Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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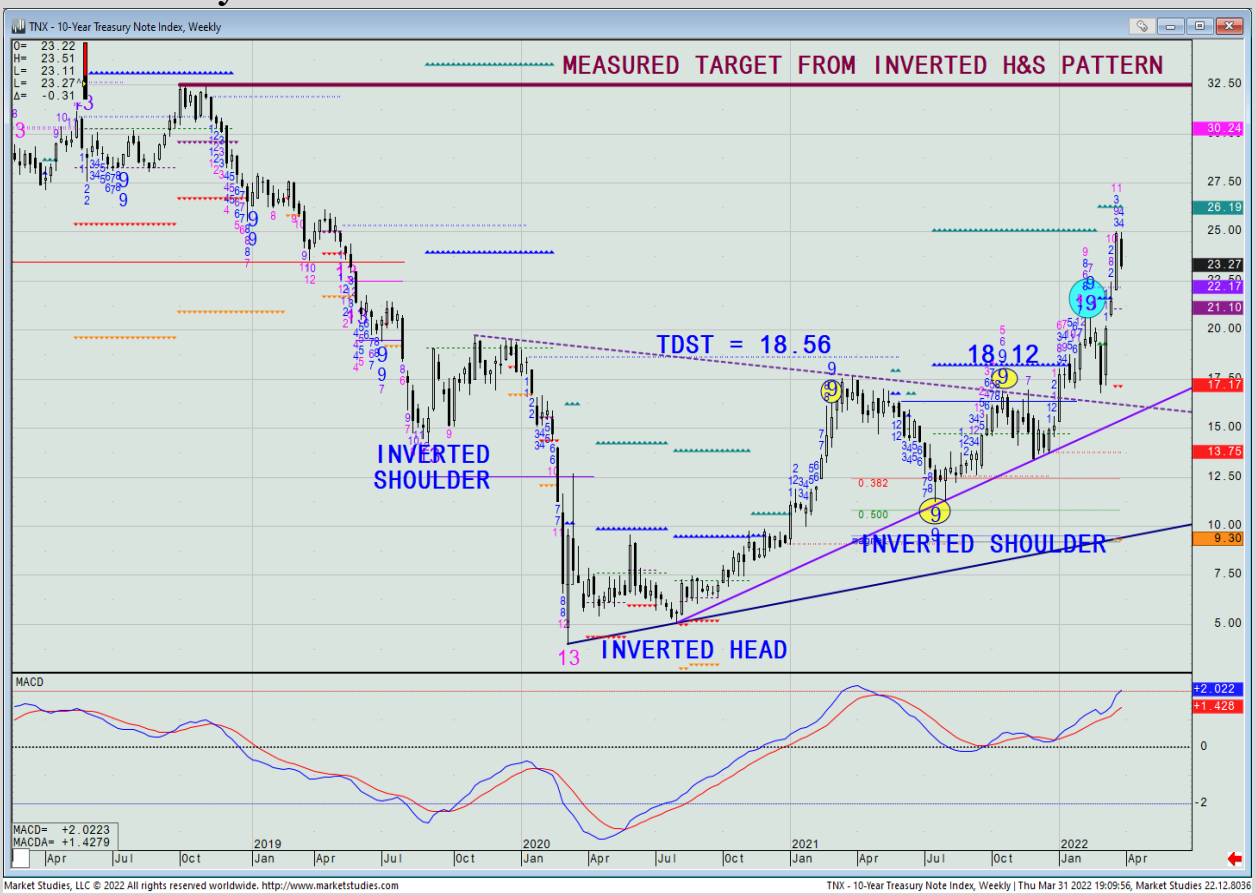
TACTICAL TRADER REPORT

