Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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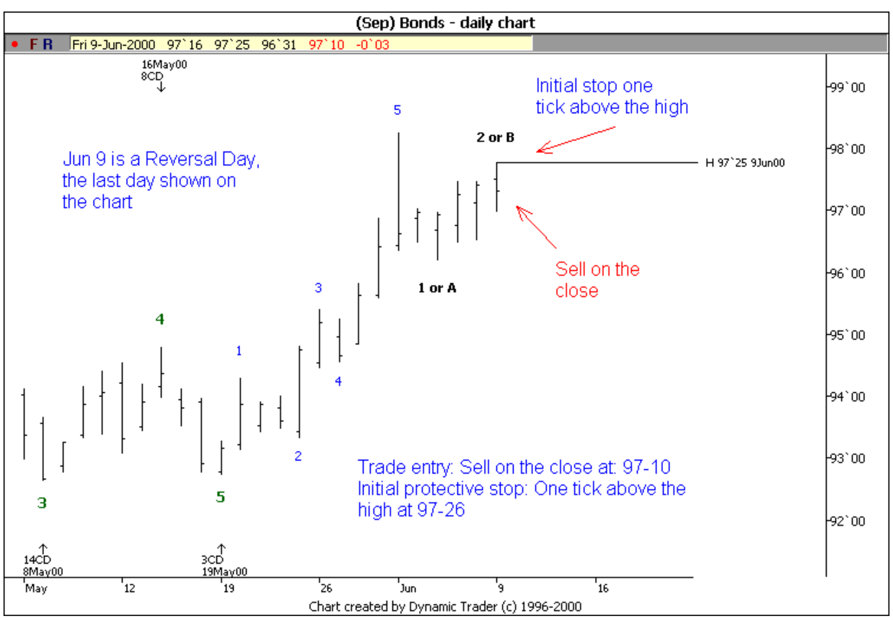
Special Note: This was the trade tutorial prepared for yesterday's report. We had some email/ISP problems and didn't receive it in time to distribute yesterday.

More Simple Analysis Procedure

Continuing with the practical application of Price, Time and Pattern analysis, today I would like to look at two possible trend reversal trade set-ups that could be used to enter a new short trade off the possible Wave 2 or B high at 9:20 on Jun 9, as outlined in yesterday's report.

For the first set-up, I would like to look at a daily chart of (Sep) bonds on June 9, the last bar shown on the chart below:

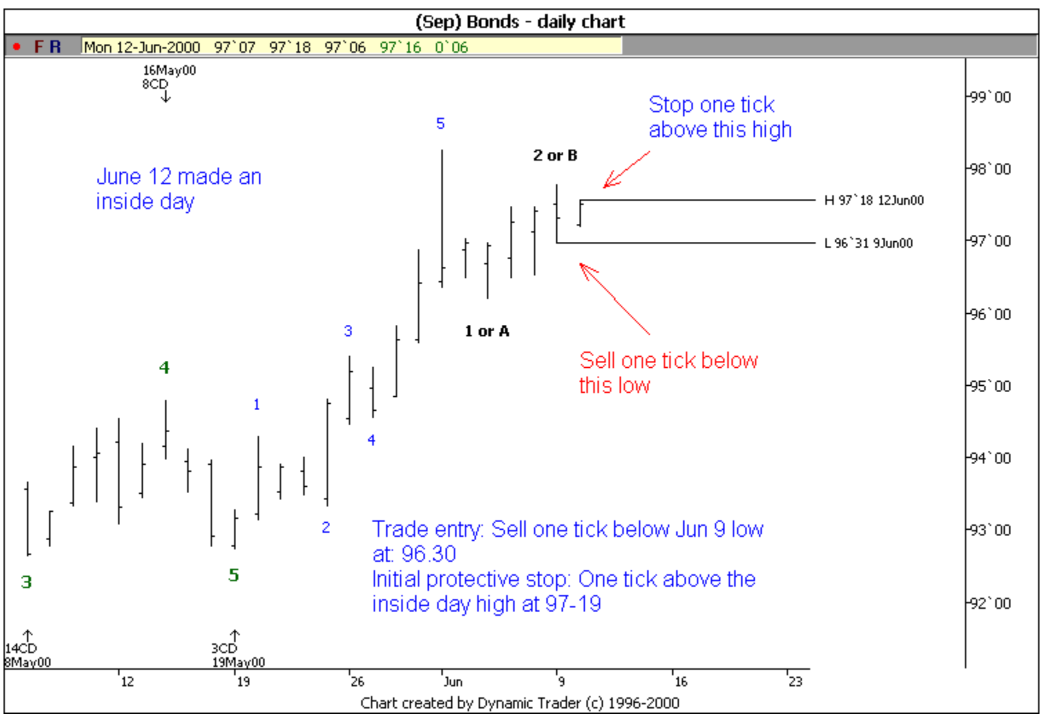


June 9 is a reversal day. A reversal day top (reverse for a bottom) is made when a market makes a new daily high but closes below the prior day's close and the current day's open. The trend to new highs cannot be sustained by the close of the day.

