

Intelligent Investing, Daily Update June 22, 2017

Yesterday I mentioned indeed “The only Bearish count I can see is that major 3 topped at SPX2354 on Monday... I therefore treat the “major-3 is in possibility” as low.” Seems like talk of the day is/was on the blogosphere/emails/tweets and other social media outlets: “did we already top (prematurely)?” Since nobody rings a bell at the top, and tops take time contrary to bottoms, it’s a legit question, but we can only be certain when certain price levels are broken. Until then we have to look up until proven otherwise. Those price levels are SPX2416 and SPX2406. In addition, it would mean the S&P500 fell 30-50p short of the ideal targets based on the confluence of the major, intermediate, and minor waves Fib-extensions in the SPX2485-2505 zone. This would thus be a rather extreme shortfall; though not impossible the market is, however, hardly ever that inaccurate/sloppy.

Yesterday I showed several off the possible counts and today we’ll focus on the EWT count with minor-4 complete or still underway to ideally SPX2425ish (+/-2p). The 1-minute chart shows a possible 5-waves up off the recent SPX2431 low, which could be minute-i of minor-5, minute-ii would then be underway targeting ideally around SPX2433. Note the very erratic price action since June-5; good luck figuring out that mess correctly ;-) hence, the several counts we have will remain on the table until the market tips its hand. For traders this means one thing: cash in profits when you have them cause the market takes it away quicker than you made it.

Figure 1. SPX 1-min chart: Minor-5 already underway or minor-4 needs more time and price?



Table 1: Ideal EWT wave tracker table for reference.

Minor wave FOR UP WAVES +/- 2p	wave 1	wave 2	minute-iii targets				Minor 3 targets			minor 4 targets		Minor 5 target	
			deal wave i, iii, iv target				ideal wave 3 targets			ideal wave 4 targets		ideal wave 5 targets	
			i	iv	3 of iii	iii	3	3	iv/4	4	5	5	
start	2328.95	2403.87	0.618x 1	0.764 x1	1.00x 1	1.236x 1	1.382x 1	1.500x1	1.618x 1	0.764x 1	1.00x 1	1.764x 1	2.000x 1
end	2403.87	2352.72	2352.72	2352.72	2352.72	2352.72	2352.72	2352.72	2352.72	2352.72	2352.72	2352.72	2352.72
length/actual price	74.92	51.15			2427.64	2445.32	2456.26	2465.10	2473.94	2409.96	2427.64	2484.88	2502.56
Difference					0.70	-0.88	2.44			5.74			

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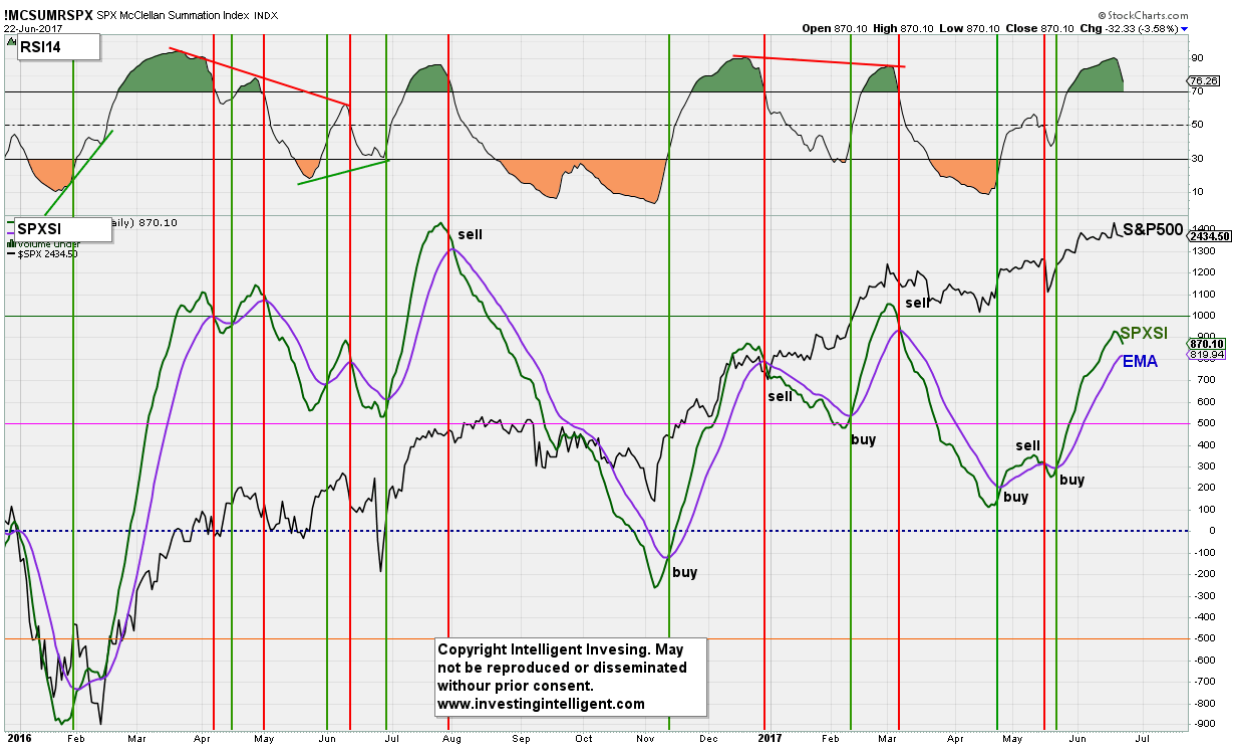
Not much to add from the daily S&P500 chart: price is still at the dotted purple trendline, and above almost all important SMAs, which are all bullishly stacked (20>50>200d) and pointing up. The TIs are however pointing south and on sell. Thus the chart is still bullish, but the TIs bearish. Let's call it a draw!?

Figure 2. S&P500 daily chart: possible larger EDT count, but price remains above SMAs and trend lines, TIs are on sell.



Today, breadth turned further deteriorated and ended down at -32p. Hence, the McClellan Oscillator based Summation Index for the S&P500 (SPX-SI) continues to point down, but is still on a buy. Time to get cautious, but as said before "Ideally I'd like to see negative divergence on the RSI5 develop like during the summer of 2016 and early-spring of 2017. Together with such possible similar divergence on the SPX A/D (not shown) the anticipated major-3 top should announce itself beforehand well.". Of course what I want is different from what the market gives, but it's reasonable to expect such a setup.

Figure 3. SPXSI remains on buy/long, but pointing down as breadth remains negative. Caution advised.



In conclusion: Top calling is very hard compared to bottoms; and we have to use price confirmation. Not until SPX2416 and SPX2406 are broken to the downside can we be certain major-3 topped prematurely and 30-50p below the ideal target zone. Such a "miss" would be very uncommon, but if so, then so be it. However, I continue to expect higher prices first. The market is in a serious noise-zone-chop-fest and not until it tips its hand the 4 counts I track will remain on the table. I wish things were clearer, but the market tends to move sideways more often than straight up or down. Trade safe: take profits when you have them.

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