

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.

Trading Strategies once a trend reversal trade is entered (Part 2)

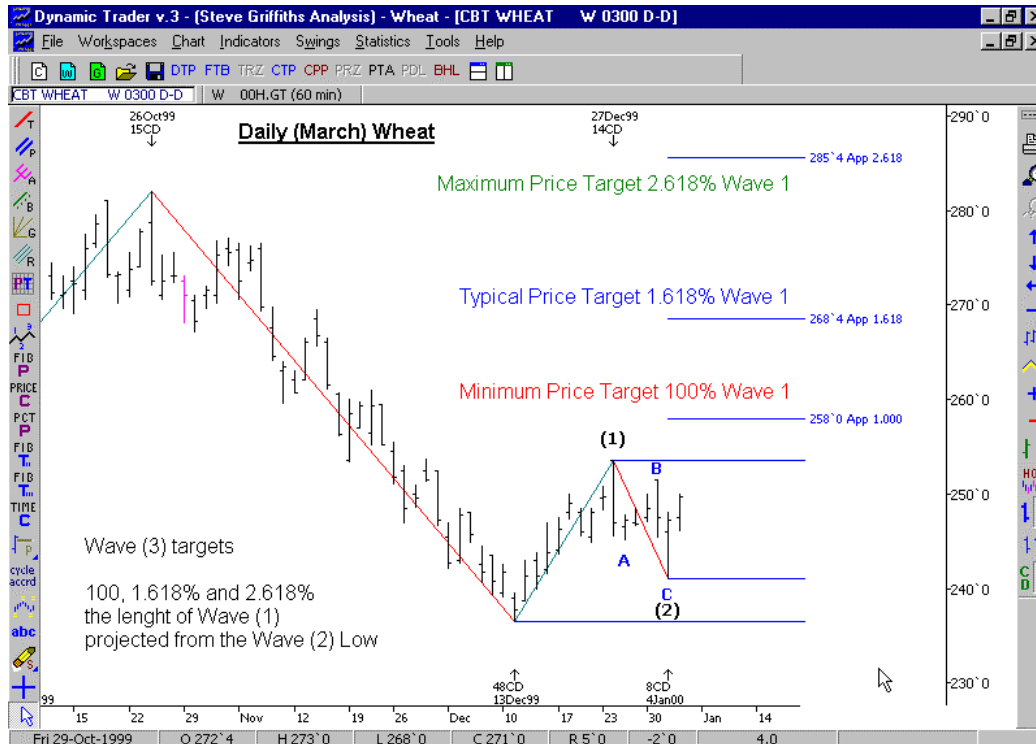
Yesterday, I looked at how we trade 2 positions off a trend reversal, one a *short-term* position looking to capture the maximum profits *if* the new trend only turns out to be an abc correction in a continued trend, while the second, *intermediate-term* is designed to capture the main part of a new Wave 3 type move.

As we saw yesterday, as soon as the *probabilities* were suggesting that a Wave C could be near a termination, we raised the stop on the *short-term* position very close to the market to protect our profits. This was when the market reached the *typical Price* target for a Wave C.

We use exactly the same approach with the *Intermediate-term* position. Once the *probabilities* are suggesting that the current Wave 3 move is near termination, we then look to raise the stop on the *Intermediate-term* position close to the market.

So today I would like to touch on the *minimum*, *typical* and *maximum Price* targets for a Wave 3, as far as they relate to stop adjustment on this *Intermediate-term* position. I will come back to the **Price**, **Time** and **Pattern** targets of Wave 3's in more detail in a future tutorial.

Let's now go back to our current example on (March) wheat to demonstrate what I mean:



Here we have, for a Wave 3:

- The *minimum Price* target is 100% Wave 1
- The *typical Price* target is 1.618% Wave 1
- The *maximum Price* target is 2.618% Wave 1

At first glance, a couple of these **Price** relationships look rather familiar from our Wave C **Price** targets.

The first of these is 100% Wave 1, which is our *typical Price* target for a Wave C. The reason this is the *minimum* for a Wave 3 is that *in Elliott terms* Wave 1 *cannot* be the shortest wave in a completed 5 wave sequence. As Wave 3 evolves, the only completed Wave so far is Wave 1, so as this Wave 3 cannot be the shortest Wave, our *minimum* target is therefore greater than 100% Wave 1.

The second is the 1.618% relationship, which is both the *maximum Price* target for a Wave C and the *typical Price* target for a Wave 3.

