Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

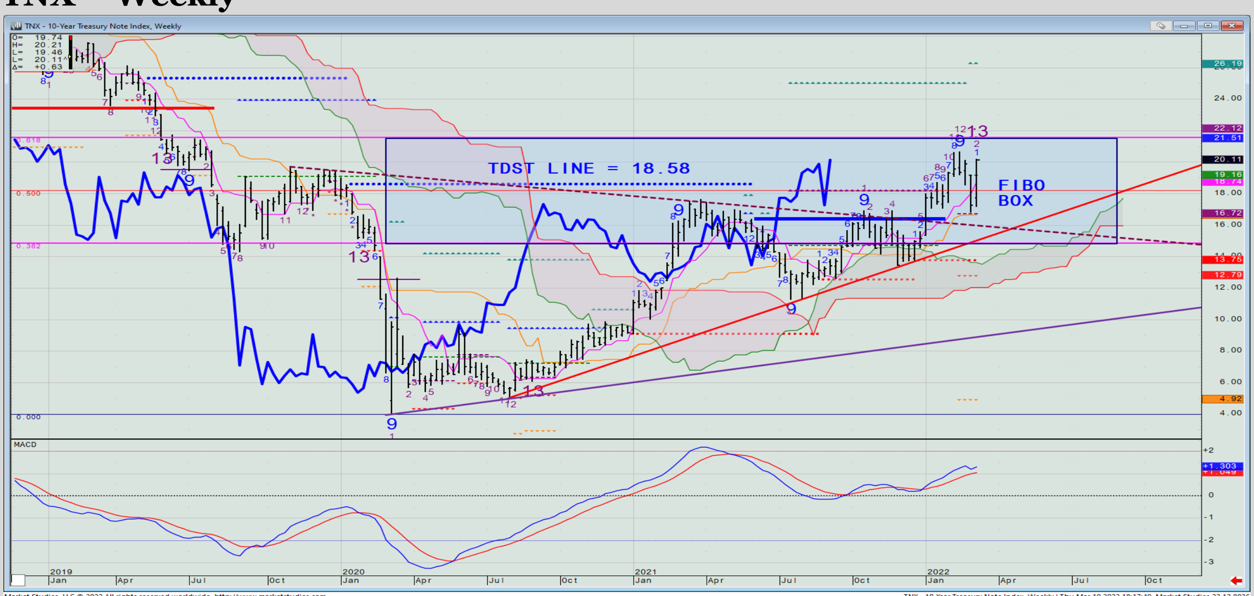
The Macro Picture

This past week saw oil hit $130/bbl.; the dollar make new highs of the upmove; gold challenge its all-time high; and stock indexes sink to new lows. And then, on Wednesday, everything changed viciously. Oil got clobbered; the dollar and gold sank; and stocks had a huge up day. And the equity perma-bulls came out and said – for the sixth time already this year – that the bottom is in. (Why these perma-bulls get the TV time they do is beyond me. If every investor knows that the market historically goes from the lower left to the upper right of your chart, why telling me that you're bullish is in any way creating value?)

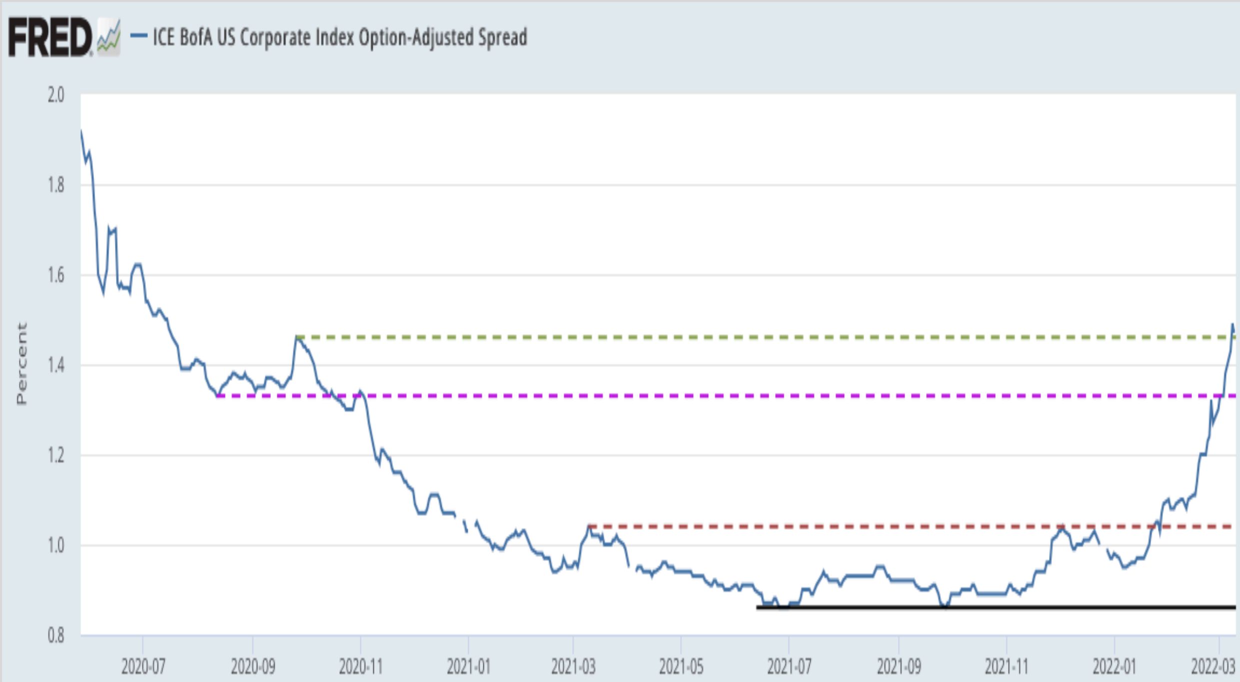
We woke up on Thursday to markets reversing what they did on Wednesday, as Russian/Ukrainian peace talks went nowhere. Fun, huh? Not having any sense of when the market will stabilize and potentially hold a rebound is what is driving the large intraday swings we continue to see. The SPX's 10-WMA range is 193 points per week – the highest level since Spring 2020 when it was actually coming down from its peak reading of 305 points in April '20.

