

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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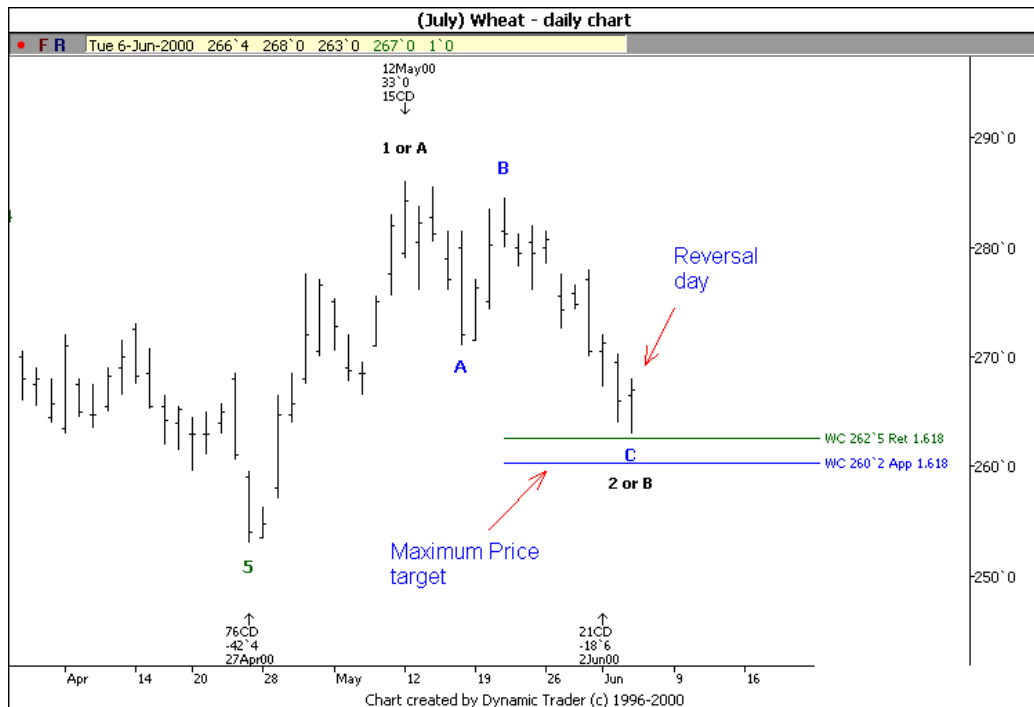
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The analysis and trading strategies described in this report are for educational purposes only. The commentary in this report may or may not relate to a specific trade recommendation made in the Dynamic Trader Report. The weekday issues of the Dynamic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

Simple Analysis Procedure – Part 3

Continuing with the practical application of Price, Time and Pattern analysis, today I would like to look at the trade entries following the potential Price, Time and Pattern set-up from (July) wheat yesterday.

We saw how (July) wheat appeared to be making a Wave 2 or B correction. The aim now is to enter a long position using a trend reversal entry strategy since wheat had reached the price, time and pattern targets for a potential Wave 2 or B low:



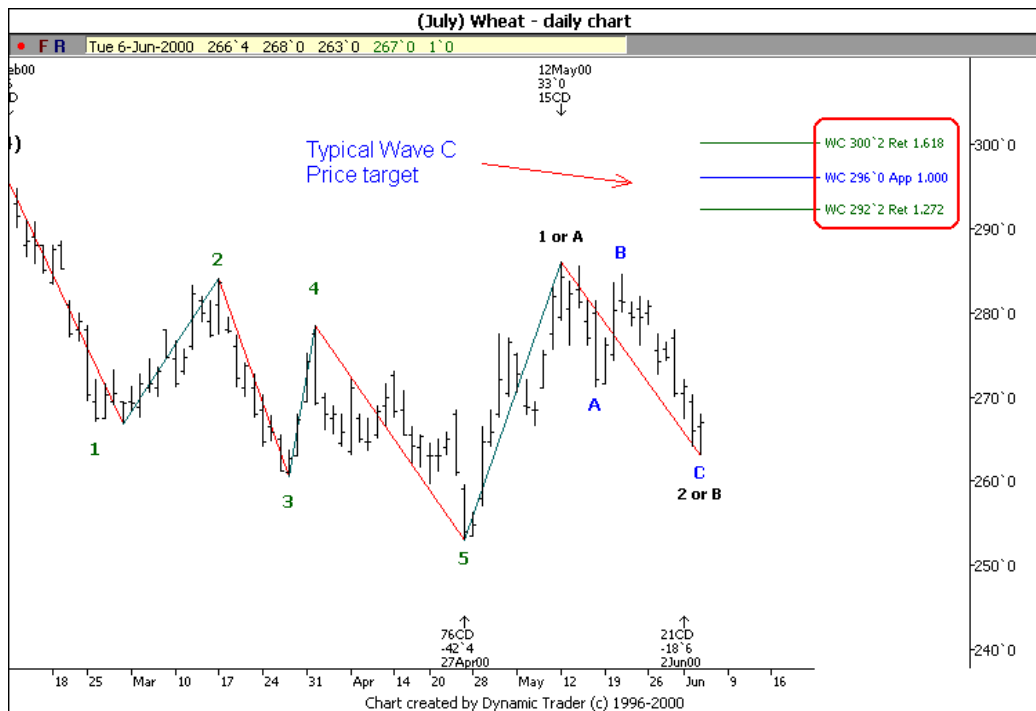
On June 6, wheat made a *reversal day* right in the *maximum* price target of 260.2 – 262.4. A reversal day low (reverse for a high) is a day where the market makes a new intraday low then rallies to close above both the current day's open and the prior day's close. This is a signal of strength entering the market.

The trade entry would be to buy on the close once the criteria for a reversal day have been met, and to place the initial protective sell-stop one tick below the reversal day low. This would have resulted in a long trade from 267, with a protective sell-stop placed at 262.6 – all for an initial capital exposure of 4 ½ points or just \$225 per contract.

If a reversal day set-up is missed for whatever reason, a trade may also be entered the following day on the break of the reversal day high (in the case of the buy set-up), with the initial protective sell-stop one tick below the reversal day low.

Today wheat continued to decline, stopping out this trade for a loss.

Does it matter that this set-up resulted in a loss? No - if wheat makes a Wave 2 or B low at these levels then at least a Wave C type rally is anticipated. The *typical* price target for this rally would be 292 – 300, or an advance of approximately 25 points. The *typical* Wave C price target includes the important Wave C = 100% Wave A relationship. If the rally turns out to be a Wave 3, the price target will be higher still.

