

Dynamic Trader Daily Report

Comprehensive Analysis and Education For the Serious Trader and Investor

Published By
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Wednesday, January 26, 2000

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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.

Wave C or Wave 3 ?

Today I would like to have a look at the question we all ask in the initial stages of a move off the first corrective Wave 2 or B pivot. What are the clues that will help to determine if the current rally or decline is an *impulsive* Wave 3 or a *corrective* Wave C?

Lets have a look at (March) Wheat from a few weeks ago, when I was asking this very question:



Here we have an initial rally off the Dec 13 low into the Dec 27 high, followed by a simple minor abc decline into a low on Jan 4, this is then followed by a continued advance to above the Dec 27 high.

I have just described **both** the initial stages of Waves **123** and an **ABC** sequence. So the simple answer *at this stage* is we *do not know for sure* whether this last rally is a Wave C or a Wave 3. Hence the labeling:

- Wave 1 or A
- Wave 2 or B
- Wave 3 or C

This is why we trade two units (as described in an earlier tutorial) looking to take profits on the *short-term* unit *if* this current move is only a Wave C, while running the *intermediate-term* unit to take advantage of a Wave 3 move, if it develops. In other words looking to maximize our profits whatever the outcome.

Before I move on I would like to remind us all of some of the *minimum*, *typical* and *maximum Price* targets for a Wave C and a Wave 3

	Wave C	Wave 3
<i>Minimum</i>	-	161.8% Wave 2 100% Wave 1
<i>Typical</i>	161.8% Wave B 100% Wave A	261.8% Wave 2 161.8% Wave 1
<i>Maximum</i>	261.8% Wave B 161.8% Wave A	-

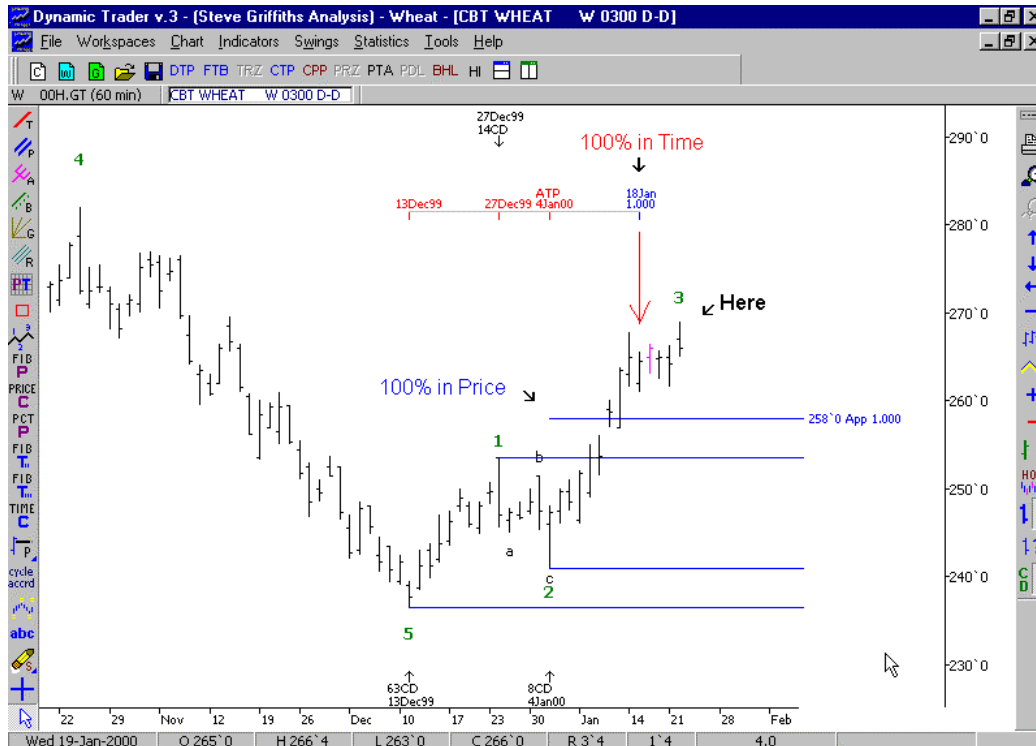
Where we can see:

- The *typical Price* Target for a Wave C is the same as the *minimum Price* target for a Wave 3.
- And the *maximum Price* Target for a Wave C is the same as the *typical Price* target for a Wave 3.