UST 10-yr. rates jumped 25 bps. in the past few days, and are within striking distance of the 2022 high of 2.065%. (I've been consistent about rates getting to 2.16% and then 2.5% this year.) The pullback did stop exactly on the weekly Base Line and bearish Propulsion Momentum level to find support there, but it also shows a weekly +13 now, so any Friday close now lower than it was four weeks prior could turn rates lower.

TNX – Weekly

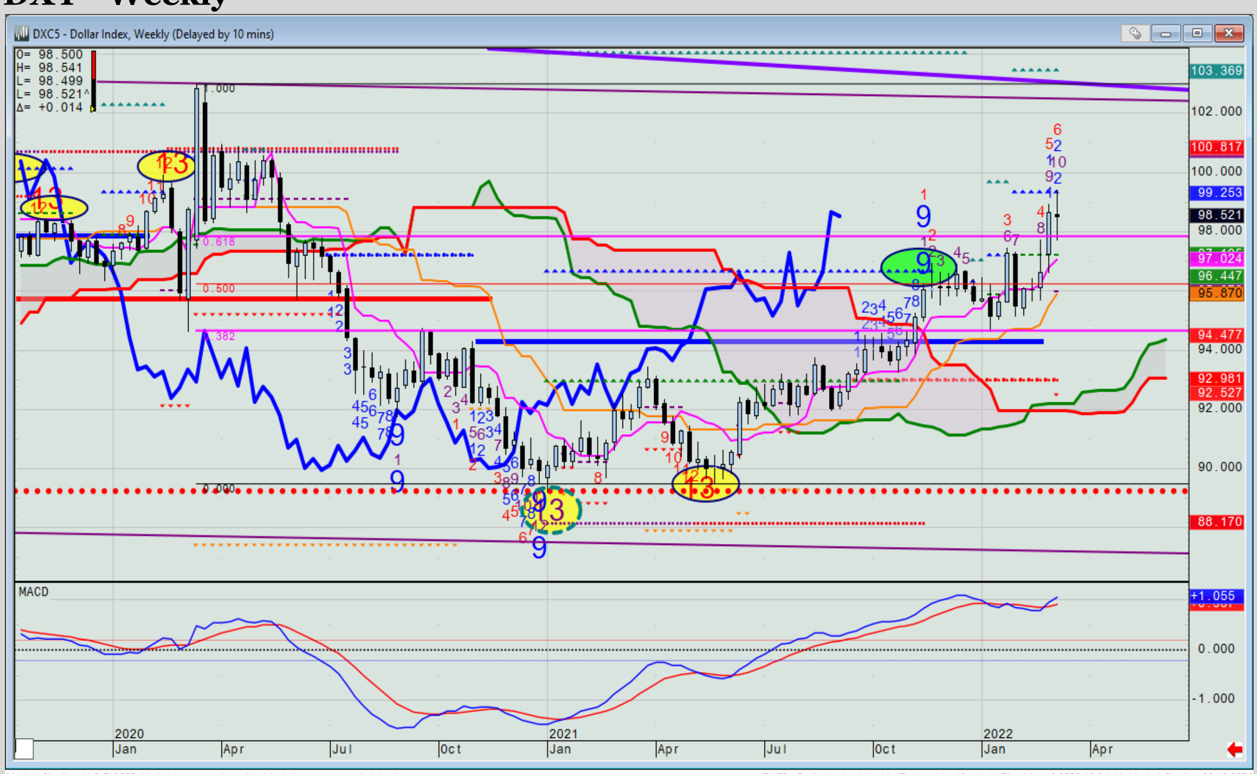


Credit spreads made new highs of the move on Tuesday at 1.49%. The **ICE BofA Corporate Index Option Adjusted Spread** we watch closed Wednesday at 1.47% and above the target zone we were aiming for. Again, this keeps me from thinking that stock indexes can/will make new all-time highs anytime soon.



Both the dollar and gold have been moving higher – something you don't see too often nor last too long. The GLD reached its prior all-time peak from August 2020 this week, before Wednesday's large