

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

Published By
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Wednesday, May 10, 2000

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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

The conditions for a *Gann pullback trend-continuation* trade entry signal.

The Gann Pullback trade is based on W.D. Gann's observation that minor corrections in an established trend usually only last three days or so. Hence the Gann Pullback trade is designed to enter a trade on the completion of a minor correction against the main trend.

Entry rules for a Sell set-up (reverse for a Buy)

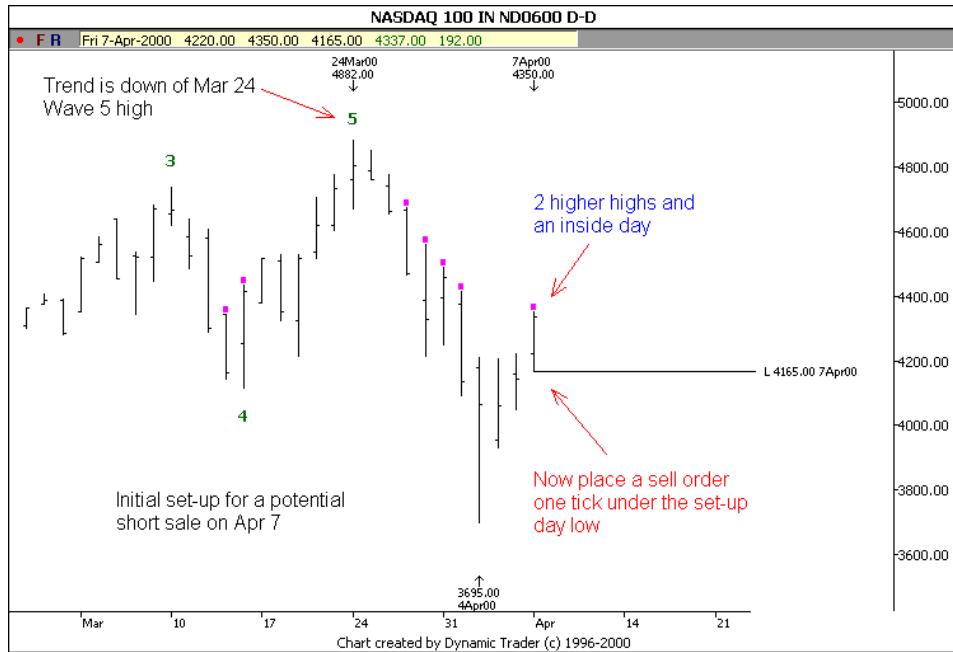
1. Only look to enter a trade in the direction of the main trend.
2. For a Sell set-up, the three most recent days must each have higher highs or any combination of two higher highs and an inside day.
3. For a Sell set-up, the entry is on a break of the prior day's low, **once** the above criteria have been met.
4. If the market makes a new high, adjust the entry to 1 tick below the prior day's low.
5. If filled, place the initial protective buy-stop 1 tick above the prior day's high or the high of the day of entry, whichever is higher.
6. Exit the position on close of the entry day, if the close is above the current day's entry and the prior day's close.

Let's have a look at a recent example in (June) Nasdaq. Please see the two charts on the next page.

On the first Nasdaq chart, the main trend was assumed to be down off a Wave 5 high on Mar 24, therefore only potential sell set-ups were considered. On Apr 7 the Nasdaq made the third new daily high since the Apr 4 low, setting up the initial criteria required for the Gann Pullback trade. Now an order to sell is placed one tick below the set-up day of 4165. See the first chart on the next page.

Important Note: For the purpose of this tutorial, ignore the red-squares above some of the bars on the chart below.

Gann Pullback Trade Set-up – for a short trade (reverse for a long trade)



Gann Pullback Trade entry plus Initial Protective Stop placement



The next day the Nasdaq declined, electing the short trade. The initial protective buy stop is then placed one tick above the higher of the day of entry or the Gann Pullback day. In this case it would have been one tick above the high of the day of entry at 4354.

