

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.

This week I would like to wrap up a few loose ends on the basic **Price, Time** and **Pattern** for all our Elliott Waves with another look at Wave 3's and some more aspects of Wave 5.

Then next week I will move onto how to enter a position once a trend is already underway – *trend continuation* trade strategies.

Wave 3 – Price, Time and Pattern

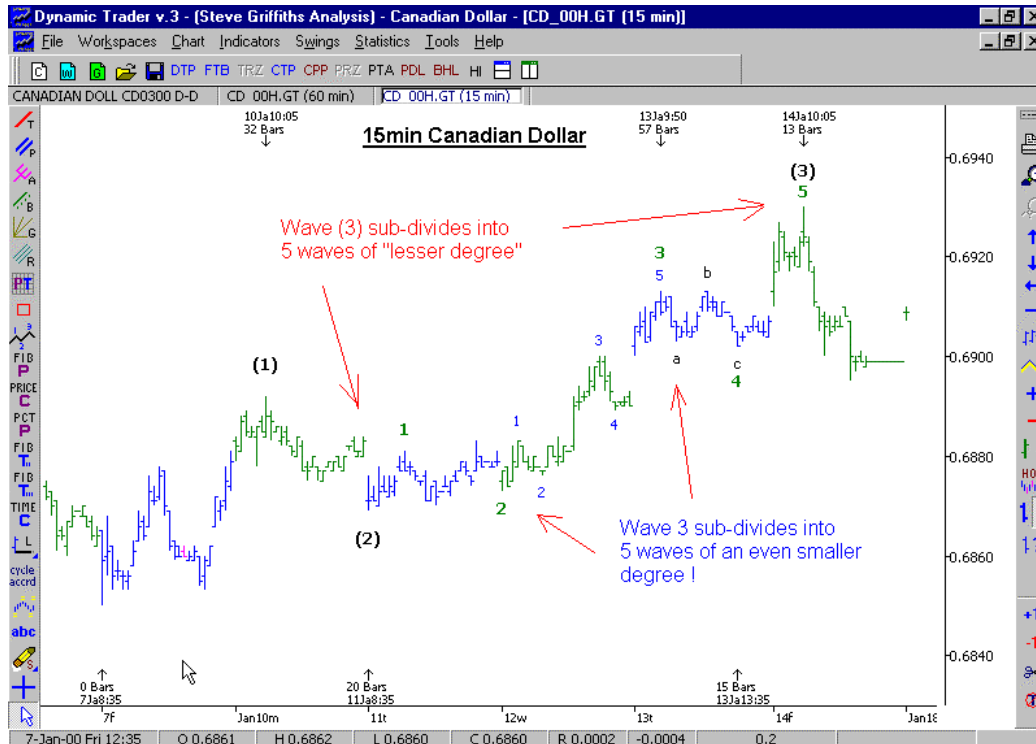
Wave 3 is *normally* the *longest and strongest* of all the Elliott wave sequence, and hence one of our trade strategies is to look for the termination of the Wave 2, to take advantage of this Wave 3 move.

Pattern

Wave 3 is an *impulsive* wave so it normally sub-divides into 5 minor waves of lesser degree. The ideal high-probability Wave-3 targets include projections for the termination of the Wave 5 of 3.

Let's have a look at an example of a *typical* minor 5-wave sub-division of Wave 3 from the Canadian Dollar 15min chart we looked at last week where we can see the minor sub-divisions of two different degrees:

- Wave (3) sub-divides into 5 waves, and
- Wave 3 of (3) also sub-divides into 5 waves.



Here we can see the lovely 5 wave sub-division making up the Wave (3) and Wave 3 of (3).

Wave 3 Price Targets

From Chapter 4 of Bob's Book, *Dynamic Trading*, the **Price** relationships we look for in a Wave 3 are:

The *minimum* anticipated includes:

- Wave 3 = 161.8% external retracement Wave 2 and
- Wave 3 = 100% Wave 1

The *typical* anticipated includes:

- Wave 3 = 261.8% external retracement Wave 2 and
- Wave 3 = 161.8% Wave 1

The *maximum* anticipated includes:

- Wave 3 = 261.8% Wave 1
- And rarely will Wave 3 be as long as 423.6% Wave 1

As always, we look for areas where these relationships *cluster* together in a relatively tight range.