decline pulled it lower. If inflation and the Ukraine situation doesn't lead to new all-time highs, I'm not sure what else will. It's time for gold bugs to prove that there is real value to owning the yellow metal as an inflation/disaster hedge.

DXY - Weekly

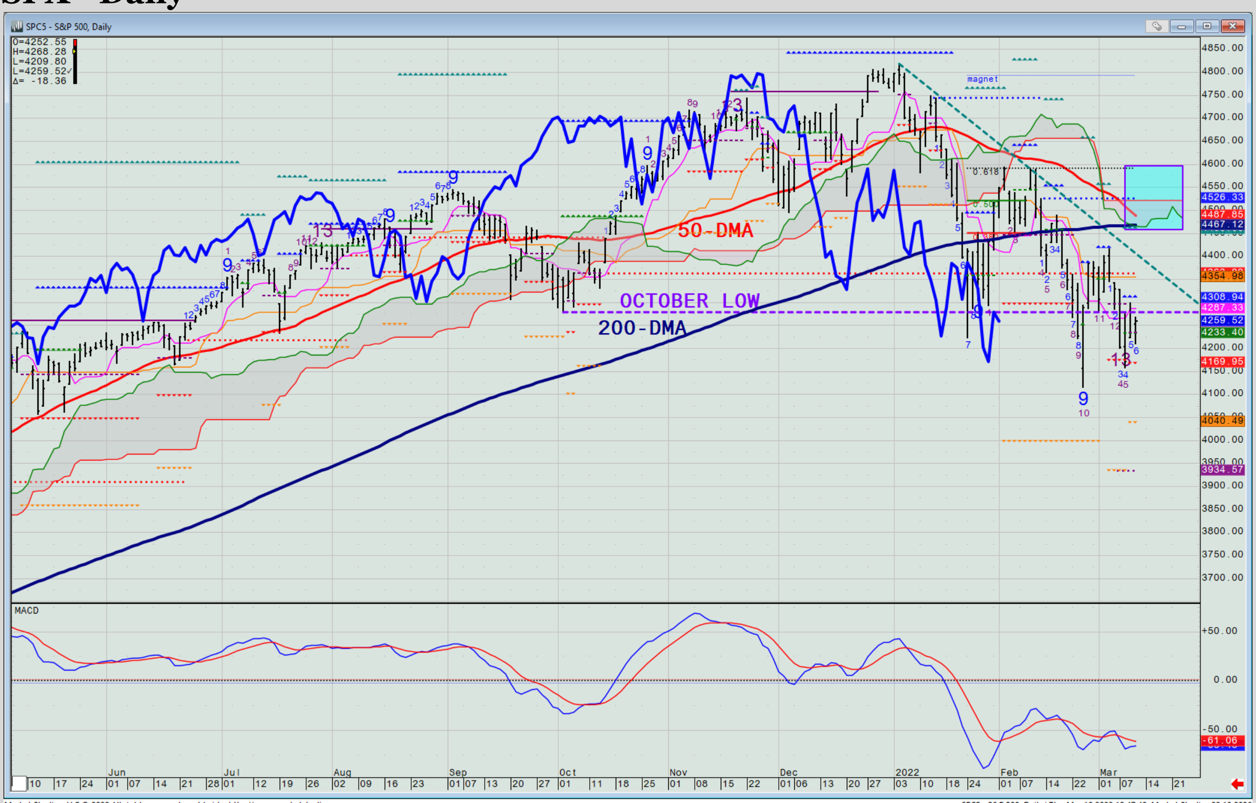


GLD – Weekly

S.GLD - SPDR Gold Trust, Weekly | Thu Mar 10 2022 18:41:30, Market Studies 22.12.8036

The SPX finally reached a potential better turning point signal than the late-February Setup -9 by finally marking its first -13 count of the decline. This is accompanied by a weekly Setup -8 count that is currently sitting on its bottom Bollinger Band. In "normal" (i.e., non-war and having an accommodative Fed) times, I'd be starting to "buy the dip" now. And though I've done a bit of nibbling on a few names, I just can't jump in the way I have in the past. The SPX has given up some nine months' worth of gains, and the Nasdaq Comp. has given back a full year's worth of gains.

