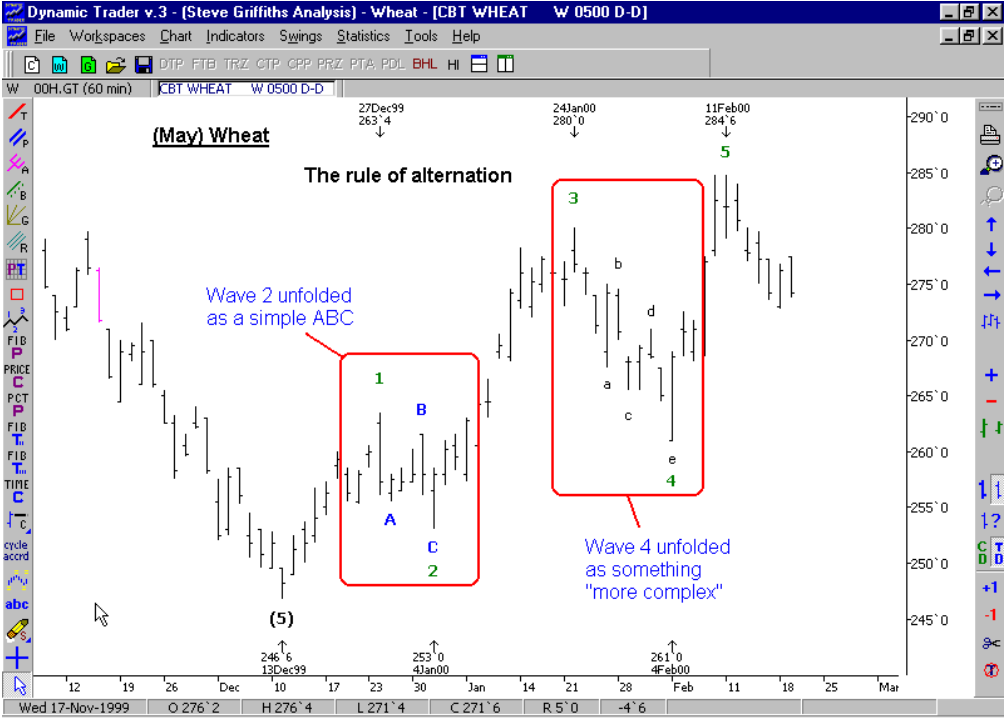
Wave 4 should not close beyond the closing extreme of Wave 1.



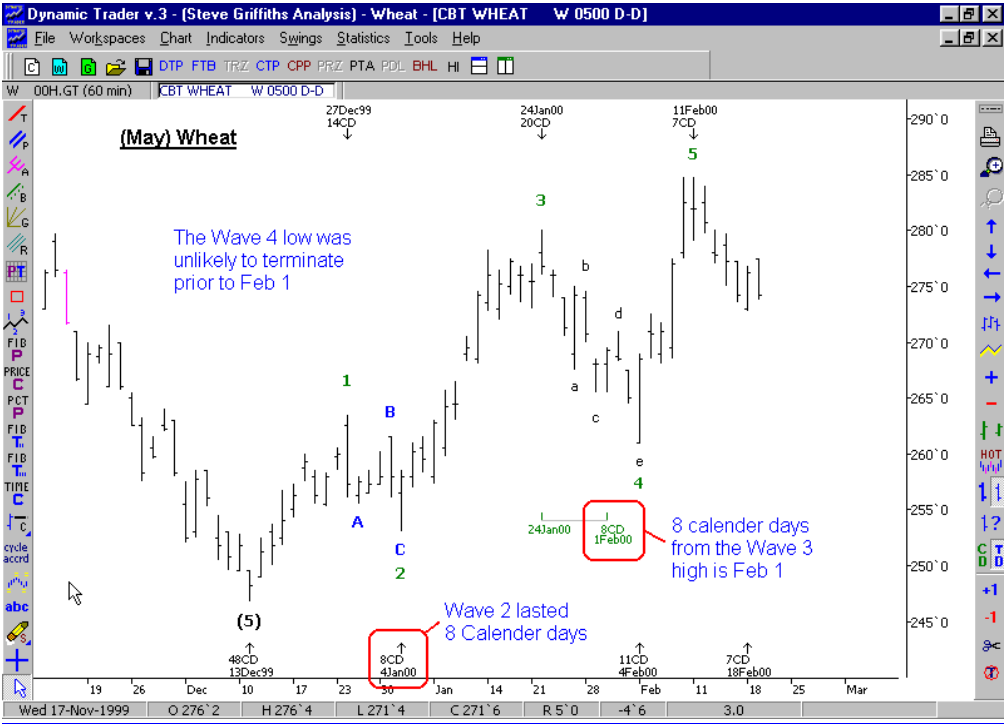
Another look at Wave 4 – But using a “close only” chart



The "Rule" of Alternation



The minimum Time anticipated before Wave 4 is likely to terminate



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The four charts illustrate some of the typical characteristics of Wave 4's.