The Macro Picture

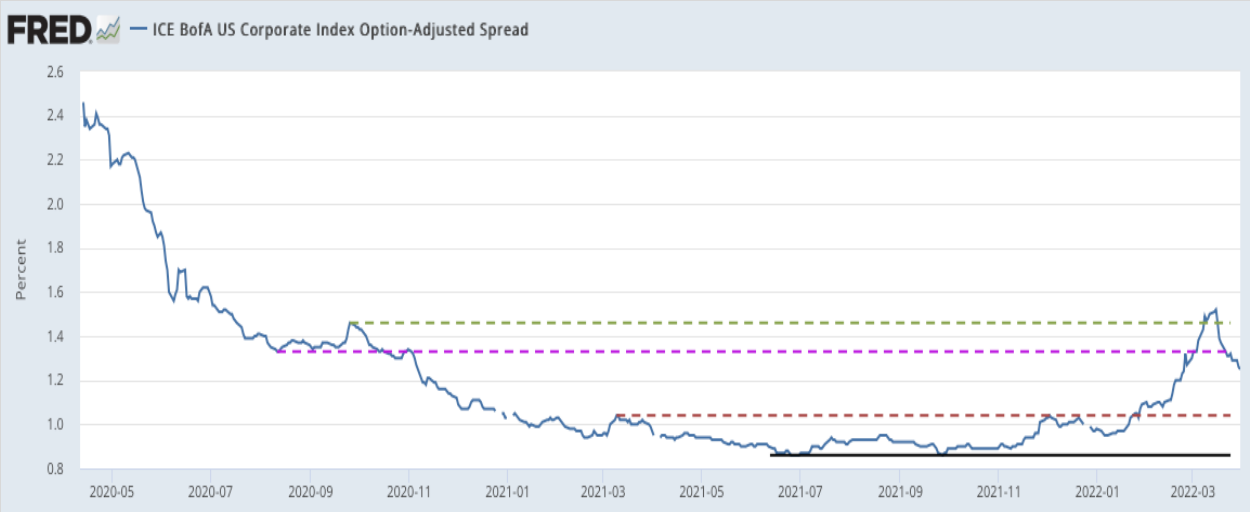
The continued equity market surge from the supposed Russian willingness to talk peace has not yet materialized into anything of significance. Meanwhile, President Biden is trying to reduce pain of high oil prices by releasing strategic reserve stockpiles. On a short-term basis it worked, as oil fell $7 since that news hit the tape on Wednesday evening. Whether or not that price drop can hold is another story. Thursday's equity market decline was a result of professional selling in the past few days offsetting those covering bad short positions and late-to-the-game buyers. More on that on pages 3 & 4.

There's a flattened yield curve with the UST 2yr. rates playing with the UST 10yr. rate. And the 10yr. rate got precisely to my 2.50% target and has fallen back down to 2.33% in just a few days since then. Under 2.15% they start getting interesting to me again on the long side (i.e., selling bonds).

TNX – Weekly



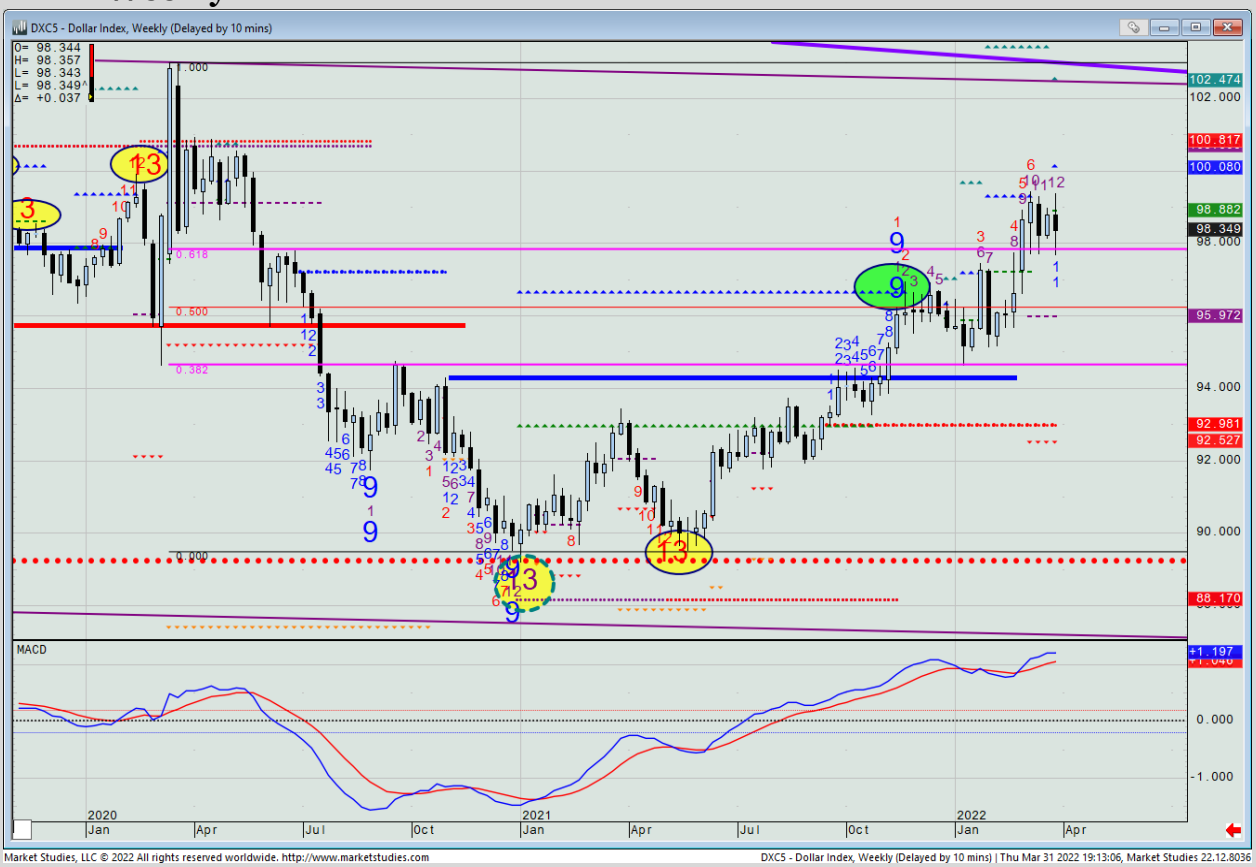
Credit spreads again made new highs early last week and have fallen quickly. The **ICE BofA Corporate Index Option Adjusted Spread** we watch hit 1.52% and then fell to as low as 1.25% on Wednesday. If this narrowed to anything near 1.04% (the prior breakout level), we'd look for them to widen out again. (See chart top of next page.)