SPX - Daily



SPC5 - S&P 500, Daily | Thu Mar 10 2022 18:47:48, Market Studies 22.12.8036

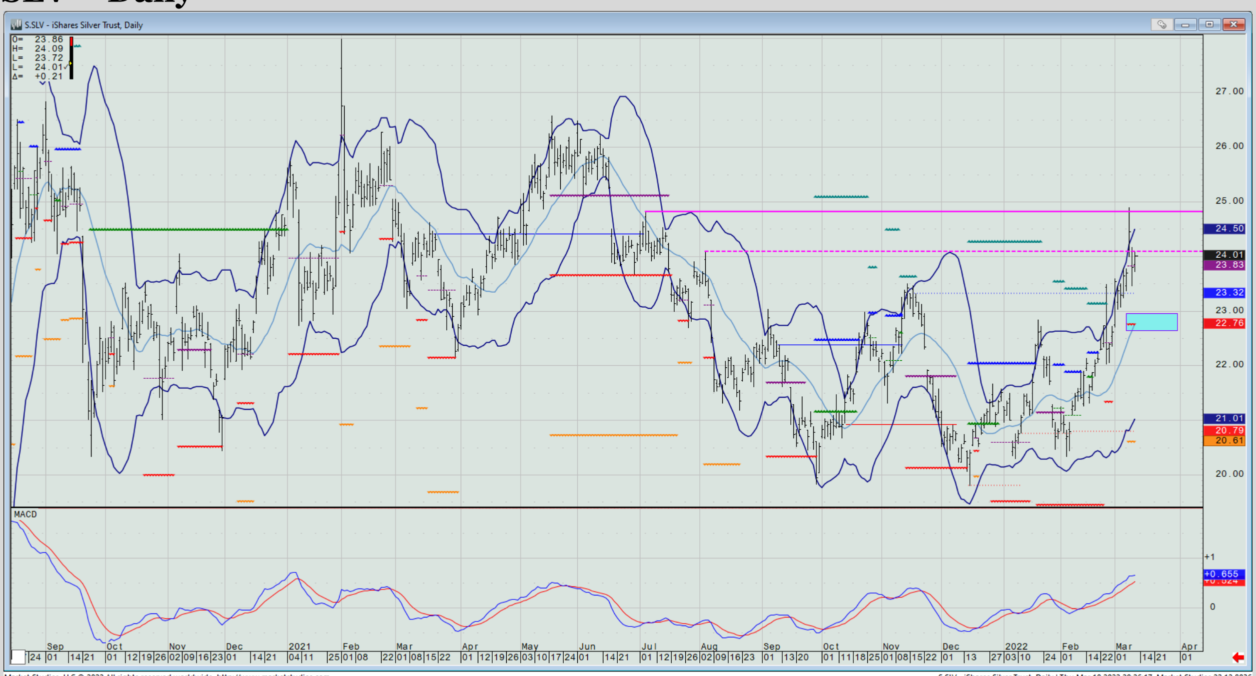
I still see rather significant overhead resistance (in the blue box). Even if the war dissipates and inflation gets mildly curtailed (I don't see a major reduction in inflation coming anytime soon for the consumer), seeing new index highs is just not something I have on my radar screen. I will be selling on rallies, and if we were to get to that highlighted zone, I am strongly cutting overall equity exposure.

THIS WEEK'S NEW TRADE IDEA

With the precious metals moving higher on war and inflation news, I'm apt to think that gold will shortly make new all-time highs, and that's its "poorer brother, Mr. Silver" will get a solid run up too (though its trading at barely north of half the price of its all-time high). So, when I look at the **iShares Silver Trust ETF (SLV)** with just Bollinger Bands and DeMark's Propulsion models overlaid on the chart, we see that the middle Bollinger Band (i.e., usually a good place to buy in a strong uptrend) happens to be just about where the Propulsion Exhaustion level is. (See the highlighted, cyan-colored box below.)

Thus, should commods get a much overdue pullback in the next several days, we'll want to get long **SLV** in the $23 to $22.70 range, risking consecutive daily closes beneath the $22.03 level. We'll target something north of $26 (basically, the 2021 highs).

