

Dynamic Trader Report

Comprehensive Analysis and Education For the Serious Trader and Investor

Published By

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Sat., Dec. 18, 1999

Published Since 1986

Week one of the new daily Dynamic Trader Report is complete. Thanks for the many emails showing your support and appreciation of the trading tutorials and updates. Steve and I are still working on the format and plans for the future so I think you will find it will get even better in the weeks ahead. We appreciate your feedback and welcome any and all comments and suggestions.

In the weeks and months ahead, the tutorials will cover a wide range of subjects from technical analysis to trade strategies to trade management. Some tutorials will be very basic, some will be more advanced. Keep in mind that trading should not be complicated. A trader must have a very firm foundation of the basic principles and approaches of analysis and trading strategies to be successful. One of the reasons many traders have a difficult time succeeding is they do not take the time to master the fundamentals.

The basic format for the weekday reports is a series of tutorials with a common theme. The Monday-Wednesday tutorials will provide instruction around that theme and the Thursday tutorial will bring together.

Have a great Christmas and take lot's of time to relax and have fun over the holidays.

Regards,

Robert

S&P - Position Summary as of Dec. 18, 1999

Comments	Last week's outlook was for the S&P to continue to be sideways to up to at least Dec. 22. The S&P made a net advance last week as anticipated. Friday's high was right at an important cluster of price projections for at least a short term high but the time, price and pattern position suggest the S&P will continue higher next week.
Pattern	<p>Long-Term: <u>Aug. 31, 1998 closing low = W.4</u>: If this is the case, the next intermediate-term high should complete the bull trend that began from the Dec. 1994 low.</p> <p>Intermediate-Term: <u>Oct. 18 = Wave 4 low of Wave 5</u> which began at the Aug. 31 closing low. See last week's report for more details on the potential intermediate and long-term position.</p> <p>Short-Term: <u>Dec. 1 = minor Wave-4:5:5 low</u> A trade below 1406.5 (March), the W.4 low, will signal the advance from the Oct. 18 low should be complete. The time and price position of the S&P suggests Dec. 3 is not the W.5 high. <i>See the 40-minute chart for additional short-term pattern comments.</i></p> <p>The "wave-structure" of the S&P from the 1994 low is not in a text book, high confidence pattern by any means, at least from my perspective. However, that is not particularly relevant to traders or even investors as we first concentrate on the intermediate term position and work lower to what ever time frame we are trading. If we can keep on the right side of the intermediate term position we will take advantage of the larger degree trend.</p> <p>Again from my point of view, the big problems with wave-structure identification begin at the Aug.-Oct. 1998 lows. There is clearly a different interpretation depending on whether you analyze the daily close only or the daily-range data files. Since the purpose of the Dynamic Trader Report is to identify trading opportunities and not predict the future, the objective is to identify the immediate potential position of a market within a trend and decide what trading strategies have the best opportunity for profit.</p>
Time Analysis	<p>W.5 High: <u>Dec. 22-27</u> Maximum target.</p> <p>We are nearing this important time period. If the S&P remains sideways to up, be alert to the price position and reversal signals in this period. New daily and closing highs after Dec. 27 is a signal the S&P should continue the bull trend into mid-Jan. if not much later.</p>
Support (March)	1440-1436: Key short-term support. If the S&P is to continue to be sideways to up to Dec. 22 or later as anticipated, it should not decline below this support zone which includes the 50%-61.8% retracement and 100% alternate price projections. The S&P reached this zone on Friday.
Resistance (March)	<p>1447-1452: Wave 3 high (Counting from the Dec. 15 low)?</p> <p>1457-1460: Ideal target for Wave 5 assuming the W.4 low is made in the 1440-1436 zone.</p> <p>1465-1469: Maximum target for Wave 5.</p>
General Trading Strategies	<p>High Probability Outlook</p> <p>Short-Term: The assumption is the S&P will continue to advance to Dec. 22 or later and reach at least 1457 (March) without having traded below 1436 (March). The S&P has reached the key short-term support zone (1440-1436). Traders should use short-term reversal strategies to position long as long as the S&P has not traded below 1436.</p>
Last Week	There were no specific trade recommendations last week.
Specific Trade Recs.	<p>All analysis, prices and trading strategies calculated from the full S&P contract.</p> <p>Trade execution made on the E-mini S&P contract.</p> <p>There are no specific trade recommendations for next week.</p>
Investors & Mutual Fund	<u>Long S&P Index Equivalent– Monday, Nov. 1 (1354.12 SPX)</u> Exit long positions on a S&P close below 1424.50 (March contract) .

