Traders Education Tutorial

Wave 2 or B Corrections – Part 3
Trade Entry and Trade Management

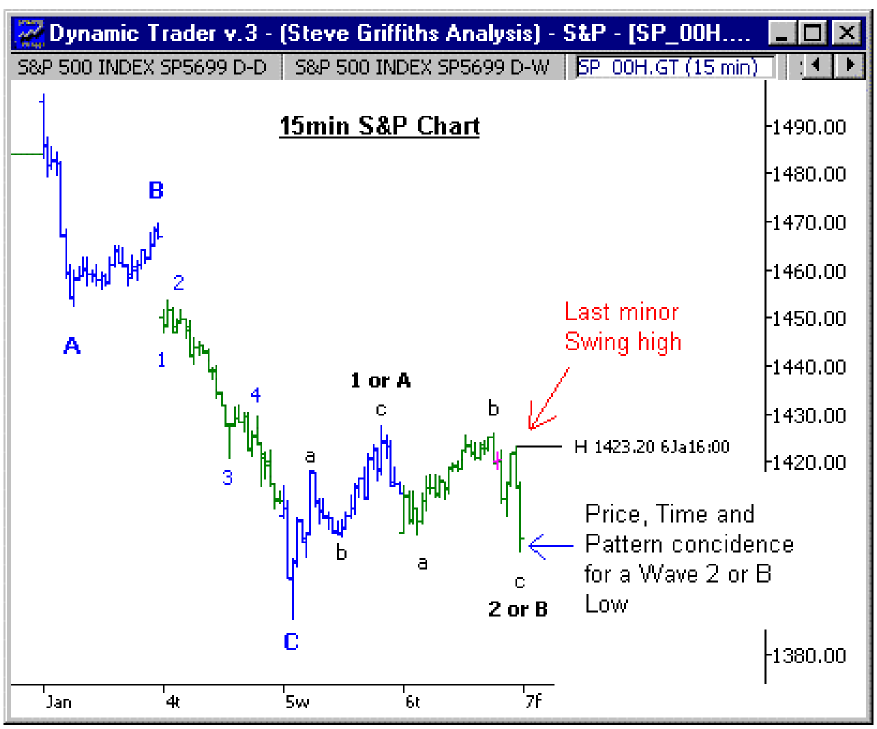
The last two week's tutorials taught how to make the time and price projections for the termination of a Wave 2 or B. This week's tutorial will teach you what trend-reversal trade-entry and trade management techniques to use if a market reaches the projections. You might want to review those two tutorials (1/14/2000 and 1/1/2000) before continuing with this tutorial.

First your analysis must suggest that the market is in a position where a turn is likely. In other words, **Price, Time** and **Pattern** must *coincide* for a potential trend termination – in this case, the termination of a corrective Wave 2 or B.

A simple but very reliable and low-risk short-term entry strategy is to buy/sell on the break of the most recent minor swing high/low *if the market has first reached the time/price targets to complete the trend.*

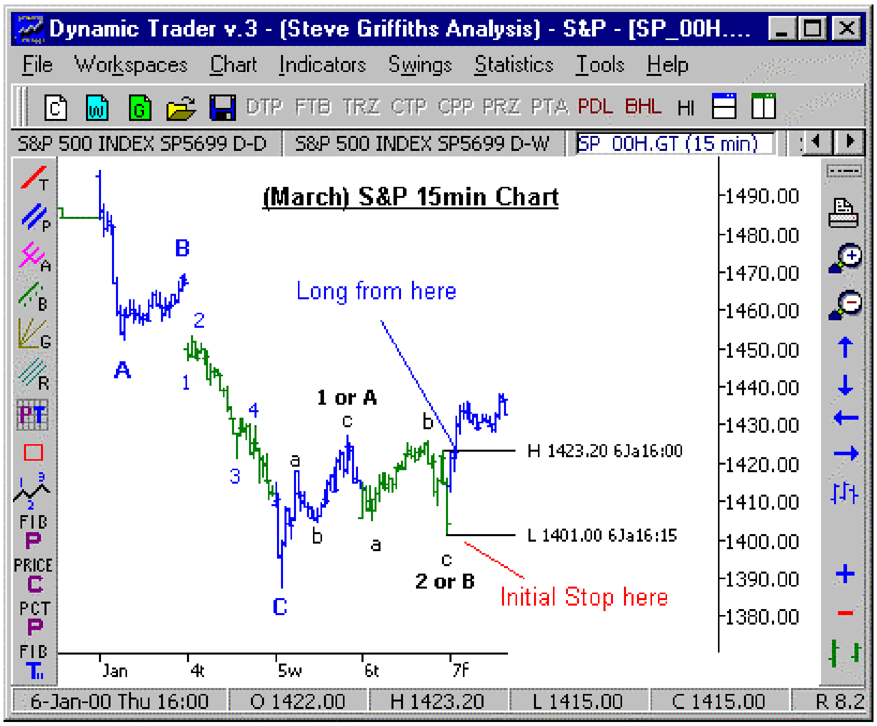
As of the end of the day on Jan. 6, the S&P had reached the time and price targets to complete Wave 2 or B as described in last week's tutorial.