SLV – Daily

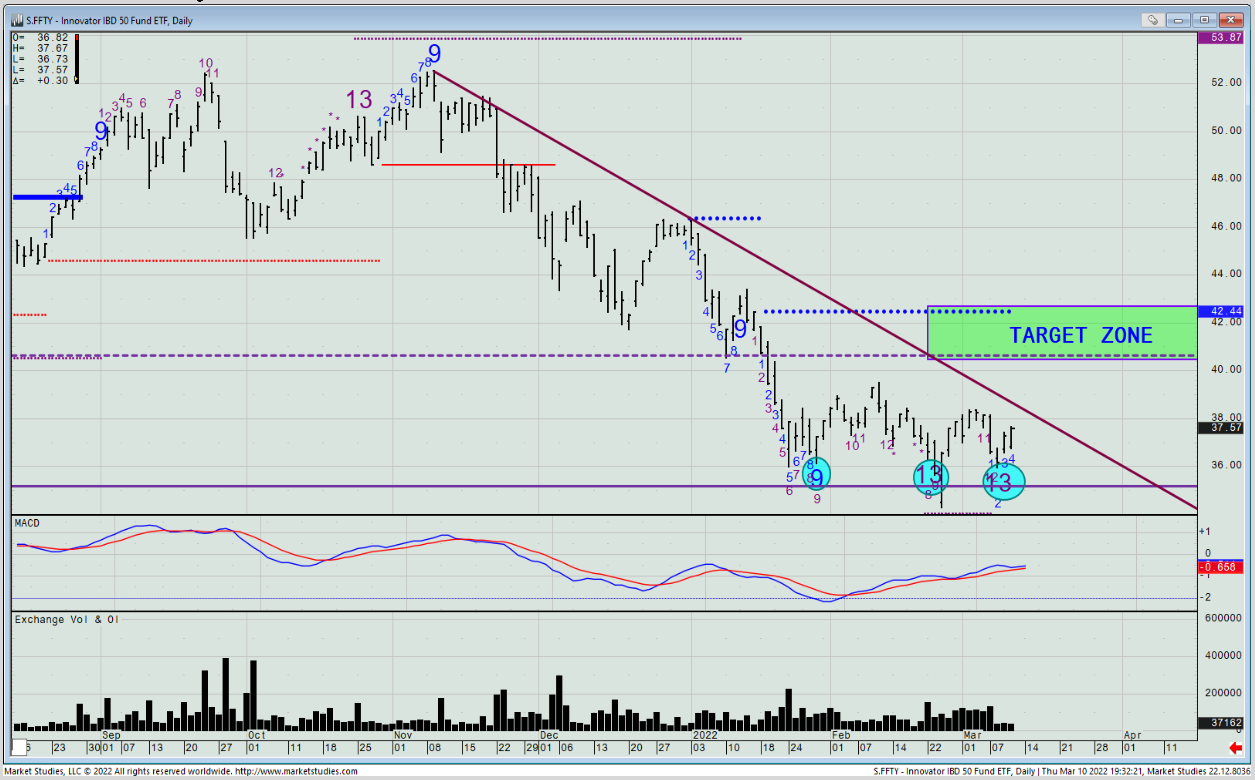


Other Open Recommendations and Positions

Long Innovator IBD 50 Fund ETF (FFTY)

Last Friday we entered a 50% long position into this ETF (avg. entry at $37.88) on what was side-by-side downside exhaustion signals with the Setup -9 and Aggressive Sequential -13 counts. Since then, we see it's added another -13 count, so an upside breakout beyond the downtrend line could lead to a quick burst higher to aim for our Target Zone where we'd happily exit. We'll stop ourselves out under $35.97 (your choice if a simple stop or on a closing basis.) See chart on next page.

