

# Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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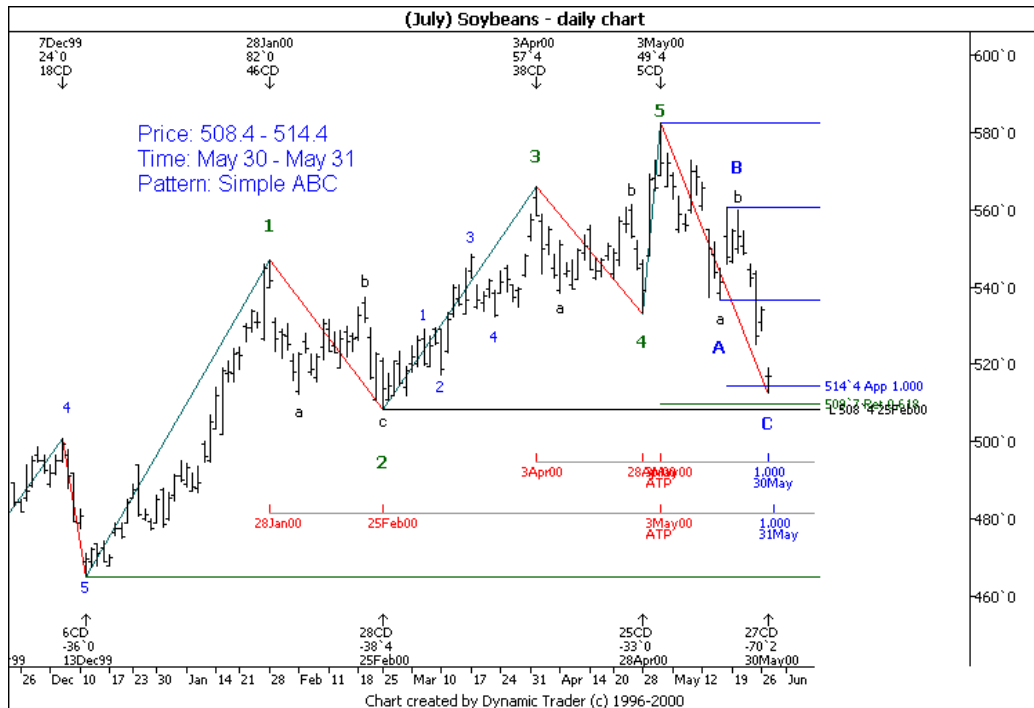
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The analysis and trading strategies described in this report are for educational purposes only. The commentary in this report may or may not relate to a specific trade recommendation made in the Dynamic Trader Report. The weekday issues of the Dynamic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

## Practical Price, Time and Pattern Analysis

Continuing with the practical application of Price, Time and Pattern analysis, today I would like to take a detailed look at soybeans.

Following on from yesterday's report, shown below is the current position of (July) soybeans:



I have included both the *larger degree* analysis from the prior five-wave sequence from Dec 13 1999 and the *lesser degree* price analysis from the sub-division of the decline off the May 3 high, as covered yesterday:

**Price** cluster of 508.4 – 514.4 includes:

1. 61.8% retracement of the Dec 13 1999 low to May 3 high
2. Wave C = 100% Wave A
3. Prior low

