

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.

ST and IT units

Today I would like to look at why we usually initiate a trade with two units for the specific trade recommendations in this report.

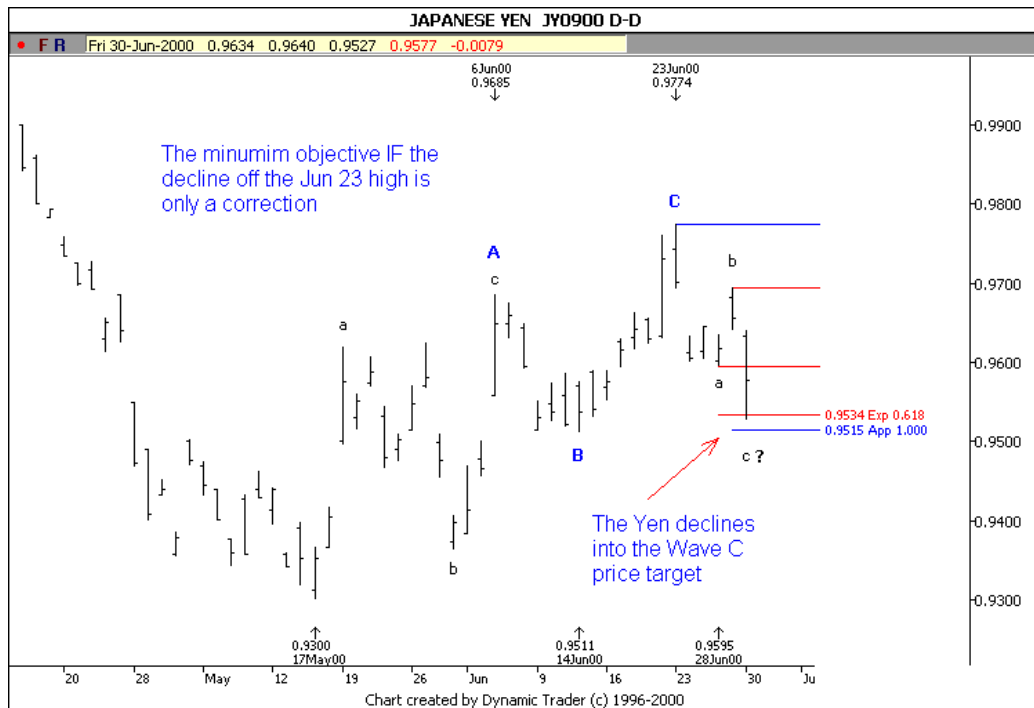
The purpose of trading two units is to capture at least some profit from a trade even if we are wrong about the larger degree trend direction.

Each unit has a different objective:

1. The typical profit objective for the ST unit should be the price target anticipated **if** the main trend is not in the anticipated direction, but is only a correction. In other words, if we are wrong about the main trend direction, we still hope to capture some short-term profits.
2. The IT profit objective is where price, time and pattern coincide to signal the termination of the trend. In other words, the objective of the Intermediate Term unit is to remain in the trade for the duration of the trend.

Let's have a look at a recent trade recommendation on the (Sept) Japanese Yen. The assumption is the June 23 high completed an ABC correction and the yen would continue the bear trend to below the May 17 low. But, what if we are incorrect and the decline from the June 23 high is only a correction? The two-unit trading strategy for a short-position would be to trail stops very close to the market on the ST unit if the yen reached the typical target for a corrective low. The stop on the IT short unit would be kept relatively far from the market until or unless the yen reached a trend target instead of a counter-trend target.

On Jun 30 (the last day on the chart below), the Yen declined into the *typical* price target for a Wave C which includes where Wave-C equals 100% Wave-A and the 61.8% retracement.



If this decline had turned out to only be a correction in a continued bull run, this would have *typically* been the place where the corrective low would have terminated. Once this target was reached, the stop on the short-term short position would be trailed very close to the market.

