



***You know my method. It is founded upon the observation of trifles – Sherlock Holmes:
The Boscombe Valley Mystery***

Is the rally getting stronger? Look at **Chart1** and notice that the first retracement off the low, after the first motive wave, was a .618 retracement. The retracement of the completed zigzag in the middle of the chart was .500. We are now in the midst of a retracement following another motive wave and it is most probably a flat. The most common flat retracement is .382. **It appears that the rally is gaining strength.**

Let's take a closer look at the probable flat. First we need to determine what kind of flat it is. If it is a regular flat, (b) would roughly be even with (5), and (c) would be even with (a). **That would only be a .250 retracement.** If it is an expanded flat, (b) extends past (5) as a 1.236 or 1.382 ratio of (a). -- We breached (5) but we fell short of the 1.236 ratio of (a). The 1.236 ratio of (a) is shown by the horizontal line in **Chart2**. – And, (c) would expand past (b), normally a 1.618 ratio of (a). **Chart 2** shows that to be just past a .382 retracement.

So is it a normal flat or an expanded flat?

Chart1



In chart2, I have overlapped a Fibonacci retracement of the motive wave and a Fibonacci extension of the flat to look for confluence zones. A 1:1 ratio extension (normal flat) would be 1362 and a 1.618 ratio (most common expanded flat ratio) takes us to 1350-53. Notice the respective confluences with .250 and .382 of the Fib retrace. This provides us a target for both options.

Chart2



Another clue why this is a flat, is that the (c) wave looks very much to be a partially finished 5-3-5-3-5 motive wave. I believe we have already completed 5-3-5. Why a partial 5-3-5-3-5 and not a 5-3-5 zigzag? Ratio and context lead me to surmise that it is a motive wave. By context, I simply mean, the clues that have come before it.

Additionally, using this clue, we gain a probability edge regarding normal or expanded flat. In **chart 3** using a 5 min chart, I apply the *most common* ratio analyses and a channel to speculate the probable completion of the motive pattern.

Based on this additional clue, I conclude there is a higher probability that this is a regular flat and our target for completion of the pattern is 1360ish.

