

# 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.

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## Wave 4 – Price, Time and Pattern – Putting it all together

Over the past 3 days I have had a detailed look at the *minimum, typical* and *maximum Price, Time* and **Pattern** characteristics of Wave 4's. Today I would like to continue, demonstrating some of the entry techniques we can use once **Price, Time** and **Pattern** *have coincided* to signal the potential termination of a Wave 4 correction.

Before I continue, I would like to remind you that all these techniques allow us to calculate *in advance, specific* and *fixed* areas of **Price** and **Time** support, or resistance to be alert for the termination of these waves. They do not move around as the market approaches them, only giving conformation of the **Price** and **Time** coincidence after the fact. I believe this is the best way the trade – *be prepared in advance.*

Now we have **Price, Time** and **Pattern** all coming together to signal an *ideal set-up*, how do we enter the trade? This is normally using one of the *Daily Reversal patterns* outlined in Chapter 6 of Robert Miner's Book, *Dynamic Trading*. However, we can also use the break of the last minor swing high or low, as this is a particularly good technique to use on intraday data. Also, as you have seen on the S&P, sometimes I will stretch to using Japanese Candlesticks.

Nevertheless, the same principle applies whichever technique we use; we only start to look for a reversal *when Price, Time* and **Pattern** have coincided to signal a possible trend termination. Then, it is by the action of the *market itself* that takes us into a trade.

So lets have a look at a few examples:



We should be very familiar with this example on Heating Oil by now, as we have seen from the last few days we have:

- **Price support at:** 61.85 – 62.60
- **Time resistance at:** 9<sup>th</sup> to 10<sup>th</sup> Dec
- **Pattern:** Unfolding as a simple ABC

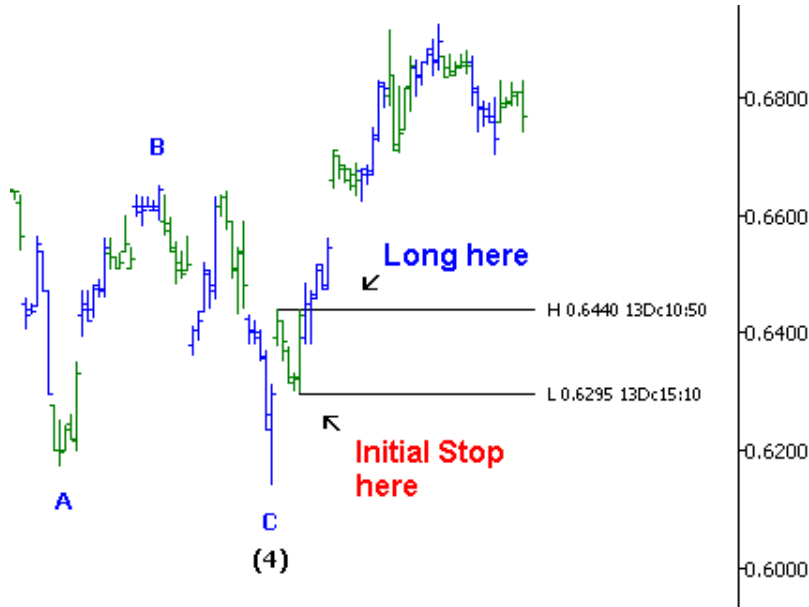
Ideally, one of the *Daily Reversal patterns* would have unfolded here to signal a trade entry, but as you can see the reversal of the 13<sup>th</sup> Dec did not meet the criteria of a *Reversal Day* (as it did not make a new intraday low, although it did close above the prior day's close and today's open).

Here we can use the simple technique of entering on a break of a minor swing High or Low, as this would give us *initial conformation* that the market has indeed changed trend by taking out a prior swing extreme.

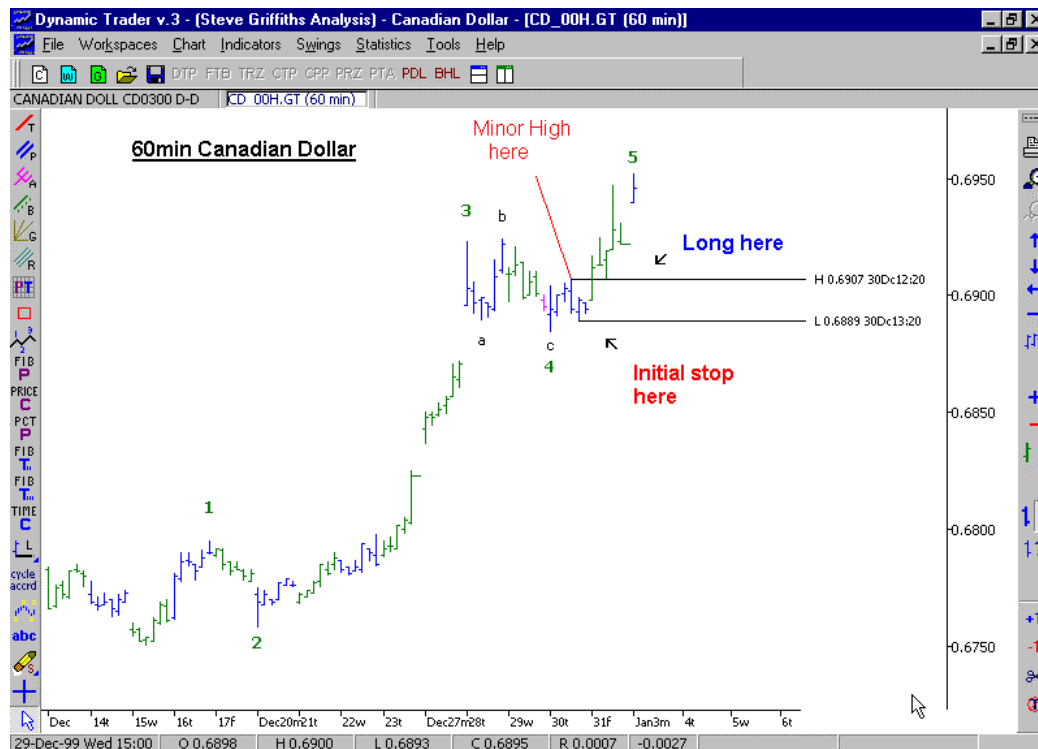
On this particular example, this is best seen on intraday data, although if you only have access to daily charts an order to go Long 1 tick above the high of the 13<sup>th</sup> Dec of 64.40 would have the same effect.