**Time** cluster of May 30 – May 31 includes:

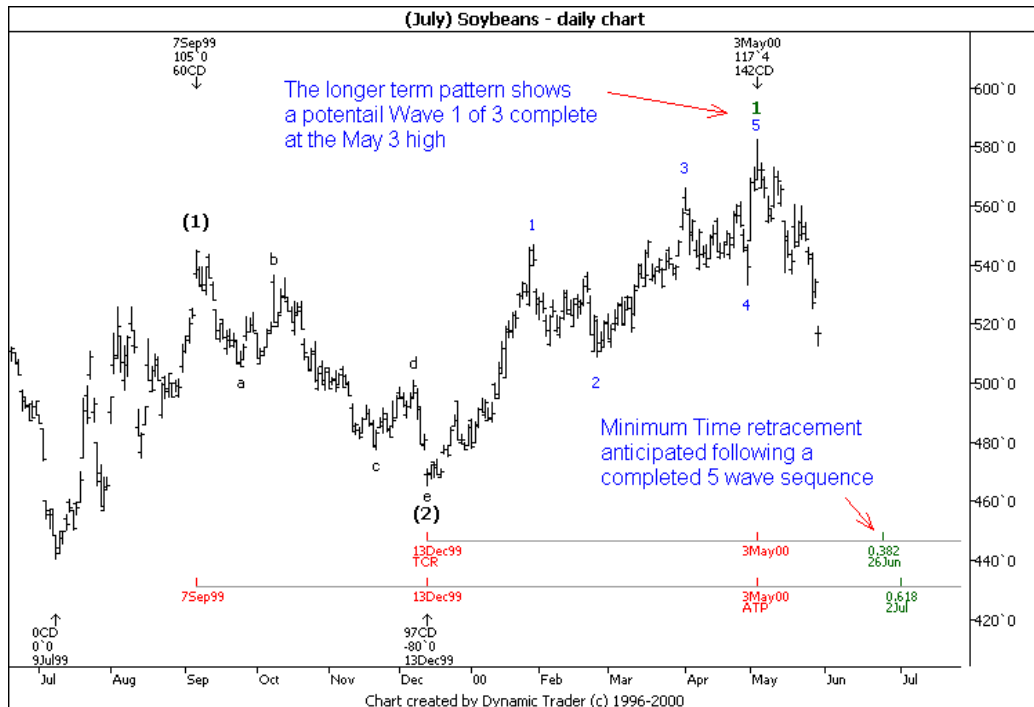
1. 100% Alternate Time projection (Apr 3 to Apr 28)
2. 100% 2<sup>nd</sup> Alternate Time projection (Jan 28 to Feb 25)

**Pattern:**

1. Simple ABC correction off May 3 high

**Price, Time** and **Pattern** have all coincided at the current low to signal a potential termination of the trend off the May 3 high. Trend termination trade entry strategies should therefore now be used to enter a long position.

The question now is, how important will the current low turn out to be? To help answer this question I will now zoom out the (July) contact to have a look at the longer-term picture:



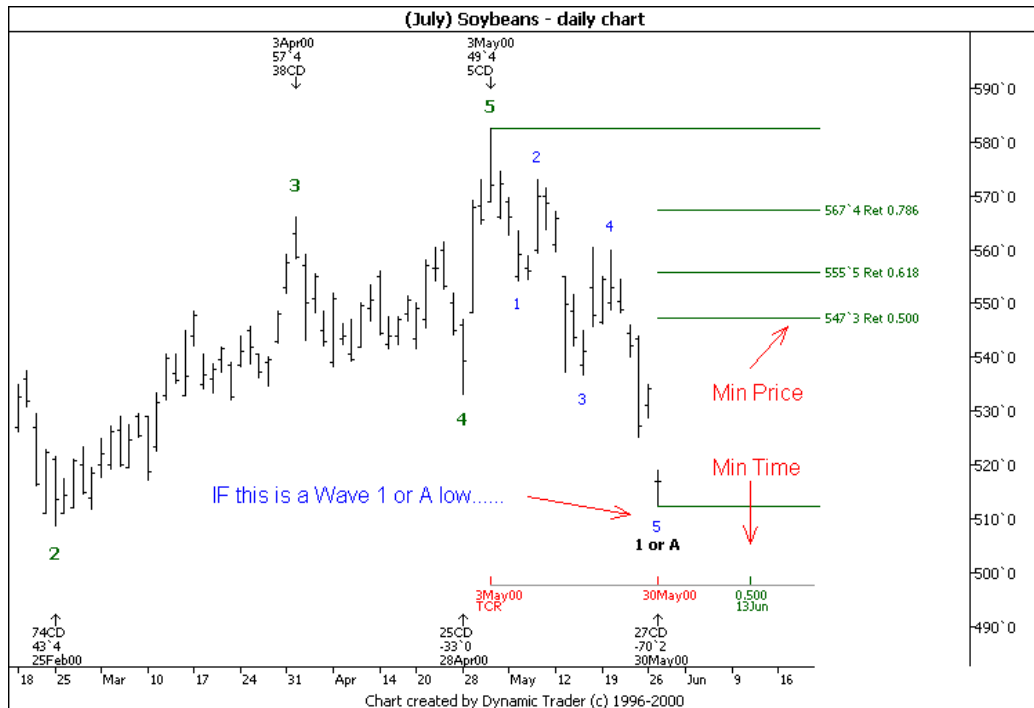
As can be seen on the chart above, the pattern shown suggests that May 3 completed a Wave 1:3 high off the Wave 2 low on Dec 13 1999, and the current decline off the May 3 high is making up part of the Wave 2:3.