What Is The Relevant Information?

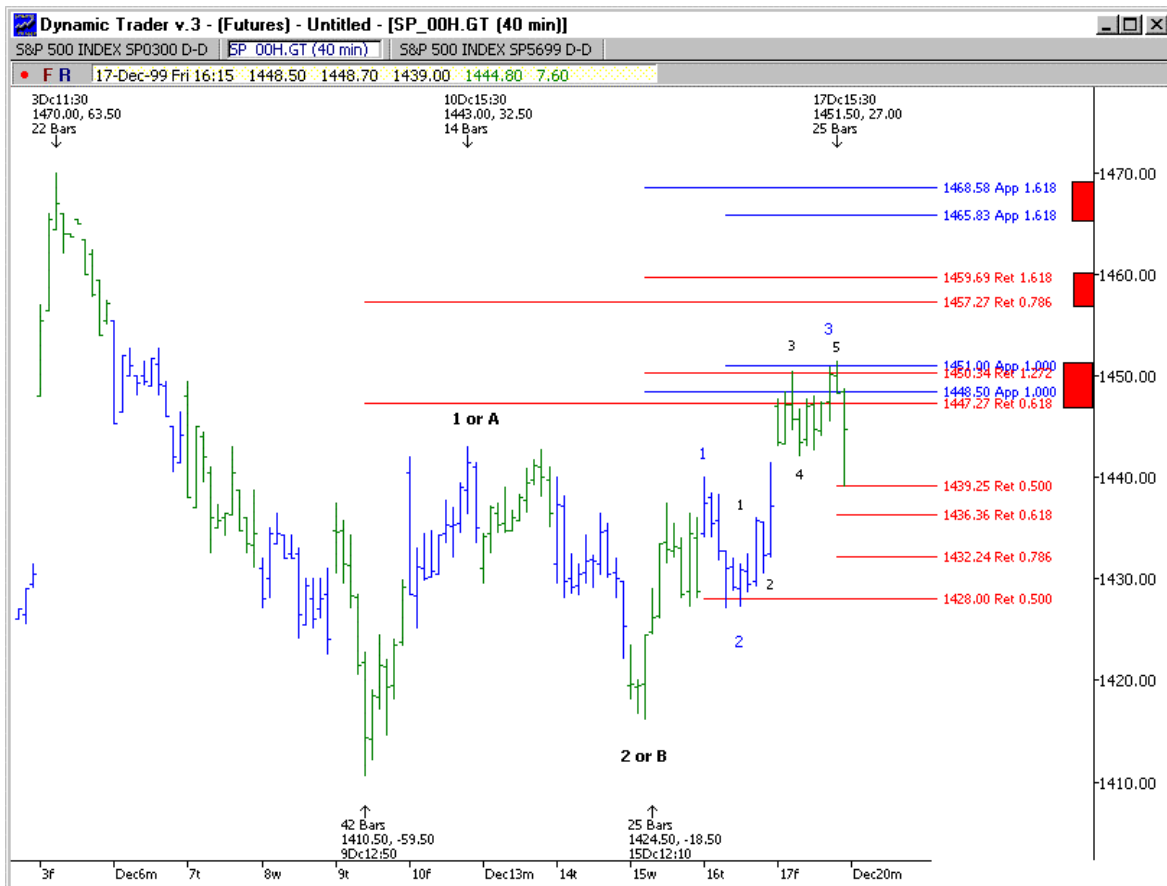
It is always nice when a market is in a clearly defined position. That is not always the case. A trader must work with the information available and decide if there is enough relevant information to make a high-probability, low-capital exposure trading decision.

The larger degree pattern position appears unclear, at least from my perspective. Rather than force an interpretation or opinion of the larger degree pattern position, I just look at the immediate position to see if it makes sense. As of Dec. 15, the S&P has completed two distinct swings which should be either Waves 1-2 or Waves A-B. If either is the case, the S&P should still continue higher and reach at least the 1457-1460 price zone.

