

# Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

Published By  
**Dynamic Traders Group, Inc.**  
DynamicTraders.com  
dt@dynamictraders.com  
520-797-3668

Wednesday, March 29, 2000

Prepared by: Stephen Griffiths  
Steve@dynamictraders.com

---

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.

---

## Correction to yesterday's report

As many of you have spotted, a price on my Orange Juice chart from yesterday was incorrect. The high of yesterday was 83.05 and NOT 83.95. Hence the specific trading recommendation to Buy Orange Juice 1 tick above the prior day's high would have been on an 83.10 stop.

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 the last wave in the Elliott impulse sequence - Wave five.

## Impulsive Wave Five

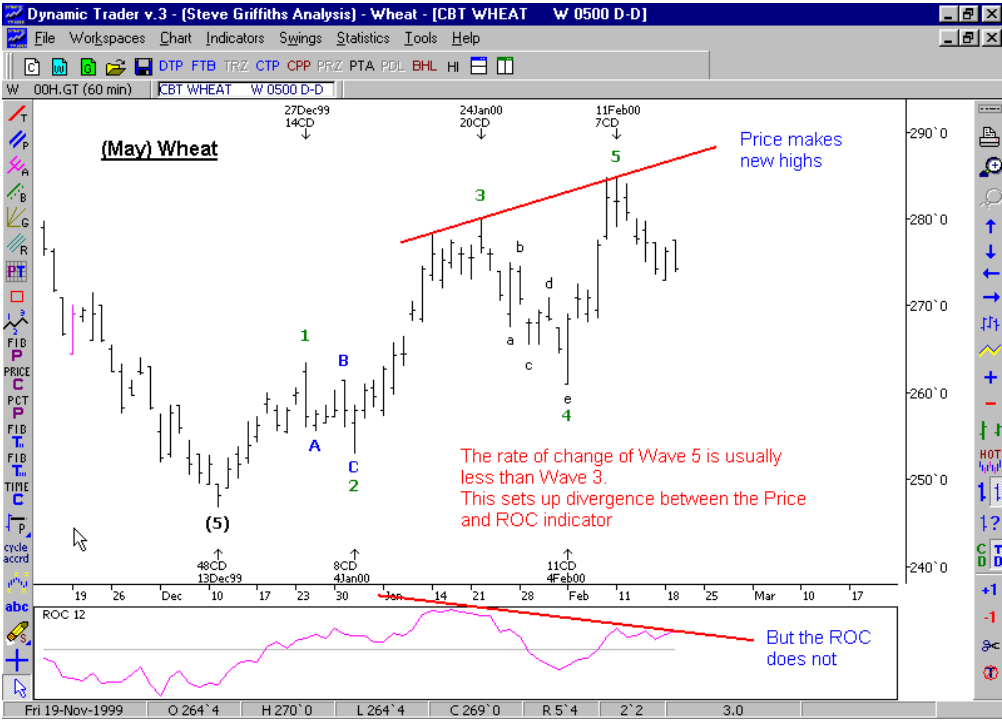
First, I would like to start with a **summary** of Wave 5.

1. Wave 5 should sub-divide in 5 waves of lesser degree.
2. The rate of change of Wave 5 will usually be less than for Wave 3.
3. Wave 5 is the last Wave in the Elliott sequence and therefore once complete, a correction greater in **Price** and **Time** than all the corrections within the 5 wave sequence (Waves 2 and 4) should follow.

Wave 5 is the last Wave in a completed Elliott Wave sequence. The psychology of the public is usually at an extreme in Wave 5. Just when the market position looks most bullish to most people, the market peaks. This does not imply that as soon as the bullish psychology increases the market is in a fifth wave and set to terminate, but only that a Wave 5 usually occurs when the bullish psychology is at an extreme.

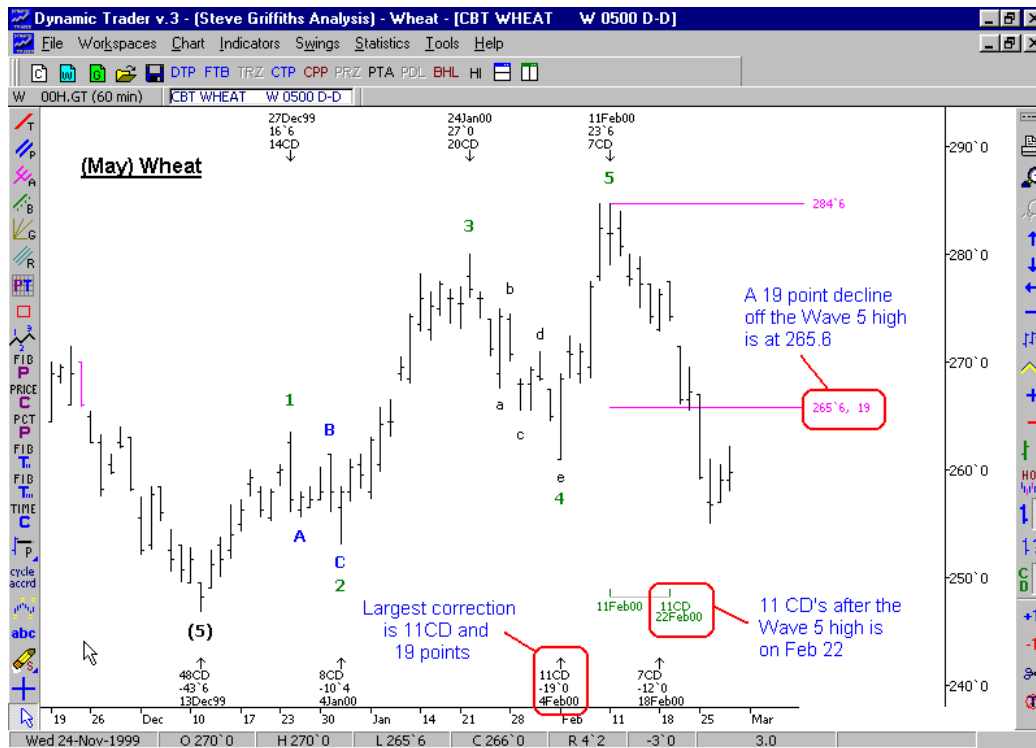
Let's have a look at a few examples.