If this is correct, then the *minimum* time retracement anticipated for the Wave 2:3 is 38.2% of the prior five wave rally from the Dec 13 1999 low into the May 3 high. This does not fall until June 26.

Typically, most corrections unfold as *at least* a simple ABC. The current decline off the May 3 high would therefore only be considered the Wave A of this potential ABC correction, with a corrective Wave B rally and a continued Wave C decline to follow. This is the alternate wave count described in yesterday's report.

If the current low is a Wave 1 or A, then a Wave 2 or B correction should follow, where:

- The *minimum Price* retracement anticipated is 50% of the Wave 1 or A decline at 547, and
- The *minimum Time* retracement anticipated is also 50% of the Wave 1 or A decline on Jun 13.



We now have three possible scenarios for the next move in soybeans:

1. May 30 is the termination of an ABC correction, therefore beans are anticipated to rally to new highs above the May 3 high. See the first chart in this report.
2. May 30 is the termination of a Wave 1 or A low, therefore beans are anticipated to make *at least* a two week and thirty point Wave 2 or B corrective rally. See the second chart in this report.
3. Beans decline to new lows past May 31, thus invalidating the go-long set-up.

From a *practical trading perspective*, do we need to know, *at this point in time*, which of these three scenarios is the most likely to unfold, in order to make a trading decision?

The answer is No. If scenario one unfolds, then we will be positioned long very close to the seasonal low of May 30. If scenario two unfolds, then we will be prepared for a corrective Wave 2 or B advance, looking to take a profit at potentially thirty points, the 50% retracement. If scenario three unfolds, either no trade will be triggered or a trend-reversal trade may be triggered at the current price level and a small loss will occur.

## Lessons Learned

Sometimes there will be a degree of uncertainty about the longer-term Elliott wave count on a particular market. It is not always necessary to know the exact longer-term position of a market to be able to make a trading decision.

Longer term Elliott wave counts, particularly on the grains and commodity markets, can sometimes be very misleading. It is often better to work with Price, Time and Pattern set-ups on the time frame that is to be traded in these markets and not be overly concerned with the long term position. Remember, the objective is to identify a low-risk, low-capital exposure trade opportunities and take all the market will give.

Good Trading,  
Steve

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## Specific Trade Recommendations Summary For May 31