A trend reversal trade entry strategy is to sell on a daily reversal signal if a market has reached the time, price and pattern position for a reversal. The trade entry for a reversal-day is to sell on the close (for a top – reverse for a buy), placing the initial protective buy stop (sell stop for a long position) one tick above the high of the reversal day itself.

In this example, this would place you in a new short trade at 97-10 with your protective buy stop at 97-26, all for an initial capital exposure of $500 per contract.

The next day, Jun 12, made an inside day, giving a second potential go-short trade-entry strategy:

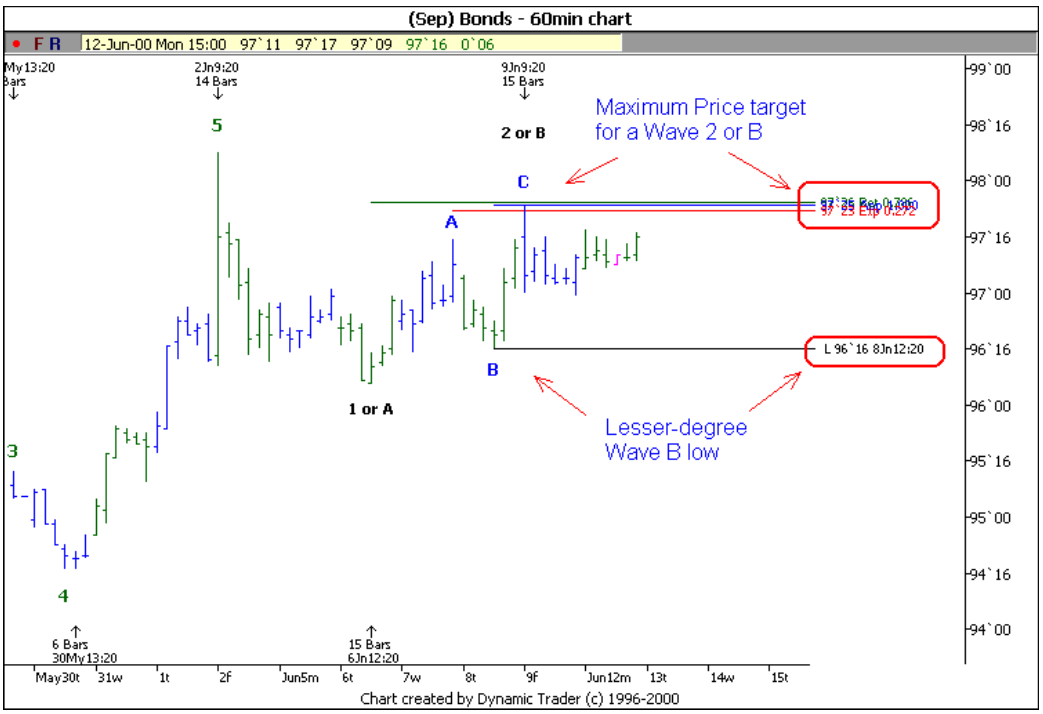


June 12 made an inside day. An inside day is defined as a day when the high is lower then the high of the previous day and the low is higher than the low of the previous day. In other words the price range of the day is within the prior day's price range.

The inside-day trade-entry is a trend continuation strategy. In this case, we are interested in a go-short set-up because bonds have reached the extreme objective for a corrective high. The inside-day trade-entry strategy is to sell one tick below the low of the day prior to the inside day, placing the initial protective buy stop one tick above the high of the inside day itself, or the high of the day of entry, whichever is the higher.

In this example, at the time of writing, **if** bonds decline to elect the sell order, this would place you in a new short trade at 96-30 with your protective buy stop at 97-19, all for an initial capital exposure of $656.25 per contract.

Lastly, we need to set criteria that would either confirm or invalidate the current analysis. For this I would like to turn to the 60min chart:



As we saw yesterday, the high at 9:20 on Jun 9 was made at the *maximum* price target for a Wave 2 or B. A close above this level would therefore invalidate this high as a potential Wave 2 or B. A close below the lesser-degree Wave B low at 96-16 would signal June 9 should be a Wave 2 or B high.