It appears the trend up from the Dec. 15 low is making a Wave-4 which should be followed by a Wave 5 to above the Dec. 17 high. Why be concerned at this time how this fits into the larger degree pattern? If the short-term pattern implies at least one more short-term swing up we can see how that may fit into the larger degree picture after we see how and where the new high is made.

If the short-term position is bullish as anticipated, the S&P has reached the maximum support zone for a minor corrective low (1440-1436). Wave-4 would slightly over lap Wave-1 in this zone.

If this analysis is correct, the S&P should make a minor corrective low from near the current position followed by about a 20-point advance to 1457 or higher. A trade much below 1436.0 would void this short-term bullish outlook. From Friday's close at 1444.8 to the stop out point of 1436 is less than 9 points for a potential 20 point gain. Are those good enough odds for you to consider a trade?

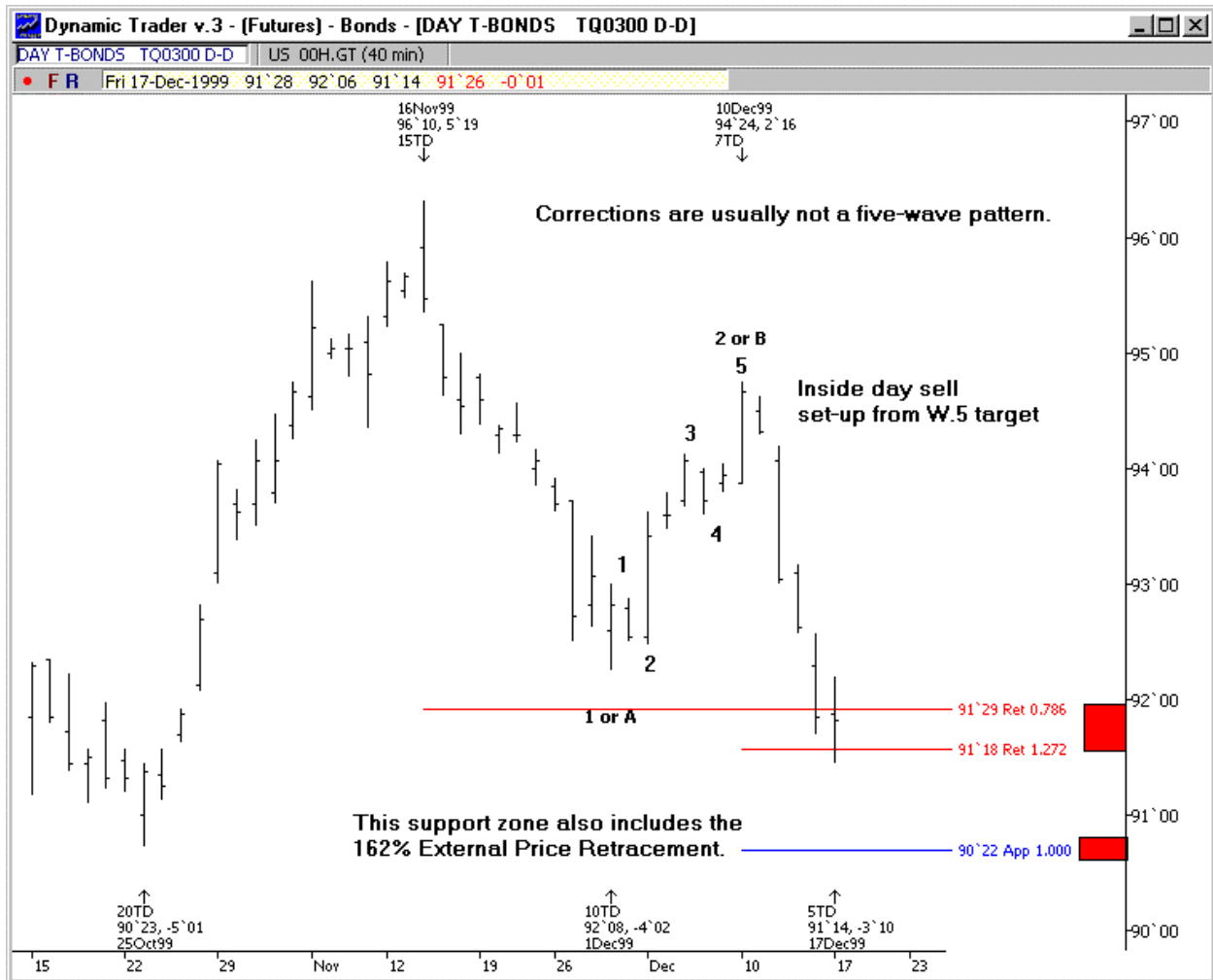


Bonds – Position Summary as of Dec. 18, 1999

Comments	Last Saturday's report suggested bonds were at or near a Wave-5 high and short-term traders should consider a short position. Monday provided a trade entry set-up with an inside-day. Bonds have declined further than anticipated and once again demonstrated how you can be wrong the analysis of the larger degree position of a market but still make profitable trading decisions.
Pattern	With the decline below the Dec. 1 low, I do not have a strong opinion of the pattern position. While bonds may be making an ABC correction from the Nov. 16 high, the decline from Nov. 16 has exceeded the what is usually considered the maximum time period typical for a corrective decline (100% time retracement). Intermediate Term: <u>Dec. 10 = Wave B or 2 high</u> . A close below 90.22 indicates it is a Wave-2 high and bonds should continue to be in a bear trend into mid-Jan. or later. Short-Term: <u>No opinion</u> . Unfortunately, the short-term intraday data is not sub-dividing into a clearly defined pattern.
