# *Trader Education Tutorial*

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Projecting The Time Target Zone Of A Correction

This week's tutorial will continue in the series of practical application of **Price**, **Time** and **Pattern** by detailing the analysis behind one of the recent specific trading recommendation from the Dynamic Trader Report on the Canadian Dollar.

Firstly, I would like to repeat the initial position from last week with a look at the larger degree position of the Canadian Dollar as of Jun 20, the last bar on the daily chart shown below:
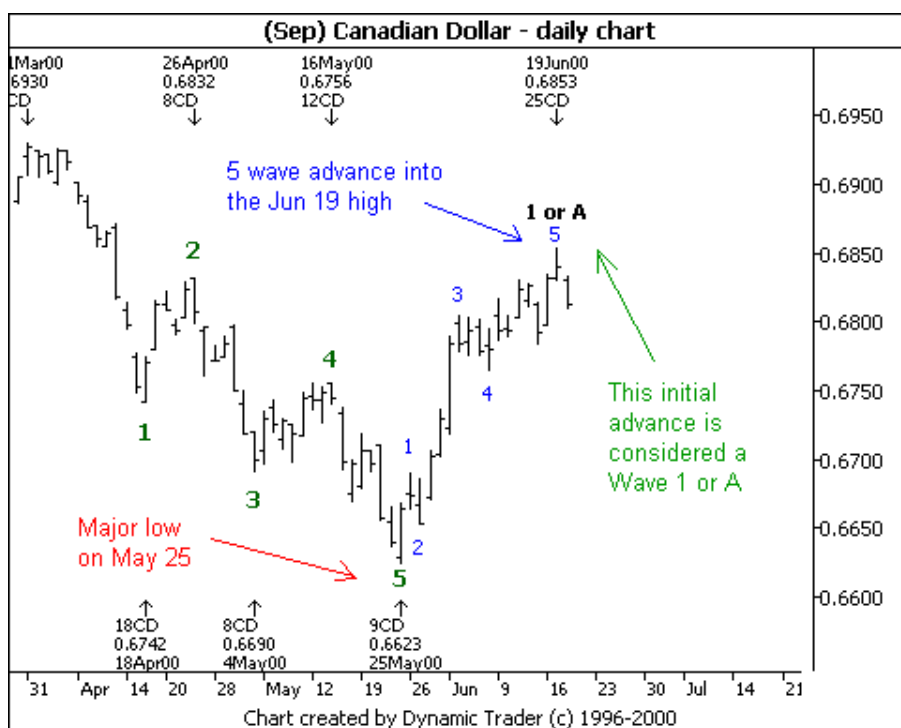

T Canadian Dollar made a lesser degree five wave rally off the May 25 low into the Jun 19 high. This initial advance would be considered a Wave 1 or A. From a trading strategies perspective, it doesn't make a difference which one. The aim now is to identify the termination of the Wave 2 or B correction to look to position long for the anticipated Wave C or 3 rally.

In this tutorial, we will focus on the **Time** targets for a corrective low.

A Wave 2 or B correction is anticipated to terminated between a 50% to 162% time retracement of the Wave 1 or A swing, and typically at a 61.8% or 100% time retracement of the Wave 1 or A.

