

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's Lesson

Trend-reversal trade-entry strategies part one - the Reversal Day.

A Reversal Day top for the termination of a bull trend (reverse for a bear trend) is a day when a market makes a new daily high and then closes both the current day's open and the prior day's close. It is where the trend to new highs was unable to continue, resulting in a sell off into the close. This is weak market behaviour.

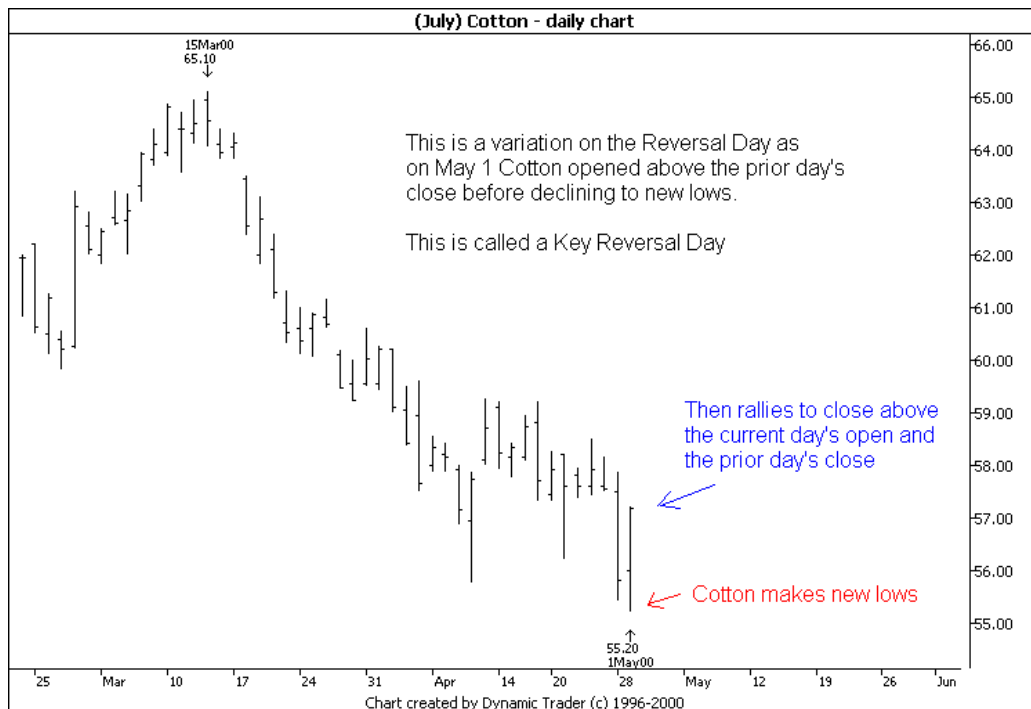
The first reversal day example is for the S&P where last week's ABC Wave 4 corrective high terminated with a Reversal Day:



There are two variations of the Reversal Day.

The first is a Key Reversal Day which is a reversal day where the market opens below the prior day's close, makes a new high and closes below the prior day's close and current day's open. Reverse for a low. A Key Reversal Day is a stronger signal than a Reversal Day.