As soon as peace talks were announced several days ago, we saw many markets change course: the dollar fell AND the metals and other commodities fell, too. (The typical dollar down/metals up mantra is not playing out, as "peace" would represent less need for safe dollars AND less belief that one needed the safety that gold supposedly affords.)

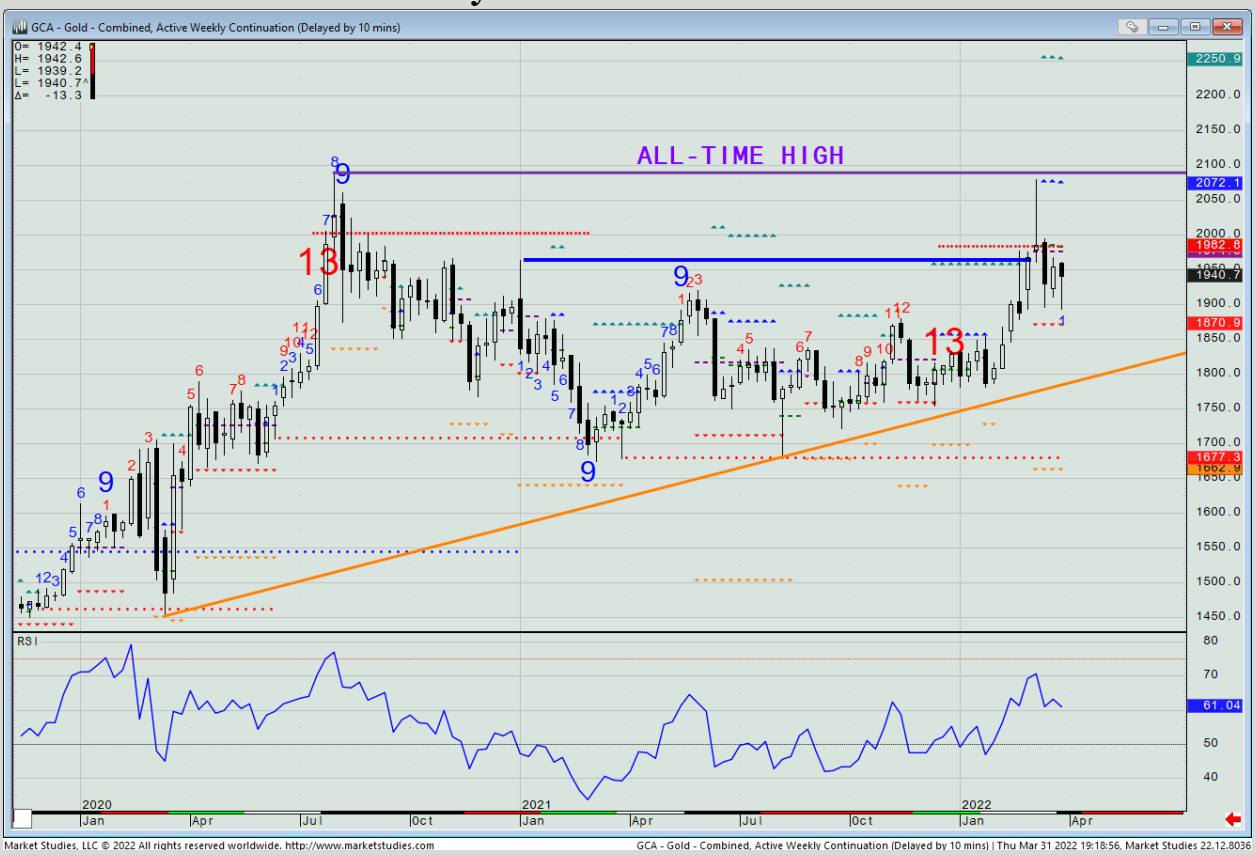
The US Dollar Index (DXY) continues to falter at/near $99.25 – its Propulsion Exhaustion level while also having reached an Aggressive Sequential +12 towards a +13 on both daily and weekly charts. The top seems imminent.