Let's now place these time retracements on the chart:
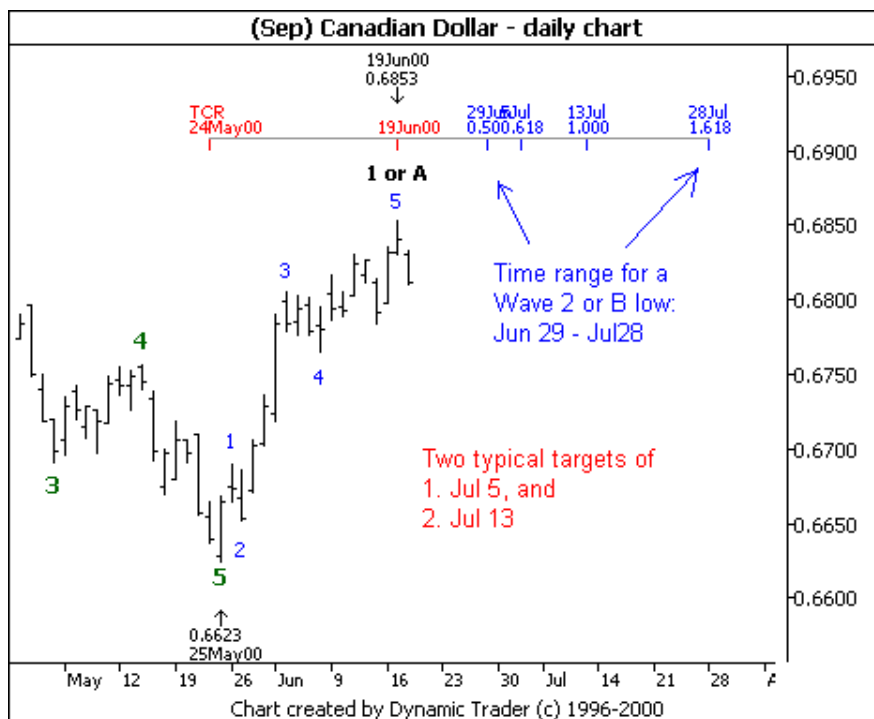
The initial Wave 2 or B time target is Jun 29 to Jul 28. At first sight, this may seen a very wide time range, but this is the *initial* time target which will be narrowed down and reinforced as the lesser degree waves within the Wave 2 or B correction unfold.

Also we have two *typical* time targets of Jul 5 and Jul 13, the 62% and 100% time retracements.

We can now combine this **Time** analysis with the **Price** analysis made last week to get an *initial* broad price and time area where the Wave 2 or B correction is anticipated to terminate.. Last week's tutorial is available for free download from the archives.

Continued on the next page.
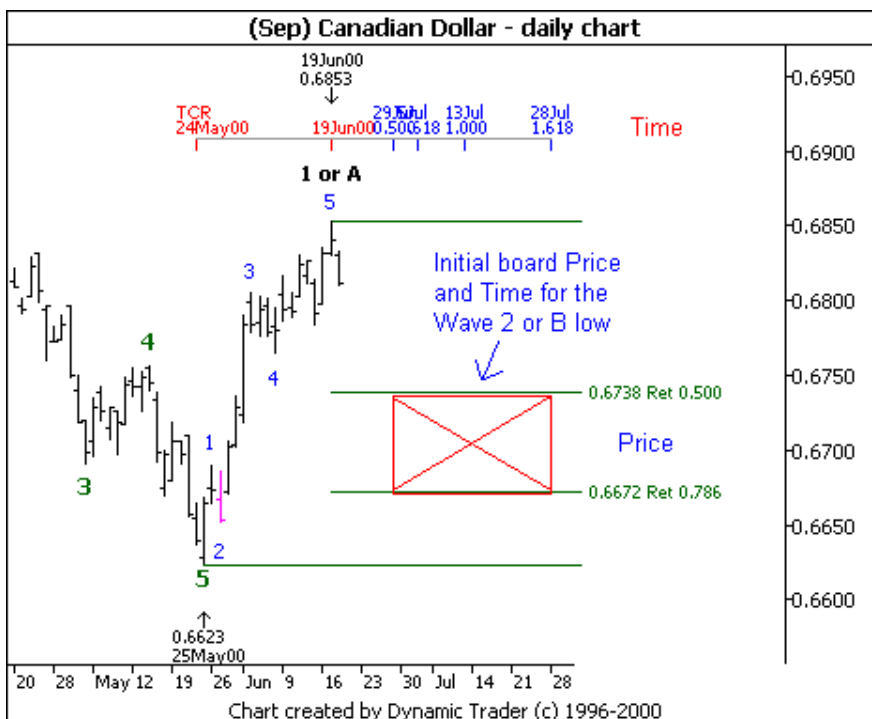
As I have already stated, at first sight this may seem a very wide price and time range, but this is the *initial* price and time target which will be narrowed down and reinforced as the lesser degree waves within the Wave 2 or B correction unfold.

Trading Strategies

We now have the broad time and price targets for corrective low. We should not consider a long position unless the market reaches these time and price targets. By being able to project high probability time and price targets for the end of corrections, we will have the discipline to wait for the high-probability and low-risk trade set-ups before making the trade. Our percentage of winning trades should be higher and the initial risk or capital exposure should be lower.

Key Point

Please note that this taken from actual analysis at the time and a specific trade recommendation published in advance in the Dynamic Trader Report. I believe the best training tutorials arise from real-world analysis. In this way, you can see these methods in a real time trading environment and not as a result of after the fact or analysis performed with the benefit of hindsight.

