

Yesterday the markets added a bit more upside than anticipated: S&P traded 3p higher than anticipated (SPX2683 vs SPX2780), while today the S&P added a bit more downside than anticipate (SPX2625 instead of SPX2635), but it failed to CLOSE below SPX2635: remember I wrote yesterday "A close below SPX2635 is required to confirm option 2": and thus we're still dealing with the same three EWT counts, albeit option 1 remains the preferred: **1)** larger major-4 triangle with wave-d to SPX2740/50 is now underway, to be followed by a final wave-e to SPX2580ish to complete all of major-4; **2)** smaller major-4 triangle with wave-e now underway to SPX2580 is now underway, to be followed by major-5 to new ATHs; **3)** Double zigzag major-4 to SPX2450s is now underway.

To not beat a dead horse, I'll only show option 1 for now, and assuming minute-b of minor-d of intermediate-d of major-4 bottomed today at SPX2625 (uncommon 78.6% retrace), minor-c can target SPX2695 (c=a) to SPX2730 (c=1.618x a); with the latter being preferred. Again, a break and close over SPX2685 is needed to confirm this count. IF price stalls below SPX2685 at ~SPX2670 + /-5 (critical level) and drops below SPX2625 then SPX2580 to SPX2450 are next.

Figure 1. A) SPX 1-min chart. Minute-b-wave of intermediate wave-d target zone retraced more than anticipated, but still valid. B) Hourly chart shows price still in orange warning zone. Bulls have a lot of work to do!



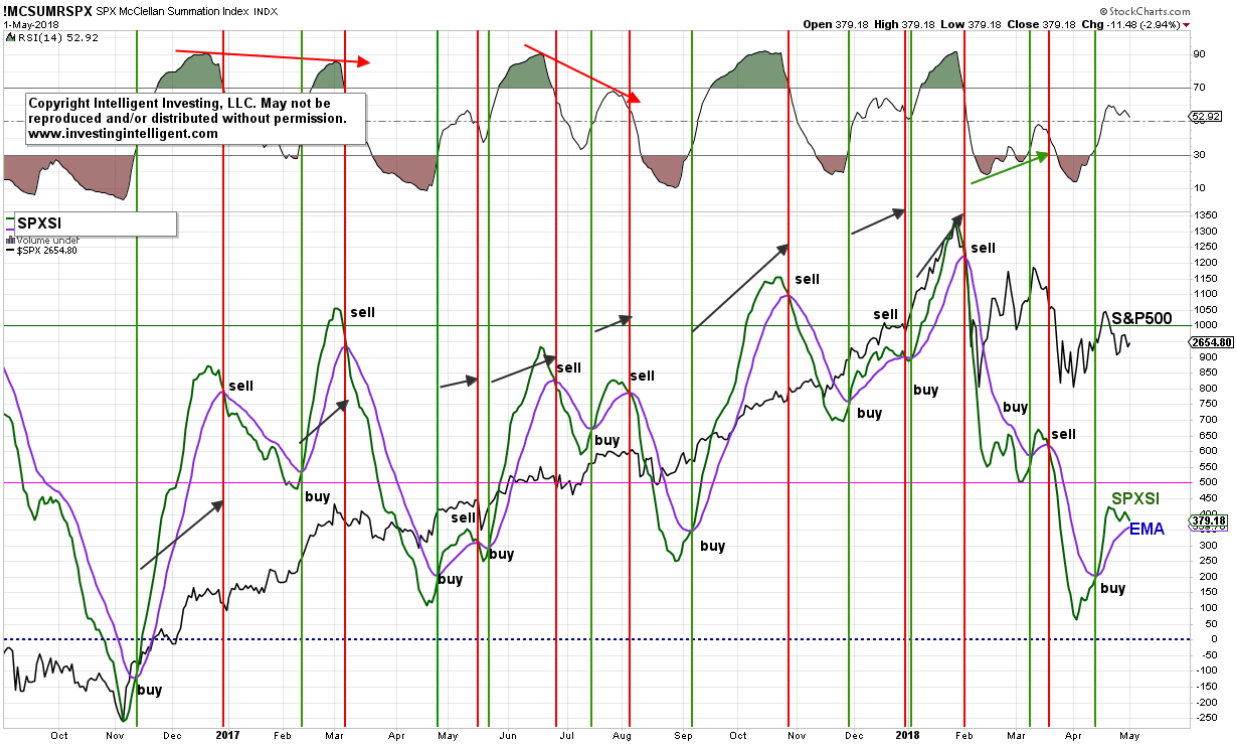
The daily chart improved somewhat today with price putting in a nice hammer candle. But one day doesn't make it summer yet, and there's a lot of work to be done. Price is still below its 20d SMA (SPX2657) and below SPX2670. The next step for the Bulls remains the same: reclaim SPX2670 and the 50d SMA (SPX2686). The Bears already did another step as they pushed price below SPX2635 intra-day, but failed to close it below that level. Bottomline: price is still stuck in the larger (black dotted) triangle pattern and is thus intermediate-term trending sideways. Anything can happen within this triangle. And as said many times before, and repeated yesterday "this is simple and still a low probability market, and taken profits while you have them is advised."