DXY - Weekly



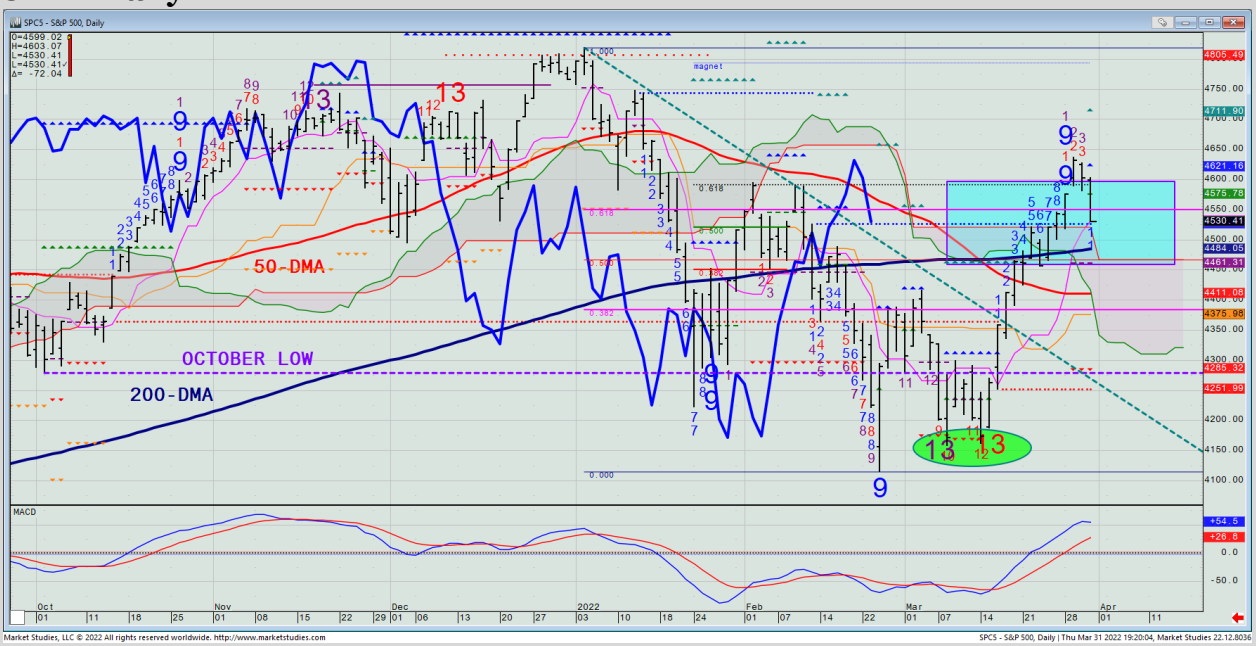
Gold's failure against its 2020 ATH has subsequently seen two bottoms near $1900. A close today in gold beneath $1954 that closes above $1975 next Friday probably kicks off a move to new highs.

