

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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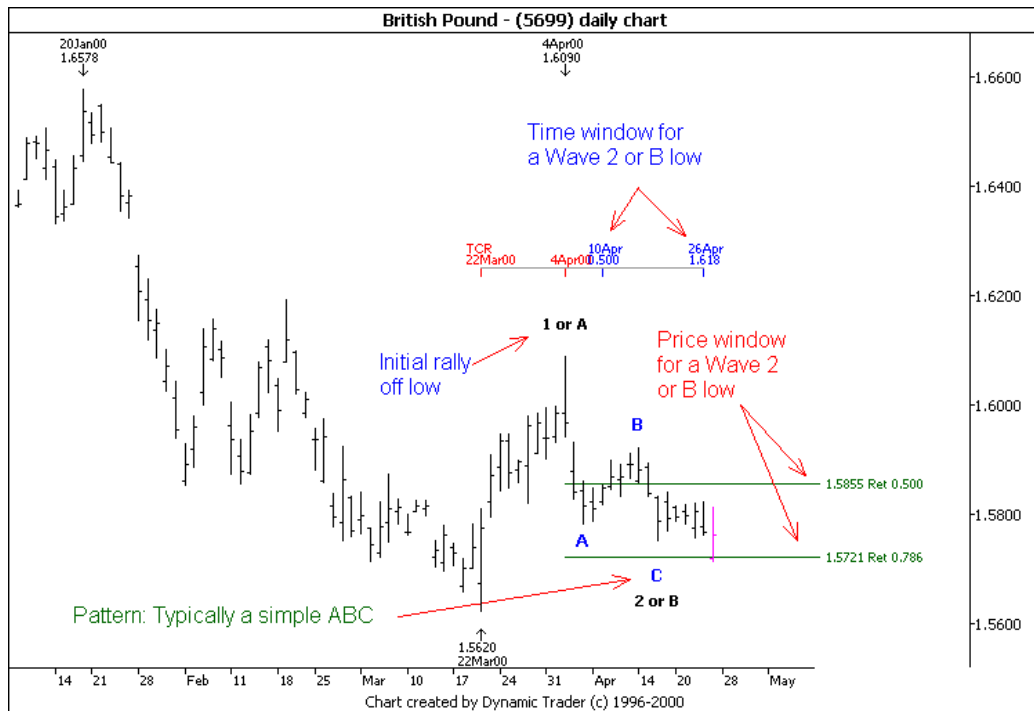
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The analysis and trading strategies described in this report are for educational purposes only. The commentary in this report may or may not relate to a specific trade recommendation made in the Dynamic Trader Report. The weekday issues of the Dynamic 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's Lesson

A close beyond the maximum time and price projections for the end of a Wave 2 or B invalidates the opinion that a Wave 2 or B is being made.

For today's example I would like to look at the recent pattern position of the British Pound. Last week we were working on the assumption that a corrective rally was in progress off the Mar 22 low. Hence the trading opportunity was to look to position long off a completed Wave 2 or B correction to the initial rally off the Mar 22 low.



As of Apr 27 this is exactly what appeared to be unfolding.