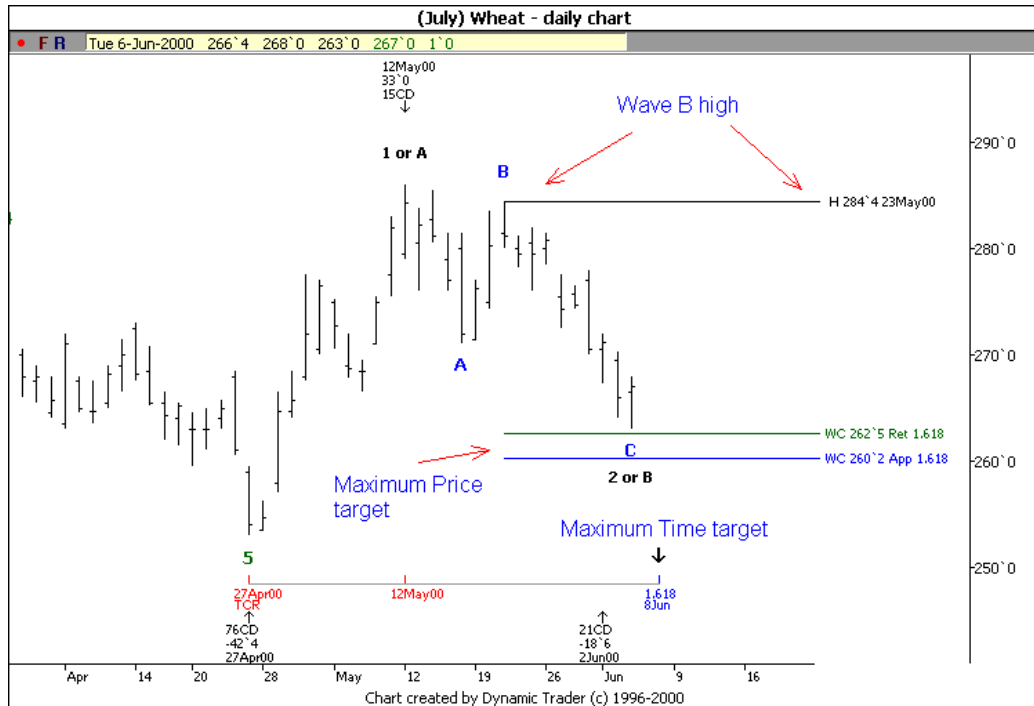


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Not all set-ups result in a profit. Keeping the losses small (4 1/2 points in this example) in relation to potential profits (a potential of at least 25 points in this example) is *what provides the foundation for long term success in the business of speculation.*

Therefore we keep taking valid trend reversal trade set-ups until the Wave 2 or B set-up is invalidated. Many amateur traders find it difficult to re-enter a market straight after a losing trade. It is one of the differences between winners and losers. *Winners will continue to attempt the trade when the set-up is made until the market invalidates the set-up.*

The last stage is to set the criteria that would either confirm or invalidate this set-up.



A trade above the Wave B high of May 23 would confirm that the Wave 2 or B low is complete. However, a continued decline to make new closing lows below the *maximum price target* of 260.2 – 262.4 and beyond the *maximum time target* of June 8 would invalidate a potential Wave 2 or B set-up.

Lessons Learned

Once a market trades into price, time and pattern coincidence for the termination of a trend, trend reversal entry techniques are used to enter the market. This is the easy part as all the trend reversal strategies used are completely automatic, including the corresponding stop loss placement.

If the initial trade results in a loss, any subsequent trend reversal set-ups that occur must also be taken, as long as the market does not trade past the criteria that invalidate the current set-up.

Good Trading,
Steve

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Specific Trade Recommendations Summary For June 7

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	Today bonds rallied, closing the short position at 97.02. While we still anticipate that June 2 completed a Wave-5 high, there are no new recommendations until a low-risk set-up is made.
Dollar Index: June <u>S - 5/22, 111.16</u>	The dollar index has reached the time, price and pattern for the potential termination of a five-wave decline off the May 19 high. <u>IT Unit:</u> Trail the buy -stop one tick above the 1DH (106.66 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>	Today gold made an inside day. <u>ST Unit:</u> Trail the protective sell-stop one tick below the 1DL (286.7 for tomorrow), OR Exit on the close if the close is below the current day's open and the prior day's close. <u>IT Unit:</u> Maintain the protective sell-stop at 278.7.
Cotton: July	Today's reversal day closed out both the short positions at 58.25. There are no new recommendations.
Soybeans : July <u>New Rec</u>	Today beans reversed at the <i>maximum</i> Wave 2 or B target zone given the revised wave count shown on the chart below, but did not make a reversal day. Therefore the best trade entry is on a break of the minor Wave b high. See chart below. <u>ST & IT Units:</u> As long as beans have not traded below 515.5, buy on a 531.2 stop. Place the initial protective sell-stop one tick below the recent low.
Wheat: July <u>New Rec</u>	The 268.2 buy stop to go-long recommended in yesterday's report was not elected today. <u>ST & IT Units:</u> As long as wheat has not closed below 260, buy on the close if the close is above the current day's open and prior day's close. Place the initial protective sell-stop one tick below the recent low.

