Trader Education Tutorial

Steve Griffiths, Dynamic Traders Group, Inc.

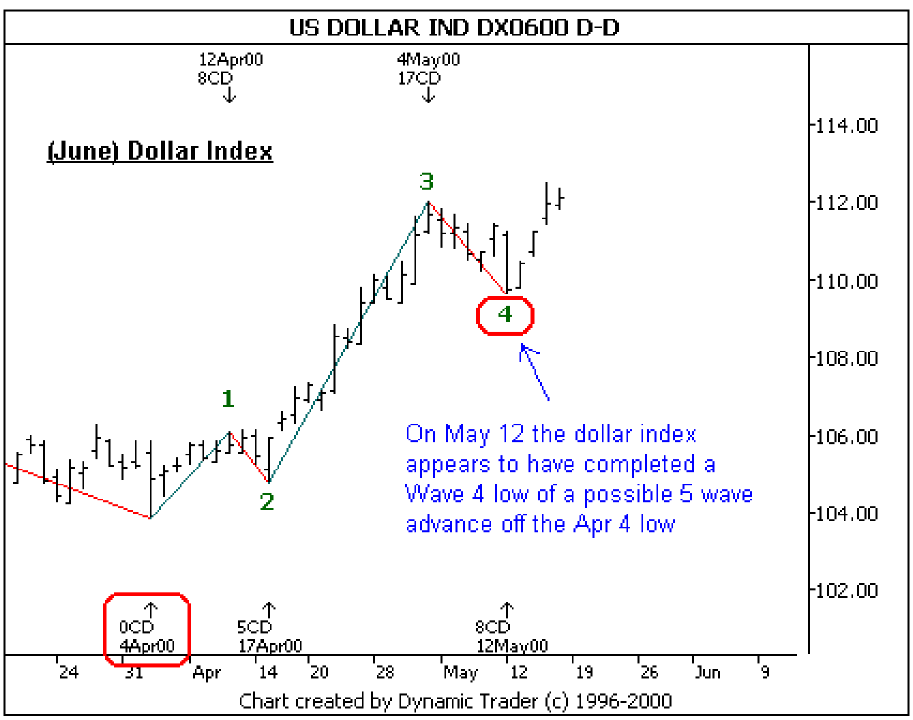
Practical Application of Price, Time and Pattern

Over the last few months I have been detailing the Price, Time and Pattern characteristics of all the individual Elliott Waves. I have also detailed several trend reversal and trend continuation trade entry strategies. These are all available for download from the Traders Education Archives.

Over the next few weeks, I would like to demonstrate how all these separate parts are combined with some practical examples, detailing the actual analysis that was used to generate some of the recent specific trade recommendations in the Dynamic Trader Report. All these trades were published as specific trade recommendations in advance, which demonstrates the practical application of these techniques without the benefit of hindsight.

Normally this training web page is divided into two sections, training and Dynamic Trader software example. For the purpose of these examples these two sections will be combined so you will not only see how to put the trading techniques into practice, but how Dynamic Trader makes the analysis job much quicker, easier and more accurate.

