

RUT/TF - On the daily chart, so far, we have a three-wave rally. IF RUT breaks below 1085, it will open up potential for a move to 868-943 in (C) of (4). However, with this bearish interpretation having now become very unlikely, I am replacing it with the pattern that I see as second most probable pattern in the current stance, and that is one where RUT is working on a contracting LD wave 1 of (5), and the low that's currently being made is wave iv of 1 of (5) on the daily chart. Because the LD is contracting, wave v must maintain below red 1.0 extension (currently 1331, but may need to be lowered). Then, wave 2 would provide a substantial retrace, likely breaking below current low, but holding over February low, to set up the heart of the move up. So takeaway here is that a new high for the year is expected before year end or in Q1 of 2017, however, a new high does not automatically mean that we are in the impulsive count, and a break over red 1.0 extension is needed to confirm that the path to higher that's being chosen is this particular path.

Zooming in, while it is clear that futures markets did produce a new low overnight, it is not clear whether cash markets will. My overarching expectation, at this time, is that overnight low will not be broken, which may or may not result in RUT cash chart seeing a lower low below last week's 1156. I will refrain from providing cash hourly chart at this time, and will provide TF chart instead, as that is the chart showing relevant action.

On a micro scale (TF chart), We saw a strong decline that bottomed at 1123.6 overnight, followed by a strong rally that erased most of the decline. The rally was in five waves, and given its proportions, I see it as the start of the next impulse up. While micro extensions higher for this five waves up are reasonably probable, green dash fibs provide retrace fibs assuming entire 5-up completed. I favor a retrace of at least 38.2% of overnight rally to be seen during RTH, which suggests start of support zone is at 1161. 61.8% retrace for the decline is at 1147, and I view pullback support zone to likely stretch down to 1142, which is rough TF equivalent of a support confluence for RUT at 1144. So, as you can see, it is a coin toss at this time whether last wee's low gets broken, or whether RUT (cash chart) manages to maintain its bullish 1-2 up off last week's low. My overarching view, at this time, is that 1123.6 TF will hold and that a strong move up will develop off overnight low.