COMEX Gold – Active Weekly Continuation



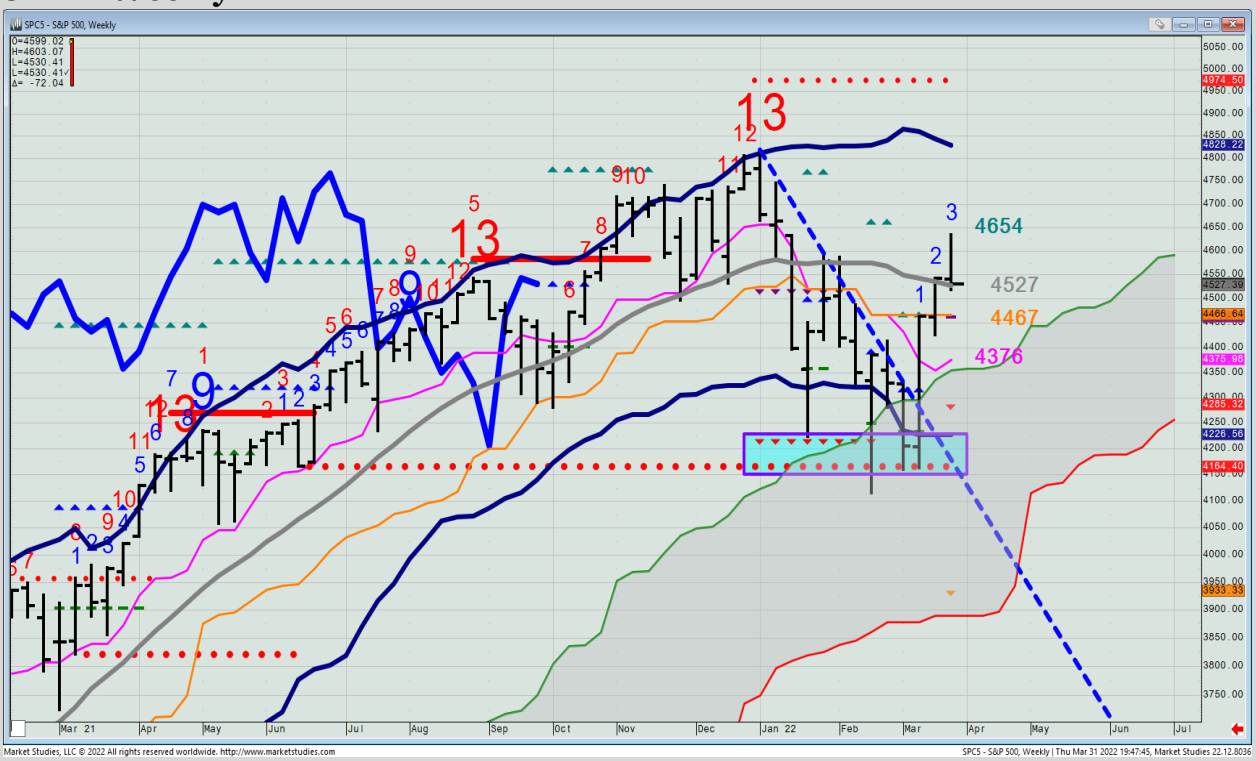
I have not made it a secret that I thought the market will make a near-term trading high this week (enough so to make it worthwhile to sell out trading longs (especially if they're at or near your trading targets) to be able to buy them – or other names – back lower.

SPX - Daily



The weekly middle Bollinger Band is at 4533 this week, and this week's current high is 4522. It's just another one of the indicators to lean against if you're also in the camp that new highs are not coming shortly.

