

# Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

Published By

**Dynamic Traders Group, Inc.**

DynamicTraders.com

dt@dynamictraders.com

520-797-3668

Wednesday, June 28, 2000

Prepared by: Stephen Griffiths

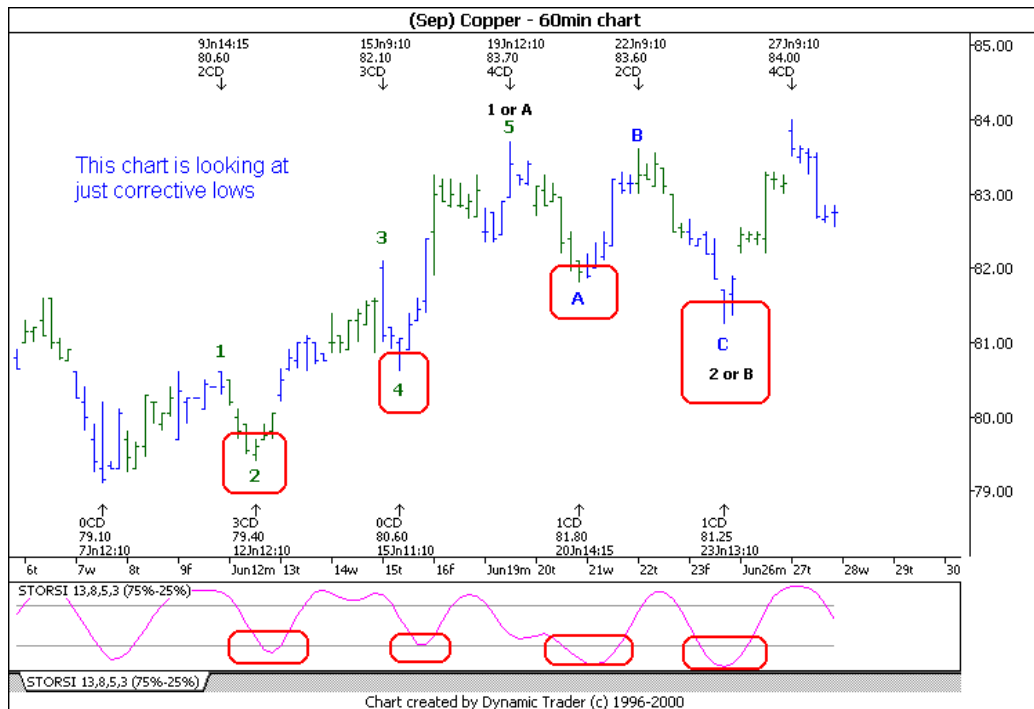
Steve@dynamictraders.com

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 and Practical Analysis Procedure

Today I would like to look at the use of the Stochastic-RSI as an indicator to help alert when a market is in a position to terminate a correction.

Let's look at a 60min chart of (Sep) Copper which we have looked at for the tutorials the last couple of days.



In the chart above we can see that each corrective swing low fell in the area where the stochastic RSI had dipped below the lower 25% band.

The stochastic RSI is a combination of two indicators; it is derived by running an RSI through a stochastic calculation. Thus, just as the Stochastic measures where closing prices are within the recent trading range, the Stochastic RSI measures where the current value of the RSI is relative to its recent high-low range. In Dynamic Trader, the indicator can then be "double smoothed" by a moving average of the moving average.

Let's have a look at another current chart on the 15min S&P:



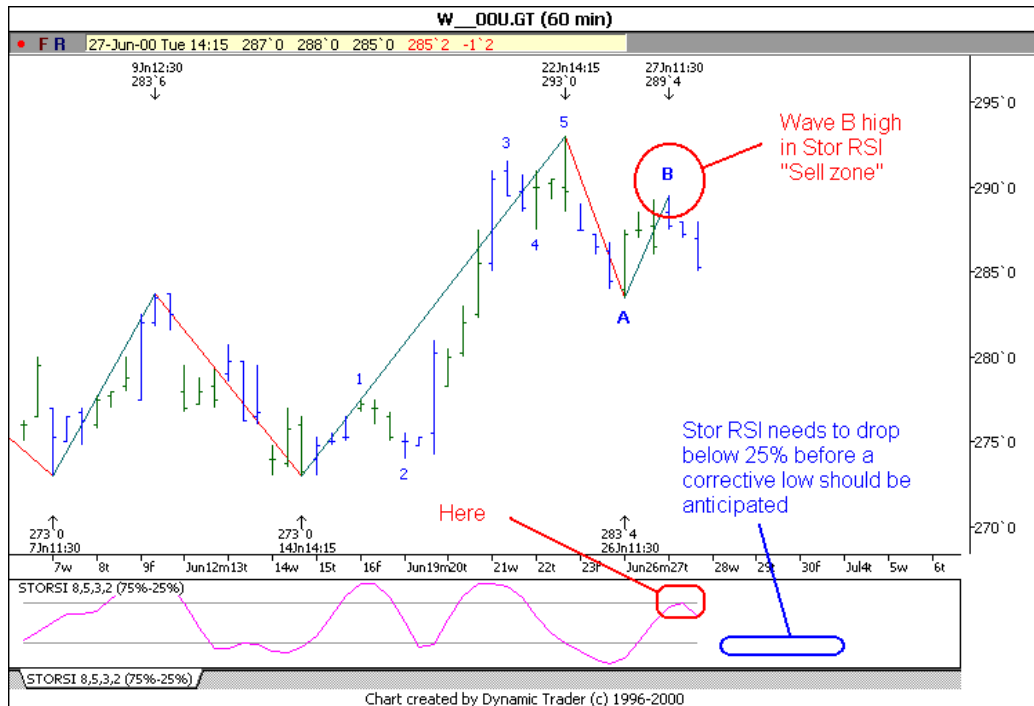
This chart shows that every corrective swing high fell in the area where the stochastic RSI had moved above the higher 75% band.