Rate of Change divergence in (May) Wheat



Initial support or resistance in "the area of the prior Wave 4"





This last chart demonstrates that once the Wave 5 high in (May) Wheat terminated on Feb 11, we should have anticipated a continued decline into at least 265.6 and past Feb 22. As:

- The greatest **Price** correction in the prior 5 wave sequence was 19 points, A 19 point decline off the Wave 5 High at 284.6 falls at 256.6,
- The longest correction in **Time** in the prior 5 wave sequence was 11 calendar days, 11 calendar days from the Wave 5 High on Feb 11 falls on Feb 22.

This is the **Price and Time overbalance** discussed in last week's tutorial on Wave 1's. We have now come full circle. The initial move off a completed 5 wave sequence is Wave 1 or A, the start of a new trend or counter-trend.

Notice that I have stated the initial move from the Wave-5 high or low as being a Wave 1 or A and not a Wave A which assumes a completed 5 wave sequence will *always* be followed by an ABC correction of larger degree. This is probably true in text books and in hindsight, but for a *practical approach* it is far better to always *start* with the assumption that the initial move will be a 1 or A, followed by a 2 or B, followed by a 3 or C.

As we will see in the examples next week, for a *practical approach* it is far better not to be fixed into a forecast of what *will happen*, rather let the market by its own actions tell us its *most probable* position.

There is a very fine line between *anticipating* future Price and Time clusters where a market will find support or resistance, and *forecasting* that a market will unfold in a certain manner. This fine line is defined as *probability*. The line also clearly separates the academic analysts and the practical traders.

It is a fundamental part of human nature to seek stability and certainty in life. Many traders would prefer to hear a specific forecast and have it turn out incorrect rather than accept that all future events carry a degree of uncertainty.

A forecast is simply a *best guess* based on available data, but that is all it is, a guess.

So I wish to stress again here:

- *All analysis and trading strategies are a matter of **probabilities**, and it is by putting the **probabilities** on our side that provides long term success in the business of speculation.*

This is where the successful practical application of Elliott wave in the markets comes from - learning to think in probabilities rather than being tied to a specific forecast based on what you believe is the correct Elliott count today.

## Key trading strategies for Wave 5

We should look to identify the termination of Wave 5, as this is the termination of the entire prior trend. Wave 5 completes a trend structure and should be followed by a move against the prior trend that should be greater in both **Price** and **Time** than any counter trend swing since the beginning of the 5 wave move.

If it appears that a five wave trend is nearing an end, stops on current positions should be brought close to the market. Ideally, Wave-5 itself will subdivide into 5 waves and the Time, Price and Pattern analysis of the subdivided wave will help provide a narrow Price and Time objective for trend termination. Traders should then look to enter a new position against the prior 5 wave trend on reversal signals.

The initial move off a Wave 5 will very often find *initial* support or resistance in the area of the prior wave 4 of lesser degree. This is not a rule, but a tendency and a good place to see if retracements and alternate price projections fall.

Tomorrow I will wrap up the look at the individual waves with a look at corrections, in particular ABC's. Next week I will start to look at numerous examples, where I will start to apply the rules and guidelines learned over the last two weeks to real time examples, including many of those nightmare "difficult" counts.

## Today's Trading Lessons

1. Wave 5 should sub-divide in 5 waves of lesser degree.
2. The rate of change of Wave 5 will usually be less than for Wave 3.
3. Wave 5 is the last Wave in the Elliott sequence, and therefore once complete, a correction greater in **Price** and **Time** than all the corrections within the 5 wave sequence (Waves 2 and 4) should follow.