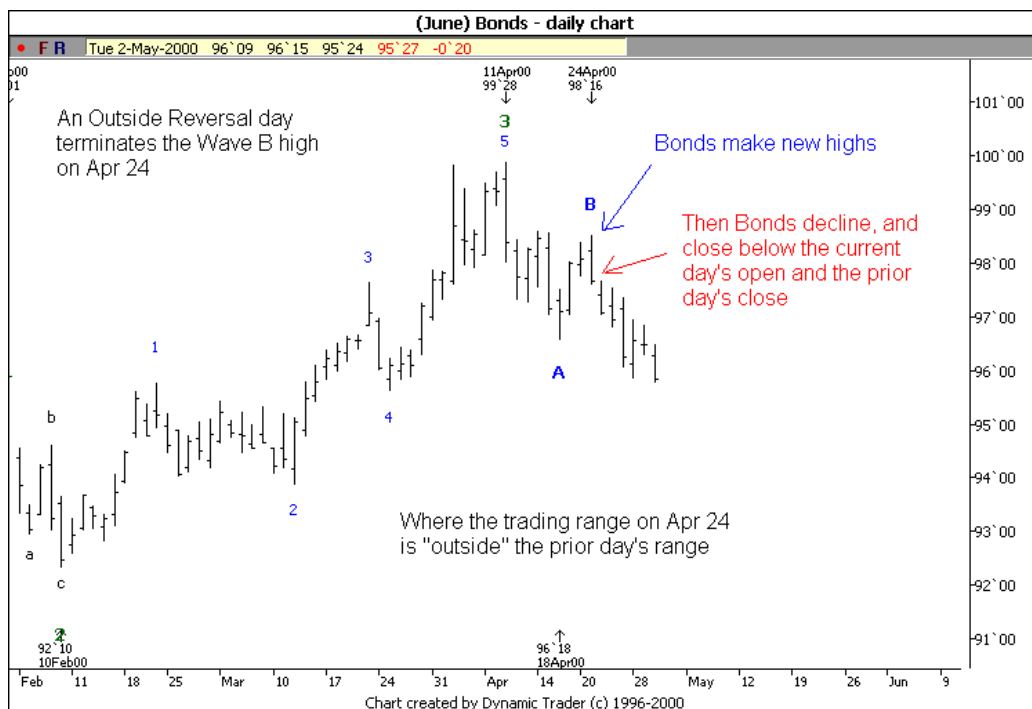
A recent example of this is the Low on May 1 in (July) Cotton, where the decline off the Mar 15 high terminated on a Key Reversal Day:



The second variation is an Outside Reversal Day. This is a Reversal Day, which is also an Outside Day. An Outside Reversal Day is an even stronger reversal signal.

Note: An Outside Day is defined as a day where the high is above the prior day's high and the low is below the prior day's low. In other words, the day's trading range is *outside and engulfs* the entire prior day's range.

A recent example of an Outside Reversal Day is the Wave B corrective high on Apr 24 in (June) Bonds. Please see the chart on the next page.



Trend reversal trade entry strategies are designed to enter a new trade either at or very near the top or bottom of a trend. They are only applicable if made at Price, Time and Pattern targets for a trend termination.

Reversal Days frequently appear in the middle of a strong move (for example a Wave 3), but should not be acted on unless Price, Time and Pattern signal a possible trend termination.

Tomorrow I will look at the criteria required for a Reversal Confirmation Day. This is the reversal pattern that is used in the specific trading recommendations in the DT Reports.

Lessons Learned

A Reversal Day is a trend reversal trade entry signal if made at time, price and pattern targets for the termination of a trend.

Good Trading,

Steve

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Specific Trade Recommendations Summary For May 3

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

Market	New Trade Recommendation or Stop-Loss For Existing Positions
Crude: June <u>S-5/3,26.70</u>	Today Crude made a Reversal Day, therefore electing the sell on close order. <u>ST and IT Units:</u> Place the initial protective buy -stop at 27.40, one tick above today's high.
Bonds: June <u>S-4/17,97.03</u>	Bonds have closed below 95.05, thus voiding the go-long strategy. New closing lows past Apr 30 indicate a time overbalance. The next Price support level is 92-31 to 93-14. See the charts below. <u>ST and IT Units:</u> Trail the protective buy -stop one tick above the 1DH, 96.00 for tomorrow.
Copper: July	Today Copper elected the sell on close order to close both existing long positions. Ideally Copper should now make an ABC corrective decline into a Wave 2 or B low. There are no new recommendations.
Cotton: July <u>L-5/1, 57.19</u>	<u>ST & IT Units:</u> Maintain the protective sell-stop at 55.95, just below the 78.6% retracement.