The instructions were to exit the ST-short position one tick above the 1DH (one-day-high) or on a higher close. The ST position was closed the next day on the close when the Yen made a reversal confirmation day where the close was above the current day's open and prior day's close.

At the same time, the stop on the IT position is kept relatively far from the market to take advantage if a decline continued as anticipated.

The decline did continue with the Yen moving lower over the next few days confirming a Wave 3. On Jun 30, the trader did not know for sure whether the decline off the Jun 23 high was an abc or a new 123 in the making, but the two unit trading strategy allowed at least a small profit to be captured in either case and a significant profit if the main trend was indeed bearish as anticipated.



Trading is about making profits and not predicting the future. By trading multiple units we should increase our overall profits over time by capturing some profit even when we are wrong about the larger degree trend of the market.

Tomorrow I will look in more detail at one of the current trading recommendations.

Lessons Learned

We usually trade two units in order to capture some profit from the short-term unit even when we are wrong about the larger degree trend of the market.

Good Trading,

Steve

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Specific Trade Recommendations Summary For July 10

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 (Sept.) <u>Same Rec as Sat.</u>	<p>All analysis and trade strategies for the full S&P contract. Trade execution on the E-Mini contract.</p> <p>The S&P remains in a position to consider a short trade. See chart below.</p> <p><u>ST&IT Units</u>: Sell on a 1489.75 stop (one tick below the potential W.4 low) and place the initial protective buy stop at 1503.0 (one tick above the potential W.5 high).</p>
Bonds (Sept.) <u>S – 7/10, 97.16</u>	<p>Today bonds elected the 97.19 sell stop on open at 97.16.</p> <p><u>ST & IT Units</u>: Maintain the protective buy-stop at 98.03.</p>
Dollar Index <u>S – 7/10, 106.70</u>	<p>Today's reversal confirmation day elected a new short position on close at 106.70.</p> <p><u>ST&IT</u>: Place the initial protective buy-stop at 107.41, one tick above the Jul 7 high.</p>
Euro (Sept.) <u>L – 6/26, .9430</u> <u>L – 7/10, .9583</u>	<p><u>IT Unit</u>: Maintain the protective sell-stop on the intermediate term unit at .9419, three ticks below the maximum Wave-c target. If the Euro closes above .9616 (Wb high), raise the stop on the IT unit to .9498.</p> <p><u>ST Unit</u>: Today's reversal confirmation day elected a new ST position on close at .9583. Place the initial protective sell-stop at .9498, one tick below the recent low.</p>
AD(Sept.) <u>L-7/7, .5917</u>	<p><u>ST & IT Units</u>: Maintain the protective sell-stop at .5889.</p>
Yen (Sept.)	<p>Today's rally stopped out the ST unit on open at .9471. There are no new recommendations.</p>
CD (Sept.) <u>L-7/6, .6748</u>	<p><u>ST & IT Units</u> Adjust the protective sell-stop to .6725, three ticks below the 78.6% retracement.</p>
Copper (Sept.) <u>L-7/10, 81.50</u>	<p>Today's rally elected the 81.50 buy stop.</p> <p><u>ST & IT Units</u>: Maintain the protective sell-stop at 80.75.</p>
Wheat (Sept.)	<p>Wheat declined below the Jul 6 low therefore invalidating the inside day buy set-up. There are no new recommendations.</p>
Cotton (Dec.) <u>New Rec.</u>	<p>Today cotton made an inside day.</p> <p><u>ST & IT Units</u> Buy cotton on a 57.85 stop and place the initial protective sell-stop at 56.95.</p>
Gold (Aug.) <u>New Rec.</u>	<p>Today gold did not close above the open, therefore no trade.</p> <p>Today appears to have completed a W4:C high. See chart below. If this is correct, then the ideal W5:C price target is 281.7 – 281. This is in the same area as the WC price target of 282.3 – 281.5 as outlined Saturday.</p> <p><u>ST & IT Units</u>: If gold trades below 282.3 but does not close below 281.0, 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.</p>