Time Analysis	Dec. 22-27 Ideal time target for a Wave-C low which includes where Wave-C = 100% Wave-A and 162% Wave-B and a 162% time retracement of the Oct. 25-Nov. 16 advance.
Support (March)	91.29-91.18: Minimum W.C target 90.24-90.20: Maximum Wave-C target.
Resistance	Calculate Fib retracements and alternate price projections if low made.
General Trading Strategies	High Probability Outlook Short-Term: Traders who remain short from last week's general recommendation to go short from the W.5 time and price targets should trail protective stops no further than one tick above the 1DH on the short term unit. The outlook is bonds will continue to be down to Dec. 22 or later and reach 90.24 or lower.
Last Week	No trade recommendations were elected last week.
Specific Trading Recs	There are no specific trade recommendations for next week.

Bonds have reached an important support zone which includes the 78.6% retracement and 127% external retracement. While at least a short-term low is possible from this support zone, the odds are bonds will continue to be down to Dec. 22 or later and reach 90.24 or lower.

The 90.24-90.20 support zone includes where Wave C or 3 equals 100% Wave A or 1 and 162% Wave B or 2. Do these projections look familiar? They are the projections taught in the trade tutorials this week for the end-of-Wave-C.



No chart of short-term intraday data is shown because the internal pattern from the Wave 2 or B high has not sub-divided into a clearly defined pattern that is useful for making a trading decision as far as I'm concerned.

