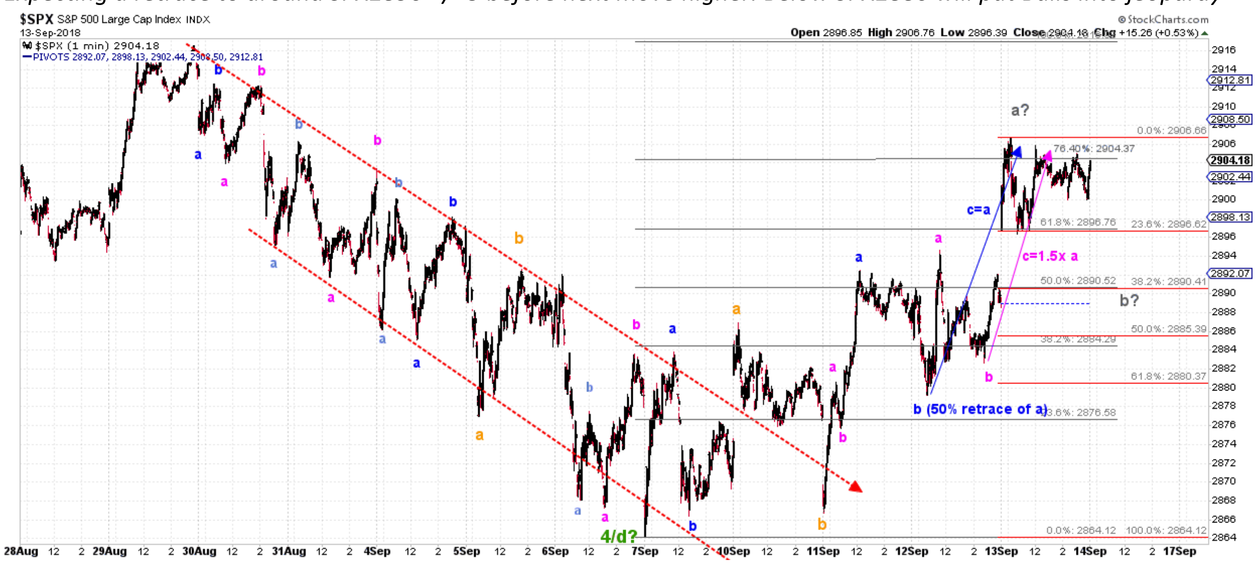
Over the last two days we were tracking -once again- two options: a "blue pill" vs "red pill" Elliot Wave count, which translated in text to: "*A move above SPX2895 is needed to confirm this path This count is also shown in Figure 2A, B on the next page*" vs "*A move below SPX2880 will now most likely usher in more selling to new lows (SPX2840ish)*." Today the S&P gapped up at the open at SPX2897 and rallied to SPX2906, which is exactly as the Blue Pill Elliot Wave count projected "*a move to ideally SPX2905s.*" Hence, I therefore prefer this count until proven otherwise:

1) In the case of a continued ending diagonal to SPX2965-2985 we had a minor-**d/d** of intermediate-**v** low at SPX2864 and the market is advancing in 3-waves to SPX2965-2885 and is now completing minute-**a** at ideally SPX2905s, which is where **c=a** and **c=1.5x a**. of the smaller degree waves. A move above SPX2895 is needed to confirm this path.

So what's next? I now prefer to see a move lower to around SPX2890-95 to complete minute-**b** of minor-**5**/**d** before minute-**c** takes hold to ne ATHs. Of course the market can always decide to extend first. However, what is rather obvious is the lack of a clean, clear, non-overlapping impulse wave higher. It's a mess. This doesn't mean price can't go directly higher (as said, it can always extend), but it fits the narrative of a last wave in an ending diagonal. It also means that forecasting the market's next likely move is becoming more and more difficult.

Figure 1. SPX 1-min chart. *"Blue pill" target reached suggesting bigger picture ending diagonal count stil on track. Expecting a retrace to around SPX2890 +/- 5 before next move higher. Below SPX2880 will put Bulls into jeopardy*