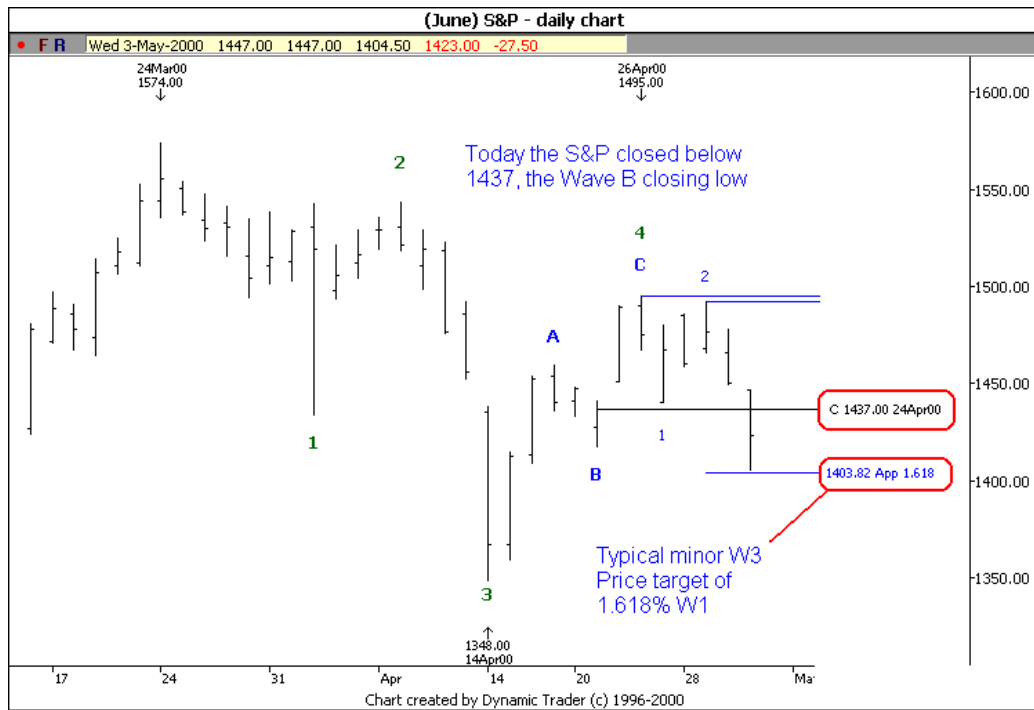
Summary of Open Trade Positions and Trade Activity For The Week of May 1

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	-	94.24	2	\$4687.50	O
Copper (L-July)	ST&IT	4/27	79.10	5/3	81.80	2	\$1350	C
Cotton (L-July)	ST&IT	5/1	57.19	-	57.90	2	\$710	O
Crude (S-June)	ST&IT	5/3	26.70	-	26.70	2	\$0	O

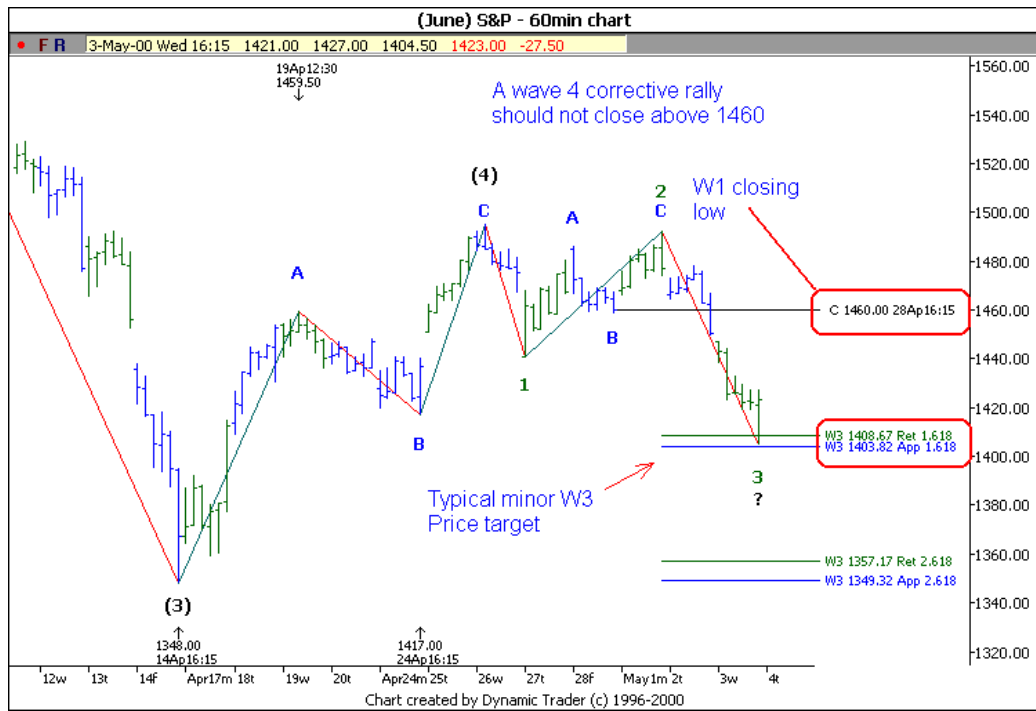
Other Markets of Interest Summary For May 3