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

Market	New Trade Recommendations or Stop-Loss For Existing Positions
<b>S&amp;P: June</b> <u>New Rec</u>	Although the trend-reversal, go-short trade entry was not triggered today, the S&P topped today at the ideal price target for a Wave-C and sold off sharply at the end of the trading session.  <u>ST &amp; IT Units</u> : For tomorrow only, sell on the close if the close is below the current day's open and the prior day's close. Place the initial protective buy-stop one tick above the recent high.
<b>Dollar Index: June</b> <u>S - 5/22, 111.16</u>	<u>IT Unit</u> : Maintain the protective buy-stop at 110.73.
<b>Crude: July</b> <u>S - 5/31, 29.69</u>	Today's wide-range outside-day triggered the go short trade.  <u>ST &amp; IT Units</u> : Maintain the protective buy-stop at 30.49.
<b>Gold: Aug</b> <u>Same Rec as yesterday</u>	Potential W.5:5 low on Thursday.  <u>ST&amp;IT Units</u> : As long as gold has not traded below 272.1, buy on a 278.1 stop and place the initial protective sell-stop at 273.2.
<b>Copper: July</b> <u>S-5/22, 83.55</u>	Copper has reached initial support area.  <u>ST &amp; IT Units</u> : Maintain the protective buy-stop on the LT unit at 83.85, and trail the protective buy-stop on the ST unit one tick above the prior day's high, 81.55, for tomorrow.
<b>Beans: July</b> <u>Same Rec as yesterday</u>	The trade entry was not triggered today.  <u>ST &amp; IT Units</u> : As long as beans have not closed below 508.4, buy on the close if the close is above the current day's open and the prior day's close. Place the initial protective sell-stop one tick below the recent low.
<b>Cotton: July</b> <u>S-5/30, 61.69</u>	May 25 is probable Wave-5 high.  <u>ST &amp; IT Units</u> : Maintain the protective buy stop at 63.76.
<b>Sugar: July</b> <u>S-5/31, 7.57.</u>	Probable W.5:5 high on May 25. Today sugar declined, electing the go-short strategy at 7.57.  <u>ST&amp;IT Units</u> : Maintain the protective buy-stop at 7.84.

## Summary of Open Trade Positions as of May 31

Market	Month	L / S	Unit	Opened	Price	Closed	Price	# Ctr	P/L	O/C
Dollar index	June	S	ST	5/22	111.16	5/30	108.33	1	\$2830	C
Dollar index	June	S	IT	5/22	111.16	-	108.66	1	\$2500	O
Cotton	July	S	ST&IT	5/30	61.69	-	62.64	2	(\$950)	O
Copper	July	S	ST&IT	5/22	83.55	-	81.50	2	\$1025	O
Crude Oil	July	S	ST&IT	5/31	29.69	-	29.03	2	\$1320	O
Sugar	July	S	ST&IT	5/31	7.57	-	7.55	2	\$44.80	O

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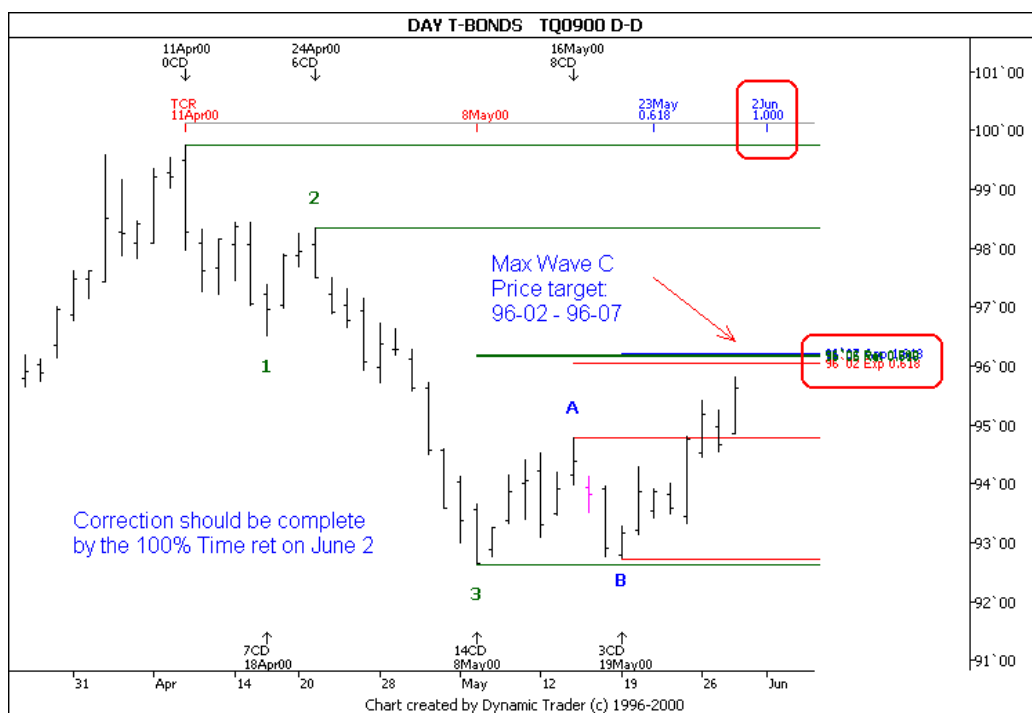
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### Other Markets of Interest Summary For May 31