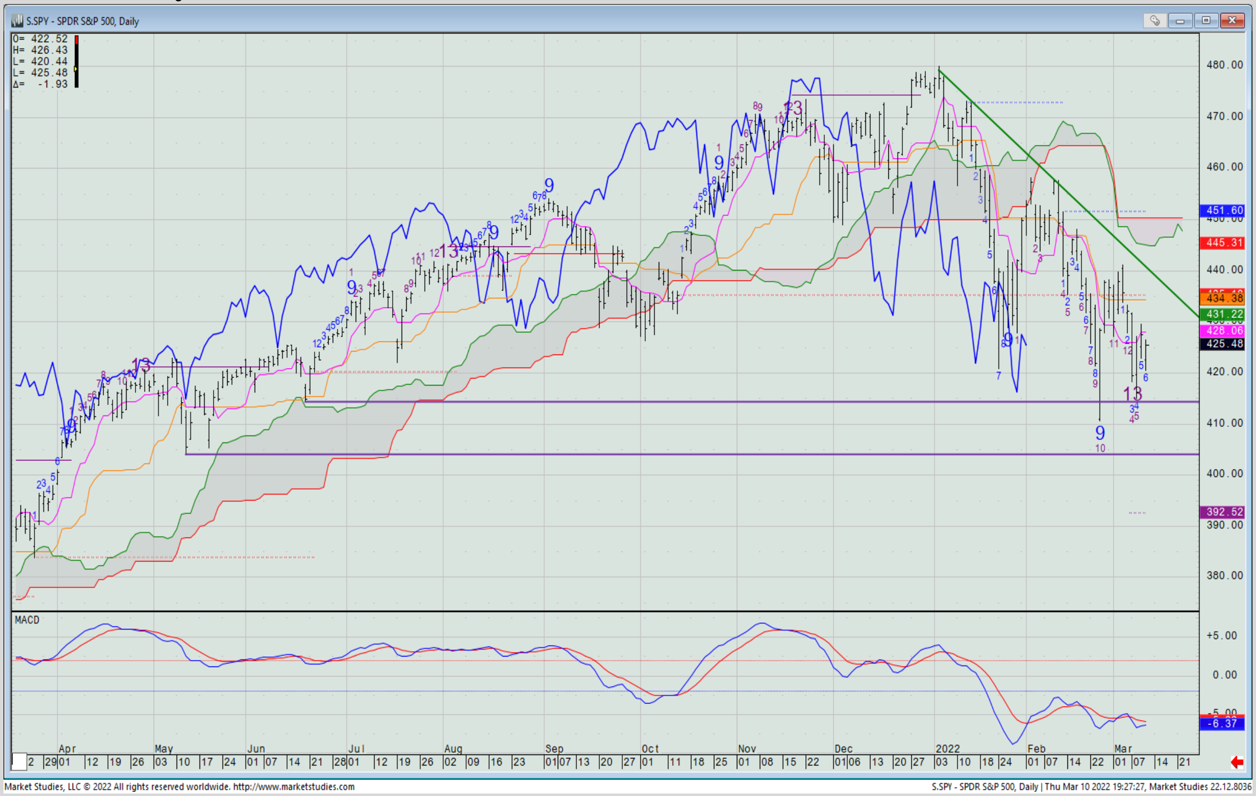
FFTY – Daily



Long S&P 500 SPDR ETF (SPY)

We were looking at the $417.37 to get long a half-position against, and we got the opportunity earlier this week. We are stopping ourselves out under the move's low of $410.64. I am leaving an open-ended upside target right now, on the small but possible chance we got in really well.