Market	Other Markets of Interest – May 3
S&P: June	Today the S&P closed below, the Wave B closing low of Apr 24 at 1437. Therefore confirming Apr 26 as a Wave 4 high. See chart below. The S&P should not close above 1460 if the trend is to continue lower. See the second 60min S&P chart
Nasdaq 100: June	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.
Beans: July	As yesterday, the aim now will be to identify any trend continuation set-ups, to position long.
Corn: July	As yesterday, the aim now is to identify trend continuation set-ups to enter long positions.

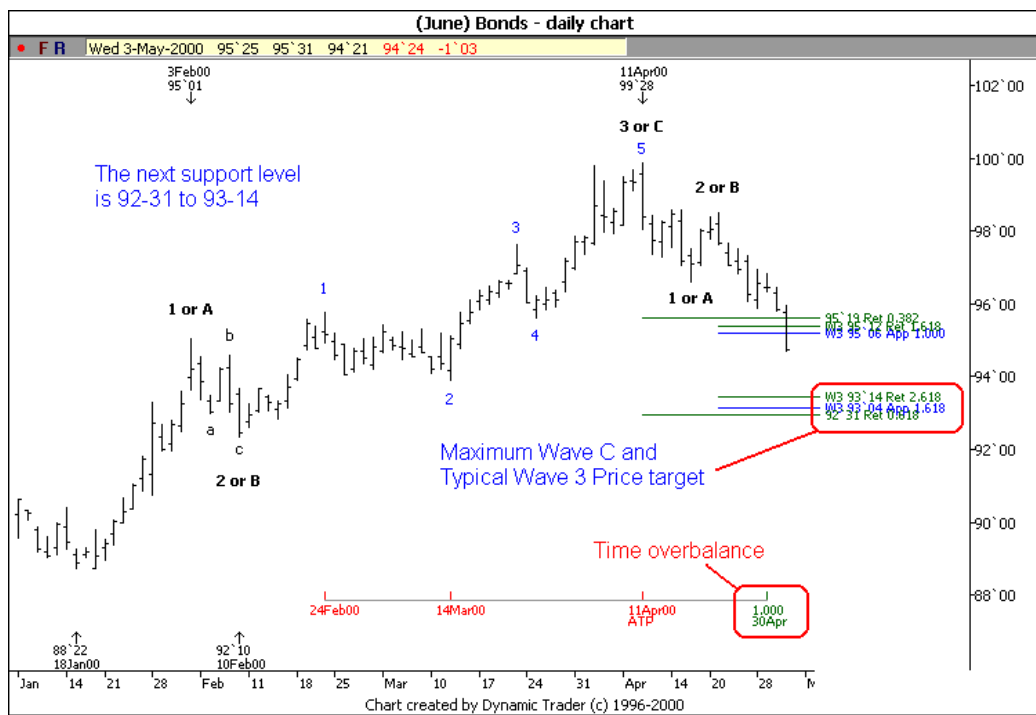
(June) S&P daily chart



(June) S&P 60min chart



(June) Bonds daily chart



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(June) Bonds daily close only chart