Lessons Learned

These were two examples of recent trade set-ups based on the current position of (Sep) bonds and the criteria that would confirm or invalidate June 9 as a Wave 2 or B high. To review the trend-reversal and trend-continuation trade-entry strategies, see the Dynamic Trading book and our recent tutorials. The DT book and recent tutorials have also shown how to project the minimum, typical and maximum price objectives for an ABC correction.

Good Trading,
Steve

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Specific Trade Recommendations Summary For June 14

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

Market	New Trade Recommendations or Stop-Loss For Existing Positions
S&P (Sep) L-6/13, 1494.25	**Analysis on the full S&P – trade execution on the E-mini.** The Wave 5 of 5 price target coincides with the Wave-5 and Wave-C targets at 1523-1547. Today's low reached the ideal target for W.4:5 at 1493.75-1488.50. See charts below. ST&IT Units: Adjust the protective sell-stop at 1482.50, just below the potential W.1 high. If the S&P trades above 1502.50, adjust the stop on both units to 1489.50. If the S&P trades above 1523, trail the protective sell-stop on the ST position one tick below the 1DL.
Bonds (Sep)	Today's rally stopped out both units at 97.19. There are no new recommendations.
Dollar Index (Sep) L-6/12, 106.68	Wave-5 low complete on Thursday at 78.6% retracement. ST and IT Units: Maintain the protective sell-stop at 105.53.
AD (Sep) L-6/12, 0.5908	IT Units: Maintain the protective sell-stop at 0.5908, ST Unit: Trail the protective sell-stop one tick below the 1 DL, 0.5994 for tomorrow.
Gold (Aug) L-6/2, 278.1	IT Unit: Maintain the protective sell-stop at 285.7 one tick below the minor Wave 4 low.
Wheat (July)	Today's decline stopped out both units at 262.0. There are no new recommendations
Cotton (July) Same rec. as yesterday	Tuesday outside reversal day completed a Wave 5 decline. ST&IT Units: Buy cotton on a 58.05 stop and place the initial protective sell stop at 56.10.

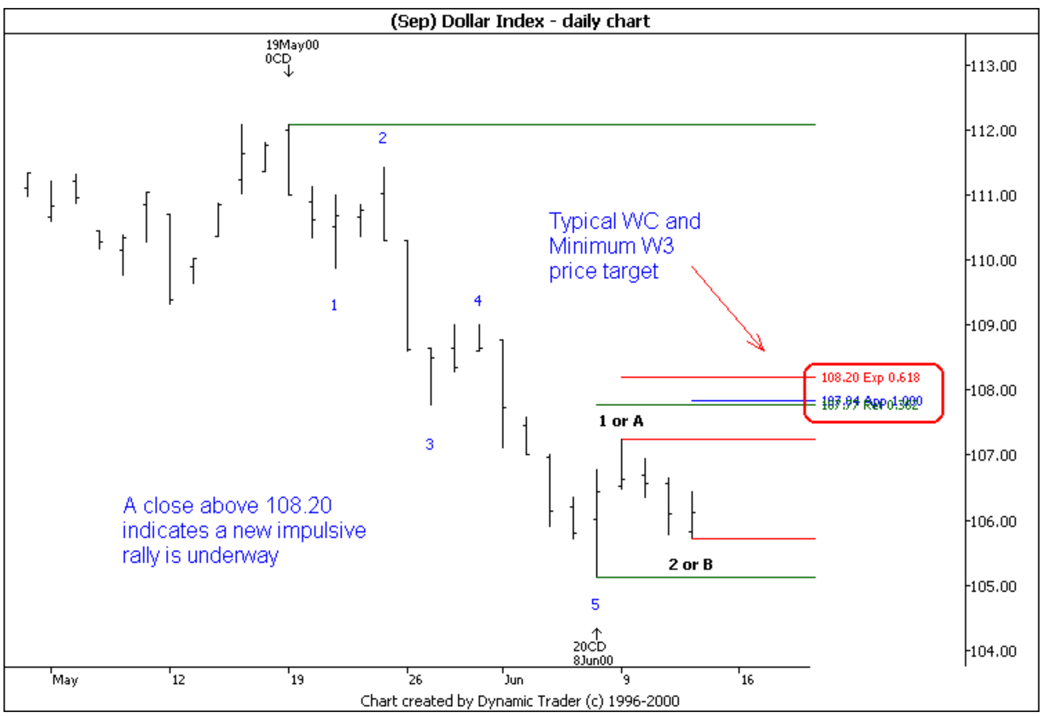
Summary of Open Trade Positions as of June 14