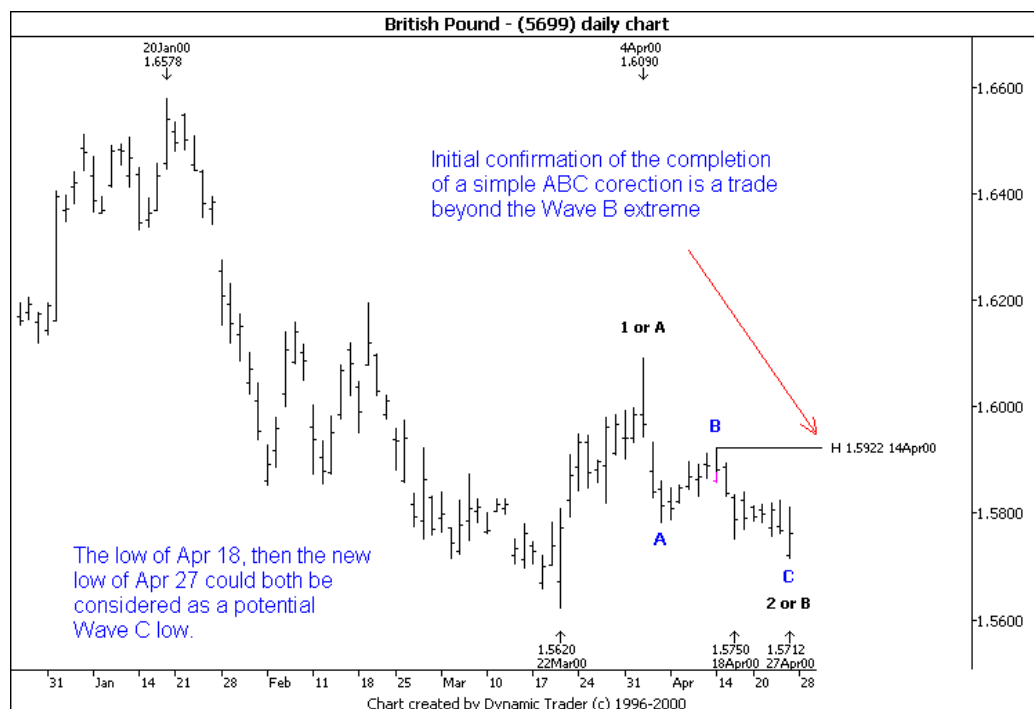
The April 4 high was considered to be either a Wave 1 or A high. Next, a Wave 2 or B decline was anticipated. The ranges for a Wave 2 or B correction are:

- **Price:** 50% - 78.6% retracement Wave 1 or A
- **Time:** 50% - 161.8% retracement Wave 1 or A
- **Pattern:** Typically a simple ABC

The chart on page one shows the BP appeared to have made an ABC decline into the time and price ranges for a Wave 2 or B low.

What are the conditions that would either confirm this analysis was correct or invalidate this opinion, and therefore force us to re-think the current opinion of the pattern position.

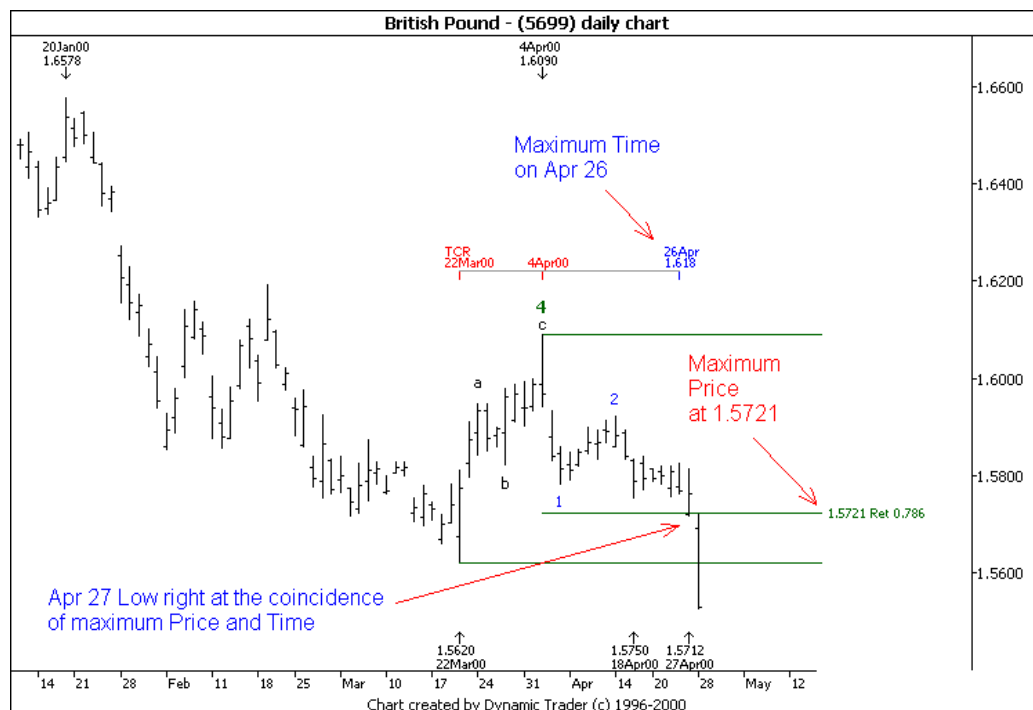
First, what is the pattern signal that would *confirm* the analysis is correct and a Wave 2 or B low is complete?



