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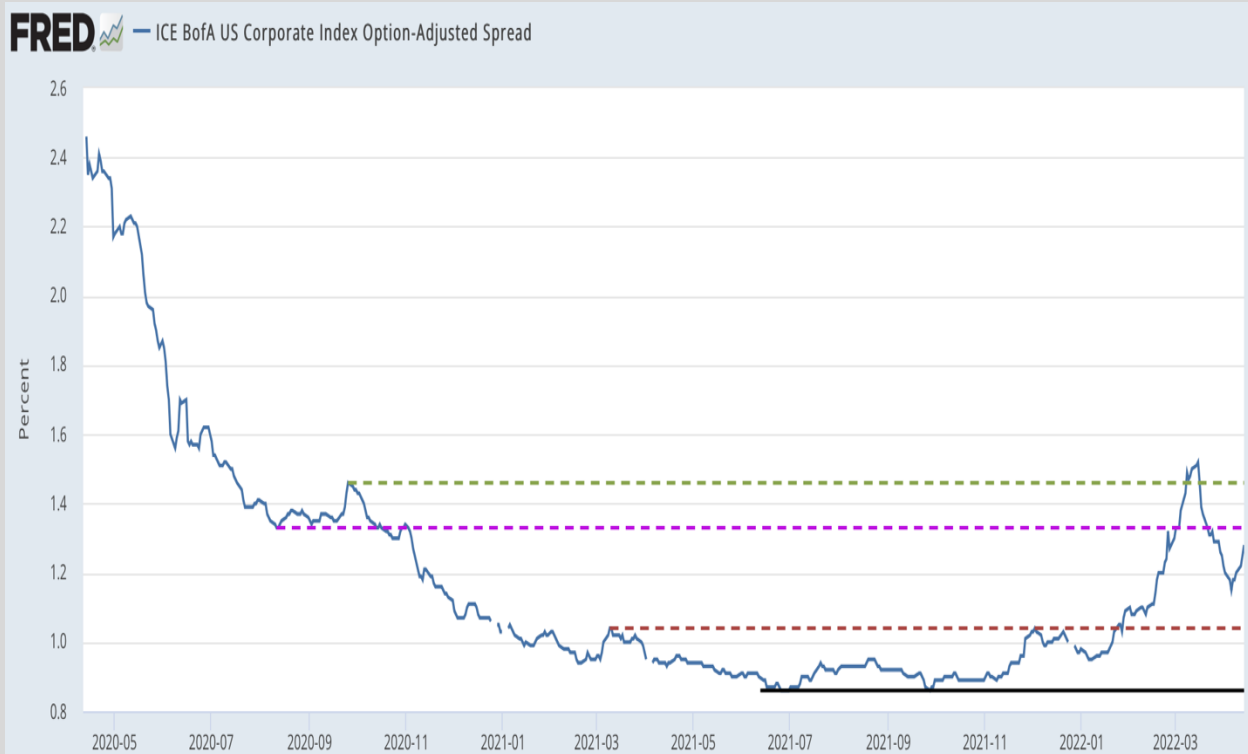
April 15, 2022