Key trading strategies for Wave 4

We should look to identify the termination of the Wave 4 to then enter a trade for the Wave 5 move.

Because Wave 4 often unfolds as one of the more complex corrections, sometimes the **Price** and **Time** position of the market becomes more important than just the **Pattern**. If Wave 2 unfolded as a simple ABC, do not be too quick to assume that Wave 4 has terminated if the current Wave 4 has only shown an ABC correction as well. Very often this will only be the initial leg of a more complex correction.

Tomorrow I will continue looking at the individual waves, with the last wave in the Elliott sequence, Wave 5.

Today's Trading Lessons

1. Wave 4 should not close beyond the closing extreme of Wave 1.
2. The principle of alternation: If Wave 2 was a simple correction (ABC) then Wave 4 will usually unfold as one of the more complex corrections and vice versa. This is a *tendency and not a rule*
3. If Wave 4 unfolds as one of the many complex, flat corrections (otherwise know as consolidations or trading ranges), it usually will not retrace more than 38.2% of Wave 3.
4. The Wave 4 price retracement of Wave 3 will almost always be a *smaller* percentage retracement compared to the percentage retracement of Wave 2 to Wave 1.
5. Wave 4 will usually last longer in Time than Wave 2.

Specific Trade Recommendations Summary For March 28

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

Market – Current Position	New Trade Recommendation or Stop-Loss For Existing Positions March 28
OJ: May New Rec.	Today probably completed an abc Wave 2 low. See Chart on next page. <u>ST & IT Units</u> As long as Orange Juice does not close below 81.86 (78.6% ret), buy Orange Juice 1 tick above the prior day's high. (For tomorrow this would be on an 83.95 Stop.) If filled, place the protective sell-stop 1 tick below the recent low.
Bonds: June Same Rec as yesterday.	<u>ST & IT Units</u> Sell bonds at the 50% retracement from the March 23 high (currently 96-20). Place the initial protective buy-stop three ticks above the 78.6% retracement (currently 97-06+3 ticks = 97-09). Ideally this correction should be complete by early tomorrow morning.
Silver: May Same Rec at Sat.	<u>ST&IT Units</u> : Buy May silver on a 521.5 stop and place the initial protective sell-stop at 509.5, OR Sell May silver on a 505.5 stop and place the initial protective buy-stop at 517.5.
AD: June L-3/27, 61.44.	<u>ST & IT Units</u> : Maintain the protective sell-stop on both units at 60.60. If the AD closes above 61.96, trail the stop on the ST unit 1 tick below the prior day's low.
Yen: June L-3/23, 94.71	<u>ST&IT Units</u> : Raise the protective sell-stop on both units to 94.51.
SF: June	<u>ST & IT Units</u> : The current long trade was stopped out on today's decline at 60.93.
Beans: May L-3/24, 530.6	ST&IT Units : Maintain the protective sell-stop on both units at 520.5. If beans trade above 538.4, raise the protective sell-stop on the ST unit to 1 tick below the 1 day low.
Cattle: June L-3/23, 69.20	<u>ST & IT Units</u> : Maintain the protective sell-stop on the LT unit at 69.12, 1 tick below Friday's low. Raise the protective sell-stop on the ST unit to 1 tick below the prior day's low, at 69.67 for tomorrow.
Sugar: May L-3/23, 5.30	<u>ST & IT Units</u> : Maintain the protective sell-stop on the LT unit at 5.25. Trail the stop on the ST unit one tick below the 1DL, 5.38 for tomorrow.

Other Markets of Interest Summary For March 28

Market	Other Markets of Interest - March 28
S&P: June	A five-wave trend from the Feb. 28 low should be complete by April 4, ideally in the 1590-1618 price zone. Consider short-term trend continuation long trades.
BP: June	The assumption is a low is complete on March 22, which should be followed by a 3-4 or more week corrective rally. Be alert to trend continuation trade set-ups. (Today was a double inside day) or a trend reversal set-up if the Pound makes an ABC retracement into the 50% - 78.6% Price retracement of the Mar 22 – Mar 24 rally.
Corn: May	Similar time, price and pattern position as beans.

(May) Orange Juice Chart



Good Trading,

Steve

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