Chart4

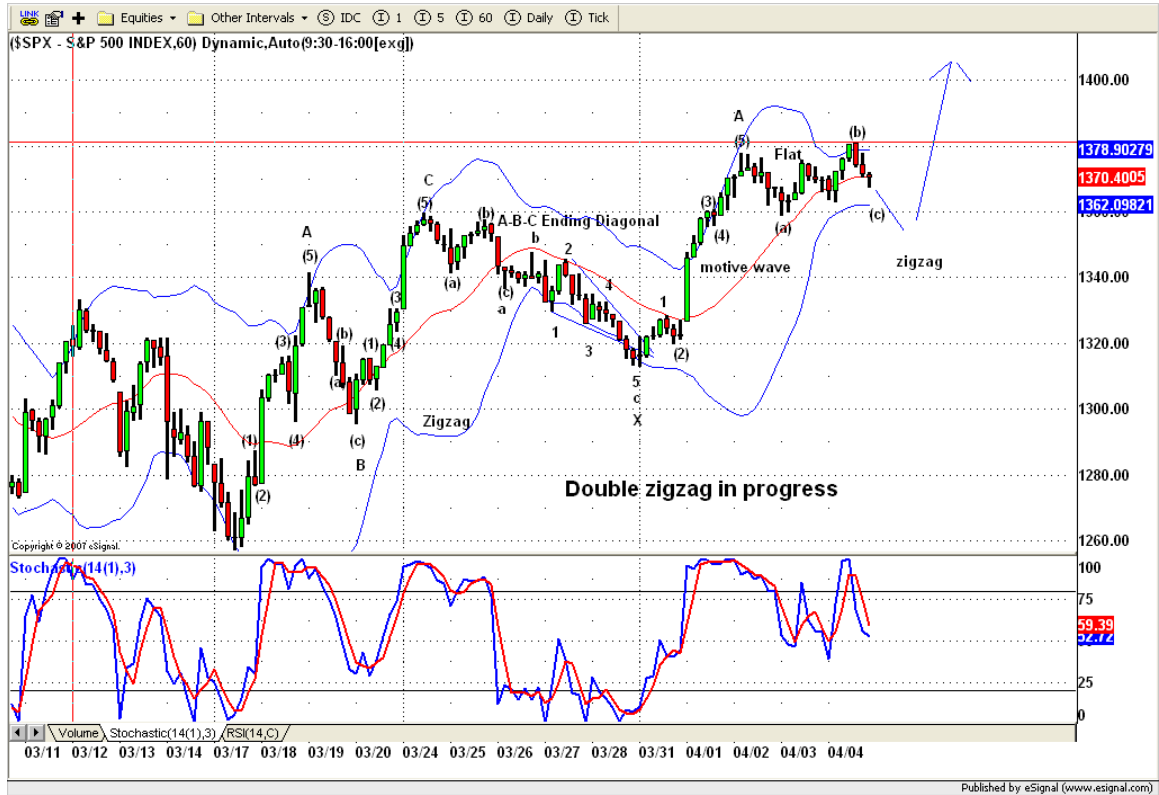
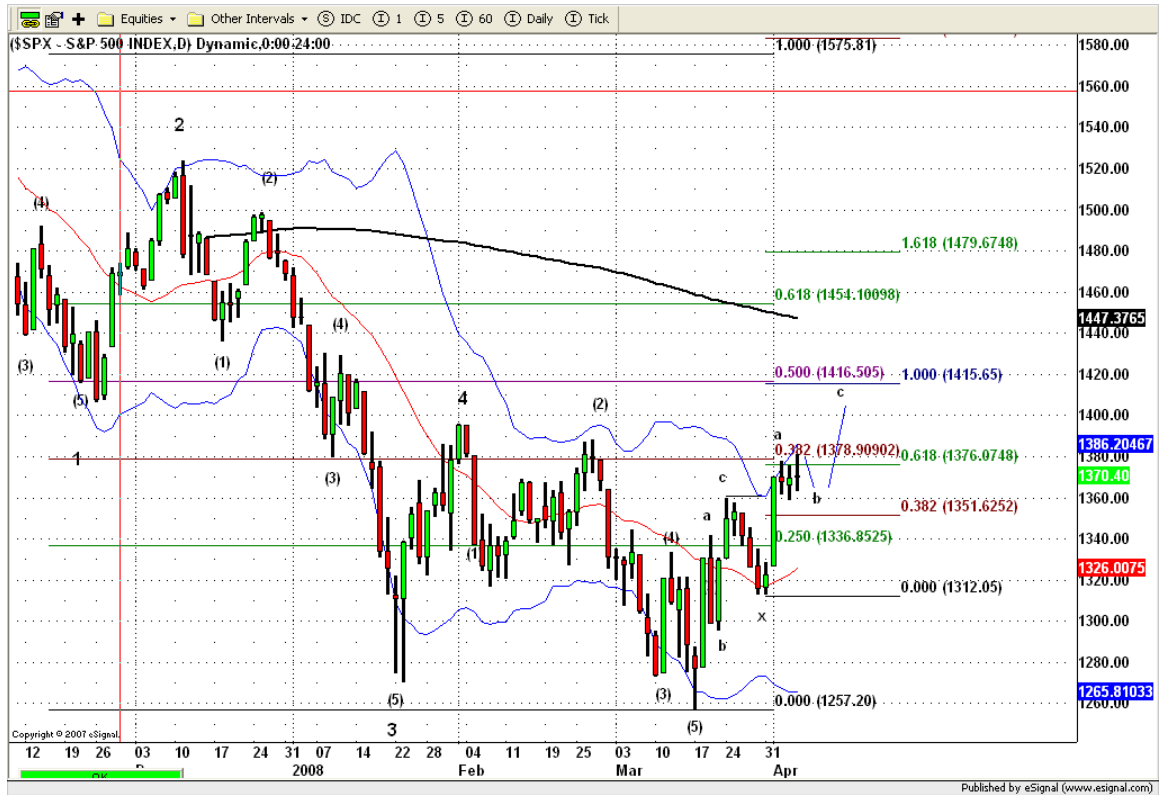


Chart5



In summary, the rally does seem to be gaining strength. This supports the larger wave2 thesis we have been discussing. The highest probability pattern in progress is a flat. A regular flat is more probable than an expanded flat. A single flat is more probable than a flat combination before we resume the counter-trend rally. Our next target of 1415 looms large as the probable outcome of the double zigzag.

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