

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 Analysis Procedure

Continuing with the practical application of Price, Time and Pattern analysis, today I would like to look at the S&P. As the minor pattern is somewhat unclear, I would like to look at a very simple view of the longer-term position.

First let's look at the weekly chart of the S&P:



Here we see a market that is making higher highs and higher lows – the basic definition of a Bull trend.

I have also drawn a simple trend line connecting all these lows - this very chart will be pinned to the wall of every fund manager and longer-term professional investor. They will all know that 1365 is the last low point in this up-trend!

Now I would like to move down to the daily chart and have a look at the pattern since the Mar 24 high.



Most of the time, market tops and bottoms terminate in easily identifiable Elliott patterns and at an exact price and time coincidence. Sometimes, however, the pattern is not as clear as we would like and this is where a lot of pure Elliott wave analysts get into trouble. They force a specific count on a chart, often with disastrous results. In a situation such as this I find it is often best to go back to basics and look at the *general form* of the market swings themselves.

IF the high of Mar 24 is a Wave-5 high, then the decline into Apr 14 is the *initial decline* to this important high, and the current rally is the *initial correction to the initial decline off an important high*. In Elliott wave terms, the low of Apr 14 would be considered a Wave 1 or A and a Wave 2 or B is currently unfolding.

Yes the decline into the Apr 14 low appears to split into 3 lesser degree waves (an ABC?), but I want to stick with general and simple observations at this stage. Besides, a Wave-A may divide into a three-wave, ABC.

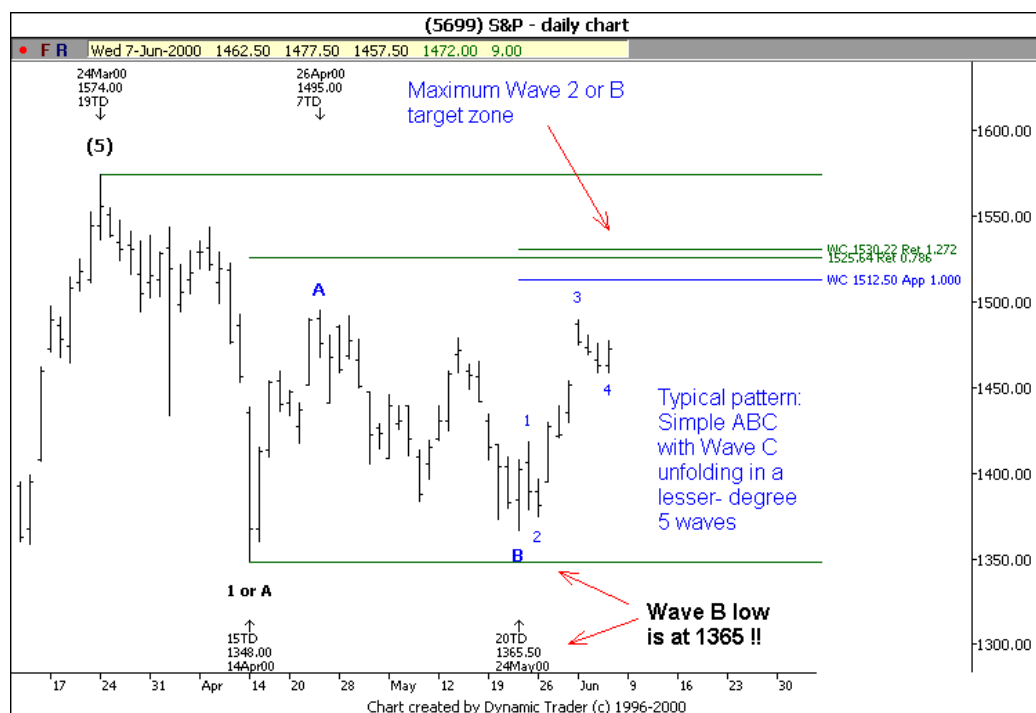
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So what do we know about the *typical* characteristics of a Wave 2 or B correction?

1. A Wave 2 or B correction *typically* unfolds as a simple ABC, with Wave C sub-dividing into a lesser-degree five-wave count.
2. The *typical* price target for the termination of the Wave C is the price cluster that includes the important Wave C = 100% Wave A relationship.
3. The *maximum* price target for the entire Wave 2 or B correction is the 78.6% retracement of the Wave 1 or A swing.

Sound familiar?



This is why this price target is so important, as it should be the place where S&P traders will make a major decision:

- A close above this price level would invalidate this scenario, and therefore indicate a continued advance to much higher prices, whereas
- Confirmation of the completion of an ABC correction is a decline below the Wave B low.

The Wave B low is at 1365, which as we have seen from the chart on the first page would break a long-term trend line, thus grabbing the attention of every long-term fund manager in the world!

Trading is not about predicting the future, but being able to identify *in advance* the price, time and pattern of a market where a trend termination is anticipated. This then enables us to enter trades using trend reversal entry techniques, very often right as a market turn is coming in.

Not all trades are profitable or all analysis turns out exactly as anticipated. But, being *prepared in advance* enables us to enter a trade with a *small* initial capital exposure compared to the profits anticipated. This is the fundamental part of any successful trader's trade plan – keep the losses small and run the profits.

Lessons Learned

Sometimes a very simple look at the position of the market swings will reveal a workable Elliott wave count.

