

Traders Education Tutorial

2/12/2000

How to Make Wave 3 Price Targets

Today I we will continue with the series of training tutorials on Wave 3's with a look at the *minimum*, *typical* and *maximum* **Price** targets we would anticipate for where a Wave 3 is likely to terminate. Knowing these targets in advance is of great importance to us as traders. If we are in a profitable trade off the Wave 2 low, we now want to try and lock in as much profit as possible. Knowing the high-probability targets of the Wave-3 trend will help us determining the trade management strategies to adjust the stop-loss and take profits.

Minimum, Typical and Maximum Wave-3 Price Targets

There are three high-probability price zones where a Wave 3 is likely to terminate - the *minimum*, *typical* and *maximum* target zones:

The *minimum* Wave-3 target anticipated includes where:

- Wave 3 = 161.8% external retracement Wave 2 and
- Wave 3 = 100% Alternate Price Projection (APP) of Wave 1

The *typical* Wave-3 price target anticipated includes where:

- Wave 3 = 261.8% external retracement Wave 2 and
- Wave 3 = 161.8% Alternate Price Projection of Wave 1

The *maximum* Wave-3 price target anticipated includes:

- Wave 3 = 261.8% Alternate Price Projection of Wave 1

- And rarely will Wave 3 be exceed the 423.6% APP of Wave 1

When we make these price projections, we look for areas where the price projections *cluster* in a relatively tight range. Lets have a look at a recent example for (March) Wheat to demonstrate what I mean.



Here we can see that two distinct price zones are made from the projections where the *minimum* and *typical* Wave 3 Price targets *cluster* in a relatively tight range of 258 - 261 ¹/₄ and 268 ¹/₂ - 273 ³/₄

The Wave 3 rally terminated right in the *typical* Price target at 268 ¹/₂ - 273 ³/₄ which was projected off the Wave 2 low.

Key Point

While this is an after-the-fact example to illustrate how the projections are made, the price projections are always made *in advance* so you know well in advance what are the high-probability price targets for the current trend. We demonstrate how this is done every week in the Dynamic Trader Report where we make the current high probability trend targets for many of the financial and commodity markets.

Price Projections May Be Made On Any Time Frame

Let's take a look at another example from last week's Dynamic Trader Report on a 15-minute intraday chart of the Canadian dollar:



Wave (3) also terminated right in the typical Price target for a Wave-3 which was projected well in advance of the price actually reaching that zone.

All the calculations are performed from the last swing high or low (the wave 2 low in this example), hence you are prepared *in advance* for the most likely price targets where the Wave (3) will terminate.

This Price analysis can now be added to the Wave-3 Pattern analysis which we taught in last week's tutorial. Not only are we *prepared in advance* for the most likely Price areas where a Wave 3 is likely to terminate, but also what Pattern to look for as the Wave 3 is terminating.

There are only a few projections needed to make the minimum, typical and maximum Wave-3 targets. For years, I did all of these with a calculator and then I made a spreadsheet template. Today I use the Dynamic Trader software program which allows you to project these levels very quickly and easily with only a couple mouse clicks.

At the end of this tutorial, I will show you how the End-of-Wave Price Projections routine in Dynamic Trader can make these projections almost instantly and have them displayed on your chart well in advance.

In the next Traders Education tutorial I will move onto the third aspect of our Dynamic Trading approach to the markets – **Time**, with a look at when to anticipate a Wave 3 is likely to terminate.

Lessons Learned

1. We can project *in advance* the minimum, typical and maximum Price targets for where the Wave 3 is likely to terminate.
2. The best Price support and resistance areas are where these different Price projections *cluster* together in a relatively tight range.
3. All the calculations are performed from the last swing high or low, hence you are prepared *in advance* for the most likely areas where the Wave (3) is likely to terminate.