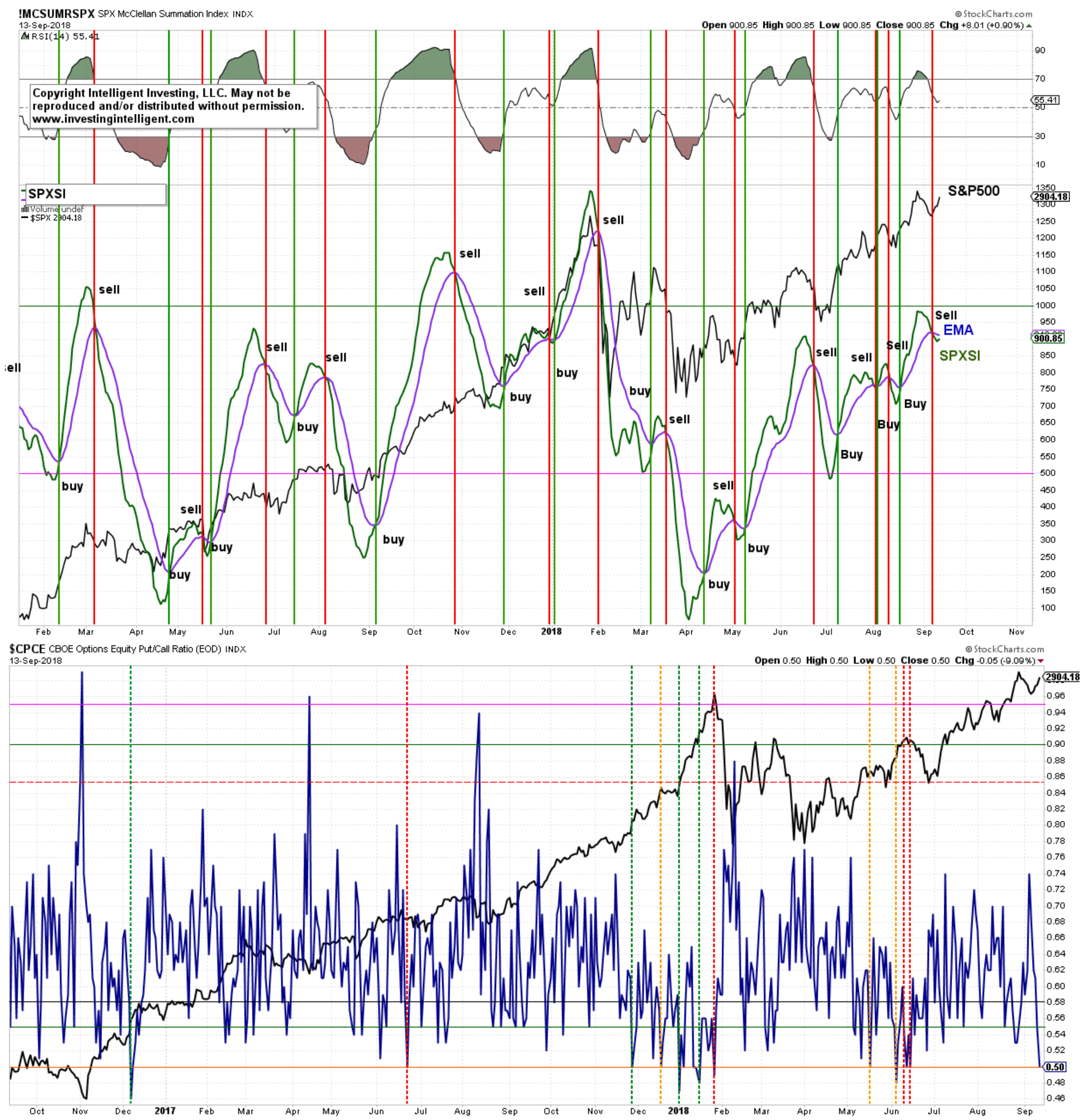
The Bearish option is that SPX2864 was wave-**a** and today completed a counter trend rally **b**-wave and price will relapse to new lows well-below SPX2864; e.g. likely SPX2840s. A first warning will be a move below SPX2875 as b-waves don't tend to retrace that must of a prior a-wave (see for example the blue **b**-wave at the SPX2879 low on September 12: a 50% retrace of wave-**a** and of course today's high was a 78.6% retarce of the SPX2917->2864 (53p) move: 2864 + 0.786x 53 = 2906

Despite all the short-term overlapping price action causing many uncertainties, the Bulls have now been able to move price higher over the last 4 days and managed to close price above the SPX2892-2902 resistance band, which allows them to reach for even higher prices. So yes, the same old story remains in play: "*from a pure technical/price perspective the uptrend remains in tact as price>20d> 50d>200d. Pure, plain and simple.*" The A.I. and RSI5 are turned back up and on a buy, but the MACD has yet to confirm this up move. Also the Money Flow index has yet to confirm this move higher as it in essence keeps trending lower. In addition the RSI5 is now already overbought (>+70) and during most occasions since the late-March SPX2554 low when the RSI5 crossed >+70 the rallies faded within 3-4 days after; only to have price close well-below. Horizontal and trendline resistance reside tomorrow at SPX2917.

