Woodson Wave Report (est. 1997)
February 12, 2019
woodsonwave.com

S&P above 200 Day Moving Average

Fibonacci Options Day Trader

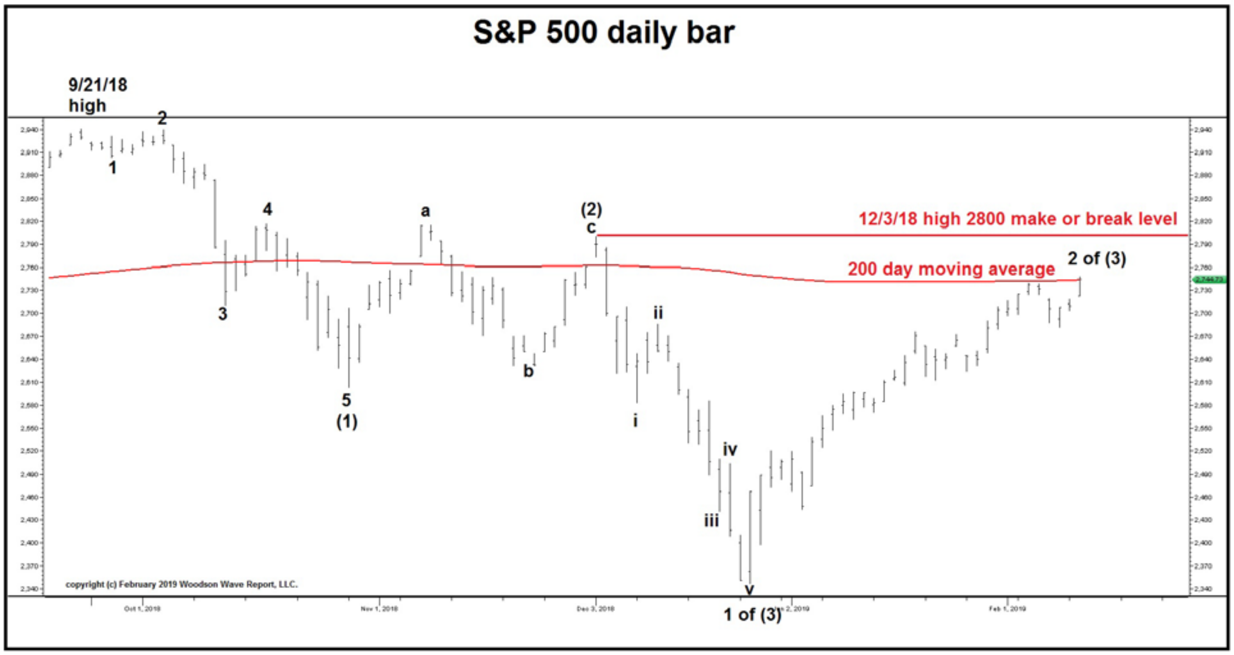
2018 Performance Report
Account #1 + 29.59%
Account #2 + 69.04%
Account #3 + 133.47%

S&P 500 – 6.24%

From yesterday's report:

"The wave structure does not suggest that this is the beginning of a third wave decline just yet… There's still a chance the S&P could attempt to close that gap above at 2731, but we think that attempt will prove futile."