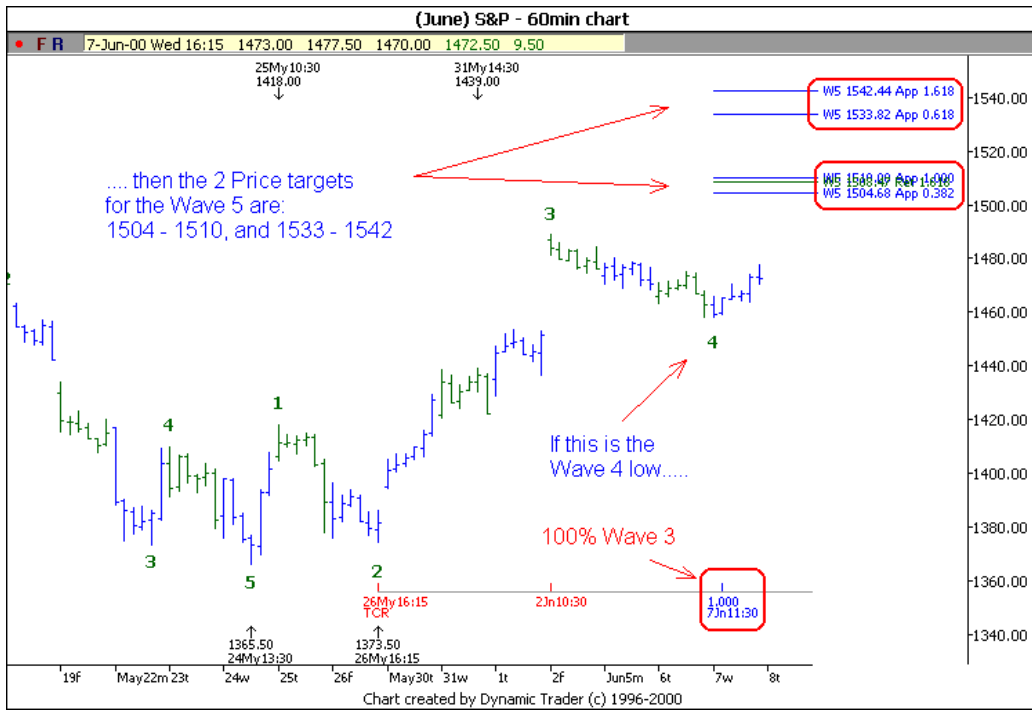
Summary of Open Trade Positions as of June 7

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	-	106.16	1	\$5000	O
Cotton	July	S	ST&IT	5/30	61.69	6/6	58.25	2	\$3440	C
Copper	July	S	ST	5/22	83.55	6/1	81.55	1	\$500	C
Copper	July	S	IT	5/22	83.55	6/5	80.20	1	\$837.5	C
Gold	Aug	L	ST&IT	6/2	278.1	-	290.0	2	\$2380	O
Bonds	Sep	S	ST&IT	6/6	96.14	6/7	97.02	2	(\$1250)	C

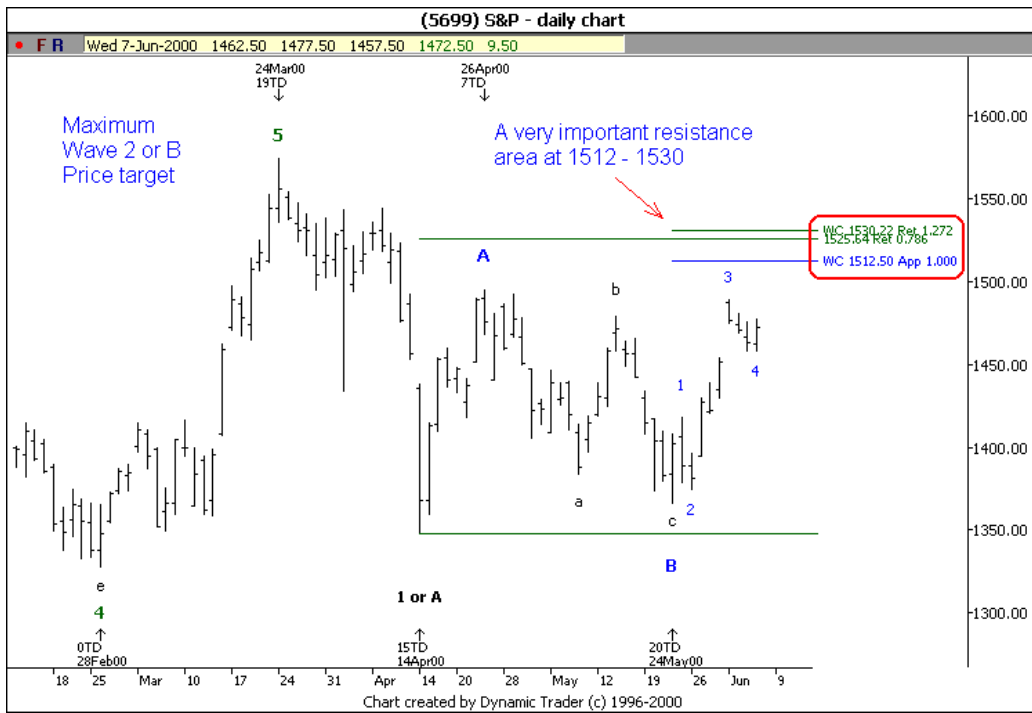
Other Markets of Interest Summary For June 7

