

# 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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## Trend Continuation Trade Entry Strategies – Part 2

Today I would like to continue with this week's theme of trend continuation trade entry strategies that allow you to enter a low risk trade *once a new trend is already underway* with the *outside day* trade set-up.

### Outside Day Trade Entry Set-Up

An outside day is defined as a day where the entire trading range is outside the prior days trading range.

For example, I would like to go back a week in the S&P to Jan 22, which was actually the day after our inside day set-up from yesterday's report.

With all trading strategies, we need to have an opinion of the current Elliott position of the market in order to decide which side of the market we want to trade. Here we see that the market appears to have made a Wave 2 or B high on Jan 14. Hence, as yesterday, we should be looking for opportunities to enter the market on the Short side.

With an **outside-day**, *first* the market must trade to above the prior day's high for a potential short sale (reverse for a potential long trade). Once this criteria has been met, the entry trigger for a potential short sale is on a break of the *prior* day's low (reverse for a potential long trade).

Please see the first chart on the next page

Outside Day Trade Entry – for a short trade (reverse for a long trade)



Outside Day Initial Protective Stop Placement – for a short trade



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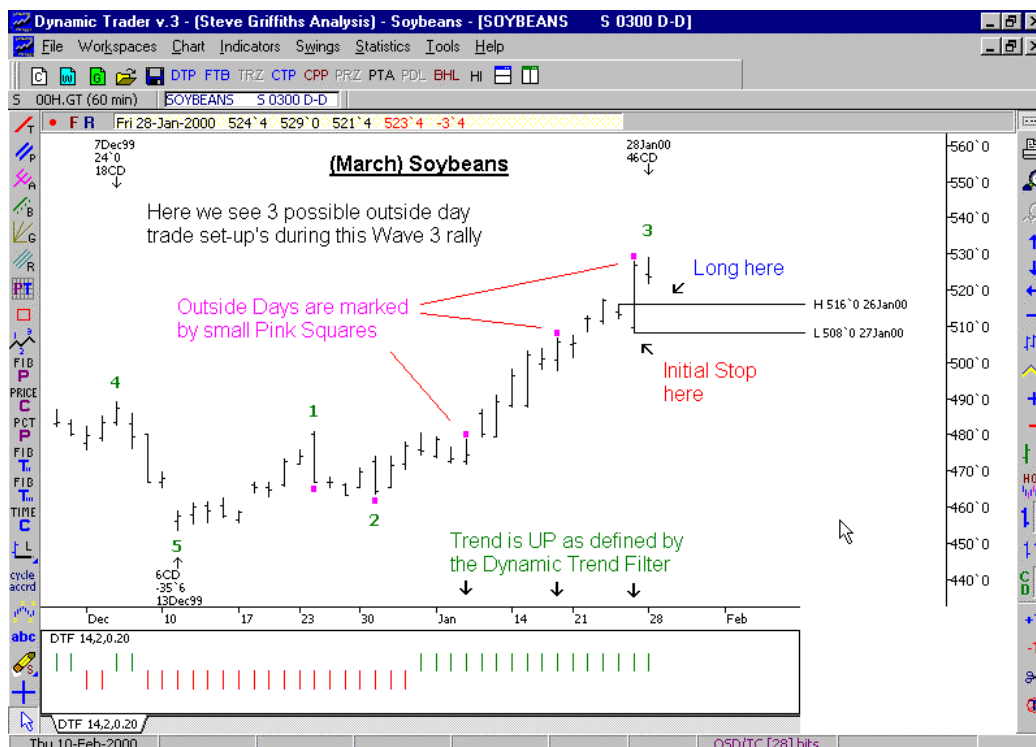
In this example, we place an order to Sell 1 tick below the prior days low of Jan 21 at 1449.10 **after** the high of Jan 21 had been exceeded.

If filled, we place the initial protective buy-stop 1 tick above the high of the day of entry. See the second Chart on the previous page. Normally the market will not retrace to the Price extreme of the outside day itself if the new trend is valid.

Unlike inside days where the market pauses and catches breath, outside days are times of range expansion, when the market is accelerating in the new trend. Hence the outside day strategy is designed to take advantage of this expansion, allowing us to enter the market as the new trend begins to accelerate away.

Sometimes the current Elliott Pattern is unclear. If so, we can use a trend direction filter such as the *Dynamic Trend Filter* to first establish the trend direction which will tell us which side of the market we want to trade.

On a Daily Chart of Soybeans we can see 3 possible *outside day* trade set-ups during the current Wave 3 rally to enter the market on the Long side, each of which is confirmed by the bullish direction of the *Dynamic Trend Filter*.



As we have seen, the initial criteria required for an outside day set-up is that the market has first exceeded the prior days extreme, hence we need access to market prices after the market has opened. This can be achieved by either having access to real-time prices throughout the trading day, or, if this is not an option, an occasional call to your broker during the day to see if the previous day's extreme has been exceeded.

Once you know that the market has exceeded the prior days high (low for a long set-up), you can place an order to enter the market on the short side 1 tick below the prior days low. This is one reason why I like this set up, as once you have entered your order you need not sit and watch the market all day, the trade entry is completely automatic.

An outside day *does not* have to follow an inside day to be a valid set-up, as in the first example on today's S&P. But when this happens I have found this to be a particularly good set-up. As the market fades its hand in one direction, with a false break from the inside day, shaking out the small and weak positions, before re-establishing the main trend.

The market only has to trade above (below for a long set-up) the prior days Price extreme to set-up a possible short sale. But a Gap up on the open, as in the S&P example, is a particularly good set-up as a market that fails to hold a Gap up on the open by declining to take out the prior day's low is in a very weak position. Reverse for a Long set-up.

## Today's Trading Lessons

1. An *outside day* is defined as a day where the entire trading range for the day is *outside* the prior day's trading range.
2. Outside day trades are taken in the direction of the main trend. The direction of the trend may be determined by our opinion of the Elliott wave pattern position or by a trend filter indicator such as the Dynamic Trend Filter.
3. The initial entry and protective stop price is completely objective.
4. The entry trigger for an outside day set-up, in the case of a short sale, is on a break of the prior days low **once** the prior days high has been exceeded.
5. If filled and in the case of a short sale, we place the initial protective stop 1 tick above the Price extreme of the *day of entry*.

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

### **(March) Pound**

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

No Change from Saturday's report:

- Protective buy-stop on the short-term unit is 1 tick above the prior days high at 161.76 for tomorrow.
- Protective buy-stop on the Intermediate term unit remains at 164.38

### **(March) Copper**

Short and Intermediate Term Units (L-1/31, 84.90)

The protective sell-stop on both units remains at 83.05 for tomorrow, 1 tick below the recent low.

### **(June) Live Cattle**

Short and Intermediate Term Unit (L-1/31, 69.60)

Raise the protective sell-stop on both units to 69.15 for tomorrow, 1 tick below the 78.6% retracement.

**(March) Wheat.** Failed to note yesterday that the intermediate term unit was stopped out on Monday at the 256.2 protective sell-stop given in Saturday's report.

Wheat remains in the time, price and pattern position for a potential corrective Wave-4 low so long trades should still be considered.

Although not a specific trading recommendation, today Wheat closed above today's open and yesterdays close, as anticipated, so Traders who are not already long may consider a Long trade on a break of yesterdays high.

**(March) Corn.** Although not a specific trade recommendation, Corn may have completed a Wave-4 low on Monday and closed above today's open and yesterdays close today, so Traders may consider a Long trade on a break of yesterdays high.

Good Trading,

Steve

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