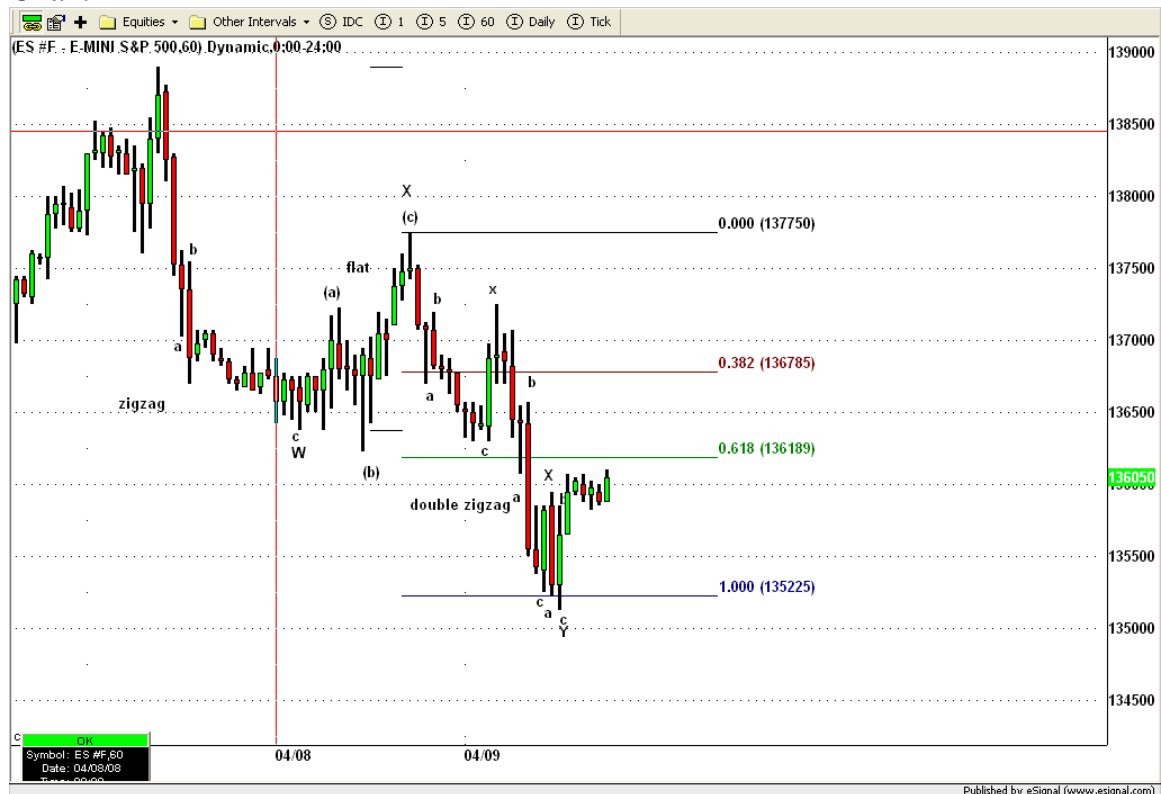




It is of the highest importance in the art of detection to be able to recognize out of a number of facts which are incidental and which vital. Otherwise your energy and attention must be dissipated instead of being concentrated. – Sherlock Holmes: The Reigate Puzzle

The move down from 1386 is corrective in nature; **there is more upside to go**. It is what I have come to call the *correction of the correction*; the trend is down, the counter-trend is up (correction) and therefore, when it is possible to deduce that a move down is corrective, it is in fact, a correction of *the* correction. Here it is in the futures (**chart1**). While other interpretations might be possible on this chart, the position of these counts were interpreted on a five minute chart and rolled up to this chart. I believe them to be accurate. Notice the 1|1 ratio of two halves right where the bounce occurred. On **chart 2** you will see that the bounce is also off the .500 retracement from the top. **This is a strong recipe for a turn**. However, the only guarantee is that we will get a 3 wave bounce here (in process). A 3 wave connector could lead to more downside by extending the corrective combination. **Look for strong motive waves to lead us higher**.

Chart1



If we break the .500 retracement level (**chart2**), I would look for a turn at the .618 retracement area. Even if we fall to .618 (1341), it will still be less than a .382 retracement (1337) of the entire move off the bottom. Our primary level 2nd wave thesis is alive and well.

Chart2



Let me be clear about something. When the downtrend continues, we will see 5-3-5-3-5 combination impulse waves. Impulse waves always occur in the direction of the primary trend.

In summary: This is a perfect place for a turn and resumption of the counter-trend rally. **The downtrend has not resumed.** Look for strong motive waves to lead us higher. If we don't turn here, look for a turn at 1337-1341.

TMD/DW

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