Again on the same 15min Canadian Dollar example:



Here we can see the Wave (3) terminated right in the *typical Price* target where:

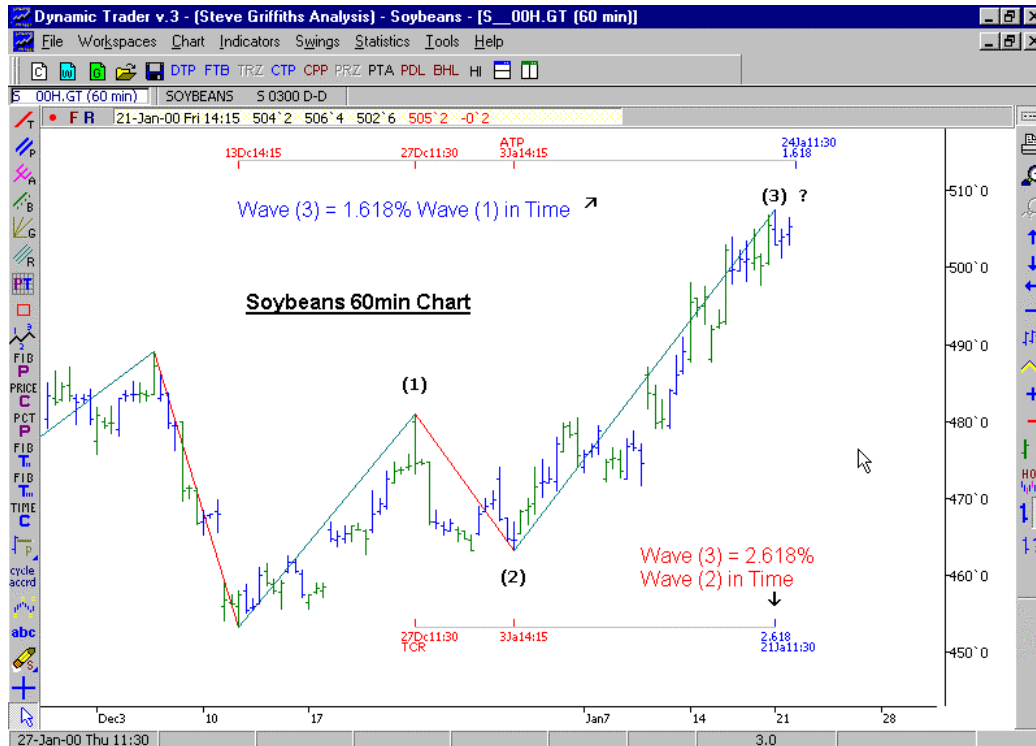
- Wave 3 equals 161.8% Alternate Price Projection (APP) Wave 1, and
- 261.8% external retracement Wave 2

Wave 3 Time Targets

As with Wave 5, which I covered last week, the Wave 3 **Time** targets are the **Time** clusters that are generated from all the individual Time-Cycle-Ratio calculations. The high probability **Time** clusters are generated where the **Time** projections from *different* swings and *different degrees* of swing cluster together in a *relatively tight range*.

These are the same **Time** ratios as I outlined last week.

Let's have a look at a recent example from Saturday's report, where (March) Soybeans is at the *typical Price* target for a Wave 3, but what about **Time** ?



Here we can see that Friday's high was also at a *cluster* of **Time** projections from two *different* swings:

- 161.8% Alternate Time projection of Wave 1, and
- 261.8% Time Retracement of Wave 2

I would like to devote tomorrow's lesson to one of the questions I get asked more than any other - When can we assume Wave 3 is indeed a Wave 3 and not a Wave C ??