As can be seen from this chart and the chart on the first page, I have used two different set's of values for the Stochastic RSI period. So the question arises, which are the best values to use?

Normally I use a 8,5,3,2 or 13,8,5,3 with daily charts and a 13,8,5,3 or 21,13,8,5 with intraday charts. To decide which is currently the most appropriate to use I simply look over the recent history to see whether the current Stochastic RSI has caught most of the recent corrective swing highs or lows. In other words, are the current values in sync with the current rhythm of the market?

With a 8,5,3,2 the 8 refers to the RSI length, 5 to the Stochastic length and then 3 or 2 to a moving average which smoothes the display,

Let's have a look at another example in (Sep) wheat.



Here we can see that the corrective Wave B was made right as the Stochastic RSI moved into the *oversold* area above 75%.

We can now anticipated that the next corrective low, Wave C, would typically not be complete before the Stochastic RSI has dropped into the buy zone below 25%. As a trading set-up, should the Stoc-RSI reach below 25%, we would consider trend reversal signals to enter a long trade.

### Lessons Learned

The Stochastic RSI gives a good indication whether the market is *in the overbought or oversold area* where a *corrective swing* should be anticipated based on recent history.

Good Trading,  
Steve  
[Steve@dynamictraders.com](mailto:Steve@dynamictraders.com)

## Specific Trade Recommendations Summary For June 28

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</b> <u>New Rec</u>	Today's rally stopped out the existing short position at 1484.50. Today probably completed an ABCDE correction. See chart and comments below. <u>ST &amp; IT Units</u> : As long as the Sept. E-mini has not traded above today's high at 1488.5, sell at 1469.25 stop. Place the initial protective buy-stop at 1481.75.
<b>Bonds (Sep)</b> <u>S-6/28, 96.15</u>	Today's outside reversal day elected a new short position on close at 96.15 <u>ST&amp;IT Units</u> : Maintain the protective buy-stop at 97.02, one tick above today's high.
<b>Euro (Sep)</b> <u>L-6/26, 0.9430.</u>	<u>ST&amp;IT Units</u> : Maintain the protective sell-stop at 0.9368, one tick under Monday's low.
<b>Yen (Sep)</b> <u>S-6/26, 96.13.</u>	<u>ST&amp;IT Units</u> : Maintain the protective buy-stop at 97.40, three ticks above the 78.6% price retracement.
<b>Gold (Aug)</b> <u>L-6/26, 285.5</u>	Gold continued to rally today. Next resistance is at <u>299 – 300.4</u> , this consists of the minimum Wave C price target plus the 50% retracement of the Feb to May decline. See chart below. <u>ST&amp;IT Units</u> : Raise the protective sell-stop to 286.0, three ticks under the 78.6% price retracement. If Gold trades above 299, trail the protective sell-stop on the ST unit one tick below the 1DL.
<b>Copper (Sep)</b> <u>L-6/26, 83.15</u>	Please note these are the prices for the <u>Sep</u> contract. <u>Units</u> : Maintain the protective sell-stop at 81.70, three ticks below the 78.6% price retracement.
<b>Beans (Nov)</b> <u>L-6/27, 482</u>	<u>ST&amp;IT Units</u> : Maintain the protective sell-stop at 470.2, one tick below Monday's low.
<b>AD (Sep)</b> <u>L-6/27, .6022</u>	<u>ST&amp;IT Units</u> : Maintain the protective sell-stop at 0.5944, one tick under Monday's low.
<b>Wheat (Sep)</b> <u>New Rec.</u>	Wheat is in a position to complete an ABC correction as anticipated. See chart below. <u>ST&amp;IT Units</u> : As long as wheat has not closed below 279, 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 under the recent low.