Wave 3 is *normally the longest in Time* as well as **Price** of the three impulse waves in the Elliott Wave sequence, so:

- Wave 3 is normally *greater* in **Time** than Wave 1. In other words, Wave 3 is usually greater than a 100% Alternate Time Projection of Wave 1.

So now let's move the Wheat Chart on a little, so see if we can gain any new information.



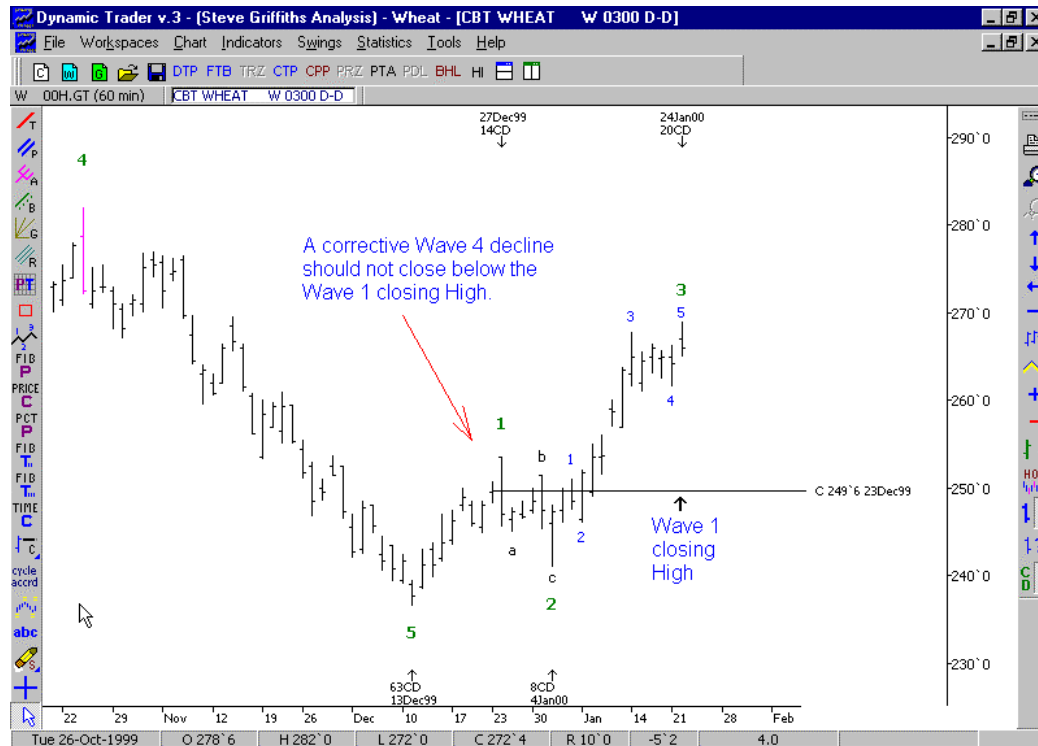
Here we can see that yesterday (the last bar on the chart above) was the first day that made new highs past **BOTH** the 100% Alternate **Time** and **Price** Projections of Wave 1.

With trading, we are always dealing with *probabilities* as nobody can ever know with certainty what will happen tomorrow. So do you all see how once the market moves past what we would consider the *typical Price* Target for a Wave C (100% Wave A) towards the *typical Price* target for a Wave 3 (161.8% Wave 1), the *probabilities* are shifting from the current move being a Wave C towards being a Wave 3. Yes, this is also the *maximum* Wave C target, but the *probabilities* are now favoring a Wave 3.

Now combine this with the current move being *longer* in **Time** than Wave 1 or A, and the *probabilities* are again *shifting towards* the current move being a Wave 3.

Whether we believe the current move is an ABC or 123 will also depend on our opinion of the *larger degree pattern*, but today I just wanted to work with the current Wave 1 or A, 2 or B and 3 or C swings to demonstrate why in the initial stages, Wave C and 3 are very similar until some **Time** and **Price** projections are exceeded. We now have some guidelines of when to start favoring either a Wave C or 3.

Lastly, we need to define parameters that will *invalidate* the current outlook. A corrective Wave 4 should not *close* into the *closing extreme* of Wave 1. If what we think is a Wave 4 closes into the closing range of Wave 1, it invalidates the idea that it is a Wave 4 and we must assume an ABC is complete (not 123).



A close below 249 ³/₄ on this (March) Wheat example would confirm that what is labeled as a 123 rally should be an ABC correction instead.

