



Counting waves as they unfold on intra-day charts is challenging and fraught with disappointments. It is easier to count the waves once they are finished. Once you have a thesis based on counts you have identified, you must pay close attention to the rules to know when your thesis is off track. Before you find yourself off track, you must be aware of the alternate possibilities to quickly assess whether you are a block away from the truth, or in another city. When all roads lead to Rome, an error might not cost you.

The .382 retracement and identified support level did not hold after a 3 wave bounce. More importantly, by failing to hold there, a rule was also breached. A rule I have discussed several times, *wave 4 never moves beyond wave 1*. I should have also listed that as a strong reason for a possible bounce, because when you have correctly identified a wave count, the rule breaking line in the sand is a huge support / resistance area. Conversely, its breach is an alarm that something is wrong with the count and your thesis. Minor breaches happen in the futures and particularly in intra-day analysis. This however, went too deep into wave 1. Something else is going on.

I was remiss in not pointing out the proximity of the rule break. Honestly, I was so enthralled with everything that was aligned correctly with my thesis, that I overlooked it until this morning. When that many stars align, the outcome is more often what I expect. In retrospect, I would do well to remember that extended wave three's are the rule, and extended wave one's are the exception. I was particularly smug with my extended wave 1 analysis. I would even say biased, trying to fit the wave count to better support my preferred option 1 on the daily chart. Additionally, I am not used to looking for a rule break at a .382 retracement. That of course, is a violation of a more general trading rule: Always know where you're thesis goes wrong.

The correction of the correction continues to unfold (**chart1**). My discussion of degree regarding the impulse and zigzag yesterday is equally relevant to the corrective combination identified in yesterday's analysis. A combination correction at one degree can combine with another combination correction to form a simpler correction one degree higher. Although the corrective combination wave appeared to be finished as I published my report last night, after a 3 wave connector upward this morning, it began a fresh. (A connector connects corrective waves into combinations. It is labeled as an X.) Three combinations (two connectors) are possible at each degree. Counting correction combinations intra-day as they unfold is extremely difficult because the different wave degrees blur together and are often indistinguishable until the pattern is complete. Corrections are further complicated in that they are not limited to one corrective wave in a set, the way an extended impulse wave is limited to one per set of 5 waves. All three corrective waves of one degree can be subdivided into corrective combinations at a lower degree. In the chart below, I have counted out a triple zigzag combination. However, I could be premature in closing it out. Perhaps the first two zigzags are the first

combination (double zigzag) and the last zigzag is part of a yet unknown combination. You get the picture.

Chart1



Given the rule break, it is good news that we continue to meander sideways. It is also good news that the structure of the move down is corrective. By that, I mean that I cannot find a combination count in the entire pattern down from 136000 that connects more than 5-3-5 together. That means we are probably still on a road to Rome. If the patterns were in combinations of 5-3-5-3-5 that would be impulse waves and would mean the primary trend (down) had resumed.

With the extended wave 1 and five waves up C thesis likely broken and off the table (replaced by a little plate of crow), we need to figure out what the intra-day count is coming up from the 3-17 low.

Sticking with the 5-3-5 thesis (**Chart2**), but eliminating the continued -3-5 (waves 4 and 5) possibility, we are left with the Zigzag and must focus on a **corrective combination** as the probable pattern of truth going forward. The ratios within each half of the zigzag are excellent, the second half is .80 of the first half.

Chart2



In summary, we are down to one option previously discussed, on the daily charts. We have determined that the move up is a corrective 5-3-5 zigzag and are looking for a corrective combination to continue the rally upward.

With truth abandoning the impulse wave counts and directing us to focus on corrective patterns, the possibility of this being something more than a correction is eliminated. In other words, it cannot be THE Bottom if we are **correcting** up.

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