Apr 10 was also an outside day – as described yesterday. Two different trend continuation set-ups occurred on the same day.

The Gann Pullback also is also an entry strategy for Stocks. Here are two recent examples on a daily chart of AOL:



There were two Gann Pullback set-ups on Apr 10 and Apr 19. The set-up on Apr 7 was not triggered by a decline below the prior day's low.

Good Trading,

Steve
Steve@dynamictraders.com

Specific Trade Recommendations Summary For May 10

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	Today the Pound declined below Friday's Price range, therefore invalidating the go-long strategy.
S&P: June S-5/9,1419.25	All analysis and trade strategies for the full S&P contract. Trade execution on the E-Mini contract. The S&P has continued to decline as anticipated today, closing below the May 3 low of 1404.50. A close below the 78.6% retracement at 1379.46 confirms a Wave 4 high on Apr 26. See chart below. <u>ST Unit:</u> Adjust the protective buy -stop to 1410.25. <u>IT Unit:</u> Maintain the protective buy stop at 1440.00.
Beans: July <u>L-5/10, 564.0</u>	The go-long strategy was elected today at the 564.0 buy-stop. <u>ST & IT Units:</u> Maintain the initial protective sell-stop at 554.0, one tick below the recent low.
Cotton: July <u>L-5/1, 57.19</u>	Today July Cotton closed above 61.05, the 100% APP wave 1 or A. See chart below. <u>ST & IT Units:</u> Maintain the protective sell-stop on the IT unit at 57.00. Trail the protective sell-stop on the ST unit one tick below the 1DL..
Coffee: July <u>L-5/9, 100.85</u>	<u>ST & IT Units:</u> Maintain the protective sell-stop at 98.00.

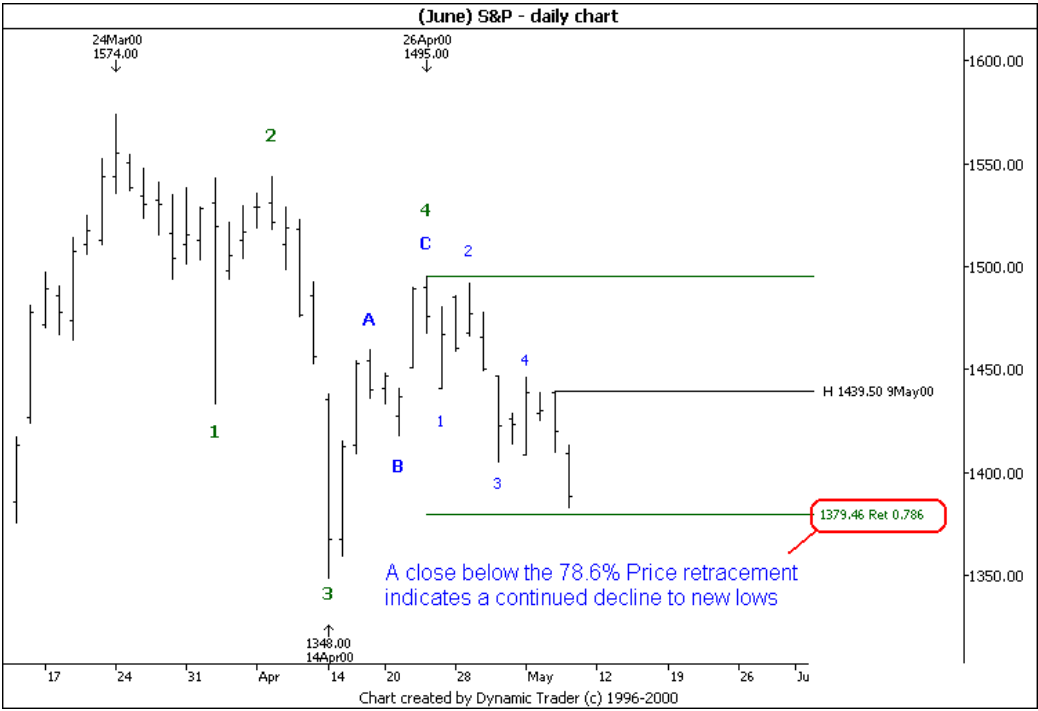
Summary of Open Trade Positions and Trade Activity For The Week of May 8