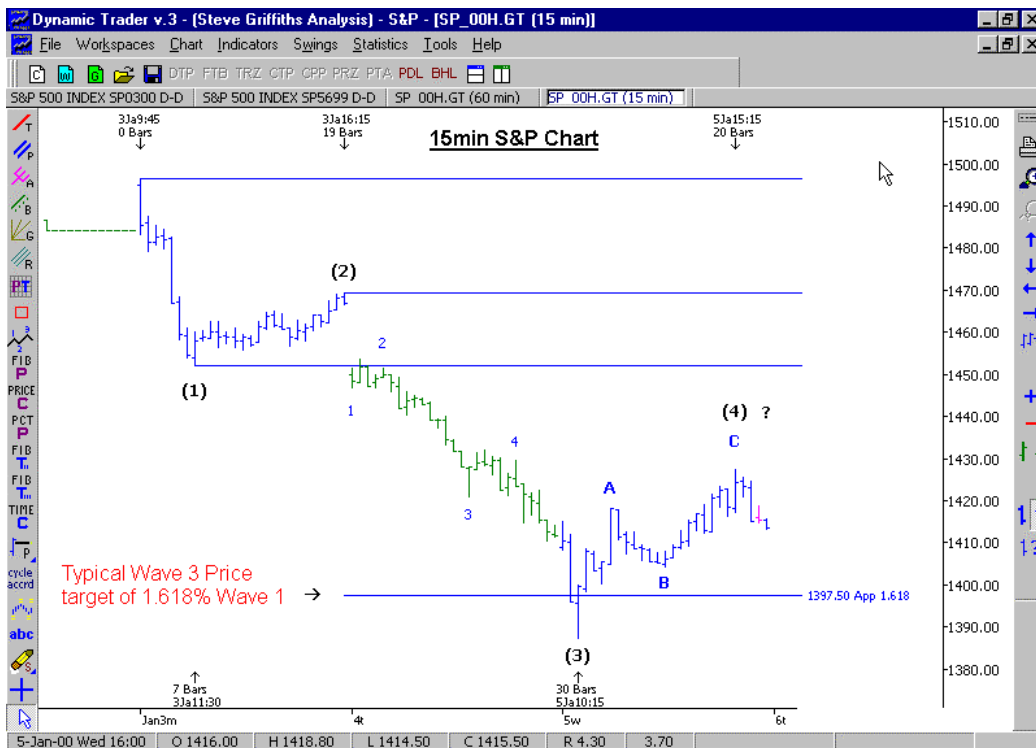
This means that *if* we are *just* dealing with waves 1, 2 and 3, as the current rally gets near this 100% relationship, *probabilities* suggest that we are *more likely* dealing with a Wave C. But then as this move gains strength and starts to approach the 1.618% Price target, the probabilities start *shifting* towards the current move being a Wave 3.

Of course we never look at just the waves 1,2 and 3 *in isolation*, as we must consider how they fit in with the *larger degree pattern*. But for today and for the purpose of Stop adjustment on the *intermediate-term* position, this is all we need.

The *intermediate-term* position is designed to capture the *maximum* profits if the current move turns out to be a wave 3. Hence, as with the *short-term* position yesterday, we raise the stop on this *intermediate-term* position to protect our profits once the *probabilities* suggest that the current Wave 3 move is nearing its termination.

Again, the simplest option is to raise the protective stop on the *Intermediate-term* position to 1 tick beyond the 1 day high (1DH) or the 1 day low (1DL), once the market reaches the *typical* Wave 3 **Price** target of 1.618% Wave 1.

This same basic principle works on *all* time frames as well. A great example is on the S&P from yesterday using a 15min Chart:



Once the Wave 3 type move exceeds the *typical Price* target of 1.618% Wave 1, the *probabilities* are suggesting that the current swing is nearing its termination and as such, now is the time to bring stops on your position close to the market.

Use of the 1 bar high on this 15min chart, once the *typical* 1.618% **Price** target had been reached, would have taken profits on a short position right at the low of this move!

In a future tutorial I will come back to the stop adjustment on this *intermediate-term* position to show how we can use the minor 5-wave sub-division of this wave 3 to adjust the protective stop as well.

Today's Trading Lessons

1. Look to trade 2 positions off a trend reversal, one a *short-term*, the second an *Intermediate-term*.
 2. Once the market reaches the *typical Price* Target for a Wave 3, raise the protective stop on the *Intermediate-term* position to 1 tick below the 1DL or 1DH.
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Potential Trade Set-ups and Trade Follow-ups

(March) Sugar

Sugar appears to be unfolding in some sort of complex Wave 4. Although not a specific trading recommendation, if the market trades below the last minor low of 5.73, this would signal the wave 4 correction is indeed over, and a decline to new lows below 1st Dec is now likely.

(March) Wheat

Wheat has now given us the minor high anticipated yesterday, and as such we now have the opportunity to enter this market on the Long side.

Short and Intermediate Term Units

Buy on a break of yesterday's high at 251 $\frac{1}{4}$ Place the initial stop at 240 $\frac{3}{4}$ 1 tick below the Wave 2 or B bottom. A trade below 241 invalidates this set-up.

(Feb) Gold

Gold is still within Tuesday's trading range. Although not a specific trading recommendation, traders may consider continuing with the sell strategy on a break of Tuesday's range, as outlined yesterday. A trade above 284.10 would invalidate this strategy.

(March) British Pound

Today the Pound traded above 1.6478 thus invalidation the Wave C set-up. Although not a specific trading recommendation, a break of yesterday's high of 1.6506, would probably signal a continued rally to the next Price resistance area of 1.6610-1.6655

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(March) S&P

The question on the S&P is whether Wednesday's low is the completion of the first wave down, in other words a potential Wave (1 or A), as once this Wave (1 or A) has completed we can start to project where the first corrective rally, the Wave 2 or B is likely to terminate.

Today gave us this opportunity, as on a 15min chart we now have the parameters we need to either confirm or invalidate whether Wednesday's low is the completion of an ABC Wave (1 or A) or only the Wave 3 of a Wave (1 or A):



Good Trading,

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