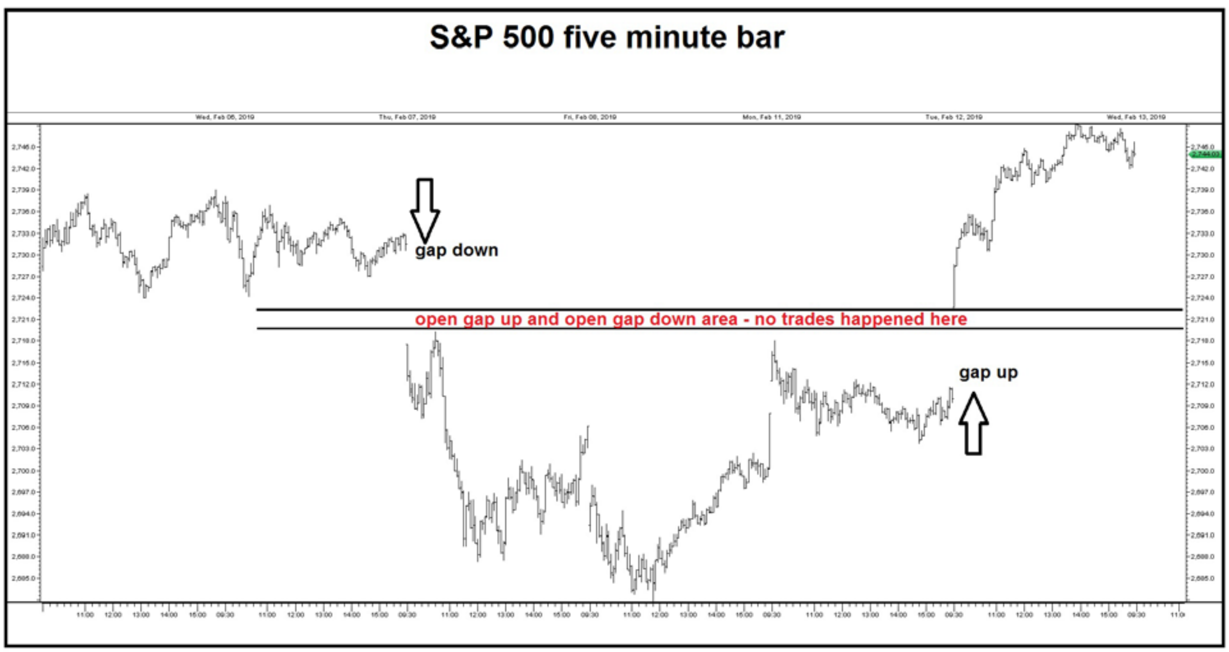
We were wrong about the attempt being futile, but we were right about the wave structure not looking like a third wave down. The S&P actually closed the gap at 2731 this morning and not only challenged the 200 day moving average at 2743 but surpassed that level rising to a high of 2748 before closing at 2744.73, a point and a half above the 200 day moving average at 2743.37.



They said the market moved up on the agreement to fund the government and possibly avoid another shutdown this Friday. Huge spikes (up or down) based on "news" events generally occur at the end of moves and are a signal that the move is complete or nearly so and a reversal is ahead.

GAPS

Can a gap down be closed by a gap up covering the same price range leaving no trades at those prices – a virtual “no trade zone”? Does that even count as closing the gap? It’s interesting that the gap down was surpassed today but in so doing, the S&P left a gap up over the same price range as the gap down. See the chart below. This indicated that the gap down was not the breakaway gap to the downside as it was filled. Regarding the gap up today, it is most likely the exhaustion gap, which is the last gap of the move up from the 12/26/18 low and will be closed shortly (see chart and explanation on the next page).



Breakaway gaps, runaway gaps and, exhaustion gaps

You may remember we explained the three types of gaps, their meaning, placement within the wave count, and if/when we might expect them to be closed. For those of you who don’t remember, we’ve reprinted that part of the April 28, 2018 report below.