Summary of Open Trade Positions as of July 10

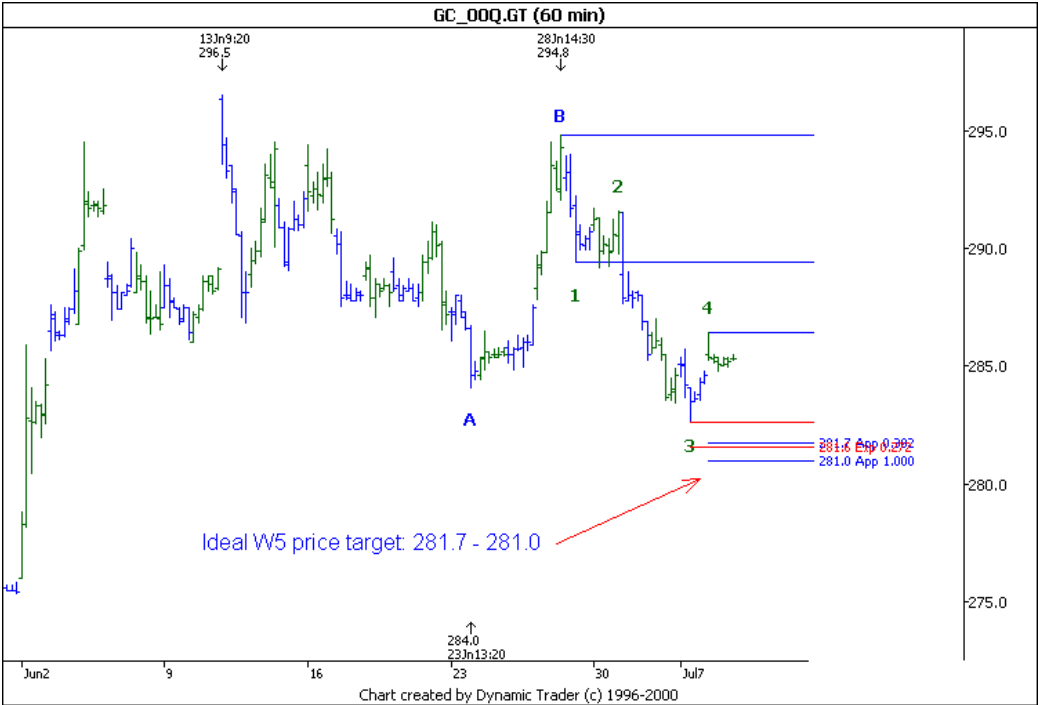
Market	Month	L / S	Unit	Opened	Price	Closed	Price	# Ctr	P/L	O/C
Euro	Sept.	L	IT	6/26	0.9430	-	0.9583	1	\$1912	O
Yen	Sept.	S	IT	6/26	96.13	7/10	94.71	1	\$1775	C
CD	Sept.	L	ST&IT	7/6	.6748	-	.6775	2	\$540	O
AD	Sept.	L	ST&IT	7/7	.5917	-	.5931	2	\$280	O
Euro	Sept.	L	ST	7/10	0.9583	-	0.9583	1	\$0	O
Copper	Sept.	L	ST&IT	7/10	81.50	-	82.10	2	\$300	O
DX	Sept.	S	ST&IT	7/10	106.70	-	106.70	2	\$0	O
Bonds	Sept.	S	ST&IT	7/10	97.16	-	97.19	2	(\$187)	O

Other Markets of Interest Summary For July 10

Market	Other Markets of Interest
Beans	<p>The assumption is a low should be complete next week. At this time, there is no assumption that a low next week will be followed by anything more than a correction to the 50% retracement or so. However, even that will be a very tradable rally.</p> <p>Depending on the bean position following the July 12 report, we may consider trend reversal long strategies. Otherwise we should wait for either the prior minor high to be taken out or for a 50%-78.6% retracement to the initial minor advance before considering long strategies.</p>

Continued on next page.

(Aug) Gold – 60min chart



(Sep) S&P – 60min chart