TACTICAL TRADER REPORT

The Macro Picture

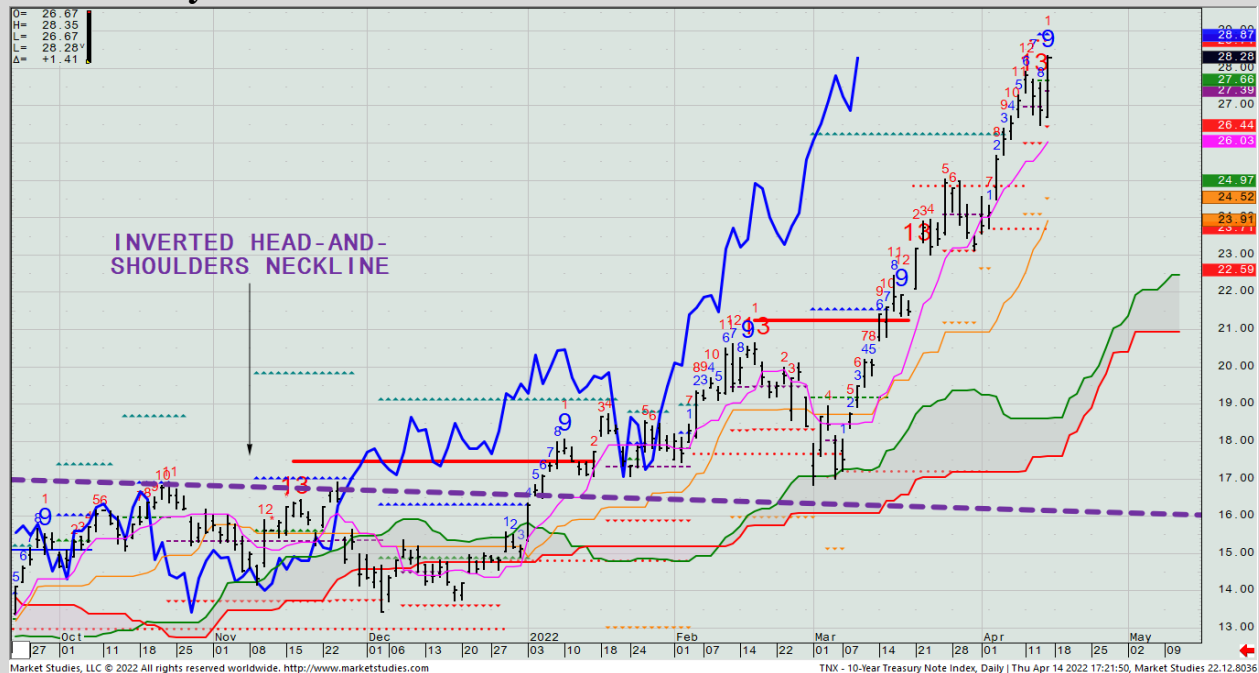
Stocks are stabilizing a bit after their recent two-week decline; credit spreads stopped declining; the Dollar Index has reached 100 and is pausing; and oil has now found a bottom after peaking last month. The biggest question most investors will need to figure out is whether the current defensive posture remains, or is it that tech, consumer discretionary, and financials have already seen their worst days and about to create outperformance again. (Right now, knowing that answer would be the “Golden Ticket” to how to make money over the next few months.)

Most credit spreads peaked in March and then continuously narrowed until last week, when they saw a trading bounce. You know that we follow the **ICE BofA Corporate Index Option Adjusted Spread**. After widening out to as high as 1.52%, it then bottomed at 1.15% and is now up at 1.28% (as of Tuesday). That low may very well be THE low of the corrective downmove, with another leg higher coming that could take exceed the March peak. (A lot will depend upon if the stock indexes can stay above their current 2022 lows.)



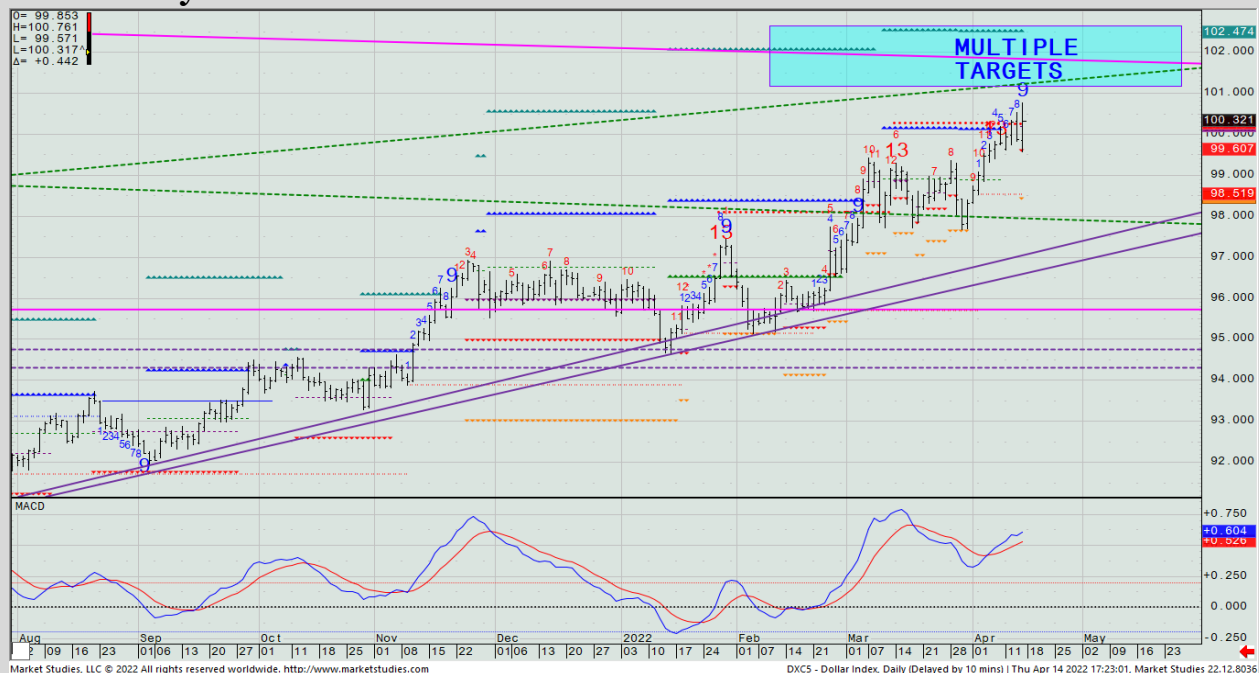
UST 10-yr. yields made a new high for their ongoing rally on Wednesday, reaching as high as 2.835%. They have a measured move up to near 3.25%, but we may very well see some pause from the newest Setup +9 reading. That being said, you “don’t want to fight the Fed” – and I’m not.