Initial confirmation of the completion of a simple ABC correction is a trade beyond the Wave B extreme. A trade above 1.5922 would be the initial confirmation that the larger degree Wave 2 or B low completed at the lesser degree Wave C low on Apr 27.

Next, we have to determine the conditions that would *invalidate* the opinion of the pattern position.

A close beyond the *maximum* Price and Time anticipated for a Wave 2 or B low would invalidate the Wave 2 or B set-up.



A close below the 78.6% Price retracement at 1.5921 and after the 161.8% Time retracement on Apr 26 would invalidate the potential Wave 2 or B low.

Apr 27 made a low right at the 78.6% Price retracement and only one day after the 161.8% Time retracement. As of April 27, the BP was at the extreme time and price projections for a Wave 2 or B low. A continued decline would invalidate the Wave 2 or B set-up which is exactly what happened.

This is a striking example because of the wide-range down day on April 28 but even a close just a tick or two below the 78.6% retracement would be a signal the BP was probably not making a Wave 2 or B correction but would continue the bear trend.

Lessons Learned

A close beyond the *maximum* Price and Time projections for the end of a Wave B or 2 invalidates the opinion that a Wave B or 2 is being made.

Good Trading,

Steve

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Specific Trade Recommendations Summary For May 1

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

Market	New Trade Recommendation or Stop-Loss For Existing Positions
S&P: June	Today's rally stopped out both short positions at 1485.50 There no new specific recommendations.
Bonds: June <u>S-4/17,97.03</u>	<u>ST and IT Units</u> : Trail the protective buy stop on the ST unit one tick above the 1DH, 96.31 for tomorrow. Maintain the protective buy stop on the IT unit at 96.31. If Bonds trade below 95.27, trail the stop on the IT unit one tick above the 1DH.
Copper: July <u>L - 4/27, 79.10</u>	Today Copper made an inside day, therefore allowing us to raise the protective sell-stop. <u>ST & IT Units</u> : Adjust the protective sell-stop on both units to 79.45. If Copper trades above 80.80, trail the stop on both units one tick below the 1DL.
Cotton: July <u>L - 5/1, 57.19</u>	Today's Reversal Day triggered a new long position on close at 57.19. <u>ST & IT Units</u> : Place the initial protective sell-stop at 55.15, one tick below the recent low.

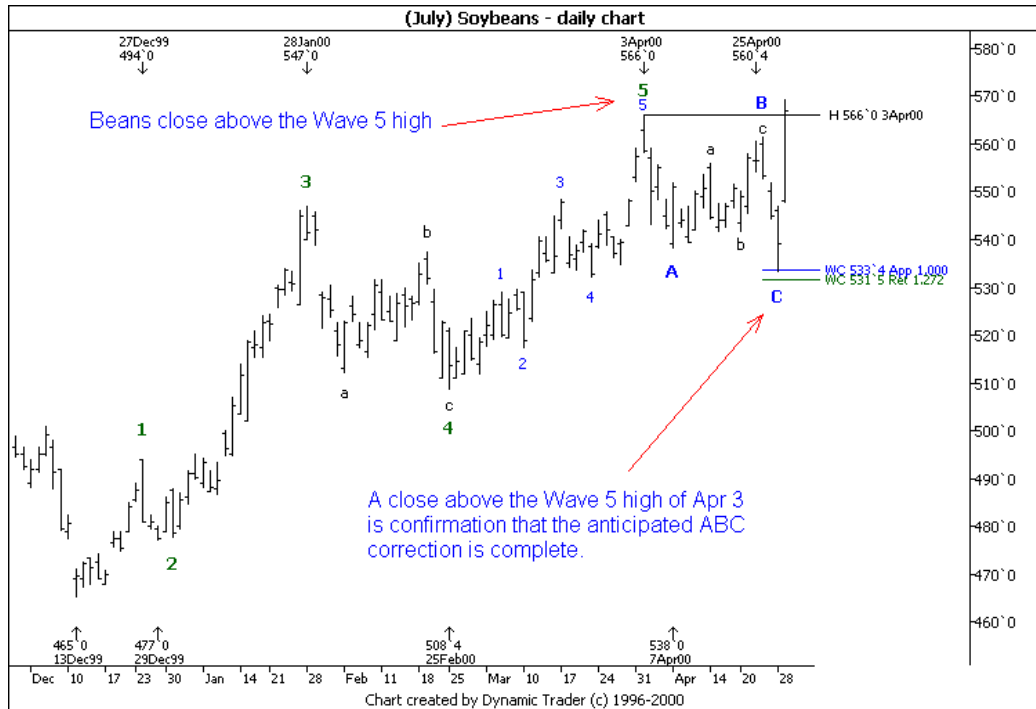
Summary of Open Trade Positions and Trade Activity For The Week of May 1