Next week I will look at the **Pattern** of the Wave 2 or B correction. I will then teach you how to use the lesser-degree pattern to narrow down and reinforce these initial, relatively wide price and time targets. This will lead onto the specific trade set-up once price, time and pattern have all coincided to signal the potential Wave 2 or B low is in place.

I suggest you book mark this page, so you will not miss any aspects of this particular training series, as it will build into probably the most comprehensive education of how to identify and trade a Wave 2 or B correction!

Lesson Learned
Calculating the *minimum*, *typical* and *maximum* high probability time targets for the termination of a Wave 2 or B correction.

End-of Wave Time Targets In Dynamic Trader
Today's tutorial demonstrated the calculation of the End-Of-Wave 2 or B time targets. The Dynamic Trader software program contains a unique *Dynamic Time Projection* routine where time projections can quickly and simply be made for the end of any of the Elliott Wave sequence.

Once a swing file is loaded. the user simply places the vertical marker on the last swing pivot (the Wave 1 or A high of Jun 19 in this example) then selects to make a new Dynamic Time Projection Report. The relevant Elliott wave (Wave 2 in this case) is selected and a table is then produced showing the high scoring dates. The user can then select to display this table as a histogram under the price chart. The user can then easily see the most probable time clusters of when the next swing will terminate.

Chart created by Dynamic Trader (c) 1996-2000
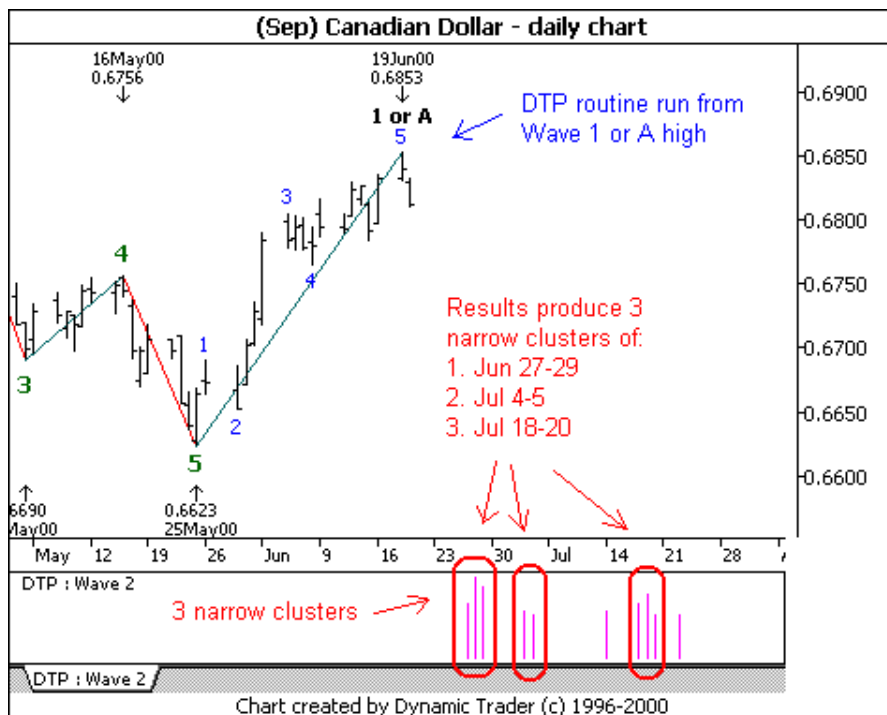
In the above chart, we can see the results of a dynamic time projection (DTP) routine for a Wave 2 run off the Wave 1 or A swing high on Jun 19. Here we have 3 narrow high scoring time clusters of,

1. Jun 27-29
2. Jul 4-5
3. Jul 18-20

These three cluster all fall within the board period of <u>Jun 28–Jul 29</u> calculated in the first section. As the correction unfolds, we will be able to make short-term projections from the subdivisions of the correction to help narrow down the time targets even more.

The Dynamic Trader program is designed to make the high probability time targets where the various Elliott Waves are anticipated to terminate a quick, simple and easy process. There are also time projection routines that are used when the user has not opinion of the Elliott wave pattern of the market.

If you would like to learn more about end-of-wave price and time projections, see Robert Miner's definitive book, *Dynamic Trading*, which was named the 1999 Trading Book of the Year.