

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

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Dynamic Traders Group, Inc.
DynamicTraders.com
dt@dynamictraders.com
520-797-3668

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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.

Wave 5 – Price, Time and Pattern

This week I would like to look at Wave 5's. Wave 5's offer some of the best Trading opportunities, as they terminate the entire prior trend. They also appear as the minor pattern in all of the impulsive waves in an Elliott wave sequence. In other words Waves 1, 3, C and even Wave 5 itself should subdivide into a 5 minor wave pattern of *lesser degree*. Hence, we will be using these calculations to help nail the terminations of Waves 1, 3 and C as well as helping in the minor pattern of Wave 5 itself.

As Wave 5 is the final wave, it completes the entire current Elliott Wave sequence; hence, it is very important to be very alert for the conditions that signal the termination of Wave 5 as we need to:

1. Protect accumulated Profits made during the 5 wave sequence so far,
2. Prepare to trade the counter trend to the completed 5 wave sequence.

As Wave 5 terminates the entire current 5 wave sequence, it will now form part of a *larger degree* wave. Elliott Wave is like a set of Russian Dolls where one sits inside another in ever decreasing size. This is how Elliott Waves should *ideally* unfold, as every wave should be made up of a minor 5 or 3 Wave Sequence, (depending on whether it is one of the impulsive or corrective waves), which in turn is part of a *larger degree* Wave. Waves within Waves! This will become clearer as we see more and more real time examples over the coming weeks and months ahead.

Pattern

First, as Wave 5 is one of the impulsive waves within a completed Elliott Wave sequence it *should ideally* sub divide into a minor 5 waves of *lesser degree*.

A great recent example of this is on the Canadian Dollar as shown in the 60min Chart from the weekend Report. Today I have zoomed into the same minor 123 Wave sequence off the Jan 7 low, but using a 15min chart of the same time period to highlight the minor waves in a little more detail.



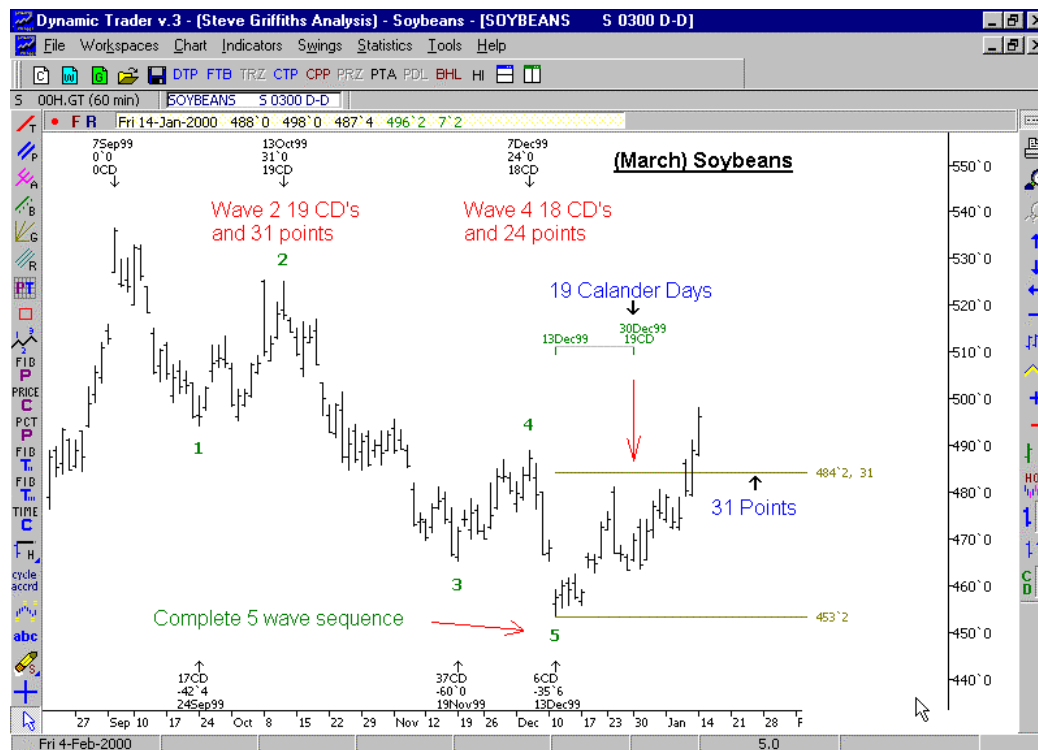
Here we can clearly see the minor 5 wave sub-division (the minor blue numbers) on the chart in the Wave 5 labeled in green.

Please note that you do not normally need intraday data to see these minor sub-divisions, (this 15min Canadian Dollar chart was such a great example), and sometimes the minor sub-divisions are not always apparent. For example Wave (1) in this example should have sub-divided into a minor 5 waves, but it is very difficult to see on this chart.