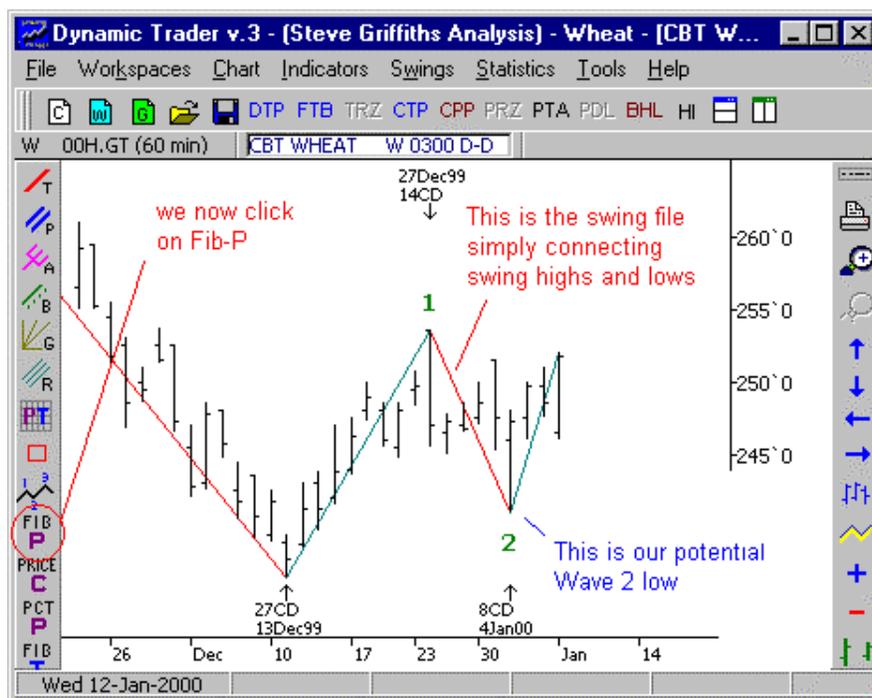
Robert Miner's *Dynamic Trading* book includes instruction on how to make all of the end-of-wave price projections and includes a handy, quick-reference table for all the price projections.

Dynamic Trader and Wave-3 Price Projections

The Wave-3 price projection tutorial above taught you how to make the high-probability targets for the end of a Wave-3. This can also be accomplished with three mouse clicks and the Dynamic Trader software program.

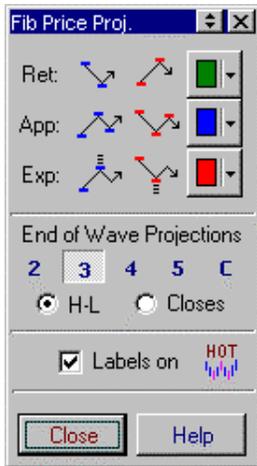
We first place a swing file on the bar chart which marks off the recent pivot highs and lows. If we believe a Wave-2 is complete, we can then make the price projections for the end-of-wave-3.

Let's step through the (March) Wheat example I used in the tutorial above, where we start with a bar chart and swing file.