TNX – Daily



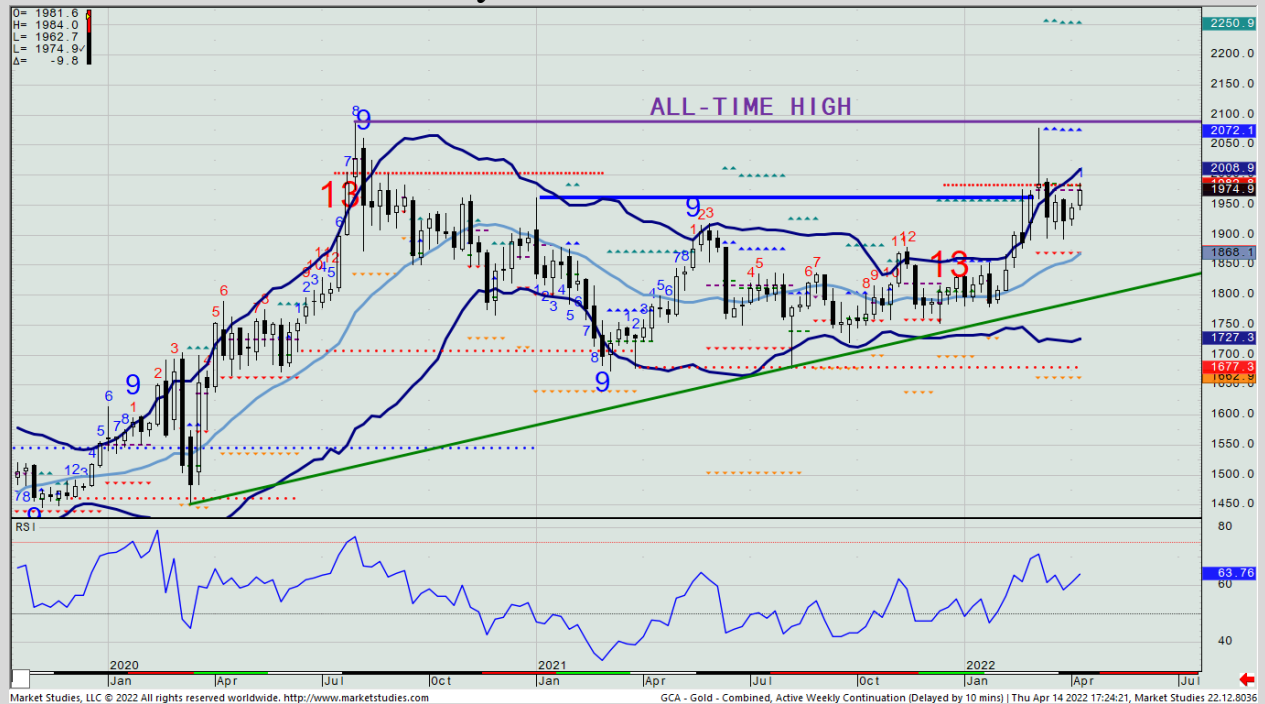
Higher rates here have very much helped the US Dollar gain strength. With it near 100, and the March 2020 high near 102, we may very well fade the rally shortly as we are approaching some major resistance.

