

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.

Simple pattern analysis

Continuing with the practical application of Price, Time and Pattern analysis, today I would like to look at how to build up an opinion of the position of a market in simple and logical steps.

As an example, I would like to look at a (July) wheat chart, starting with the longer-term picture:



In the chart above, the low of Apr 27 appears to have completed a five-wave decline off the Mar 30 1999 high. As I mentioned last week, I am normally very cautious about applying a longer-term Elliott wave count to one of the commodity markets, as for these markets the count is notoriously inaccurate.

What information can we gather from this chart? In very simple terms, we can see that the rally from the Apr 27 low into the May 12 high is the *first* rally off a potentially important low. This is all the information we need to be able to start to form an opinion of the current position of wheat.

Next we can *zoom in* to look at the lesser degree swings, where we can see that the decline from the Feb 11 high into the Apr 27 low appears to have unfolded as a diagonal triangle:



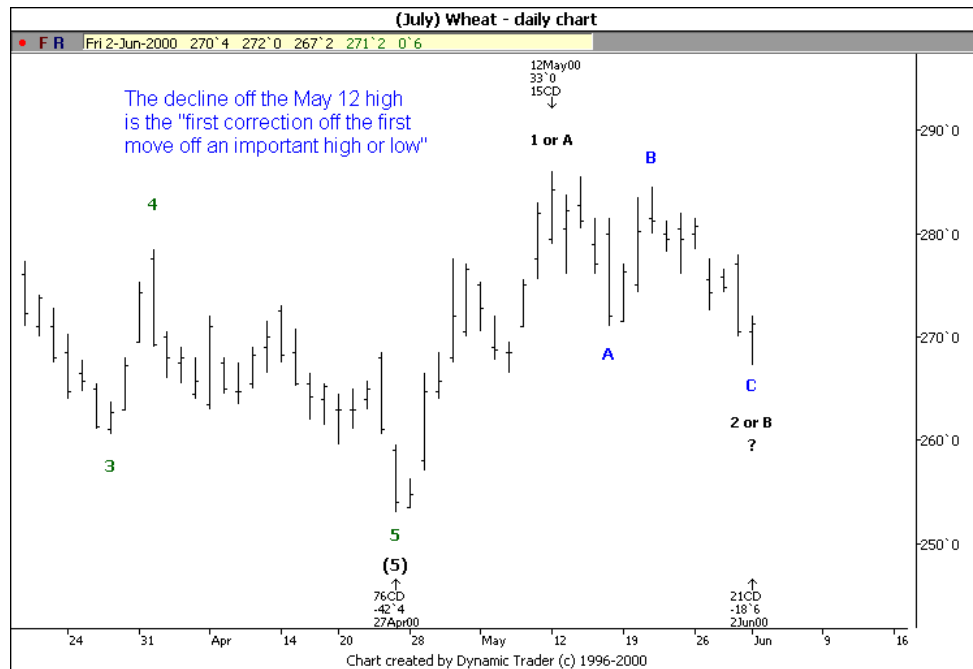
The decline off the Feb 11 high appears to have unfolded as a five-wave sequence with the waves overlapping each other. This would normally invalidate the five-wave count and point to this being a corrective pattern. However, this swing is *in the direction of the main trend* so therefore must be impulsive by nature.

The only place where an overlapping five-wave sequence is considered to be part of an impulsive sequence is in the case of a diagonal triangle. Diagonal triangles normally only unfold as part of a Wave 5, hence adding weight to the opinion that Apr 27 completed a potential Wave (5) low.

Keeping the pattern analysis very simple, we would therefore consider the high of May 12 as the *first move* off a potentially important low, and label it as a Wave 1 or A high.

The April 27 low to the May 12 high appears to be just a three wave structure so it would more likely to a Wave-A rather than a Wave-1. In either case, the trading strategies are the same. That is, we want to identify the termination of the Wave-2 or B low to position long for the potential Wave-C or 3 advance.

Wheat (July): Data Through Friday, June 2



Elliott wave analysis does not have to be rocket science; sometimes the best results can be achieved when taking small, obvious and logical steps. Tomorrow I will build on this simple initial pattern analysis to show how we can then include the full price, time and pattern analysis for a Wave 2 or B to develop a trading strategy. I will also include the parameters that would either confirm or invalidate this wave count.

Lessons Learned

Keep your pattern analysis simple and logical.

Good Trading,
Steve

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Specific Trade Recommendations Summary For June 5

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

Market	New Trade Recommendations or Stop-Loss For Existing Positions
Bonds: Sep <u>New Rec.</u>	Bonds made an inside day today. See chart below for addition analysis and comments. <u>ST & IT Units</u> : Sell at 97.10. Place the initial protective buy-stop at 97.31. OR If the above set-up is not triggered, as long as bonds have not traded above 97.10, sell on a 96.14 stop. Place the initial protective buy stop at 97.02.
Dollar Index: June <u>S - 5/22, 111.16</u>	<u>IT Unit</u> : Trail the buy-stop one tick above the 1DH (107.98 for tomorrow), OR Stop and Reverse to a net long position (2-units long) on a close if the close is above the current day's open and the prior day's close. If the S&R is elected, place the initial protective sell-stop one tick below the recent low.
Gold: Aug <u>L - 6/2, 278.1</u>	<u>ST</u> : Adjust the stop to 278.7. If gold trades above 293.5, trail the protective sell-stop on the ST unit one tick below the 1DL. <u>IT Units</u> : Adjust the stop to 278.7.
Copper: July	Today's reversal confirmation day closed out the IT unit at 80.20. There are no new recommendations.
Cotton: July <u>S-5/30, 61.69</u>	<u>ST & IT Units</u> : Trail the protective buy stop one tick above the 1DH (59.35 for tomorrow), or exit on a close if the close is above the current day's open and the prior day's close.

Summary of Open Trade Positions as of June 5

Market	Month	L / S	Unit	Open e d	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	-	107.38	1	\$3780	O
Cotton	July	S	ST&IT	5/30	61.69	-	58.55	2	\$3140	O
Copper	July	S	ST	5/22	83.55	6/01	81.55	1	\$500	C
Copper	July	S	IT	5/22	83.55	6/05	80.20	1	\$838	C
Gold	Aug	L	ST&IT	6/2	278.1	-	288.1	2	\$2000	O

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Other Markets of Interest Summary For June 5

Market	Other Markets of Interest
S&P	At or near a Wave-3 high. Potential short-term go-long trade at Wave-4 price targets. Larger degree pattern not clearly defined but the working assumption is May 24 completed a correction. Major resistance at 1512-1526.
Nasdaq 100	Same as position as the S&P.
Crude (July)	Still appears to be at important high but recent volatility and wide-range days do not provide a low -capital exposure set-up to go short. A trade below 28.95 confirms May 26 as a top.
Sugar	Next major resistance at 8.45-8.74.
Beans	Today beans made an inside day. Although a trade above 534.4 would signal a continued rally in the short term, a better set-up to position long would be on an ABC correction into at least a 50% retracement of the rally from the May 30 low.

(Sep) Bonds – 15min chart