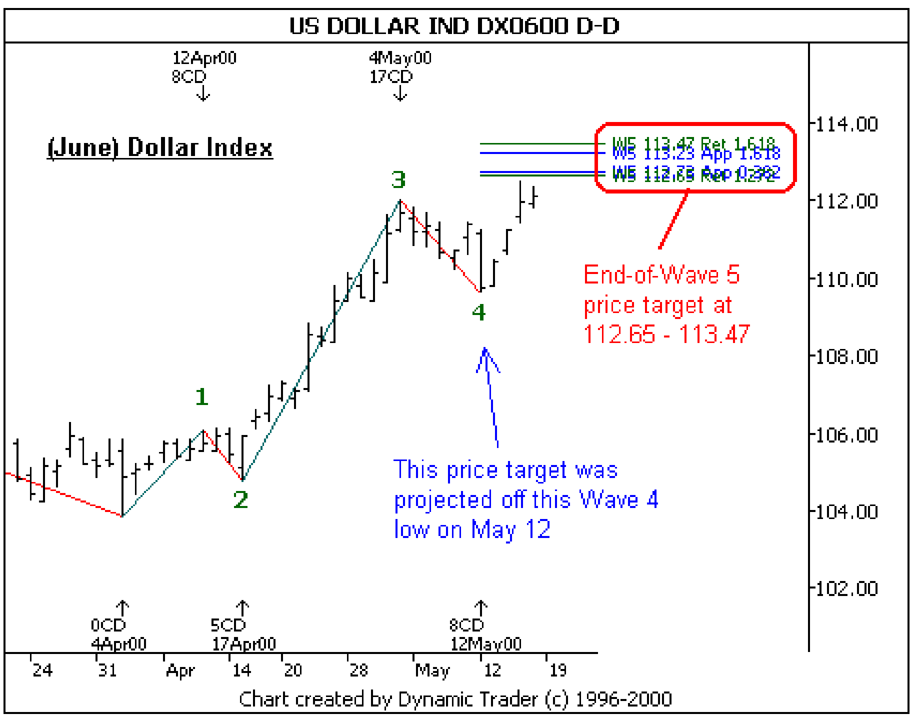
The first trade I would like to examine in detail is the short trade in the Dollar Index which was taken just one day after the May 19 top. The first step is to look at the pattern position of the market as of May 18:



In the above, chart the dollar index appeared to have completed a Wave 4 low on May 12. The task is to prepare for the price and time for the Wave 5 high and therefore the termination of the entire five-wave advance from the Apr 4 low.

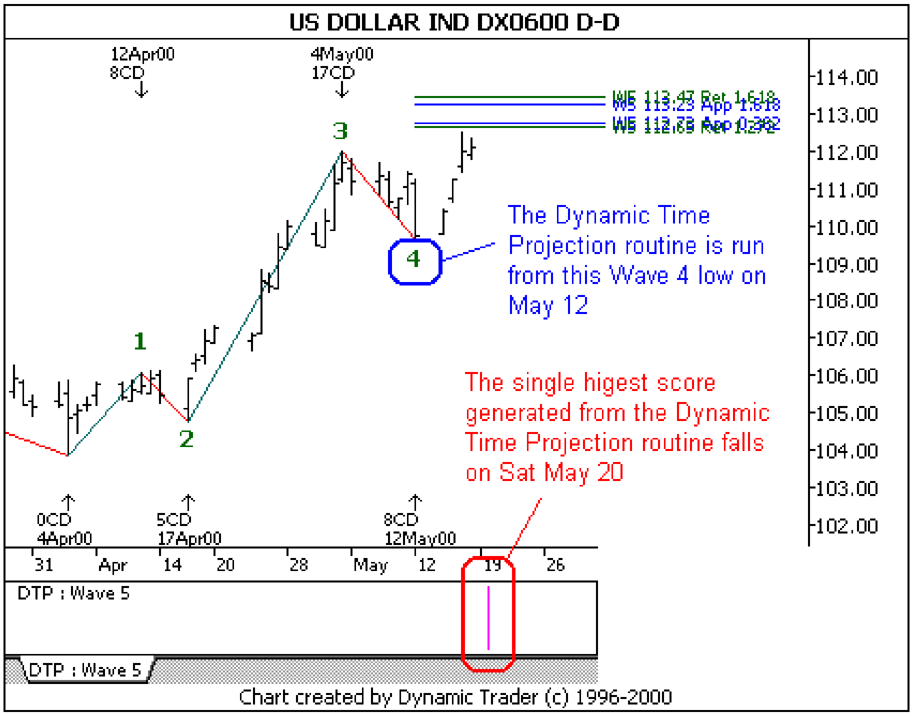
In the above chart, I have constructed a swing file that connects the recent swings. This will be used in the following Price and Time routines in the Dynamic Trader software program. A swing file simply connects the highs and lows on a chart. In the above chart, the swing file connects and represents the Elliott wave count through May 18, the last bar on the chart.