DX-Y - Daily



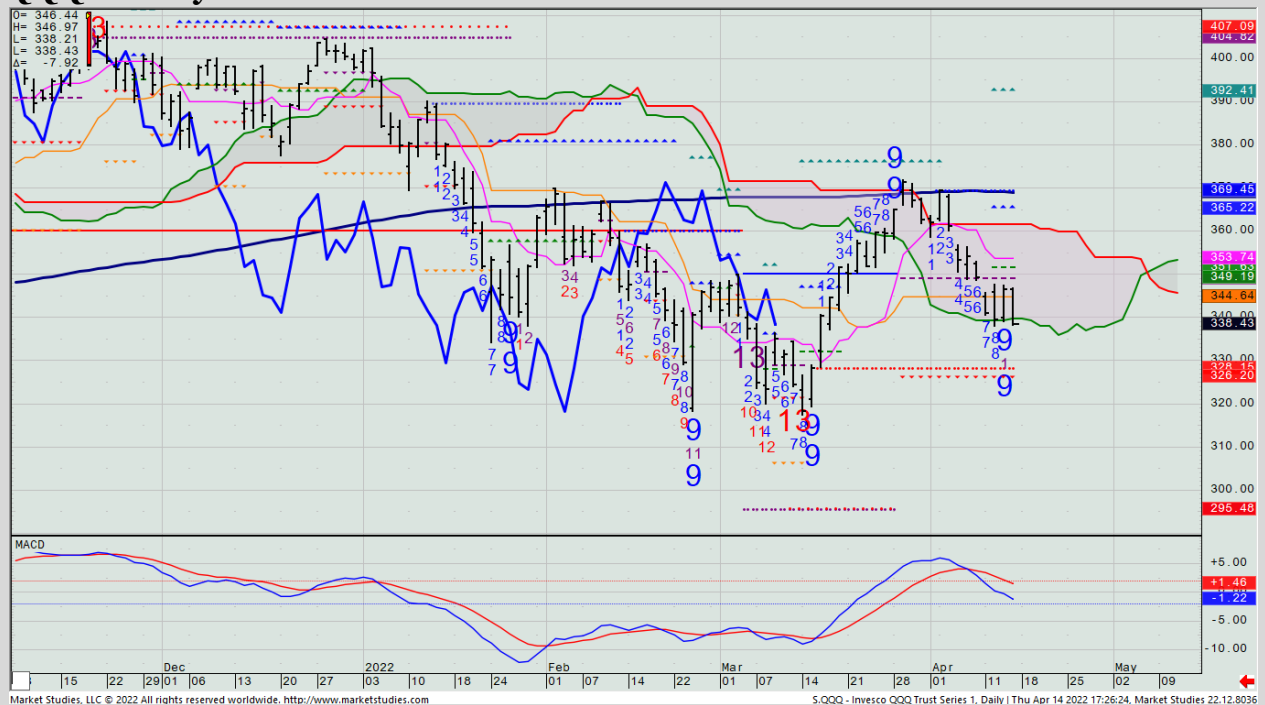
Gold continues to hang in there despite the higher dollar and competition for asset allocation from the crypto market. Can you imagine how high it could be if we didn’t have such greenback strength?