Market	Unit	Opened	Price	Closed	Price	# Ctr	P/L	O/C
Bonds (S-June)	ST&IT	4/17	97.03	93.18	93.13	2	\$7375	C
Cotton (L-July)	ST&IT	5/1	57.19	-	61.20	2	\$4010	O
Coffee (L-July)	ST&IT	5/9	100.85	-	100.00	2	(\$637.5)	O
E-mini (S-June)	ST&IT	5/9	1419.25	-	1389.0	2	\$3025	O
Beans (L-July)	ST&IT	5/10	564.0	-	570.4	2	\$650	O

Other Markets of Interest Summary For May 10

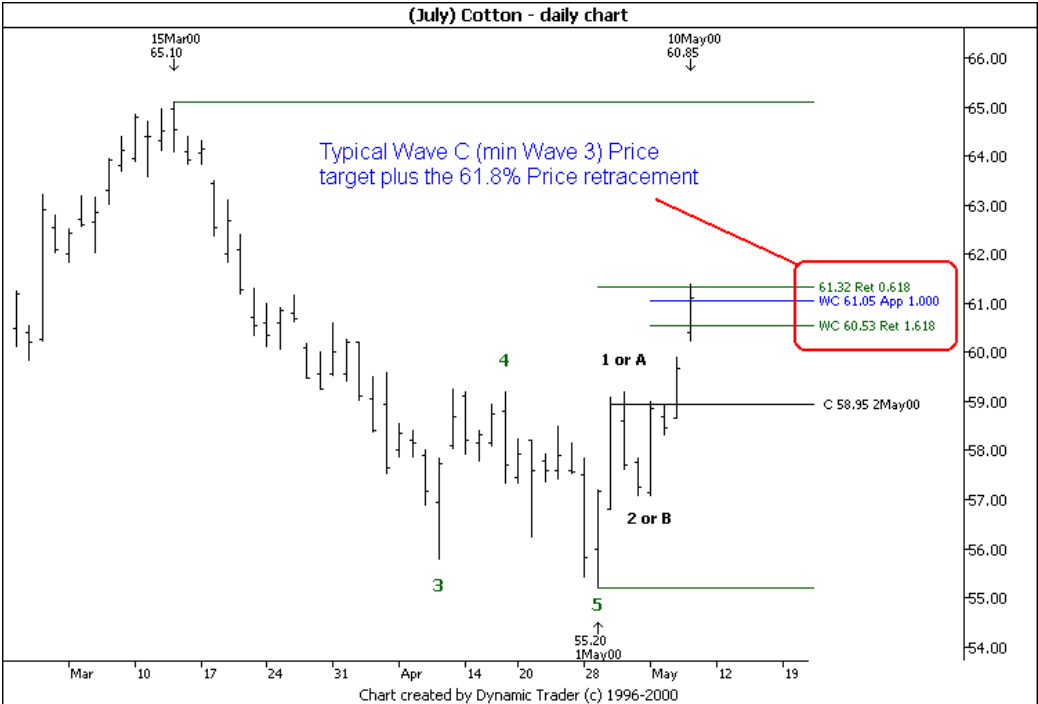
Market	Other Markets of Interest – May 10
Nasdaq 100: June	May 1 should be Wave-4 high. As outlined yesterday a close below 3225 would indicate a continued decline to new lows.
Dollar Index	At or very near a Wave-5 top. Ideal time for top is late last week and maximum time target for W.5 is around Memorial Day weekend (May 26-30).
Swiss Franc: June	May 5 probably completed a Wave 5 decline off the Apr 4 high. Today the Swiss Franc traded but did not close above 0.5855.
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



Continued on next page.

(July) Cotton – daily chart



End.