

The reason why I view this as a b/2 bounce and not a larger bounce to SPX2860, is because a bounce to SPX2760 would set the S&P up for a picture perfect, ideal Fibonacci-based, five waves down sequence. Since this would IMHO “only” be intermediate-**c** of major-**a**, and since **c**-waves are most often a 5 wave move, we could then have a minor-**3** of intermediate-**c** to the ideal 1.618x extension (SPX2525), a minor-**4** of -**c** to the 100% extension (SPX2615) followed by a last minor-**5** of -**c** to the 200% extension (SPX2450), which would line up perfectly with the **c=a** extension (solid red arrow).

Figure 2. SPX daily chart: A bounce to SPX2860 as part of a picture perfect 5-waves down pattern to SPX2450 would align perfectly with the larger **c=a** relationship.



Note, the aforementioned shorter-term 5 waves up off today’s low followed by a 3-wave retrace and then another 5-wave rally would wrong foot many and especially those who are looking for and hoping for that bigger bounce; as they would count it as minute wave-i, ii, iii of minor-**c** of intermediate-**b**. Though I do not find joy in other peoples’ misery, this would inflict maximum pain to most market participants, as the market will turn south on them in a big way. And that my friends is how the markets operate. Especially bear markets..

Price has closed both opening gaps, and can now roll over after rallying to resistance at the 200d SMA; and the upper end of horizontal resistance. The A.I. did not give a buy signal with today's strong rally, and if it does so tomorrow it will be a classic "b-wave" signal (non-ideal; i.e. not all 3 lines are moving up from <20 to >20). Note the SPX is BELOW its 200d SMA. As are all other indices, except the DOW. That my dear subscribers is the setup of a Bear market, not a Bull. Thus a retest from below can be viewed as a classic pattern.

Figure 3. SPX daily chart. Both gaps are now closed (blue boxes). Resistance at SPX2760



Today market breadth closed higher after two days of negative breadth, but it wasn't really a strong showing: See Table 1 next page. The SPXMO closed at +20: Bulls are in charge. Thus, all the indices' Summation Indices (sum of the MO's) -SPXSI shown- remain on a buy, telling us to expect higher prices going forward. The 1-min TICK chart today had eight <-800 peaks and seven >+800 peaks in line with the MO's showing there was no real big time buying. This all continues to fit with the preferred short-term EWT counts. Today, the VIX closed lower at \$20, well-above its rising 200d and 50d SMA: intermediate to long term uptrend. Note the VIX (and its 200d SMA) has been rising since February this year. Yesterday the equities only put/call ratio (CPCE) registered 0.82; a very high reading and dropped to 0.73 today. Still high, and higher prices can therefore be expected to burn of the current excess short-term bearishness.

Figure 4. SPXSI daily chart. Still on a Buy



Bottomline: The indices pretty much reached yesterday's forecasted downside targets for the wave-5 of v of a/1 and now the expected b/2 wave (bounce) is now underway with wave-a of b/2 complete or close to completion. Wave-b down and wave-c up still to follow. Depending on how exactly this bounce develops (5-3-5 vs 3-3-3) we should be looking for SPX2740-2760 before price, ideally in a five waves' fashion, targets as low as SPX2450 for wave-c of a, which is also where c=a, measured from the SPX2815 b-wave high. On the NAS, I expect the bounce to reach \$7320-7380 before turning lower. Although a move to SPX2860 can't be entirely excluded I find it less likely given that all the indices already did their standard retraces in a 3-wave fashion, and the recent move lower from that bounce-high has IMHO been a rather clear 5 wave sequence. I for one am not betting on it and continue to SOS; Sell on Strength.

Table 1. Buy/Sell Signals based on Summation Indices.

INDEX (change from prior day)	SPX	NAS	NDX	DJIA	NYA
McClellan Oscillator (MO)	+20 (+26)	+10 (+23)	+26 (+40)	-5 (+25)	+9 (+9)
MOs - FTSO	sell	sell	sell	sell	sell
Summation Index (SI)	buy	buy	buy	buy	buy
Performance (SPY, QQQ, DIA)*					
Signal date (dd/mm/yr) or remark when on sell	7-Nov	7-Nov	7-Nov	7-Nov	6-Nov

*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

Table 2. Buy/Sell for the Exchanged Traded Funds (ETFs) SPY & SH and performance (intermediate- and long-term only) based on mechanical trading system. [Short-term and intermediate-term is now available on my private twitter feed.](#)

S&P500 ¹	Intermediate-term	Long-term
Signal ^{2,3,4}	Sell / Short	Sell / Short
Signal Date (m/d/yr)	11/12/2018	11/12/2014
Performance TD (%) ⁵	7.27%	-6.76%
SPY TD (%) ⁵	0.75%	Prior profit: 40.44%

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) Cumulative starting June 1, 2018 for Intermediate-term; and June 28, 2016 for long-term

Aloha,

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