

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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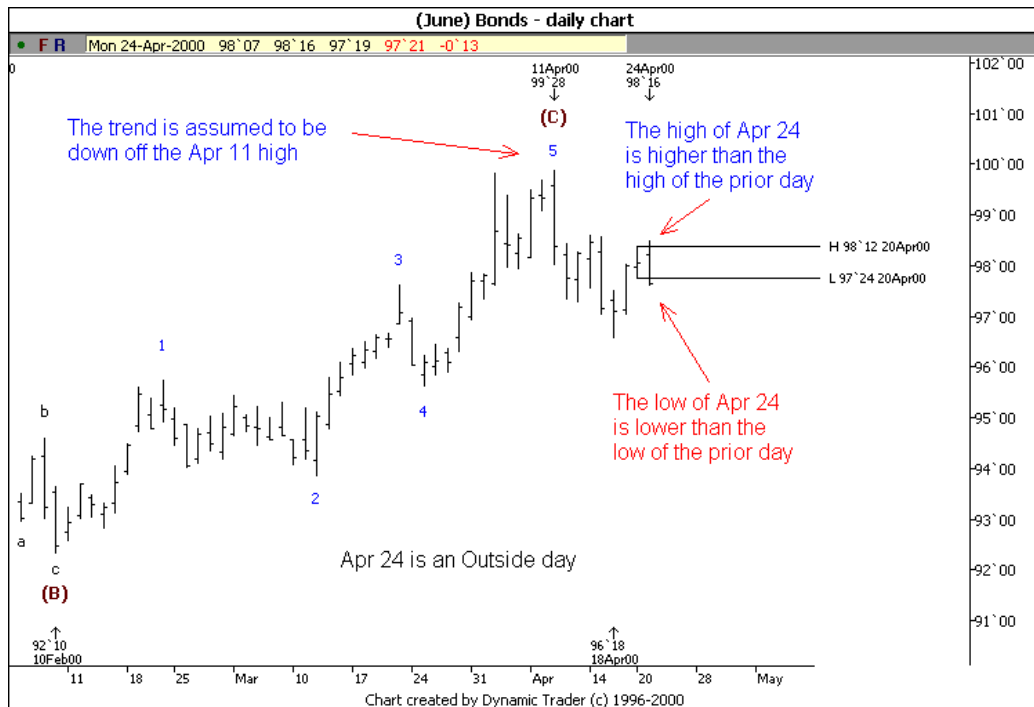
The analysis and trading strategies described in this report are for educational purposes only. The commentary in this report may or may not relate to a specific trade recommendation made in the Dynamic Trader Report. The weekday issues of the Dynamic Trader Report are prepared by Stephen Griffiths and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

Outside-day trend-continuation trade-entry signal.

An *Outside Day* is defined as a day where the high of the day is higher than the high of the prior day and the low of the day is lower than the low of the prior day. In other words, the day's trading range is *outside and completely engulfs* the price range of the prior day.

The first example is on the (June) Bonds:

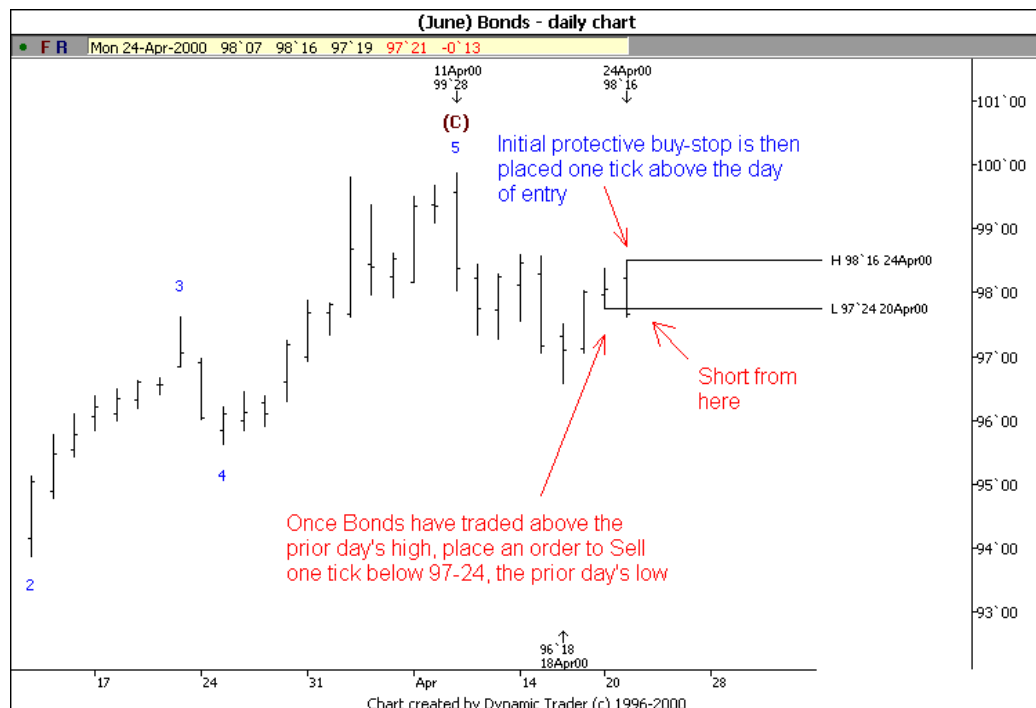


Apr 24 made an outside day, where the trading range is *outside and completely engulfs* the prior day's price range.

An outside day is a period of range expansion. A market usually continues in the direction of the close of the outside day. The outside day set-up requires that the market be monitored during the trading day.

Outside Day Trade Entry Set-Up Conditions

1. As this is a *trend continuation* set-up, we are looking to enter only *in the direction* of the main trade. Therefore we must already have an opinion of the direction of the main trade.
2. To enter a short position (reverse for a long position), the market must first exceed the prior day's high without first exceeding the low of the prior day. If these criteria are met, place an order to Sell one tick under the low of the prior day.
3. If filled, the protective buy-stop (sell-stop for a long trade) is placed one tick above the high of the day of entry thus far.
4. Exit the position on the close, if the close is above the current day's open and the prior day's close (reverse for a long position). A failure to follow through is considered negative.

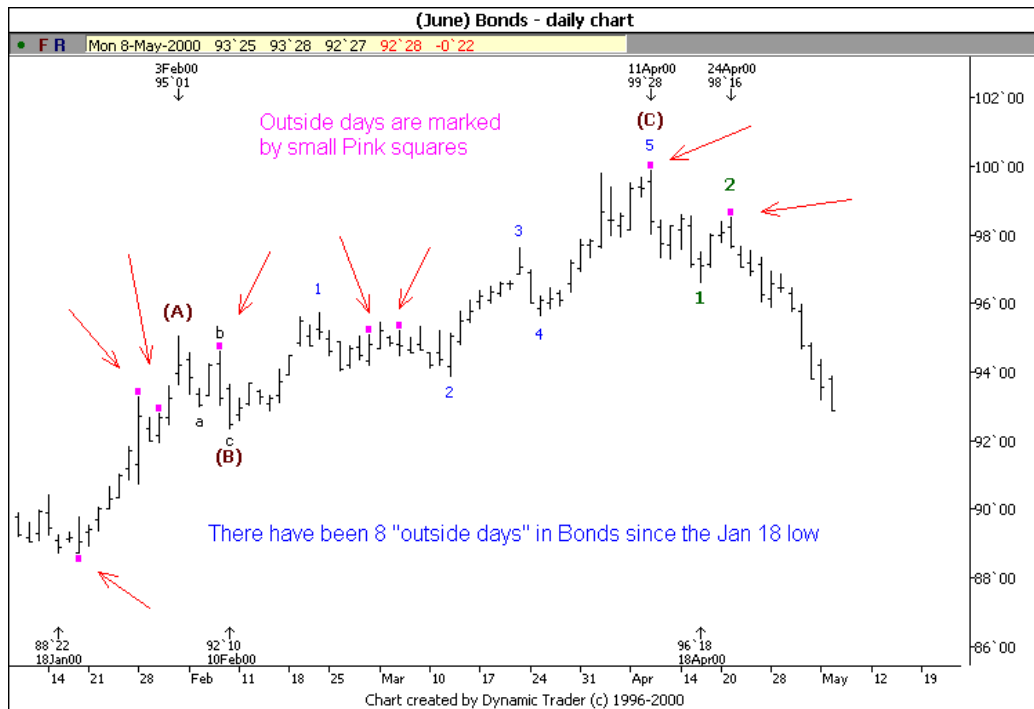


The bond trend is assumed to be down off the Apr 11 high, therefore only short trades should be considered. On Apr 24, the market *first exceeded* the prior day's high and a sell order would be placed one tick below the prior day's low of 97-24. Bonds continued to decline, electing this sell order, so the protective buy-stop is placed one tick above the high of the day of entry at 98-16.