Market	Month	L / S	Unit	Opened	Price	Closed	Price	# Ctr	P/L	O/C
Gold	Aug	L	IT	6/2	278.1	-	294.2	1	$1610	O
Dollar Index	June	L	ST&IT	6/6	106.73	6/12	107.03	2	$600	C
Dollar Index	Sep	L	ST&IT	6/12	106.68	-	106.11	2	($1140)	O
Wheat	July	L	ST&IT	6/6	266.4	6/14	262	2	($440)	C
AD	Sep	L	ST&IT	6/12	.5908	-	.6014	2	$2120	O
S&P	Sep	L	ST&IT	6/13	1494.25	-	1497.50	2	$325	O
Bonds	Sep	S	ST&IT	6/13	96.30	6/14	97.19	2	($1312)	C

Other Markets of Interest Summary For June 14

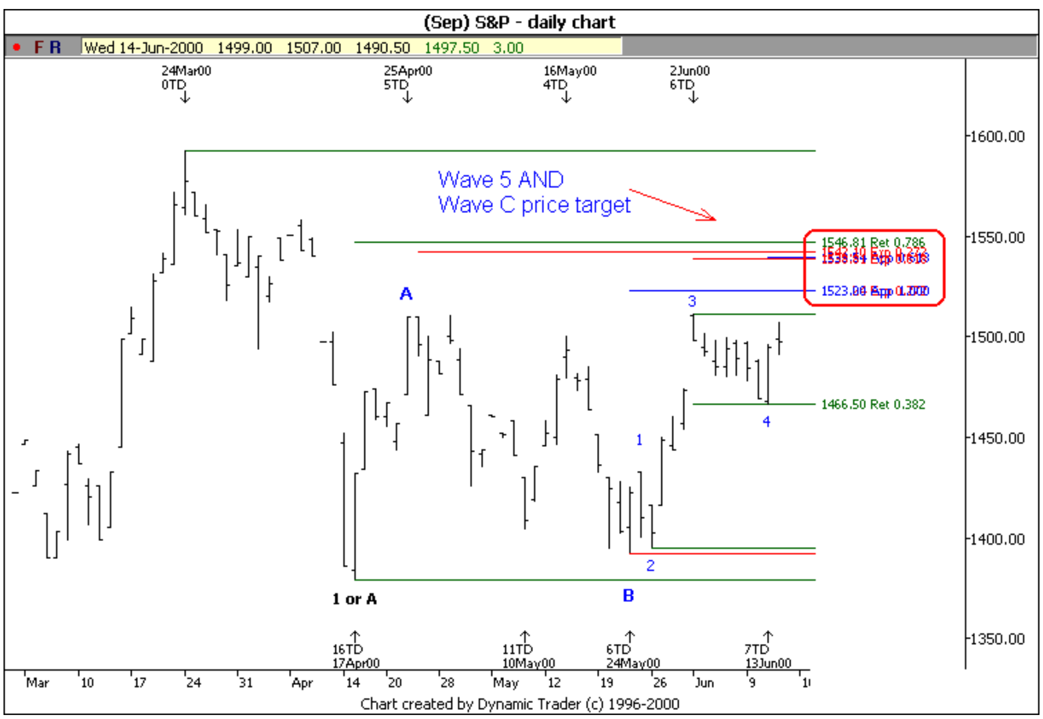
Market	Other Markets of Interest
DJIA	June 3-8 is a strong time cluster with potential to complete an ABCDE correction. The breakout direction from the recent narrow trading range should define the direction of the main trend.
Nasdaq 100	Minor abc W.4 low appears complete at the Jun 13 low. Ideal target for W.5 is 3954-4003
ECU	Trades inversely to the dollar index. Made a W.5 high on June 8. Should retrace 50% to .9284.
Copper	The assumption is a corrective low is complete on June 7 and copper should advance to at least the 50% retracement at 81.95 and probably continue to above the May 18 high.
Beans (July)	The critical time target for a low at this time is the broad period of June 20 – July 5 and the critical price target at 491-486.

(Sep) Dollar Index – daily chart



(Sep) S&P – 60min chart

(Sep) S&P – daily chart



S&P (E-mini) Sept. – 15minute Data

If today made the Wave-3 or 5 high, the ideal target for the W.4 low is 1493.75-1488.50 which includes the 38.2%-50% retracement of Wave-3 and the 100% Alternate Price Projection of Wave-2. Comparable price range for the full contract is 1492.7-1488.2.

The stop on a long position should be no lower than just below the W.1 high. If the S&P advances above the recent minor swing highs signalling the W.4 low should be complete, the stop on long positions should be advanced to just below the potential W.4 low.