Figure 2. SPX daily chart.*Price closed above SPX2892-2902 resistance, which is now support. A.I. and RSI5 firmly on buy, but MACD and Money Flow are lagging. Resistance is at SPX2917.*

The McClellan Oscillator (MO, a market breadth indicator) for the S&P500 ended at +8 today, UP 18p compared to yesterday. It's fast stochastic oscillator (FSTO, not shown) moved >20 today, which adds more certainty in expecting higher price. Since the SPX2554 low late-March this >+20 buy-trigger/move happened 6 times prior. One led to lower prices immediately, all others led to higher prices in the next 3 to 15 days. BUT, in 3 out of these 6 occasions price did retrace back to where it was or lower when it gave the old buy-trigger before giving a new buy signal. The other indices' MOs were a mixed bag: albeit all closed higher today only the NDXMO like the SPXMO closed positively. See table 1, next page. As such, all Summation Indices remain on a sell signals (Fig. 3A). Hence, although today was yet again another step in the right direction for the Bulls price- and breadth wise, breath continues to be predominantly weak. The 1-min $TICK reading (internal market-strength/weakness) confirmed today's "mediocre" breadth as there was no registered peak <-800, and only one registered peaks >+800 at open (highest reading +886, lowest -699). The CPCE (equities only put/call ratio) closed at 0.50 today: extremely low. Fig 3B shows the last two years of daily CPCE readings and it is clear most extremely low readings occurred in the late-stages of the rally towards the January peak. Since the late-March low, only four CPCE readings were at or below 0.50 and most were at or close to the significant market top in June. The VIX closed today at $13.2 and is below its 20d to 200d SMAs, but above $12.

Figure 3A. SPX-SI: *Still on a sell signal as are all other SI's.* **A. CPCE:** *Closed at 0.50 today: extemely low. Since Mid-March rally only 4 prior such low readings. All at or near significant market top in June.*



In conclusion: Today price gapped up at the open and closed above the SPX2892-2902 resistance, which is now support again. Albeit the short-term price-action is a mess, and ideally, I'd like to see a retrace to SPX2890+/-5, before price moves higher, but price can easily go higher directly with resistance now at SPX2917. Market breadth is still "mediocre" and not close to "kick-off-wave" levels as most indices closed with negative breadth (still more declining than advancing stocks). Of course, breadth can continue to improve, especially since the SPXMO's fast stochastic oscillator moved >+20 and which since the March-SPX2554 low mostly lead to higher prices in the next few days. Although the CPCE (put/call ratio) ended at a low 0.50, it's not a direct indication of "top is in" but could signal limited upside. This fits with the daily RSI5 on the S&P500 as it closed >+70 today. Since that infamous March low it meant in 5 out of 6 case that upside was limited to only 3 to 4 more days, after which price would be lower than from where the >+70 reading started.

How to trade this?!

Price-based (S&P500): Aggressive investors can now go long as the S&P moved and closed over SPX2900. Longer-term investors are long since April 4 and should still be long and continue to have stops on a close of the S&P below its 200d SMA. STD-SPY-Performance = ~14.0%

Summation Index based: Table 1. *Buy/Sell Signals based on Summation Indices.*

INDEX (change from prior day)	SPX	NAS	NDX	DJIA	NYA
McClellan Oscillator (MO)	+8 (+18)	-17 (+4)	+7 (+29)	-13 (+24)	-12 (+7)
Summation Index (SI)	Sell	Sell	Sell	Sell	Sell
Performance (SPY, QQQ, DIA)*					
Signal date (dd/mm/yr) or remark when on sell	10-Sep	11-Sep	11-Sep	5-Sep	6-Sep

*since buy and sell signals are generated after market close, buy and sell levels are based on the next day's opening price of the respective ETFs

Intelligent Investing's Mechanical System: Table 2. *Buy/Sell for the Exchanged Traded Funds (ETFs) SPY & SH and performance (intermediate- and long-term only. Short-term and intermediate-term is now available on my private twitter feed.*

S&P500[1]	Intermediate-term	Long-term
Signal[2,3,4]	Buy/Long	Buy/Long
Signal Date (m/d/yr)	9/12/2018	6/28/2016
Performance TD (%)[5]	**5.16%**	**47.58%**
SPY TD (%)[5]	7.33%	

1) Signals and performances diff sell / Short
2) Signals are based on the ETFs "SPY" and "SH"
3) Signals vary between Buy/Long (SPY) and Sell/Short (SH)
4) Green = Buy/Long, Orange = Neutral/hold, Red = Sell/Short
5) Cummulative starting June 1, 2018 for Intermediate-term; and June 28, 2016 for long-term

ALOHA

Dr. Arnout, aka Soul, ter Schure

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