Figure 2. SPX daily chart: nice hammer candle, but lower low and price is still below its 20d SMA, SPX2670 and the 50d SMA.



The S&P500's McClellan Oscillator (MO) ended today at -11, up 5p compared to Monday. Hence, the number of advancing stocks is still less than the number of declining stocks: Bearish. The SPX-SI ([Cumulative] Summation Index of the MO) remains therefore on a buy but is very close to a sell. Except for the DJIA, all other indices' MO's ended higher today too, but all ended still negative and the NYSI gave a sell signal too. Thus, breadth is still not in the Bull's camp, as now 4 out of the 5 SIs are on a sell. The CPCE (equities only put/call ratio) ended higher today at 0.68, which is neutral to elevated.

Figure 3. SPX-SI remains on almost on a sell.



INDEX (change from prior day)	SPX	NAS	NDX	DJIA	NYA
McClellan Oscillator (MO)	-11 (+5)	-10 (+13)	-2 (+26)	-53 (-15)	-8 (+4)
Summation Index (SI)	close to a sell	Sell	Sell	Sell	Sell

In conclusion: Today the market dropped 10p lower than anticipated (SPX2625 vs the forecasted SPX2655-2635 range), and such is the nature of the current market environment we are in: predictability remains low as price can really chose atypical extensions and retraces, which are hard to exactly forecast, while still in the throws of a larger consolidatory major-4 wave. But, with today's higher close and failure to close below SPX2635 the first possibility of the three main options on the table is increasing slightly in odds: **1)** a longer-term triangle with first a rally to SPX2740/50 for wave-d and then a final wave-e down to complete major-4; **2)** a shorter-term triangle major-4 completing at ~SPX2580; or **3)** a more direct drop to SPX2450ish for major-4. Price will still have to move AND CLOSE above SPX2685 to signal SPX2730 is next. A close below last week's low close -SPX2635- is still needed to signal options 2 or 3 are operable instead.

How to trade this? Whipsaws galore and they (will) continue in this current market environment. Aggressive -price-based- traders who took the trade below SPX2635 and possible already below SPX2645 may not have made much if anything as the market whipsawed right back, assuming stops were moved to entry -as they should when trading properly- when the market continued lower and positions turned green. But, as said before and repeated yesterday: *"please remember, ..., this is simple and still a low probability market, and taken profits while you have them is advised."* This is not a buy and hold market. For those who want to go long: a close above SPX2685 is still needed to tell us SPX2730s are next: that's IMHO still the price-based signal for aggressive traders to go long. A move to SPX2670 +/-5 and than a drop below SPX2625 is the sign ~SPX2580, possible ~SPX2450, are next. In markets like this, I prefer to use hourly-based trading systems as they are more reliable and don't care if the market retraces more than anticipated or not, extends higher, etc: see [here](#) and [here](#). Long stops that follow the 200d SMAs are still in place and have still not been hit.

If you still have trouble trading this market, here's my advice: Either you stay out because nobody forces you to trade (when in doubt stay out as it's better to wish you are in than out) or please contact me for my trading course.

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