COMEX Gold – Active Weekly Continuation



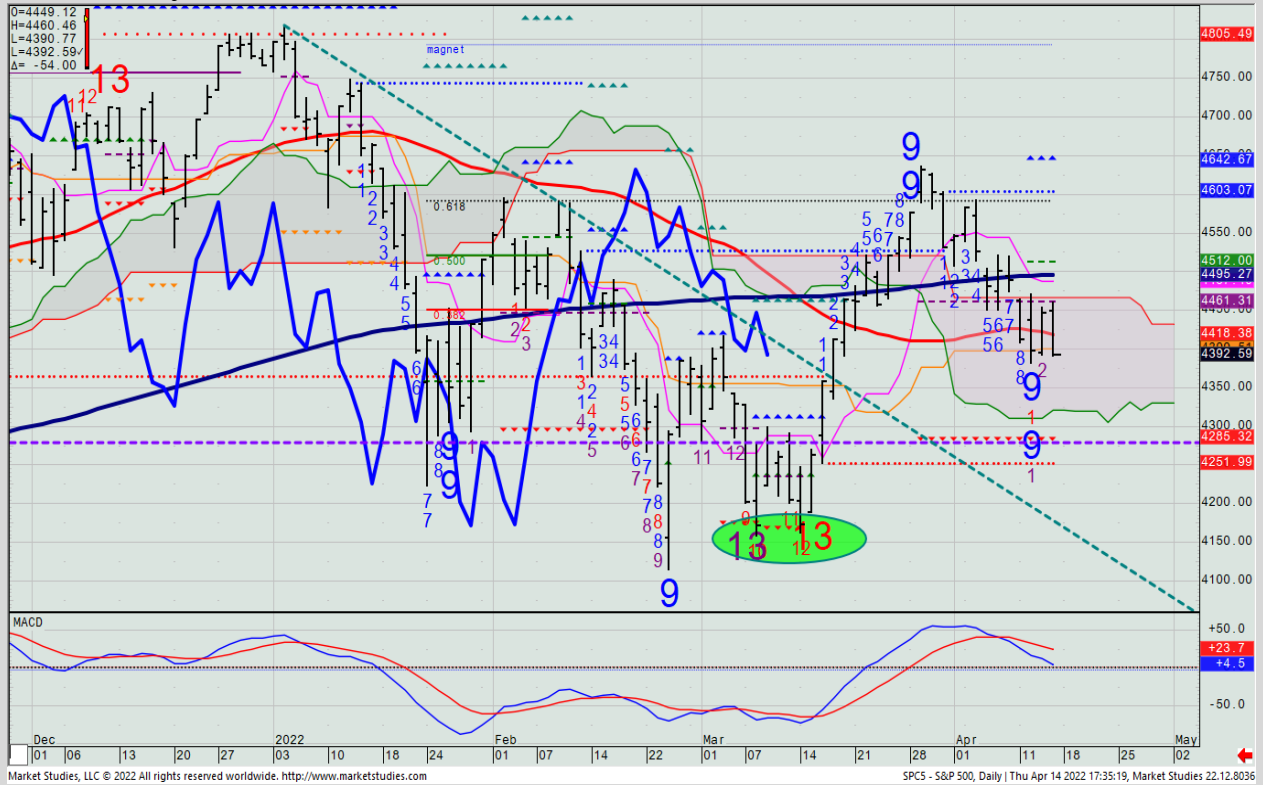
Since last week's report, we saw both the QQQ and SPX make daily Setup -9 lows that got quick bounces from them. The Qs either hold here or it likely falls to \$328/\$326.

QQQ – Daily



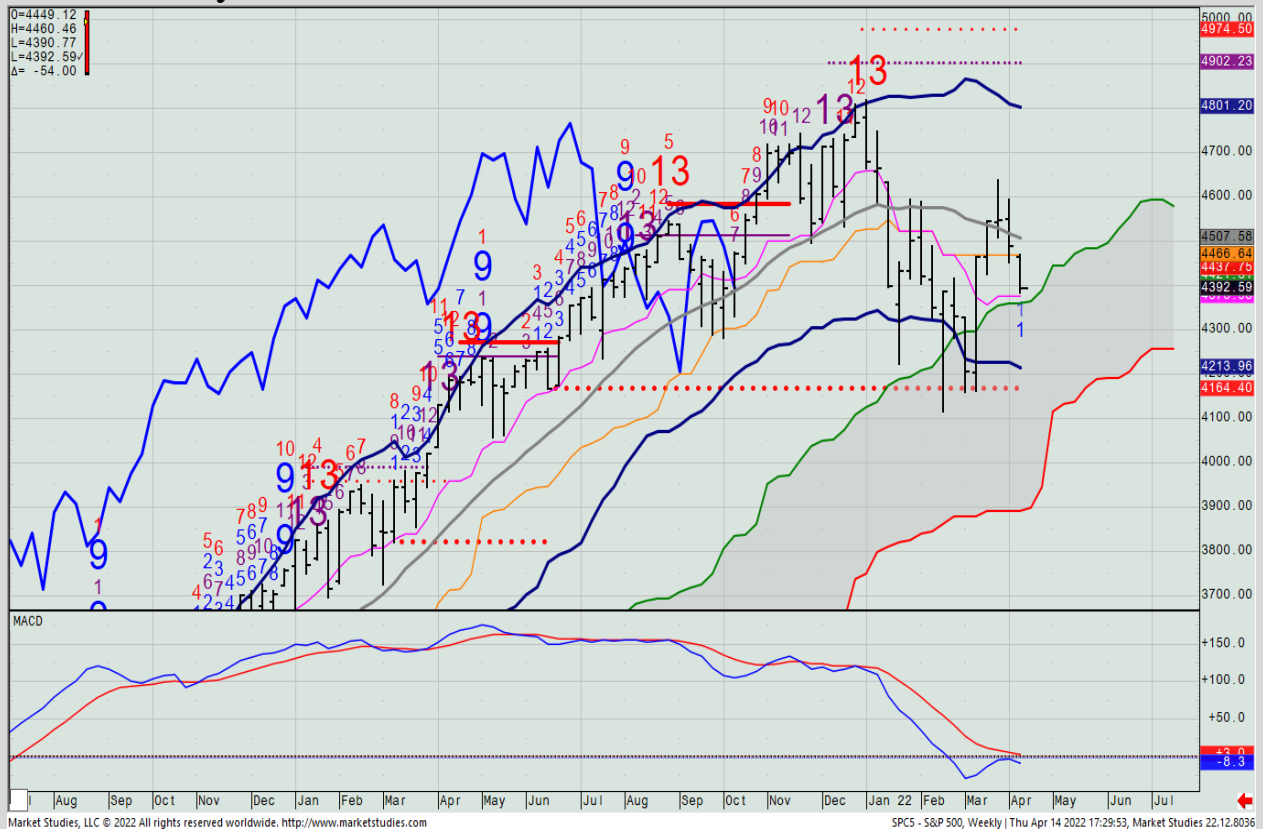
The SPX also marked a daily Setup -9, bounced on Tuesday, and then came off hard on Thursday. It's "No Man's Land" right now, and will need to hold support near the top of its weekly cloud or it can next fall to 4300-ish. I do think that a move to new lows would be more problematic for investors, (though the perma-bulls you see so frequently being interviewed on biz TV will just keep telling you to buy). In other words, new lows will beget further new lower lows.