Market	Other Markets of Interest
Nasdaq 100	Same as S&P. Probable Wave-C high today, which should be followed by a continued decline.
Nikkei	The decline has reached the 61.8% retracement, the probable target for a Wave-A low.
Bonds	A corrective rally should terminate in the 92-02 to 92-07 price target and by June 2. See the chart below for additional comments and analysis.
BP	New, more bearish wave count. At or near a W.3:3 low. Potential set-up June 2-7 for long trade.
CRB Index	Near historical time and price projections for a significant top.

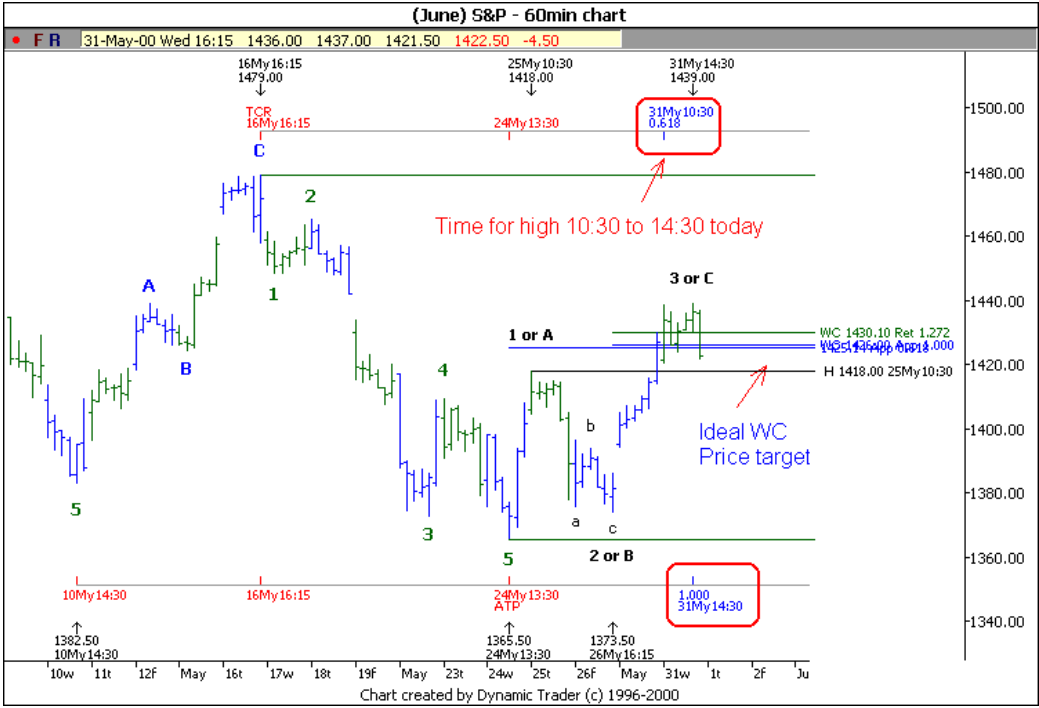
#### (June) Bonds – daily chart

Wave-C appears to be unfolding in a five-wave sequence which is typical of a Wave-C.



Continued on next page.

(June) S&P – 60min chart



End.