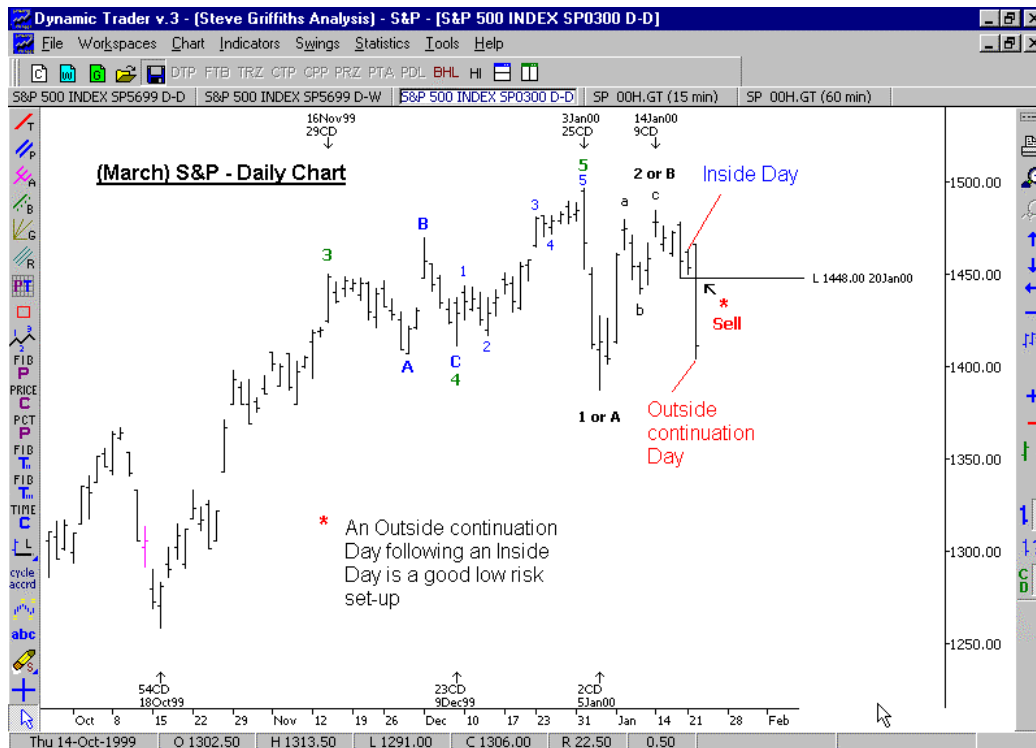
Today's Trading Lessons

1. Wave 3 is *normally* the *longest and strongest* Wave in the completed Elliott wave sequence.
2. **Pattern:** As Wave 3 is *an impulsive wave*; it should normally sub-divide into 5 minor waves of *lesser degree*.
3. **Price:** The high probability Wave 3 **Price** targets are where **Price** projections from *different* swings *cluster* together in a *relatively tight range*.
4. **Time:** The high probability Wave 3 **Time** targets are where **Time** projections from *different* swings *cluster* together in a *relatively tight range*.

Potential Trade Set-ups and Trade Follow-ups

(March) S&P. A short sale was elected today per the trade recommendation in Saturday's report. See Below.

Today was also an *outside continuation day*. An outside continuation day that directly follows an inside day is a very good *trend continuation* set-up, and one you need to be very alert for in the future. The Dynamic Trading book describes both the inside and outside trend-continuation trade-entry and stop loss set-ups.



(March) Cotton. Although not a specific trading recommendation, Cotton also made an *inside day*. Traders who are still Long this market should consider that a trade below Friday's low of 55.80 would probably signal that the Wave 1 or A high is now in (as outlined in Saturday's report), and a decline into a potential Wave 2 or B low would then be anticipated.

Good Trading,

Steve
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Specific Trade Recommendations – Robert Miner

BP-March

Same go-short strategy in Saturday's report but different initial protective buy-stop.

As long as the BP has not traded above 165.78, sell on a 164.42 stop and place the initial protective buy-stop at 165.52.

S&P – March

The go-short strategy was elected on today's outside reversal day on the 1447.75 sell-stop. Today's low was made at the 78.6% retracement.

Short Term Unit: Adjust the protective buy-stop to one tick above the high of the first hour's trading range tomorrow.

Intermediate Term Unit: Adjust the protective buy-stop to 1443.75.