The initial protective sell-stop would then go just below the last minor swing low:



And on our 60min Canadian Dollar example:



In each example the trade entry was *completely automatic* once **Price**, **Time** and **Pattern** had *coincided* to signal a possible trend termination. This is the easy bit, as you can almost go brain dead (as Bob phrases it), simply placing the order to enter the market on one of our Reversal Day patterns, or a break of the last minor swing high or low if using intraday data.

Next week I will start to look at Wave 5's.

## Today's Trading Lessons

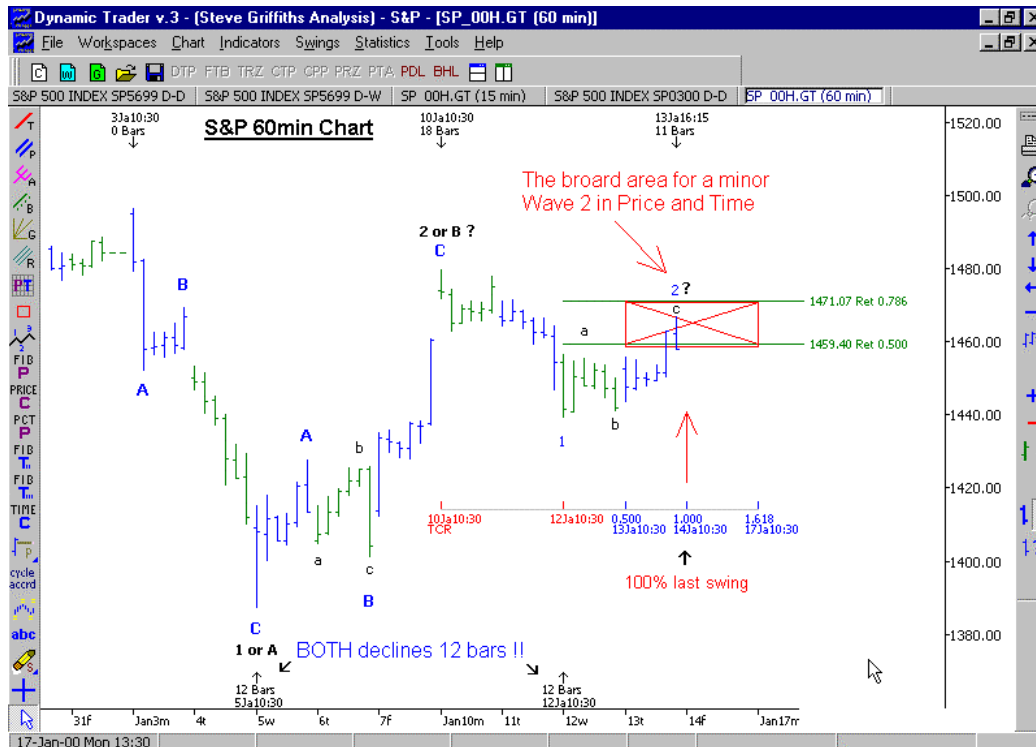
1. A trend reversal trade set-up is when **Price**, **Time** and **Pattern** coincide to signal the potential termination of a Wave 4 correction.
2. The **Price** and **Time** clusters are calculated *in advance*.
3. Once **Price**, **Time** and **Pattern** have coincided, the trade entry triggers are completely automatic.
4. The trade entry triggers are by the action of the *market itself*, usually by one of our *Daily Reversal patterns*, or via the break of a minor swing high or low.

## Potential Trade Set-ups and Trade Follow-ups

**S&P (Mar)** The S&P has now rallied into the broad area in Price and Time for a minor Wave 2 high to terminate, following the initial decline into Wednesday's low. If this assumption is correct, this corrective rally should be complete by early Monday morning.

### Short and Intermediate Term units

For Friday and Monday only, Sell on the close on any day where the close is below the prior day's close and today's open. A close above 1471.10 invalidates this set-up. If filled, place the initial protective buy-stop 1 tick above the high of the day of entry, or the prior day, whichever is higher.



**Lean Hogs (Feb)** Although not a specific recommendation, Hogs made an *inside day* today, so traders who are not already short, may consider a short position on the break of Wednesday's low of 54.70.

**Silver (March)** Although not a specific recommendation, Silver made an *inside day* today, so traders who are not already short, may consider a short position on the break of Wednesday's low of 512.50

Good Trading,  
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