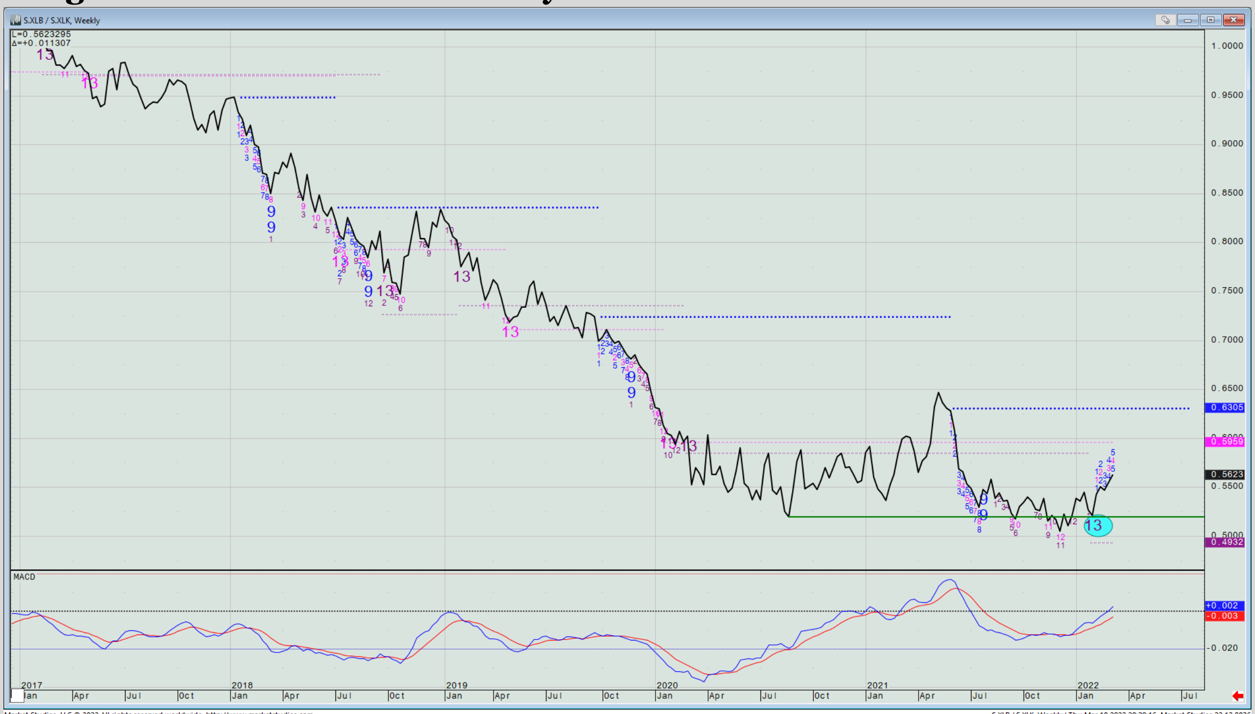
SPY – Daily



Long SPDR Materials (XLB) vs. Short SPDR Information Tech (XLK)

Three weeks ago, we put this pair trade on at about 0.5295, having used both monthly and weekly charts to help decipher a double-bottom and possible reigniting of Materials to do better than Tech – something it hasn't been able to do on a sustained basis in years. We're looking for this widen out over several months, having posted a target near 0.70. We'll again raise our sell-stop, this time to breakeven.

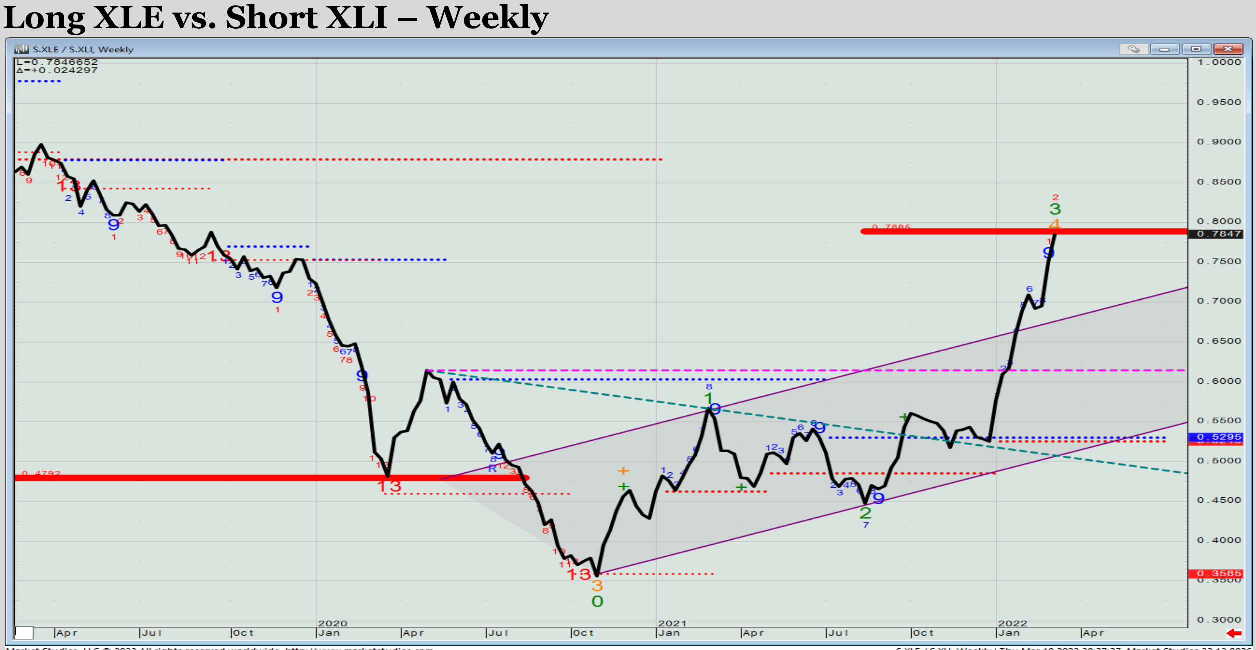
Long XLB vs. Short XLK – Weekly



Long SPDR Energy (XLE) vs. Short SPDR Industrials (XLI)

In late-December, we entered this pair trade by going long one unit of XLE and short one unit of XLI (avg. entry price of 0.5433). We've already taken half off at our first target of 0.65 +/- 0.0030, and removed another 25% last Friday at ~ 0.7435. We have reached our final target at the ~0.7885 level, and will remove the final quarter today.

Long XLE vs. Short XLI – Weekly



I feel like I have certainly done my part on this trade. ;) You are free to stay with it should you desire. It should continue working over time, but certainly could face a pullback if peace talks come about and provide any sense of relief for oil prices.

I would absolutely look to be long XLE as an overweight to the SPX for the foreseeable future. I have been very public about my belief that the long-term bottom in relative performance – after a disastrous 20+ years of getting nowhere in energy names vs. the market – has concluded.