The next step is to use the **End-of-Wave price projection routine** to generate the price targets where the Wave 5 is anticipated to terminate. The individual price relationships, and how to anticipate the important price clusters, has been covered in a prior tutorial (End-of-Wave-5 Price Targets) which this is available for download from the Traders Education Archives. For even more information regarding how to make the End-of-Wave price targets, see the Dynamic Trading book.



In the above chart, a price cluster for the termination of the Wave 5 falls at <u>112.65 – 113.47</u>. As of May 18, this is just above the market.

The next step is to anticipate *when* the Wave 5 is likely to terminate. To make the projection for the time target for the End-of-Wave-5, we make the projection with the **Dynamic Time Projection** report from the Wave 4 low on May 12. Again, I have covered the individual time relationships to use to project the high probability turning points to anticipate when a Wave five is likely to terminate in a prior tutorial. This is also available for download from the Traders Education Archives.

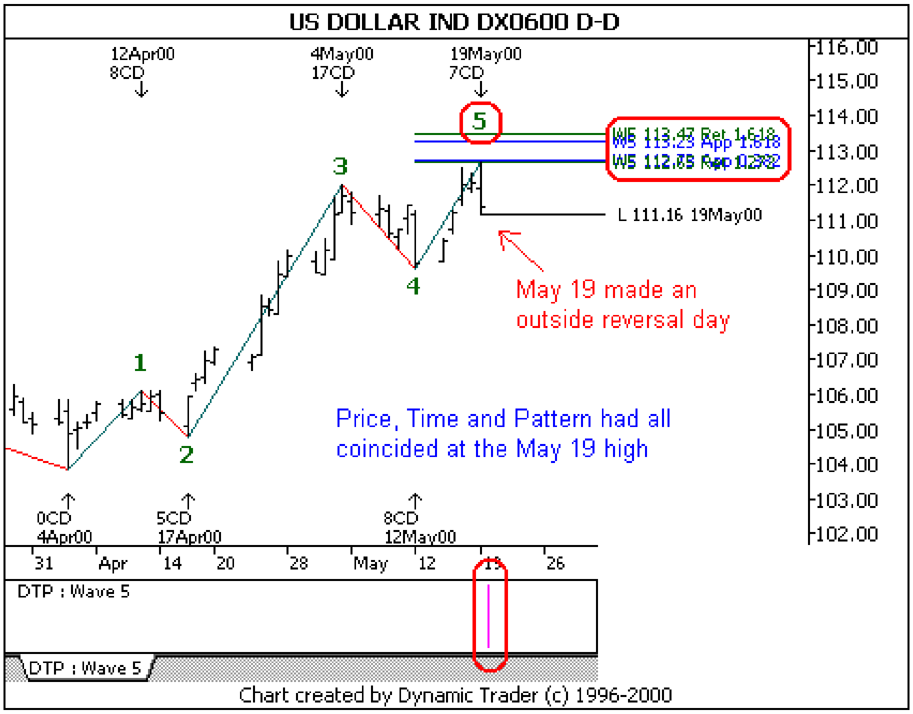


In the chart above, we can see that the single highest scoring day fell on Saturday May 20 for the termination of the Wave 5 high projected off the Wave 4 low on May 12. As the markets are not open on Saturday, we would be very alert for a potential turn on Friday May 19 – Monday May 22.