Market	Unit	Opened	Price	Closed	Price	# Ctr	P/L	O/C
S&P (S-June)	ST&IT	4/26	1474	5/1	1485.50	2	(\$1150)	C
Bonds (S-June)	ST&IT	4/17	97.03	-	96.14	2	\$1312.50	O
Copper (L-July)	ST&IT	4/27	79.10	-	80.00	2	\$450	O
Cotton (L-July)	ST&IT	5-1	57.19	-	57.19	2	\$0	O

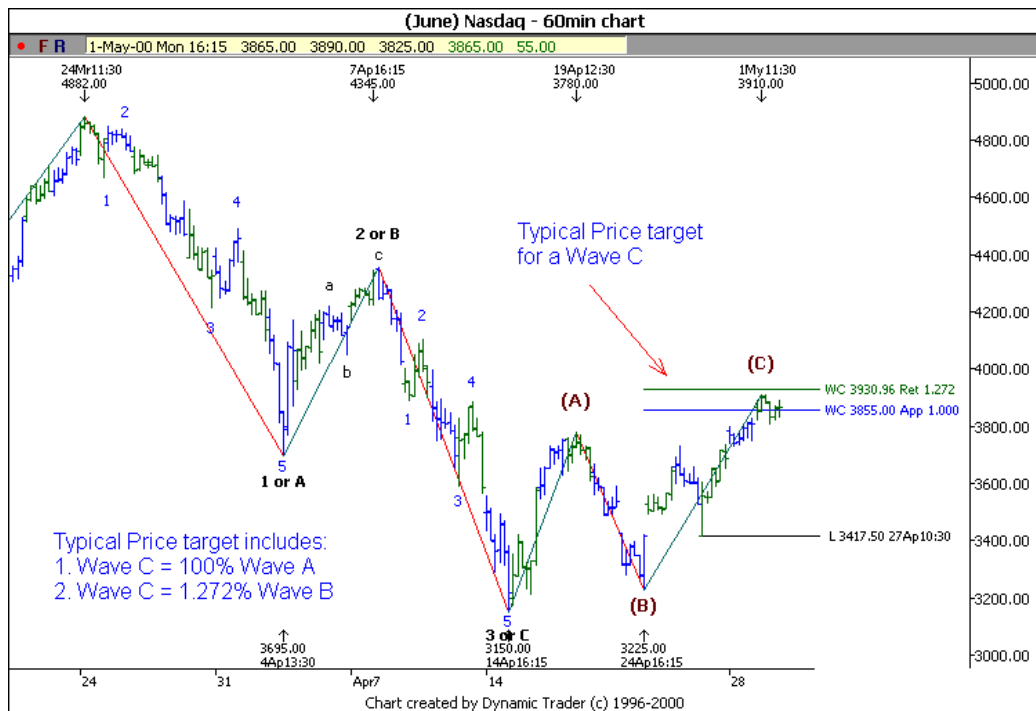
Other Markets of Interest Summary For May 1

Market	Other Markets of Interest - May 1
Nasdaq 100: June	At the ideal Time and Price to complete a corrective high. See Chart. A trade below 3417.5 (June) signals a continuation of the bear trend.
Dollar Index	At or very near a Wave-5 top. Ideal time for top is next week and maximum time target for Wave 5 is around Memorial Day weekend (May 26-30).
BP: June	Wave 5 low should be complete by week beginning May 8. Any rally should only be considered a correction in a bear trend.
AD: June	No firm opinion of the pattern position. Next price target at 57.40, the 78.6% retracement.
Crude: June	Correction should not be complete at the April 24 high.
Beans: July	Beans rallied strongly today, closing above the Wave 5 high of Apr 3, thus confirming that the anticipated ABC correction terminated on Apr 28. The aim now will be to identify any trend continuation set-ups to position long. See chart.
Corn: July	Similar position to Beans. We will now look to identify trend continuation set-ups to enter long positions.

(July) Soybeans daily chart



(June) Nasdaq 60min chart



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