## Specific Trade Recommendations Summary For March 28

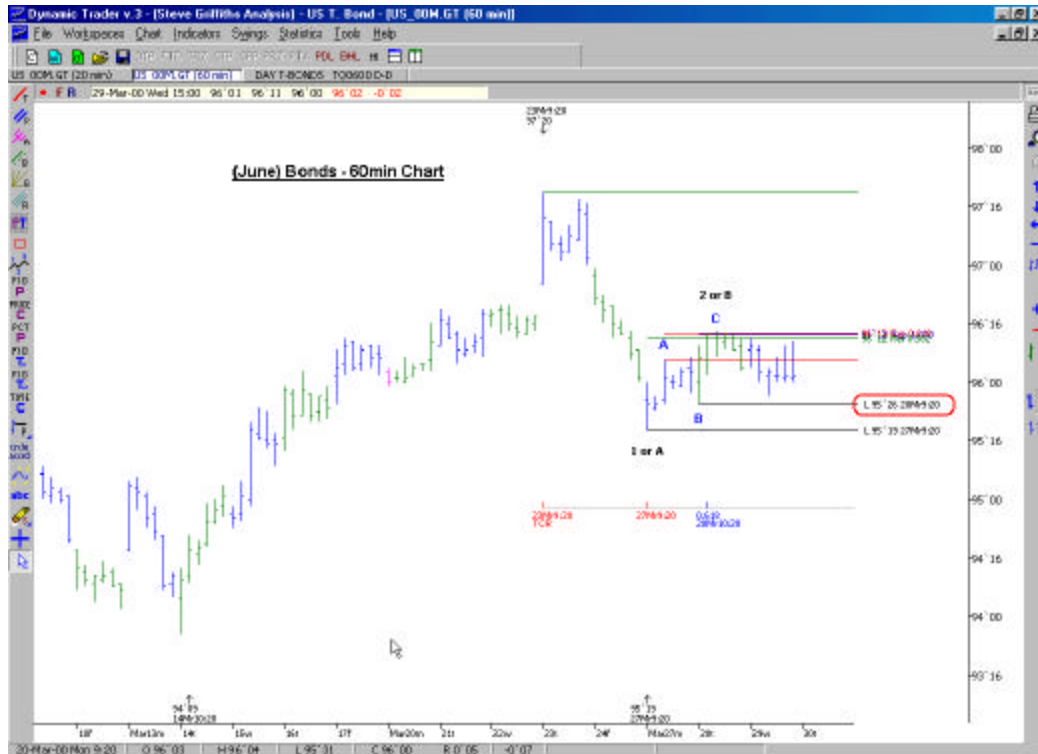
This table only includes those markets with outstanding trades and new specific trade recommendations.

Market – Current Position	New Trade Recommendation or Stop-Loss For Existing Positions March 28
<b>Bonds: June</b> New Rec.	Bonds appear to have completed a minor abc high. Today's inside day provides an opportunity for a short trade. See Chart on the next page <u>ST &amp; IT Units</u> As long as Bonds do not close above 96-15. Sell bonds on a 95-25 stop. If filled, place the initial protective buy-stop at 96-15.
<b>OJ: May</b> New Rec.	An abc Wave 2 low still appears to be in the process of completing.. <u>ST &amp; IT Units</u> As long as Orange Juice does not close below 81.86 (78.6% ret), Buy Orange Juice on the close if the close is above the open and the prior days close (A Reversal Confirmation Day entry signal) If filled, place the protective sell-stop 1 tick below the recent low.
<b>Silver: May</b> S-3/29, 505.5.	Today's decline triggered a new short trade at 505.5. <u>ST&amp;IT Units</u> : Place the initial protective buy-stop at 517.5.
<b>AD: June</b> L-3/27, 61.44.	<u>ST &amp; 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.
<b>Yen: June</b> L-3/23, 94.71	<u>ST&amp;IT Units</u> : Raise the protective sell-stop on both units to 94.64. If the Yen trades to 97.54, trail the protective sell-stop on the ST unit 1 tick below the prior day's low.
<b>Beans: May</b> L-3/24, 530.6	<u>ST&amp;IT Units</u> : Maintain the protective sell-stop on both units at 520.6. If beans trade above 538.4, raise the protective sell-stop on the ST unit to 1 tick below the 1 day low.
<b>Cattle: June</b>	Today's decline stopped out the ST unit on open at 69.25 and the IT unit at 69.12.
<b>Sugar: May</b> L-3/23, 5.30	Today's decline stopped out the ST unit at 5.38. <u>IT Unit</u> Maintain the protective sell-stop on the IT unit at 5.25.

## Other Markets of Interest Summary For March 28

Market	Other Markets of Interest - March 28
<b>S&amp;P: June</b>	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.
<b>BP: June</b>	The assumption is a low is complete on March 22, which should be followed by a 3-4 or more week corrective rally.  Today made an outside continuation day. Although this is the one set up we cannot alert you to in these reports, I have covered the set-up in detail in previous training tutorials.
<b>Corn: May</b>	Tuesday Corn closed below 228.6, confirming Mar 17 as a high.

## Bonds Chart



Good Trading,

Steve

[Steve@dynamictraders.com](mailto:Steve@dynamictraders.com)