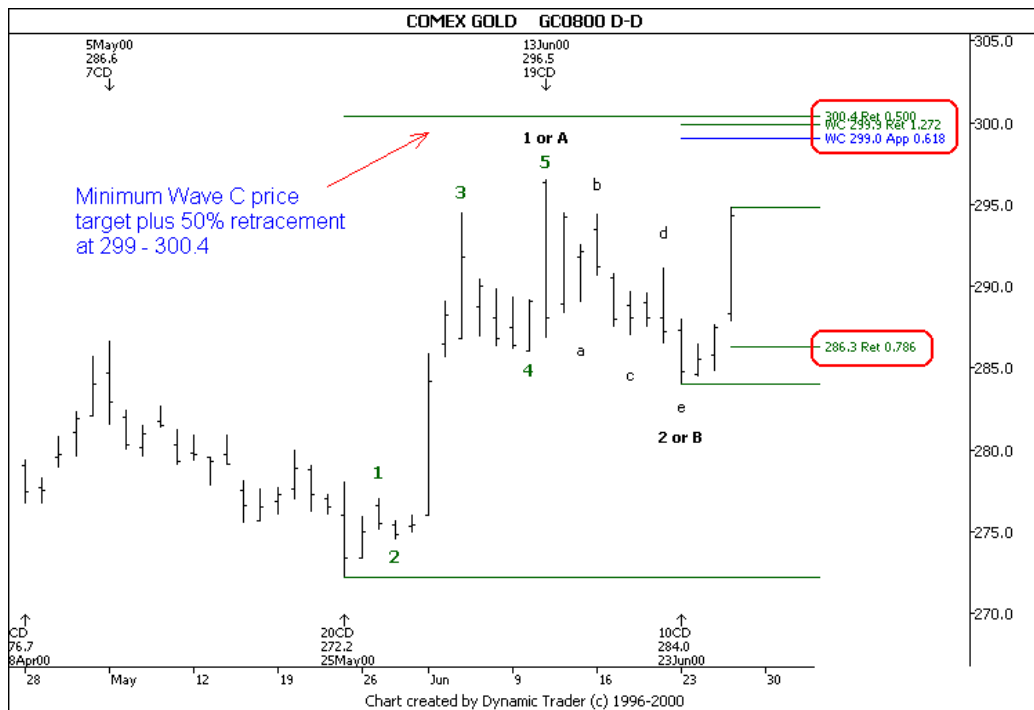
### Summary of Open Trade Positions as of June 28

Market	Month	L / S	Unit	Opened	Price	Closed	Price	# Ctr	P/L	O/C
Bonds	Sep	S	ST&IT	6/20	97.10	6/26	96.15	2	\$1687	C
Euro	Sep	L	ST&IT	6/26	0.9430	-	0.9477	2	\$940	O
Yen	Sep	S	ST&IT	6/26	96.13	-	96.15	2	(\$50)	O
Gold	Aug	L	ST&IT	6/26	285.5	-	294.3	2	\$1760	O
Copper	Sep	L	ST&IT	6/26	83.15	-	82.85	2	(\$150)	O
AD	Sep	L	ST&IT	6/27	.6022	-	.6033	2	\$220	O
Beans	Nov	L	ST&IT	6/27	482	-	484	2	\$200	O
S&P	Sep	S	ST&IT	6/27	1471	6/28	1484.50	2	(\$1350)	C
Bonds	Sep	S	ST&IT	6/27	96.15	-	96.15	2	\$0	O

