

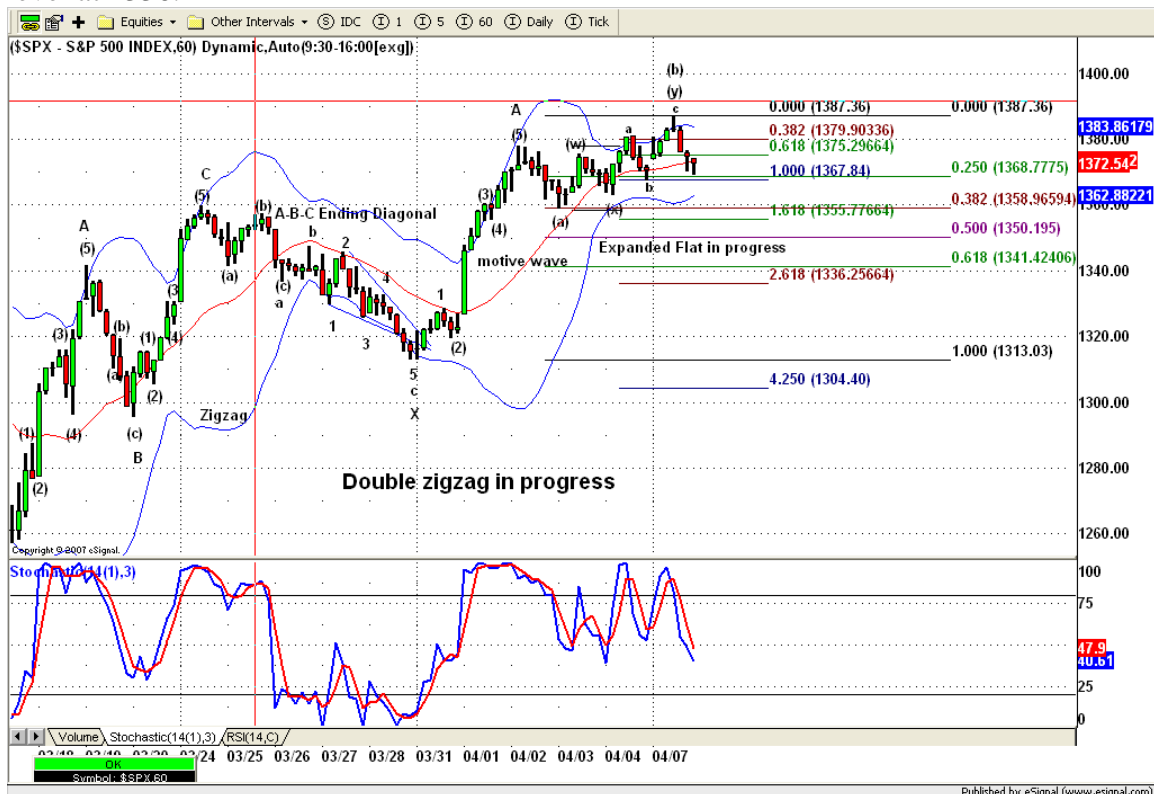


When a fact appears to be opposed to a long train of deductions, it invariably proves to be capable of bearing some other interpretation. – Sherlock Holmes: A Study in Scarlet

Sometimes you are correct in your deductions, but there is just enough variation from your expectation to cause you to temporarily doubt your analysis. Today was such a day. An entire trading day has passed and we are right back to where we were last night. However, this time we have more clarity.

Yesterday I said that context caused me to speculate that the 5-3-5 wave coming down from Friday's high of 1380.91 on the five minute chart was more probably part of a 5-3-5-3-5 motive wave rather than a 5-3-5 zigzag. I had not considered that the (b) wave of the flat would extend into a combination. But it did. In retrospect it was perfectly logical for it to extend, and symmetrically beautiful at the same time. The truth wanted to be told, so it extended into a combination to clarify that it was an expanded flat!

Operating under a very probable expanded flat, we now have new fib targets. The inner band is the extension and the outer band is the retracement. The most common extension target is 1.618 which is a few ticks below the .382 retracement level at 1355. I also need to mention that a 2.618 extension is possible and that is just below the .618 retracement level at 1336.



In fact, at this point, I would give the less common 2.618 (c) wave extension a slightly higher probability. By my calculations we have already completed one motive wave down from (b), bounced, and are in the process of another one. If this is the (c) wave of an expanded flat, then we have only completed 5-3 so far. A common extension of 3rd waves is 1.618 of 1st waves. That would be 1348 for the 3rd wave target, well past our 1.618 expanded flat extension target at 1355. Continuing with common Fibonacci probability, our 5th wave target would extend to 1338ish following a 4th wave bounce. That is closer to the 2.618 extension and .618 retracement at 1336 discussed above.

In summary, it is very probable we are in the (c) wave of an expanded flat. It is probable we already completed wave 1 and 2 of the (c) motive wave (5-3). Common Fibonacci outcomes of motive waves cause us to speculate that a less common 2.618 expanded flat extension (.618) retracement is probable.

TMD/DW

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