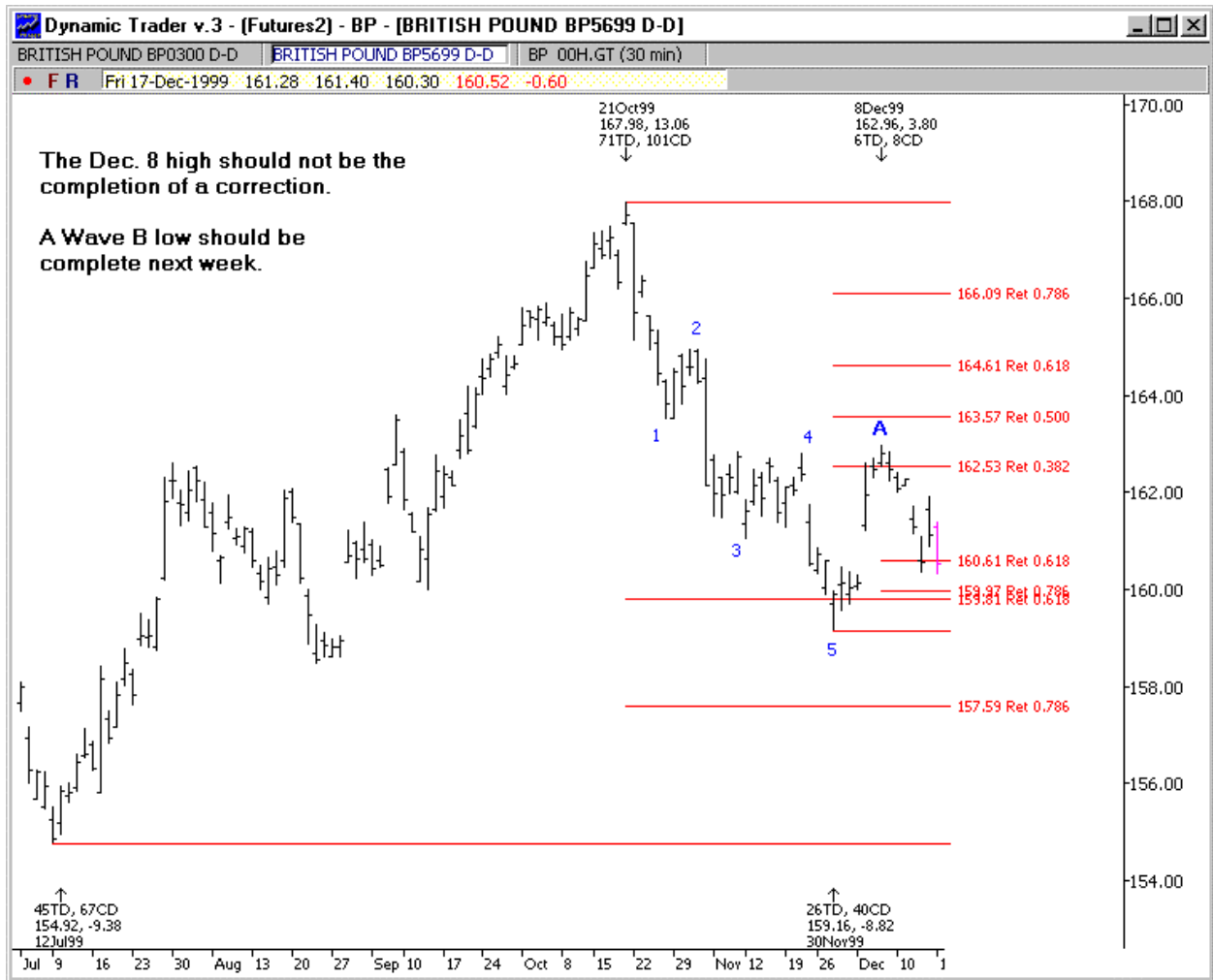
Elliott wave obsessives will try to lable the correction anything but a five wave pattern. It's a five-wave pattern - deal with it.

BP (March)

The outlook remains that the BP will eventually advance to above the Dec. 8 high labeled Wave A below without having declined below the Nov. 30 low. A decline below the Nov. 30 low without having first advanced above the Dec. 8 high is very bearish.

Short and Intermediate Term Units (L-12/6, 161.32): Adjust the protective sell-stop to 159.92. Rarely do we move the protective sell stop further away. The short term position suggests a slightly wider stop than the 160.02.

Current and Recent Trading Recommendations	BP	Opened	Price	Closed	Price	P/L	O/C
	Short Dec. (ST)	10/22	165.72	10/29	164.34	\$863	C
	Short Dec. (IT)	10/22	165.72	11/9	162.38	\$2088	C
	Long (Dec. ST&IT)	11/23	162.72	11/24	161.22	(\$938)	C
	Long March (ST&IT)	12/6	161.32	-	-	(\$500)	O



Soybeans (March)

We are approaching the ideal time and price zones to complete a five-wave decline as outlined in last week's report and shown in the chart below. If beans continue to decline as anticipated into the Wave-5 time and price targets of Dec. 24-29 and 451-444, look to enter long on a daily reversal signal.