Trade Strategy – buy one tick above the prior minor swing high and place the initial protective sell-stop one tick below the most recent minor swing low.



The initial protective buy-stop to enter the trade is placed at a price, if reached, the market has signaled the corrective low is complete. The initial protective sell-stop if the long position is elected is placed where the market would signal the analysis for the trend reversal is incorrect.

Let's take a look at how it turned out for the S&P.



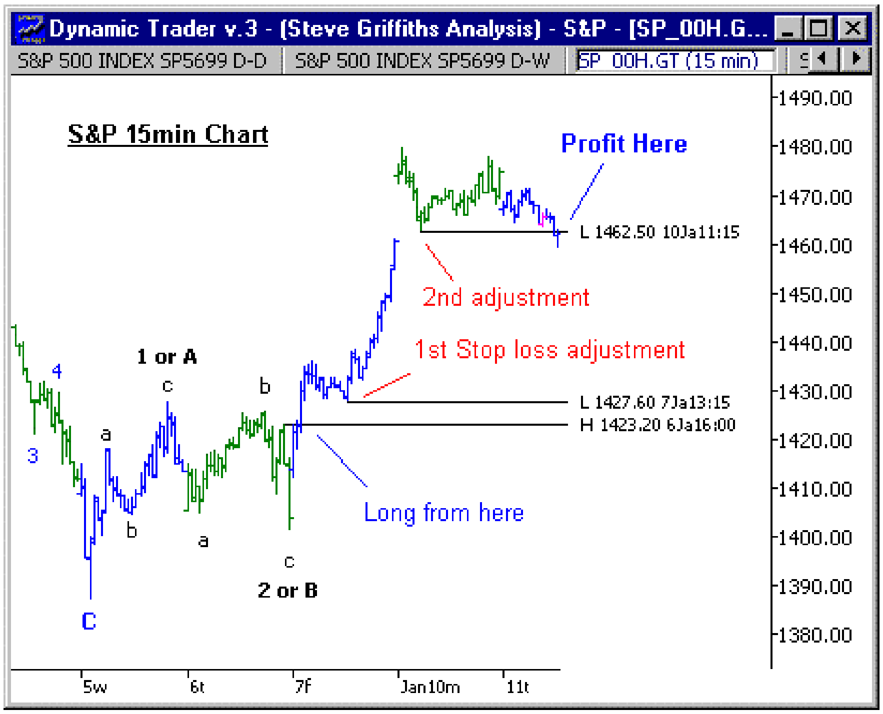
A long position was elected when the market traded above 1423.20 and the initial protective sell-stop was placed one tick below 1401.00.

Once in the long trade, if the market moves in your favor you need to raise this protective sell-stop to protect your accumulated Profits.

One simple, logical and very effective method to trail a protective sell-stop is to advance the stop on at least a portion of the units to just below the most recent minor swing low each time a new swing low is confirmed.

By the later part of Jan. 7, a new minor swing low was confirmed and the stop could be raised to one tick below 1427.6 which would ensure at least a small profit from the 1423.20 entry price.

If the stop were advanced the following day to just be the next minor swing low at 1462.5, the long position would be stopped out with a significant profit.



Trailing the stop at the last minor swing high or low is a very effective and simple strategy that will normally keep you positioned in a trend, as long as the current trend remains in tact.

Robert Miner's *Dynamic Trading* book includes more trend-reversal and trend-continuation trade-entry strategies and protective stop-loss strategies using daily and intraday data.

For more information about *Dynamic Trading* go to **www.dynamictraders.com**.