As with everything we do, only work with clear and obvious patterns. If the current Wave 5 is clearly sub-dividing into a minor 5 waves of lesser degree then use them to help nail the termination of the Wave 5. If not, then do not try to force the count.

Next, as Wave 5 completes the entire Elliott Wave sequence, we can now anticipate a trend greater in *both Price and Time* than any of the counter trend moves within the 5 wave sequence itself (Waves 2 and 4).

Let's have a look at (March) Soybeans where a 5 wave sequence appears to be complete at the 13th Dec 1999 low:



Here we have:

- Wave 2 lasted 19 calendar days and 31 points
- Wave 4 lasted 18 calendar days and 24 points

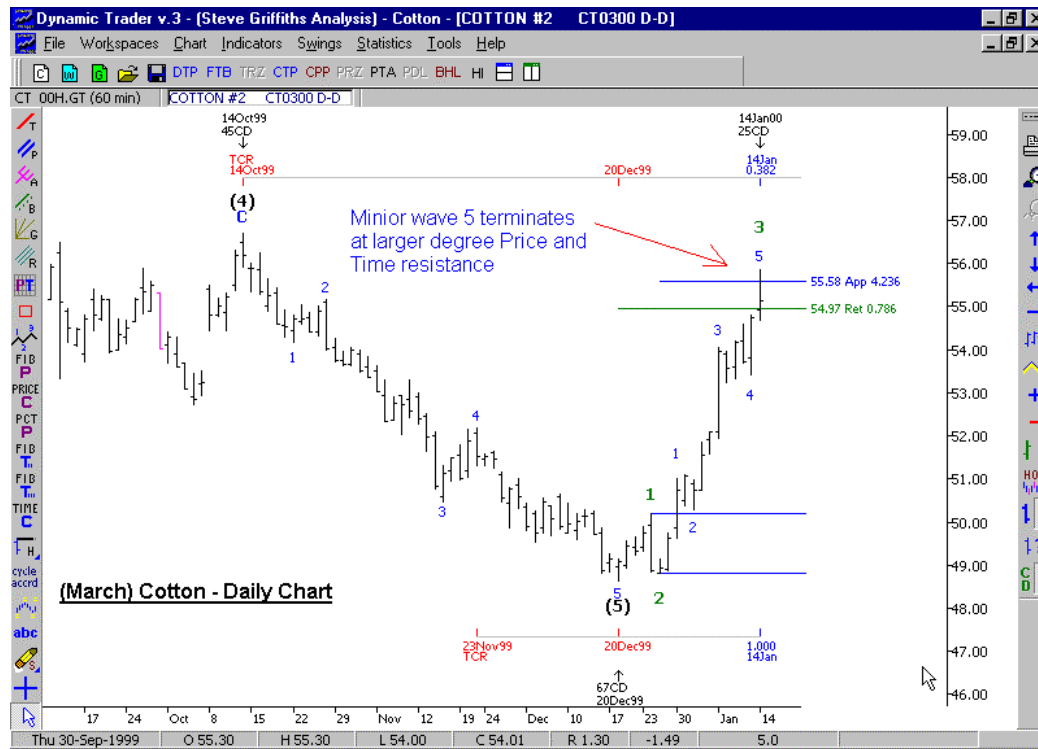
Hence, the rally off the completed Wave 5 low on 13th December could be anticipated to last longer than 19 calendar days (to Dec 30), and rally more than 31 points (to 484).

This can also be used the other way around, as I did in the weekend report, where I was not sure whether Dec 13 actually completed the 5 wave decline off Sep 7 high. So a rally that lasted more than 19 calendar days and 31 points could be considered a *Time overbalance*, and hence gives us *initial conformation* that the 5 wave sequence did indeed complete on Dec 13.

Next as wave 5 completes the entire current Elliott Wave sequence, the completed Wave now forms part of a wave of *larger degree*. Hence we can also use the **Price**, **Time** and **Pattern** calculations from this *larger degree* to help nail the Wave 5 termination.

This can be the completed Wave 1, Wave 3, Wave C, or as we have already seen the Wave 5 (of larger degree) itself.

Let's have a look a recent example from the weekend report in Cotton, where on the last page (page 20), a lovely 5 wave sequence had terminated on a 60min Chart. This also terminated right in **Price** and **Time** resistance from a *larger degree* perspective on the Daily Chart as well:



Here the minor 5 wave sequence off the Dec 28 low Wave 2 low (labeled in blue here) terminated at *larger degree* **Price** and **Time** resistance (Jan 14 and 54.90 – 55.60), as well as the Wave 5 calculations performed on the 60min Chart itself in the weekend report.