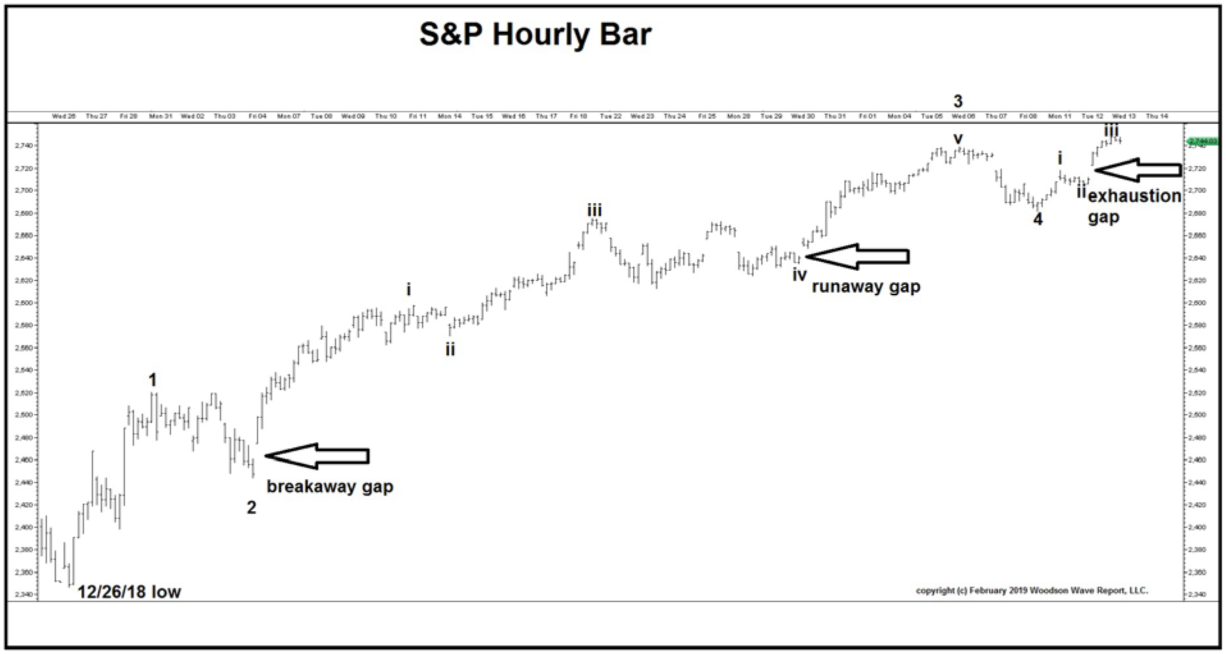
“There are three types of gaps.

- ***Breakaway** gaps signify a reversal in trend and are commonly found in first waves. They typically remain open (not filled) as the market continues downward (or upward depending on bull or bear market move) during waves three and five down.*

- ***Runaway** gaps or continuation gaps are found in third waves and are typically associated with volume expansions and exceptional breadth.*

- ***Exhaustion** gaps are found in fifth waves and signify the approaching end of the move. This gap will be closed after the fifth wave terminates and the correction begins.”*

We can clearly see all three of these gaps on the move up from the 12/28/18 lows to current highs in the S&P. Today’s gap up should be closed relatively soon, when the next wave down begins. Of course, that move down will begin with a breakaway gap of its own, just like the breakaway gap to the upside from the 12/16/18 low illustrated in the chart below. Notice that all three gaps remain open. Once the trend changes back to the downside, all three gaps will eventually be closed. Just as the breakaway gap from the January 2018 high was eventually closed by the rise to the October 2018 high (not pictured) some eight months later, so too will the open gap at 2447 be closed by the next wave down that will take out the December 2018 low.



As the chart above illustrates, this fifth wave is near completion as it is three fifths complete. A decline from yesterday's high followed by one more push up will complete the pattern. Our make or break point for this count is the December 3, 2018 high of 2800 (see daily chart, page 2).

Fibonacci Options Day Trader Report:

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Yesterday we traded with caution as the down to sideways choppy trading session didn't look impulsive and we were wary of another wave up. We just missed an entry for a couple of Feb 13th 2730 calls as we put our order in between the bid and ask (as we always do), but right at that moment market moved up right and we did not get filled. We spent the rest of the day debating on whether to chase it up, or watch and wait. We did no trading today other than to dollar cost average in 100 more shares of TVIX at 34.90. We now own 400 shares at an average price of 35.88.

Positions for rating services:

Long-term *counts are found on weekly and/or monthly charts and generally cover a time period of years to decades.*

Intermediate-term *counts are found on daily and/or weekly charts and generally cover a time period of weeks to years.*

Short-term *counts are found on daily and/or hourly charts and generally cover a time period of days to hours.*

Dow:

Long term: *Remain short.*

Intermediate term: *Remain short.*

Short Term: *Remain short.*

NASDAQ:

Long term: *Remain short.*

Intermediate term: *Remain short.*

Short Term: *Remain short.*

S&P 500:

Long term: *Remain short.*

Intermediate term: *Remain short.*

Short Term: *Remain short.*

Gold: *Remain short against the wave 4 high of $1365.68.*

Bonds: *Remain long.*

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