I am not suggesting this is the only possible way to look at the pattern since the May 24 high. In the Saturday report, Bob outlined two alternate wave counts, one of which I described above in more detail. I have also received several e-mails with other suggestions. Technical analysis is not about guessing which count is the “correct one”, it is about preparing *in advance* for the price, time and pattern to anticipate a possible trend termination, then setting criteria that will either confirm or invalidate that opinion.

The only one who will always be correct is the market itself!

Good Trading,
Steve

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Specific Trade Recommendations Summary For June 8

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

Market	New Trade Recommendations or Stop-Loss For Existing Positions
Dollar Index: June <u>L – 6/8, 106.73</u>	The dollar index made a reversal day today, stopping out the remaining short position at 106.66, then entering a new long position on close at 106.73. <u>ST&IT Unit:</u> Maintain the initial protective sell-stop at 105.49.
Gold: Aug <u>L – 6/2, 278.1</u>	Today gold declined, stopping out the ST position at 286.7. <u>IT Unit:</u> Maintain the protective sell-stop at 278.7.
Soybeans: July <u>Same Rec as yesterday</u>	Position unchanged from yesterday. <u>ST & IT Units:</u> As long as beans do not trade below 515.5, buy on a 531.2 stop. Place the initial protective sell-stop one tick below the recent low.
Wheat: July <u>L – 6/8, 266.4</u>	Today wheat made a reversal confirmation day, thereby electing a new long position on close at 266.4. <u>ST & IT Units:</u> Place the initial protective sell-stop at 259.6, one tick below the recent low.

Summary of Open Trade Positions as of June 8

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	6/8	106.66	1	\$4500	C
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	6/2	278.1	6/8	286.7	1	\$860	C
Gold	Aug	L	IT	6/2	278.1	-	287.0	1	\$890	O
Bonds	Sep	S	ST&IT	6/6	96.14	6/7	97.02	2	(\$1250)	C
Dollar Index	June	L	ST&IT	6/6	106.73	-	106.73	2	\$0	O
Wheat	July	L	ST&IT	6/6	266.4	-	266.4	2	\$0	O

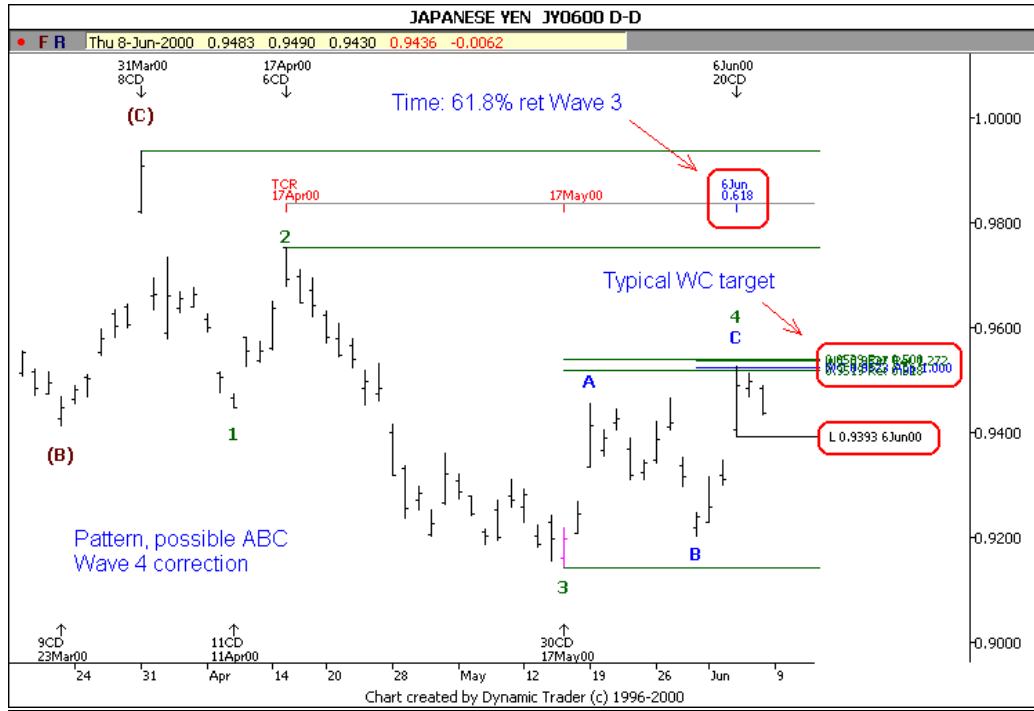
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Other Markets of Interest Summary For June 8

Market	Other Markets of Interest
S&P	<p>It still appears a lesser degree Wave 4 low completed yesterday (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 price target would signal the completion of a daily Wave 2 or B high. This would signal that at least a 200 point decline should follow. <p>Today the S&P made an inside day. A break of 1477.50 would confirm the lesser degree Wave 4 completed at yesterday's low</p>
Nasdaq 100	<p>The Nasdaq also appears to have completed a minor Wave 4 low yesterday. 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>
Yen	<p>The Yen appears to have completed an ABC correction on Jun 6. A decline below Tuesday's low of 93.93 would confirm a top. If this is correct, then the Yen will now continue its decline to below the May 17 low of 91.42.</p> <p>This is not a specific trading recommendation due to the high initial capital exposure required for the trade. See chart below.</p>
Corn and Oats	<p>Both corn and oats appear to have declined in a five-wave sequence off the May 3 high. Traders should be prepared for a trend reversal in both these grains soon. See the charts below.</p>

Continued on next page

(June) Yen – daily chart



(July) Corn and Oats – daily charts