When all three aspects of **Price**, **Time** and **Pattern** coincide is when markets have the highest probability of terminating the current trend. So let's review the position of the dollar index on May 18:

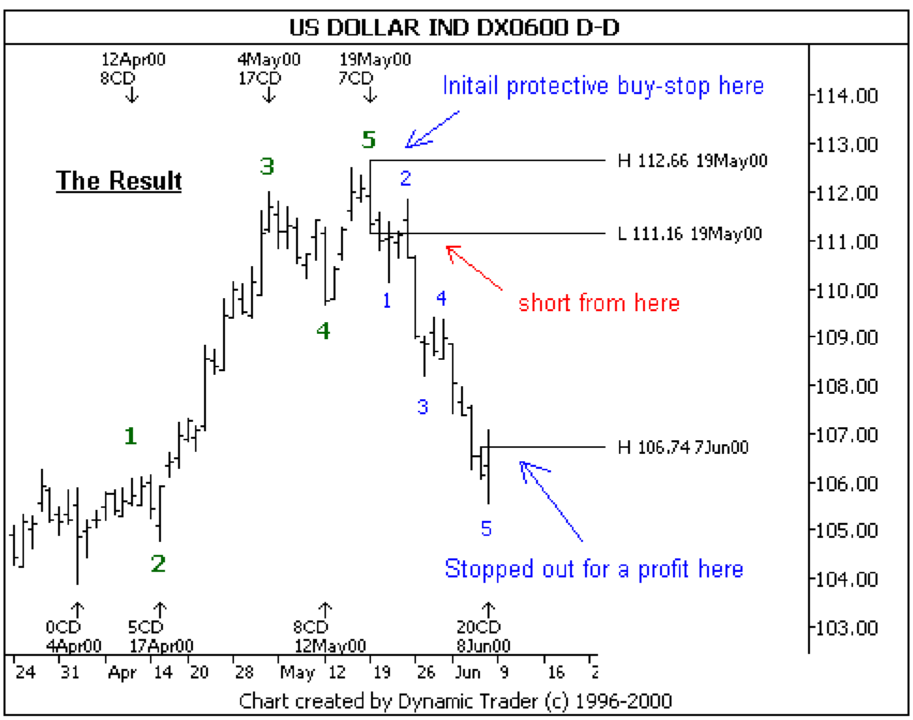
- The **Pattern** appeared to be in Wave 5 and hence the final swing off the April 4 low.
- A high-probability Wave 5 **Price** target of 112.65 – 113.47 fell just above the market
- A high-probability Wave 5 **Time** target of Friday May 19 – Monday May 22 fell in the next few days.

If the dollar index traded into this price target in the next few days, trend reversal entry techniques should be used to enter a short trade at the coincidence of projection End-of-Wave-5 time and price.



This is exactly what happened the very next day, where May 19 made an outside reversal day. This is a very strong indication of a market turn when made at the coincidence of projected price, time and pattern.

The very next day a sell recommendation was made on a break of the May 19 low of 111.16. The initial protective buy-stop is this then placed one tick above the reversal day high of May 19.



The dollar index declined sharply from the May 19 high, the very day of the top. I will cover how to manage a trade including the adjustment of the protective stop once a trade starts to move in your favour in a future tutorial.

This short trade is not an “after-the-fact example” but was a specific trade recommendation in the Dynamic Trader Report. The trade remained short and was not closed out until Thursday, June 8 for a profit of $4,420 per contract.

Lesson Learned

When a market reaches the coincidence of projected price time and pattern for the potential termination of the current swing, trend-reversal, trade entry strategies are used to enter a trade. All the analysis is made *in advance* which often allows the trader to be positioned on the very day of a market turn.

While this analysis may seem an idealised after the fact example, chosen very carefully to show a good result, it was in fact detailing a specific trade recommendation published *at the time* in the Dynamic Trader report. I hope you can see how valuable the Dynamic Trading approach to technical analysis and trading strategies can be for *you!*

When Price Time and Pattern coincide, change is inevitable.

For a complete education of time, price and pattern analysis and trading strategies, see Robert Miner’s book, *Dynamic Trading* available from

www.DynamicTraders.com