SPX – Weekly



New ETF Trade Idea

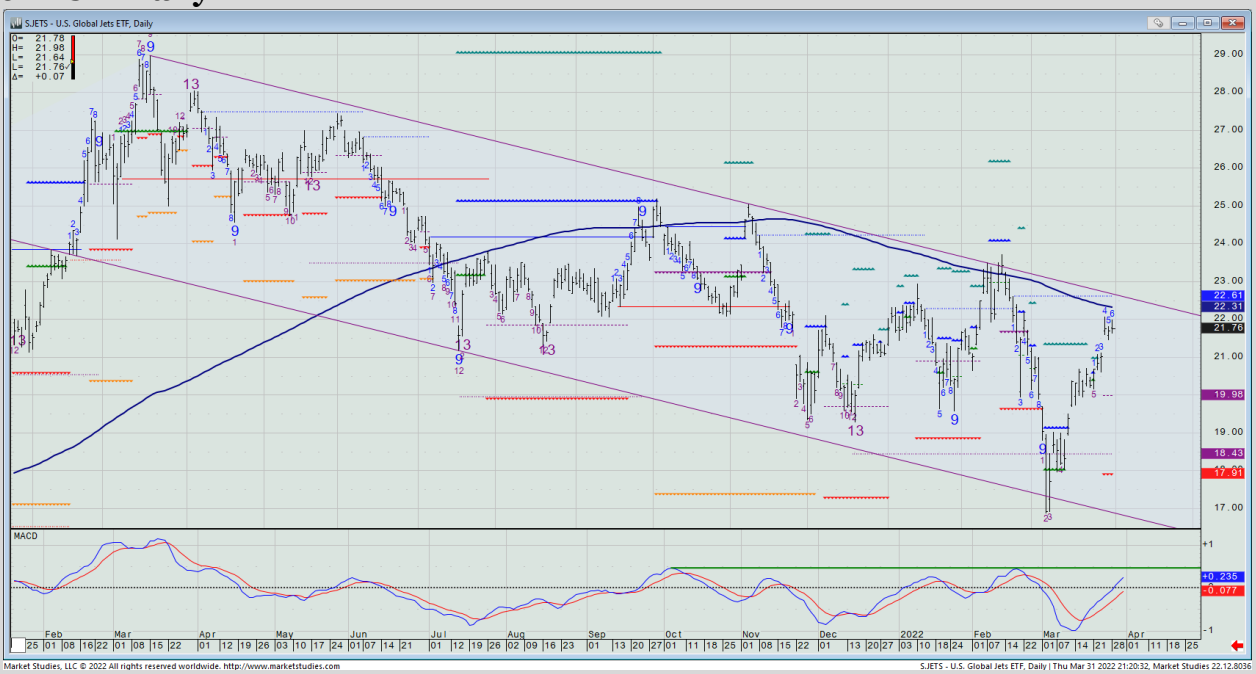
We're clearly in a big commodity bull market, with energy, grains, metals, softs, and industrials partaking. And the higher price of oil has made a big dent into airlines' profit margins, as practically none of them hedge their jet fuel costs after getting caught years ago (just after oil made its all-time highs) locking in future delivery costs that ended up costing them a fortune, as oil sold off for years to come.

When we look at airline stocks, they have done poorly – from restricted Covid travel the past two years – but also because fuel costs have kept rising. (Notice that most airlines just raised ticket prices by $30 for customers to pay for the increased fuel costs that have gone nuts since the war started). With Biden trying to do what he can to ease the burden of the cost of gasoline for Americans, his releasing strategic stockpiles may keep some near-term pressure on oil, and airline stock prices may continue their recent rally.

However, we do think that this is a band-aid on a much bigger issue that the stockpile release will NOT heal. And thus, we will look to sell this airline rally, via the **US Global Jets ETF (JETS)** against resistance right above current prices.

Price comes into today on a Setup +6 count towards a likely +9 next week. There is resistance from the downward channel's top. There's a TDST line at $22.61, too. And there's the 200-DMA at $22.31. I put this all together and want to short the JETS ETF between $22.25 to $22.75. We'll look for a pullback to initially target the bearish Propulsion Momentum level at $19.95 +/- 20 cents. Our buy-stop will be on consecutive daily closes above $24.21. (See chart on top of page 5.)