Market	Other Markets of Interest
S&P	<p>It appears a lesser degree Wave 4 low completed today (above the ideal W4 price target from the Saturday report). If this is the anticipated Wave 4, then we should prepare for the termination of the Wave 5 for a possible major high in the S&P.</p> <p>The lesser degree Wave 5 projections are falling in a very important resistance target on the daily chart.</p> <p>I cannot stress enough the potential importance of this price target, as:</p> <ol style="list-style-type: none"> 1. A close above this price target would probably signal a continued advance to new highs, whereas, 2. A reversal in this Wave-5 price target would signal the completion of a Wave 2 or B high. This would signal that at least a 200 point decline should follow. <p>The S&P is approaching an area where a very important decision will be made. See the chart below.</p>
Nasdaq 100	<p>The Nasdaq also appears to have completed a minor Wave 4 low today. Initial Wave 5 price target for the completion of a five-wave advance off the May 24 low is <u>3954 – 4003</u>.</p>
Crude (July)	<p>Still appears to be at an important high but recent volatility and wide-range days do not provide a low capital exposure set-up to go short.</p>
Sugar	<p>Next major resistance at 8.45-8.74.</p>

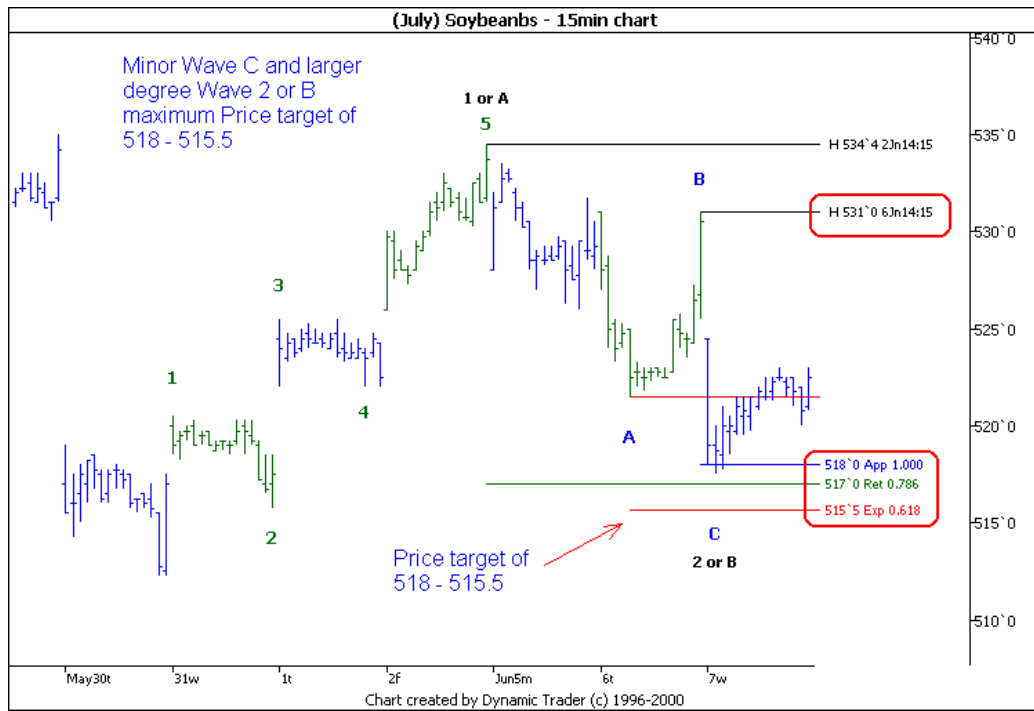
(June) S&P – 60min chart



(June) S&P – daily 56/99 chart



(July) Soybeans – 15min chart



End