SPX - Daily



This is a trader's environment, and the markets are trading pretty technically. For now, keep your trading positions to days rather than weeks/months, and understand that it will be much harder to successfully "invest" in a market that has real headwinds to face than we've seen in a long time.

SPX - Weekly

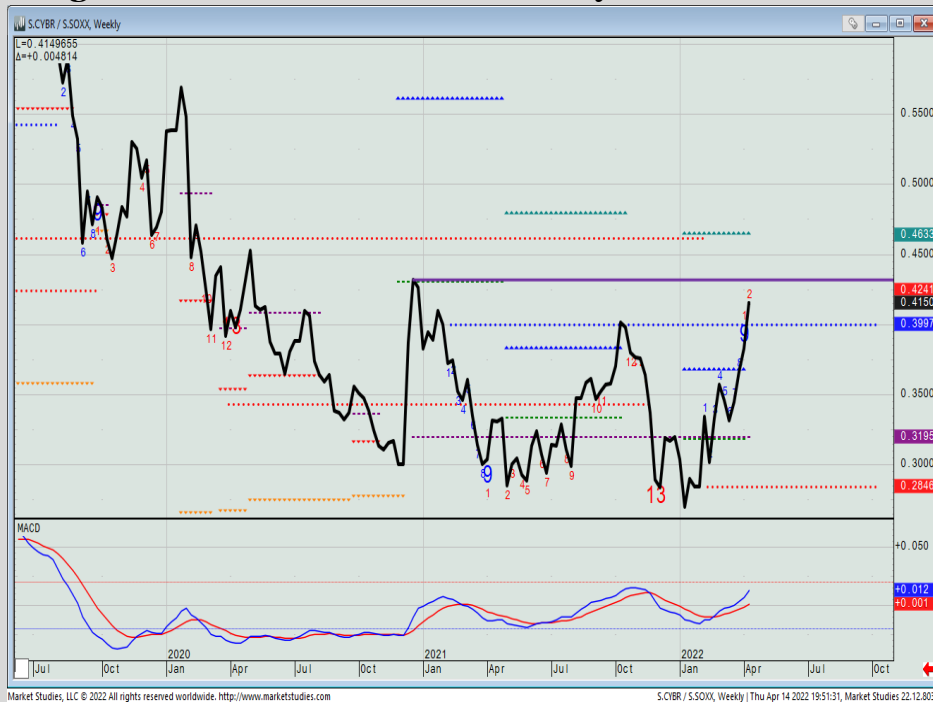


New ETF Trade Idea

Semiconductors have seen a fair amount of selling pressure this year, and they have certainly been one of the bigger drags on the tech sector as a whole. Conversely, cyber-related stocks – a sector within tech that has seen a solid lift in prices – is helping reduce just how poorly the tech sector has performed this year.