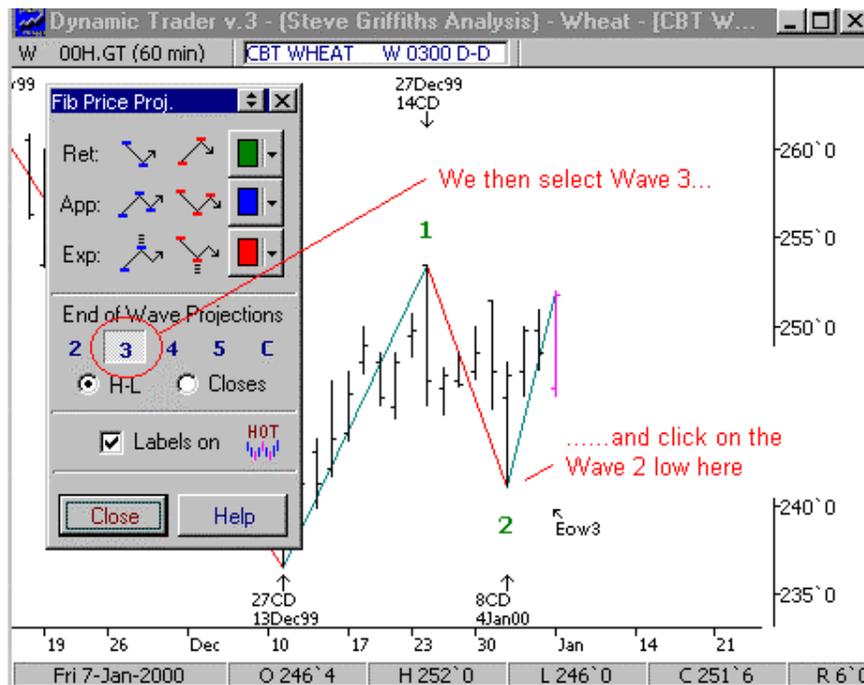


Click on the Fib-P button on the left-hand menu, and the Fib Price projection menu opens.

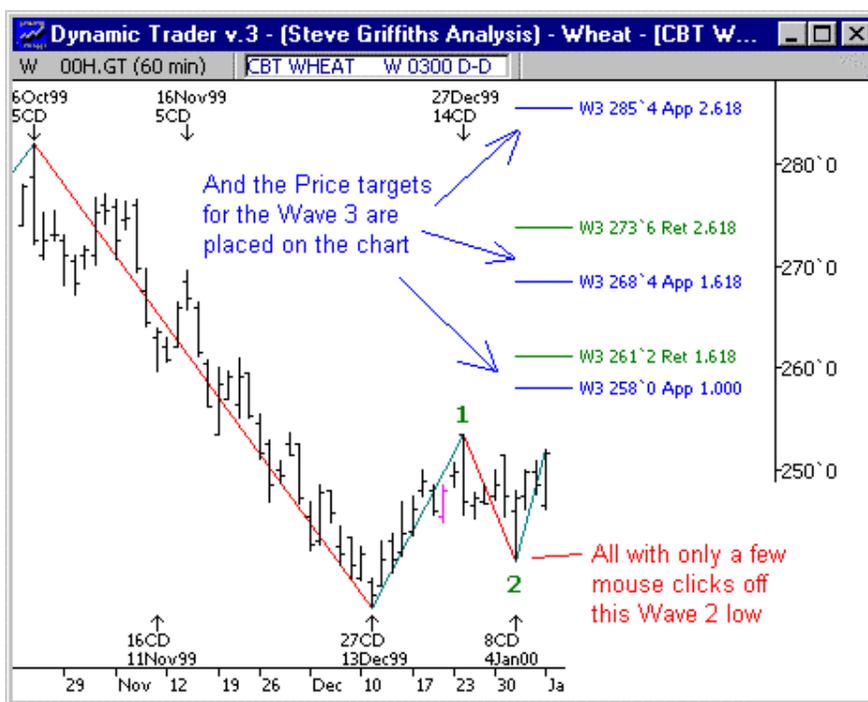
Fib Price Projection Menu



Select Wave 3 under the End-of-Wave projections to make all the high-probability projections for Wave 3 with one mouse click.



Click on the Wave 2 low and the Price projections are placed on the chart at once.



It is that easy. Only a few mouse clicks and the information is displayed on the chart for you. Note on the chart how each projection is labeled “W3” with the target price, type of projection and ratio. App is Alternate Price Projection and Ret is Retracement.

Wheat rallied from what we anticipated as a Wave 2 low and made the W.3 high right in the typical Wave 3 Price target, projected from the Wave 2 low weeks in advance.



Do you believe this is the kind of information that would enhance your trading? Would you like to know for any market and any time frame the high-probability targets for any trend? It takes less time to make these projections than it does to read this sentence.

If you would like to learn more about the unique features of the Dynamic Trader software, [click here](#) to go to the download page and download the DT software brochure.

In the next Software example I will move onto *when* to anticipate the termination of Wave 3 and will take a look at the one of the DT software Time projection routines.

For a comprehensive and practical education of the characteristics of each wave structure and how to make the time and price projections, see Robert Miner's book ***Dynamic Trading*** which was named the Trading Book of the Year by the 1999 Supertraders Almanac.