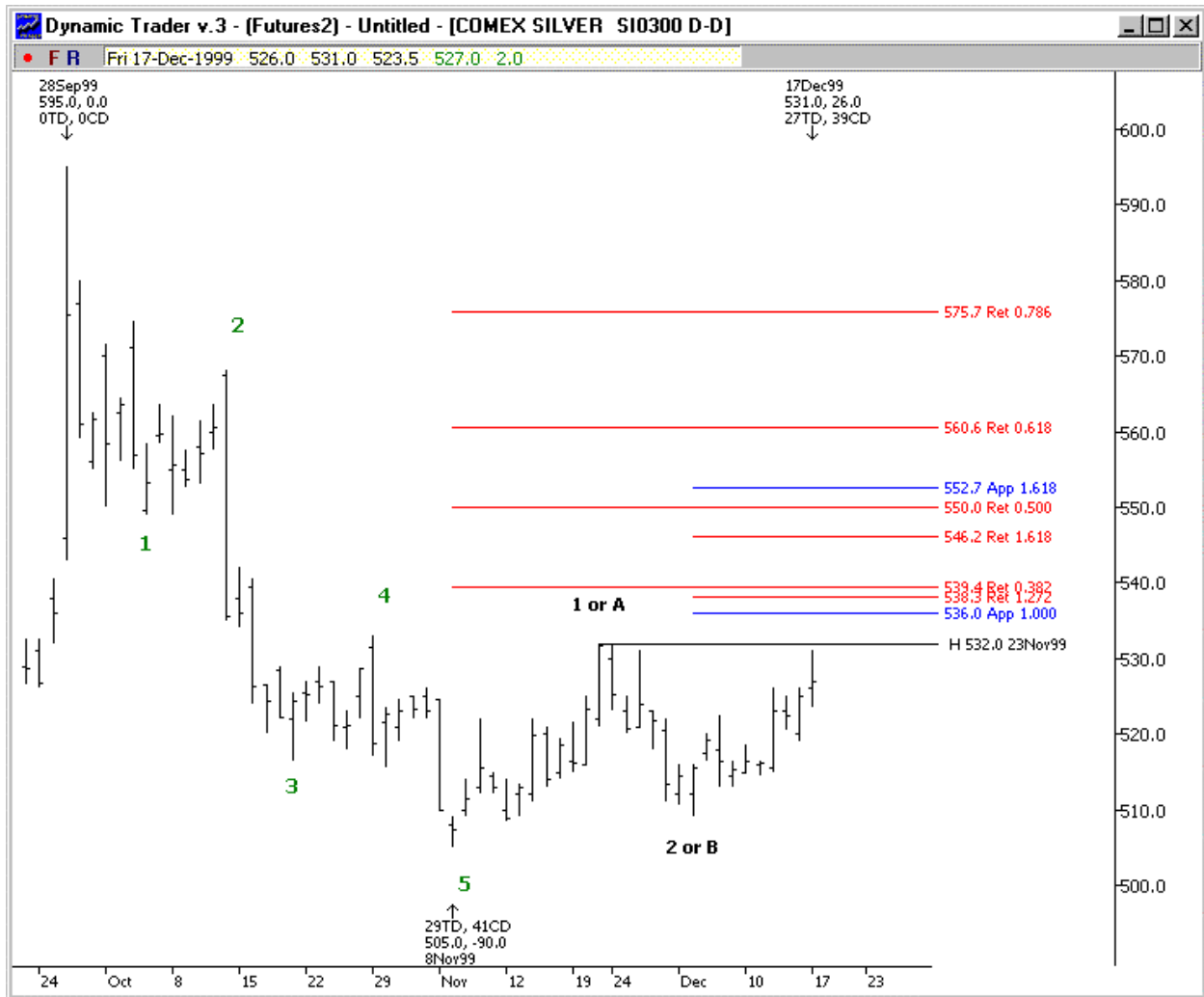


Silver (March)

The high probability price objective is for silver to reach 585 or higher, a 15% advance or more from the Nov. 8 low. See last week's report. In the event silver is just making a typical ABC correction, the typical price objective is 536-540 and the maximum Wave-C objective is 546-553.

Short and Intermediate Term Units (L – 12/7, 517.5): Adjust the protective sell-stop to 518.5. If silver trades above 532 trail the stop on the short-term unit one tick below the 1DL.