JETS – Daily

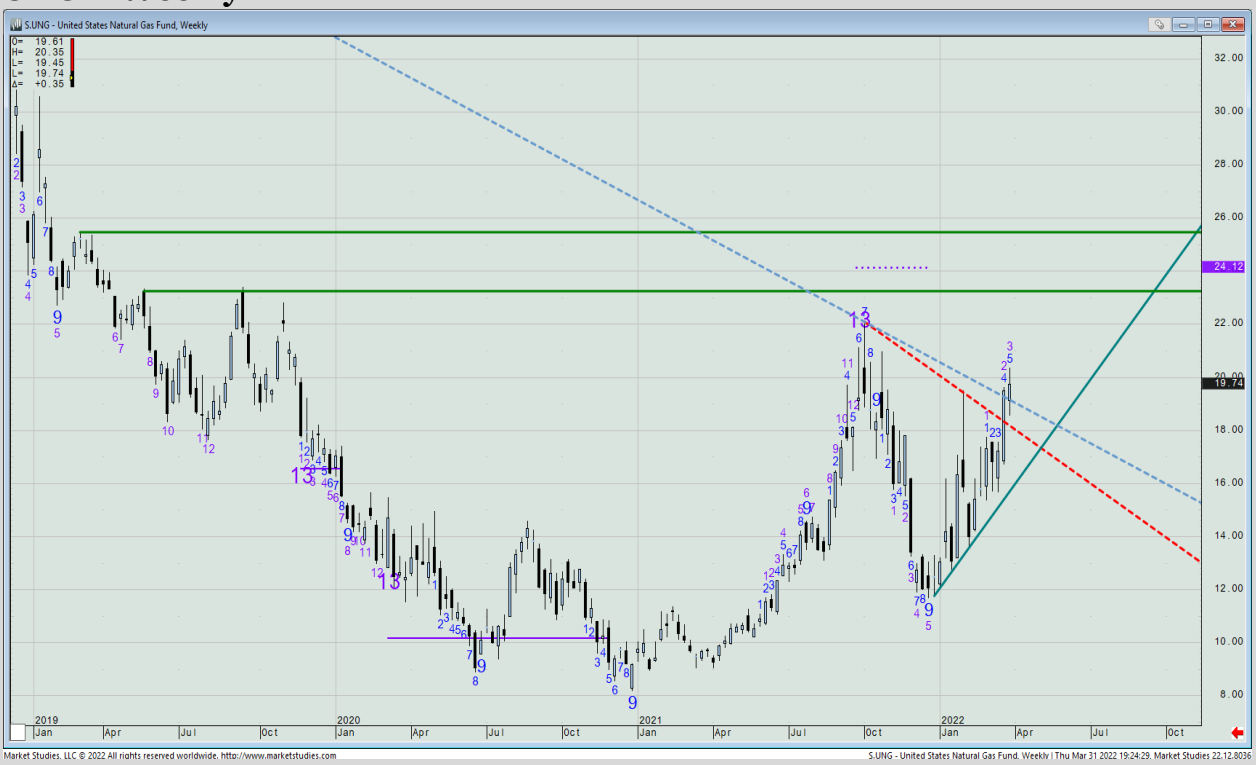


Other Open Recommendations and Positions

Long United States Natural Gas Fund ETF (UNG)

Last Friday we got long one unit of UNG (avg. entry at $19.36), looking to potentially hold it for several months, on my belief that not only had natural gas broken out in the near-term, but that it's getting closer to having a bigger, major upside move. The fundamentals are in place. We just need to see price move up, too. (There's a cup and handle pattern in its latter development, too.)

UNG – Weekly



Long iShares China Large Cap ETF (FXI)

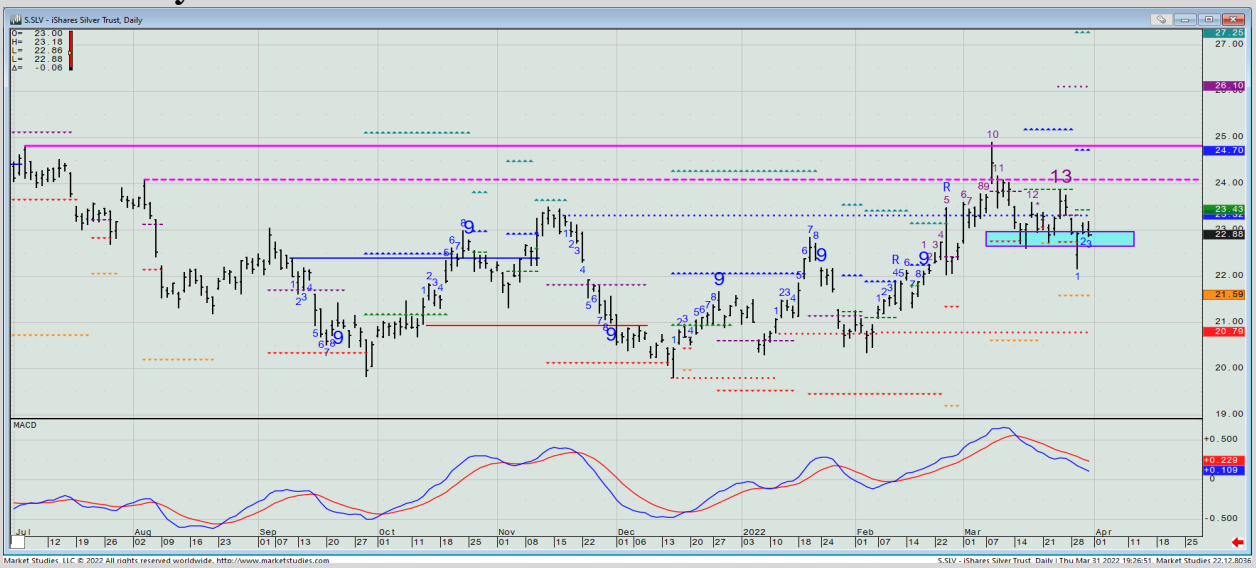
We're still looking to buy this on a pullback into the $29.75 to $25.50 range (the highlighted, cyan-colored rectangle). I'd reverse pyramid scale down bid, bidding for larger sizes on the higher end of my prescribed buying range. My target is likely in the mid- to upper-$30s. The stop out needs to be somewhere under the low of the move ($26.13), but there is no one specific level that I can recommend it to be at. If the current low was the bottom, then it won't come into play. If it does, then we probably don't want it anyway, so don't be stubborn and get out if new lows are made.