Suggestions and Explanation of Terms

With every major firm brokerage firm having gone to $0 domestic stock/ ETF commissions, you should not be paying anything to trade my recommendations (other than the associated fees to placing a short position we sometimes recommend).

Cloud Charts (a.k.a. "Ichimoku")
"Cloud" charting is a far-eastern technical model that was developed over 50 years ago, but is still not commonly used in the US (nor is there much reference material available on it, either). The calculations involved in the construction of each of the 5 lines that make up this model are simple math (see below). The proper understanding and use of cloud charts are still somewhat a mystery to many in the western world. We, however, have a deep understanding of this model, and use it as a core component to our market analysis.

The names and calculations of the 5 lines are as follows:
- Conversion Line: the arithmetic midpoint of the most recent 9 price bars (inclusive of the current bar).
- Base Line: the arithmetic midpoint of the most recent 26 price bars (inclusive of the current bar).
- Leading Span 1: the midpoint of the previously calculated Conversion and Base Lines, plotted forward 26 bars (including the current bar).
- Leading Span 2: the arithmetic midpoint of the most recent 52 price bars (including the current bar) plotted forward 26 bars (including the current bar).
- Lagging Span: the current price plotted backwards 26 bars (including the current bar).
- The "Cloud" is the area on the chart bounded by the two Leading Spans.

In any given timeframe, it is our interpretation of the relationship of a security's price to these five lines -- and the relative positions of these lines to each other -- that helps us decipher behavioral and/or structural shifts to the current bull or bear market environment at hand.

DeMark Studies (a.k.a. TD models)
DeMark Studies consist of models created by Tom DeMark, a noted market-timing indicator developer and consultant to many major Wall Street institutions. Two of these models that look for the timing of trend exhaustion include TD Sequential and TD Combo. A third, TD Propulsion, looks for a specific price exhaustion level after a trend momentum level has been properly identified and thrust through.

Some key phrases we use in our writings include:
- TD Setup: Nine consecutive price bars that the closing price is above the close from four bars prior (a.k.a. "Setup +9"). When completed and "perfected" (i.e. the 8th or 9th bar's high is higher than both bar 6's and 7's highs), a near-term **top** may be in place. Conversely, is a run of nine consecutive price bars that the closing price is beneath the close from four bars prior (a.k.a. "Setup -9"). When completed and "perfected" (i.e. the 8th or 9th bar's low is lower than both bar 6's and 7's lows, a near-term price **bottom** may be in place.
- TD Sequential: After a completed Setup +9 count, if the security continues to move higher by a certain amount, a full trend has developed. This model looks to identify the exhaustion point of that trend, from a timing perspective. Here's how: Subsequent to the Setup +9, the model then looks for 13 price bars (that needn't be consecutive) that the closing price is greater than the high from two price bars back. When this happens, odds have increased that first buying within the current uptrend is much riskier than normal; some choose to actually lighten long exposure, too. Some aggressive traders even choose to initiate short exposure. Conversely, after a Setup -9 count, the model then looks for 13 price bars (that needn't be consecutive) that the closing price is less than the low from two bars back. When this happens, odds have increased that first selling within the current downtrend is much riskier than normal; some choose to actually lighten short exposure, too. Some aggressive traders even choose to initiate long exposure. **Thus, some aggressive-style accounts often use this model to take profits or even enter new counter-trend positions.**

- TD Combo: This is a sister timing model to the above –mentioned Sequential model. It also reaches its trend exhaustion reading at a +13 or -13 reading. It counts to the 13th bar using a different calculation than Sequential. But it's potential implications for an impending trend reversal are the same.
- TD Propulsion: This model looks to define the initiation of a momentum move (whether higher or lower). Once the identified Propulsion Momentum level is properly surpassed, it then pinpoints measured exhaustion levels for that same breakout or breakdown move (i.e. Propulsion Exhaustion and Full Propulsion Exhaustion).
- TD Trend Factors: This model looks to define important support or resistance levels from previous highs or lows of moves, measured in increments of 5.56%. (This particular number is a derivative of the Fibonacci sequence of numbers.)

- "Qualified and Confirmed" Breakouts (**Updated**):

  To qualify and confirm an upside breakout of some level we reference, the following need occur, in order:
  1. A down close the price bar immediately before closing above the reference level
  2. The actual close above the reference level
  3. A gap higher open; a higher daily high; and a higher daily close the next trading day.

  To qualify and confirm a downside breach of some level we reference, the following need occur, in order:
  1. An up close the price bar immediately before closing beneath the reference level
  2. The close beneath the reference level
  3. A gap lower open; a lower daily low; and a lower daily close the next trading day.

  Thus, the qualified and confirmed process takes 3 consecutive price bars to create the signal.