For the outside-day set-up to be made, the trader must first know the prior day's high (in this example) has been exceeded before the sell order can be placed. Access to market prices throughout the trading day is therefore required for this set-up. This can be achieved via a real time quote system or a call to your broker during market hours. Some brokers will monitor the market for you and place the appropriate order once the prior day's extreme has been exceeded.

As with the inside day entry strategy discussed yesterday, the outside day can also be used as a trend termination trade entry trigger.

In the period since the Jan 18 low in bonds, there have been eight outside days. Therefore this is not a set-up that occurs very often, but when it does it produces a low risk trade entry.



Lessons Learned

An outside-day is a high-probability signal for the continuation of the trend. Both the entry trigger and initial protective stop are completely objective. All the trade has to do is determine which side of the market to trade (what is the trend direction) and then consider any outside day set-up in the direction of the trend.

Good Trading,

Steve

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Specific Trade Recommendations Summary For May 9

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

Market	New Trade Recommendations or Stop-Loss For Existing Positions
BP: June <u>Same Rec as yesterday.</u>	Today the Pound still remained <i>inside</i> Friday's Price range. <u>ST&IT Units:</u> Buy the BP on a 154.10 stop. If filled, place the initial protective sell-stop at 152.88.
S&P: June <u>S-5/9,1419.25</u>	All analysis and trade strategies for the full S&P contract. Trade execution on the E-Mini contract. Today the S&P declined and executed the sell on close set-up outlined yesterday. Today was also an outside day as described in today's tutorial. See chart below. <u>ST&IT Units:</u> Place the initial protective buy stop at 1440, one tick above today's high.
Bonds: June	Today Bonds closed above the open and the prior day's close, therefore closing the current short position on close at 93.18. Bonds made an inside-day today at the 61.8% retracement. The assumption is yesterday's low is a Wave-3 and bonds will make a Wave-4 correction that should last 4-8 trading days to the 38.2% retracement of Wve-3 or higher. Short-term traders may want to consider a long trade on the inside-day break out.
Beans: July <u>Same Rec as yesterday.</u>	<u>ST & IT Units:</u> (1) As long as Beans have not closed below 551, buy on the close if the close is above the current day's open and prior day's close and place the initial protective sell-stop one tick below the recent low. OR (2) If (1) has not been elected, buy on a 564.0 stop, one tick above the last minor swing high, and place the initial protective sell-stop one tick below the recent low.
Cotton: July <u>L-5/1, 57.19</u>	<u>ST & IT Units:</u> Maintain the protective sell-stop at 57.00. If July Cotton closes above 61.05, trail the protective sell-stop on the ST unit one tick below the 1DL.
Coffee: July <u>L-5/9, 100.85</u>	Today's rally triggered the go-long strategy outlined yesterday. <u>ST & IT Units:</u> Maintain the protective sell-stop at 98.00.

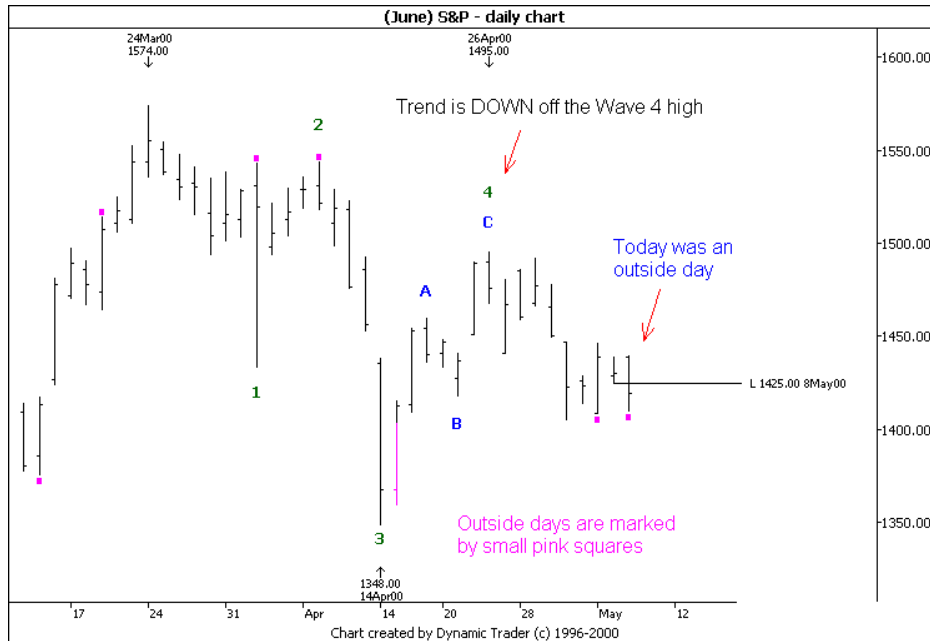
Summary of Open Trade Positions and Trade Activity For The Week of May 8