FXI - Daily

Long iShares Silver Trust ETF (SLV)

Three weeks ago, we got long SLV an average price of $22.85. Our sell-stop had already been raised to your entry price. (If you used your entry price as your sell-stop, then you're out with no loss. If you did it on a close-only basis, you were still in the trade but got knocked out on Tuesday. The trade ended up a wash (i.e., no loss or gain).

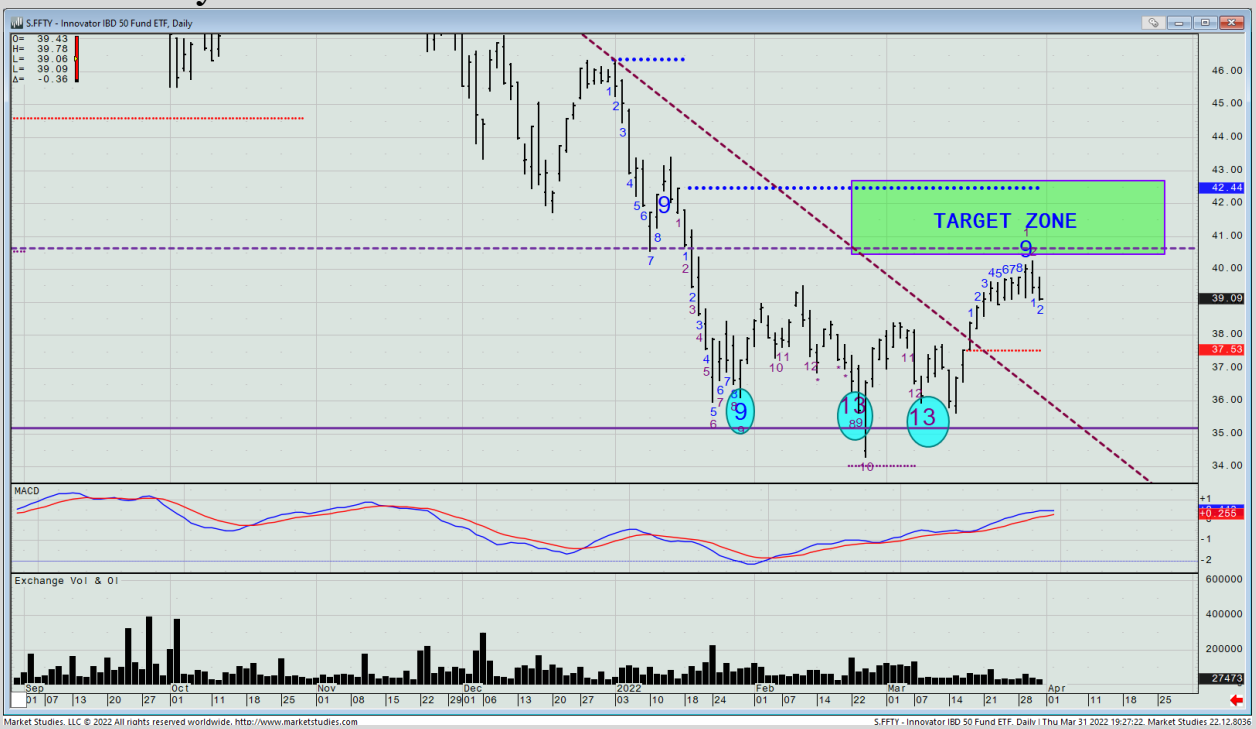
SLV – Daily



Long Innovator IBD 50 Fund ETF (FFTY)

Four Friday's ago, we entered a 50% long position into this ETF (avg. entry at $37.88) We said we'd stop ourselves out under $35.97 (your choice if a simple stop or on a closing basis.) If you used the stop on a closing basis, you'd still be long. We'll exit half today (given the Setup +9) and the other half on Monday (but in no case worse than breakeven.)

FFTY – Daily



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

Five 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. Your sell-stop should be no worse than at breakeven to your entry price.

Long XLB vs. Short XLK – Weekly

Suggestions and Explanation of Terms

With every major firm brokerage firm having gone to $0 domestic stock/ ETF commissions, you should <u>not be paying anything</u> 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.

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