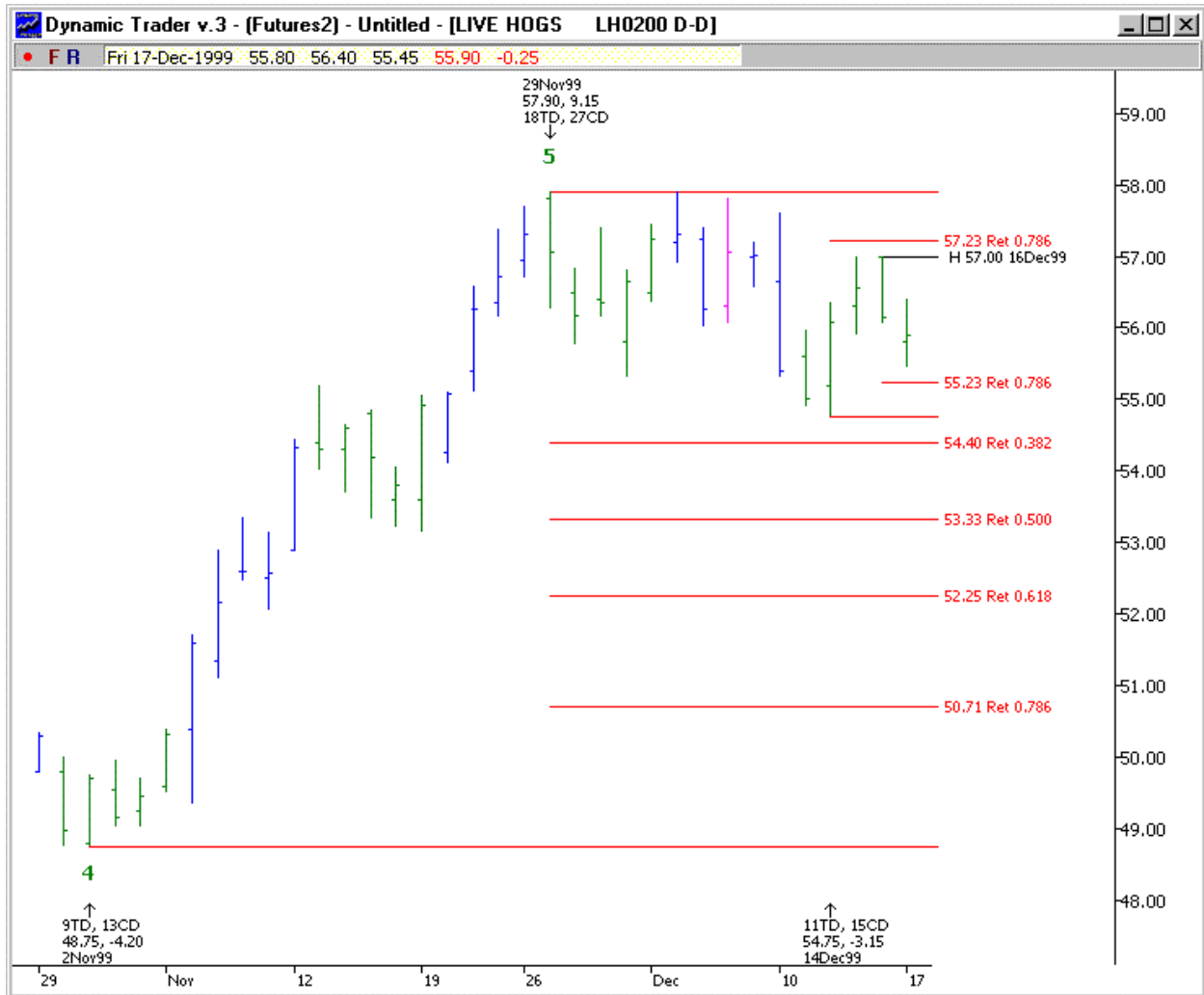
Current and Recent Trading Recommendations	Silver	Opened	Price	Closed	Price	P/L	O/C
	Long Dec. (ST&IT)	11/15	509.5	11/29	520.0	\$525	C
	Long March (ST&IT)	11/29	522.5	12/2	514.5	(\$400)	C
	Long March (ST&IT)	12/7	517.5	-	-	\$475	O



Hogs (Feb.)

If the trend turned down from the Nov. 29 high as anticipated, hogs should not advance above the Dec. 16 high.

Short and Intermediate Term Units (S-12/13, 55.25): Adjust the protective buy-stop to 57.05.



Sugar (March)

The Dec. 16 closing low was right in the maximum target for a Wave-C low. The Dec. 16 low was also at the 162% time retracement. Fridays made a wide-range up day. A trade above 6.00 is the initial signal an ABC correction is complete and sugar should continue to advance to above the Dec. 7 high. While there are no specific trade recommendations, sugar is in a low-risk position for a long position with a stop no lower than one tick below the Dec. 16 low.