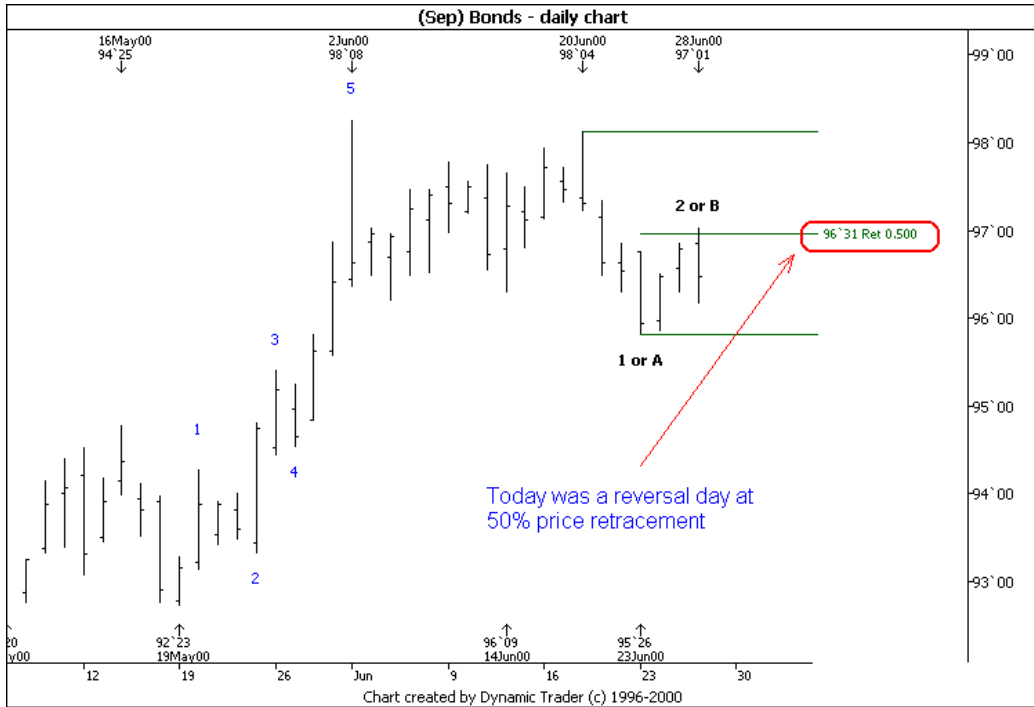
### Other Markets of Interest Summary For June 28

Market	Other Markets of Interest
Nasdaq 100	Similar position to the S&P, the short-term pattern appears unclear. A break below 3715 (Friday's low) would indicate the last 3 days of sideways price movement would be considered a Wave 2 or B correction.
Dollar Index	Ideal Wave C target at 108.46 – 108.75.

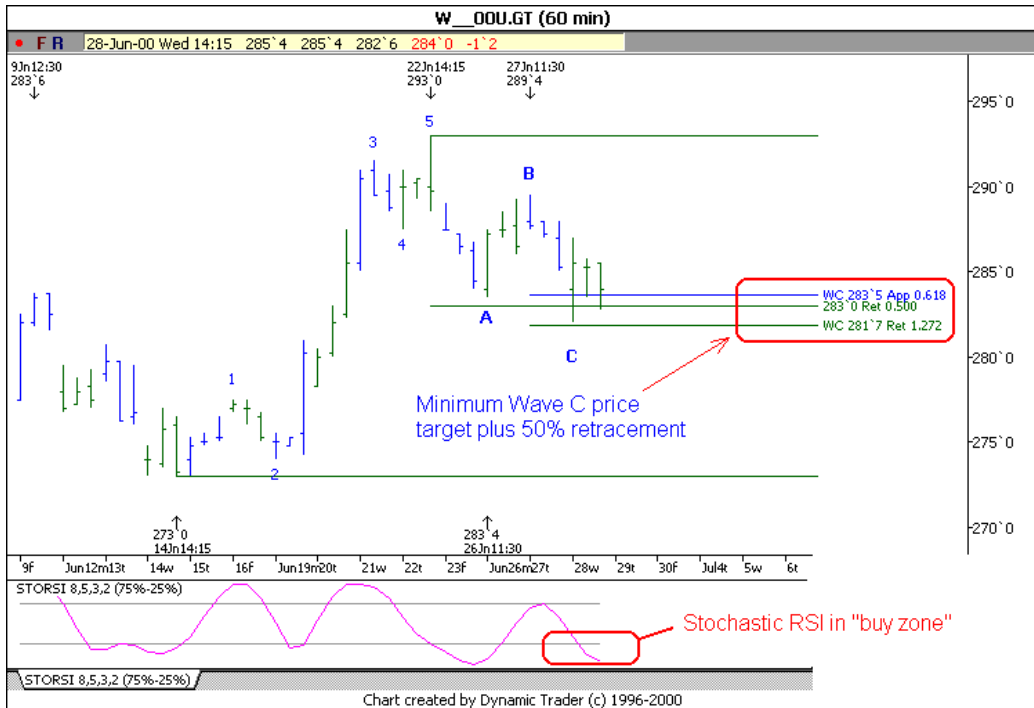
### (Aug) Gold – daily chart



(Sep) Bonds – daily chart



(Sep) wheat – 60min chart



S&P (Sept.) 5 Bars/Day

Note the new wave count. Since the rally off of the June 23 low (14 bars so far) has way overbalanced the labelled Wave-2 (4-bars), it is probably a correction of larger degree. This means the June 23 low should be a completed trend wave.

The pattern of the rally from the June 23 low is clearly corrective, not impulsive. The minor waves overlap the range of each other.

The weight of the price, time and pattern position evidence clearly suggests the next major swing should be down.