Lastly, the exception to the rule, Wave 5 diagonal triangles. This is a special case where the Wave 5 appears to be unfolding as a diagonal triangle and not a clean 5 waves of *lesser degree*, as the waves overlap each other, hence breaking some of the standard Elliot Rules. This is quite a rare pattern, and is more applicable to Wave 5 tops rather than bottoms. I will come back to this specific case in a future tutorial. It is quite important to recognize this pattern, as usually the move off this completed Wave 5 is quite large and quick; hence presents a good Profit potential.

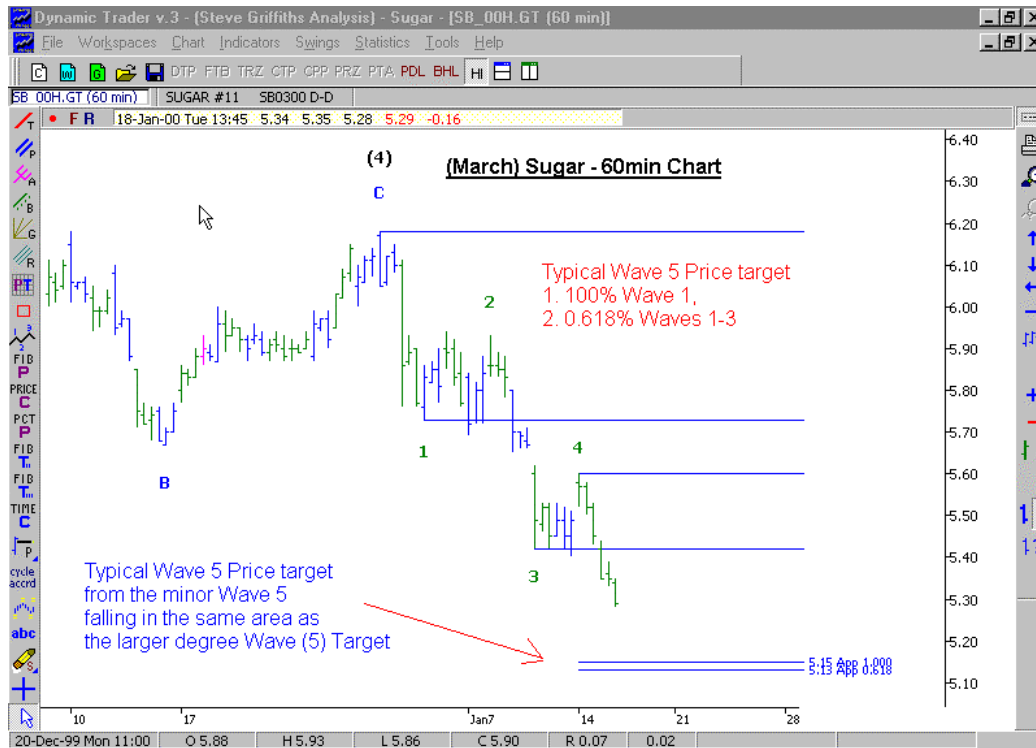
Today's Trading Lessons

1. Wave 5 is one of the impulsive waves within a completed Elliott Wave sequence, hence it should sub divided into a minor 5 waves of lesser degree.
 2. As Wave 5 completes the entire Elliott Wave sequence, we can now anticipate a trend greater in both **Price** and **Time** than any of the counter trend moves within the prior 5 wave sequence itself.
 3. As wave 5 completes the entire Elliott Wave sequence, the completed Wave now forms part of a wave of *larger degree*. Hence we can also use the **Price, Time** and **Pattern** calculations from this *larger degree* to help nail the Wave 5 termination.
 4. Lastly, the exception to the rule, Wave 5 diagonal triangles. This is a special case where the Wave 5 appears to be unfolding as a diagonal triangle and not a clean 5 waves of *lesser degree*,
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Potential Trade Set-ups and Trade Follow-ups

(March) Sugar Although not a specific trading recommendation, the Wave (5) as outlined in Saturday's report appears to be sub-dividing into a minor 5 waves very nicely. This allows us to reinforce the Wave (5) **Price** target using these minor 5 Waves.



The chart above is particularly relevant as it is a current example straight from this week's trade tutorials.

Here the *typical Price* target for the *minor Wave 5* of 5.13 – 5.15 falls directly within the *typical Price* target for the *larger degree Wave (5)* of 5.06 – 5.22.

Price calculations from *different* swings and *different degrees* of swing all *clustering* together in a *relatively tight range* !!

(March) British Pound Although not a specific trading recommendation, the Pound made an *inside day*, so traders may consider a short trade on the break of Friday's low of 163.30.

Good Trading,

Steve

Steve@dynamictraders.com