Market	Unit	Opened	Price	Closed	Price	# Ctr	P/L	O/C
Bonds (S-June)	ST&IT	4/17	97.03	-	93.13	2	\$7375	C
Cotton (L-July)	ST&IT	5/1	57.19	-	59.80	2	\$2610	O
Coffee (L-July)	ST&IT	5/9	100.85	-	100.65	2	(\$150)	O
E-mini (S-June)	ST&IT	5/9	1419.25	-	1419.25	2	\$0	O

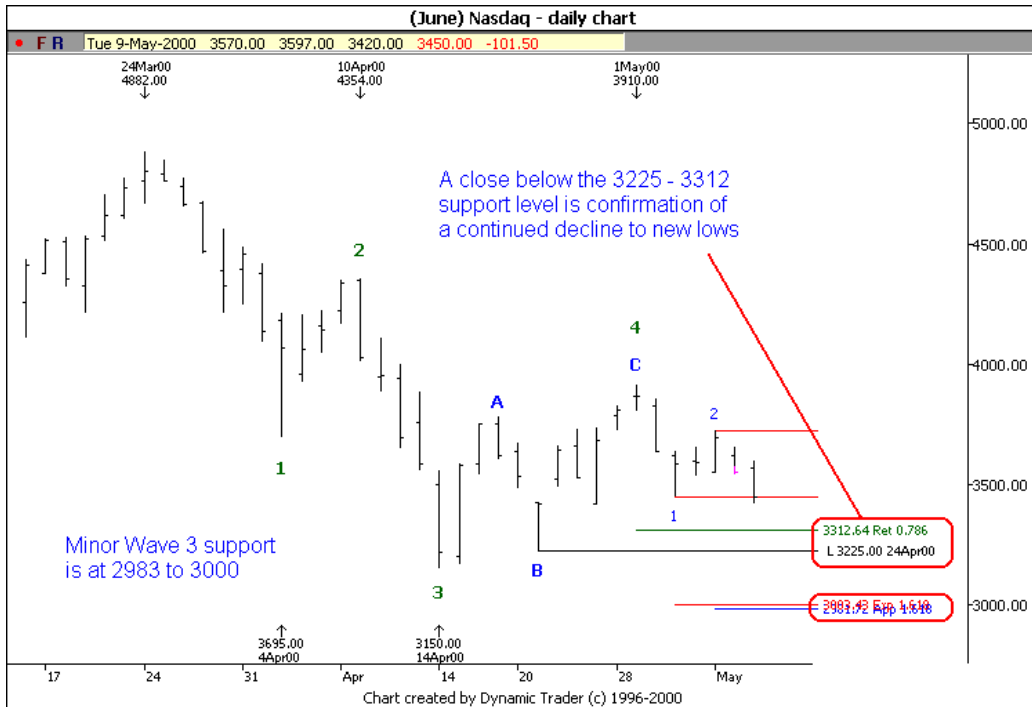
Other Markets of Interest Summary For May 9

Market	Other Markets of Interest – May 9
Nasdaq 100: June	May 1 should be Wave-4 high. Today the Nasdaq traded below 3450 confirming the Wave 2:5 high completed at the May 5 high. See chart below for further analysis and comments.
Dollar Index	At or very near a Wave-5 top. Ideal time for top is late last week and maximum time target for W.5 is around Memorial Day weekend (May 26-30).
Swiss Franc: June	May 5 probably completed a Wave 5 decline off the Apr 4 high. A close above 0.5855 would be initial confirmation of a low. See chart below.
Copper: July	A Wave 1 or A high probably completed on May 8. Best trading strategy to wait for Wave-B low to position long.
Corn: July	Correction complete on April 28. Bull trend should continue to early June or later.

(June) S&P – daily chart



(June) Nasdaq – daily chart



(June) Swiss Franc – daily chart