When we look at the two against each other as a pair trade (i.e., long CyberArk Software ETF (CYBR) vs. short iShares Phila. Semiconductor Index ETF (SOXX), we see an upside breakout above the Fall '21 high, and shortly a test of the late-'20 high (the horizontal dark, purple-colored line).

Long CYBR vs. Short SOXX – Weekly



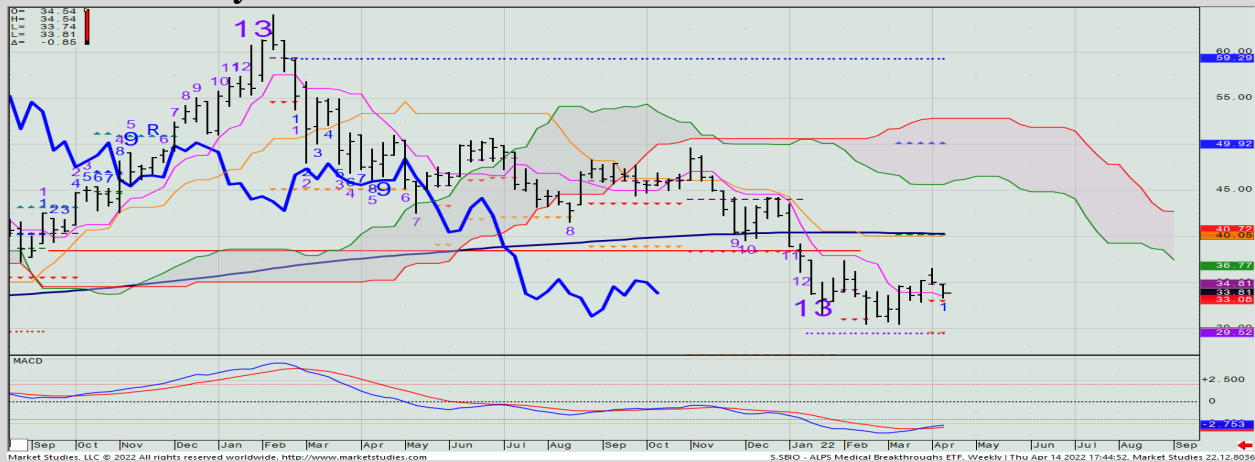
We think this pair trade likely breaks through there, too, to reach near the 0.4633 Propulsion Full Exhaustion level, so we will buy 1/2-unit on Monday and another half-unit if we saw a pullback to near 0.3665 (the bold blue line made by small triangles). Our sell-stop to exit will be on consecutive lower daily closes beneath 0.3795.

Other Open Recommendations and Positions

Long ALPS Medical Breakthrough ETF (SBIO)

Last Friday we bought one unit (avg. entry price of \$35.21). We're looking to hold this to see if it can post a weekly Setup +9 count over the next month. Our sell-stop is a week-ending close beneath \$33.08.