Today's Trading Lessons

1. Once a market moves past **BOTH** the 100% Alternate Price and Time Projections of Wave 1, we can consider that the *probabilities* are shifting towards the current move being a *new impulsive* Wave 3 and not a *corrective* Wave C.
2. Wave 4 should not close into the closing range of a Wave 1. A close beyond the Wave 1 closing extreme would invalidate the Wave 3 and confirm that the current move should be a corrective Wave C.
3. Ideally, the *larger degree* pattern position will also help us to determine if it is an ABC correction or 123 impulse.

Potential Trade Set-ups and Trade Follow-ups

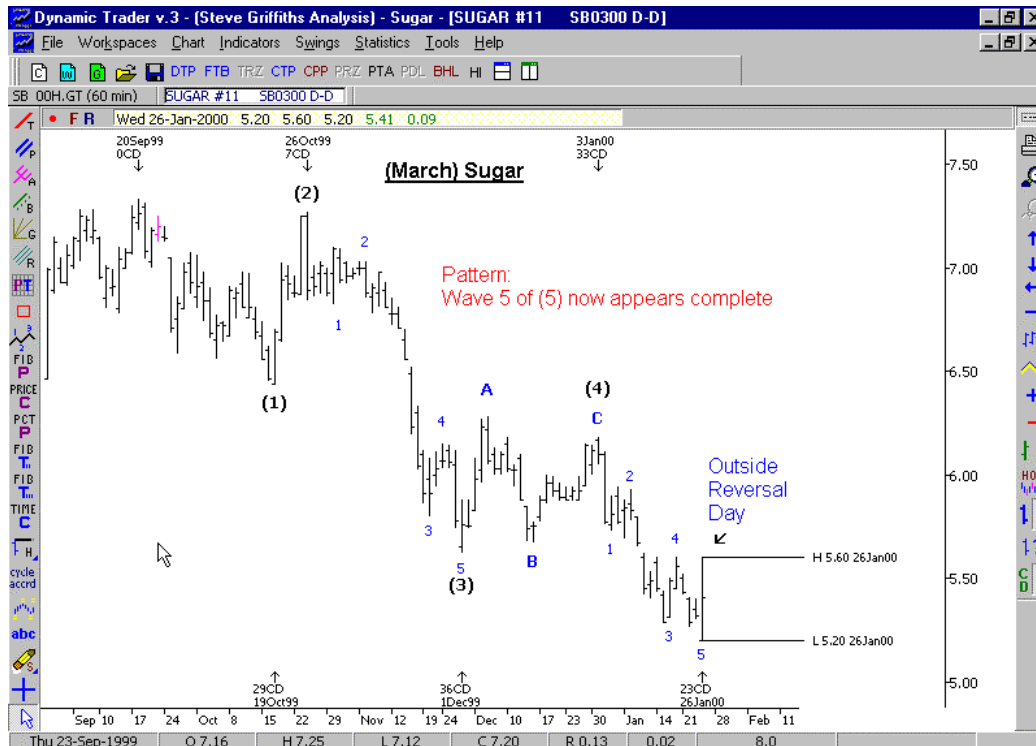
Potential trade set-ups are for tomorrow, Jan 27.

Sugar (March)

Short and Intermediate Term Units (L-1/26, 5.50)

The #2 go-long trade rec from Saturday's report was elected today at the 5.50 buy-stop. Place the protective sell-stop at 5.19, one tick below today's outside-day low.

While Saturday's report labeled sugar as potentially having completed W5:5 on Jan. 18, today's outside-day traces out an even more symmetrical W.5 at today's low. While not a specific trade recommendation, traders who are not long may position Long on a break above yesterdays High of 5.60 with the initial protective sell-stop no lower than one tick below the outside-day low.



S&P (March)

The short-term unit was stopped out yesterday, Jan. 25, at 1421.25, one tick above the high of the first hour's range per the recommendation in Monday's report.

Intermediate Term Unit (S-1/24, 1447.25)

Adjust the protective buy-stop on the intermediate term unit to 1447.0.

Although not a specific trading recommendation, the S&P made an *inside day* today, hence traders may consider positioning Short on a break of Tuesday's low of 1398, for a *trend continuation* set-up.

BP (March)

The go-short rec from Monday's report was elected on Tuesday, Jan. 25.

Short and Intermediate Term Units (S-1/25, 164.42)

Adjust the protective buy-stop to 165.10.

Good Trading,

Steve

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