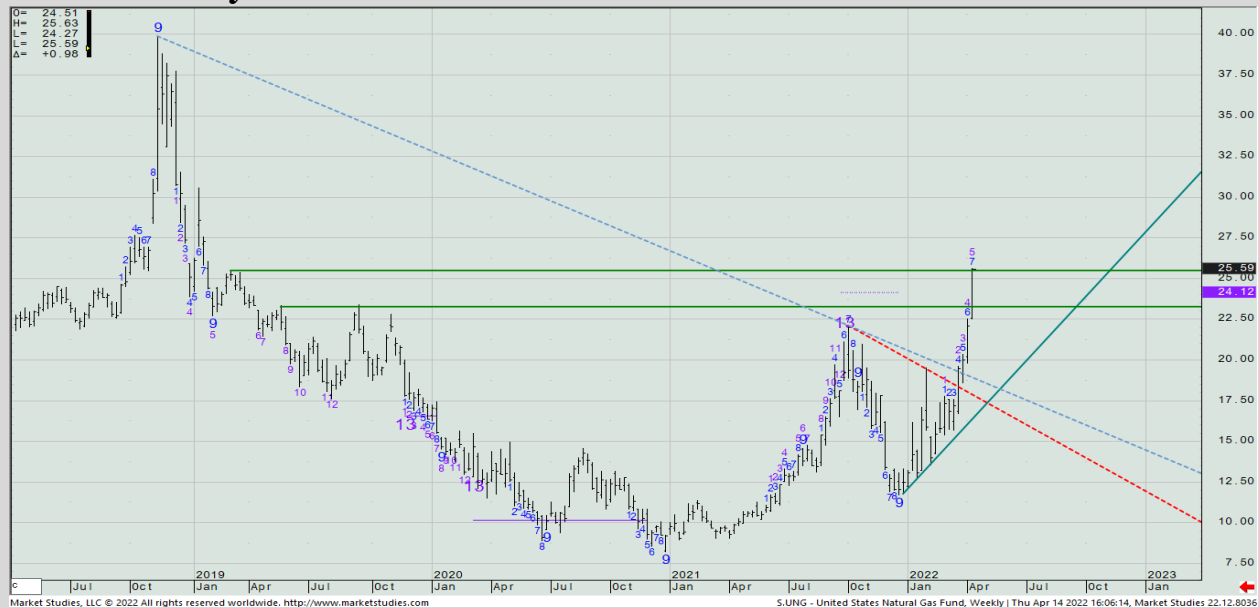
SBIO – Weekly



Long United States Natural Gas Fund ETF (UNG)

Three weeks ago, 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. This is getting very close to that major breakout, so we're holding on to this and are now already up some 30%.

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 and stay as new lower lows.**

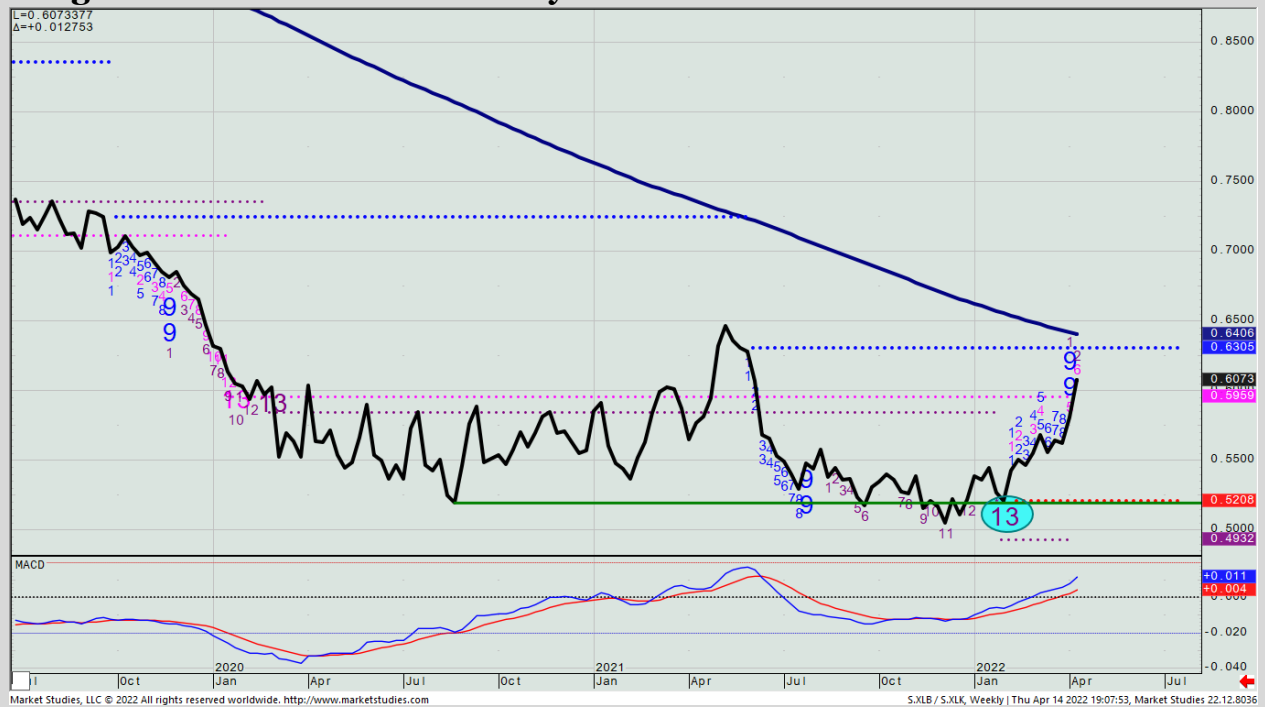
FXI - Daily



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

Six 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 took 1/3 off last Friday (at an avg. of 0.5786), and we'll take another 1/3 any week now that we hit the 200-WMA. We'll raise our sell-stop to a Friday close beneath 0.5917.

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 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.

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