Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

Investors continue to sell everything – just some not as badly as others. But nothing has been safe, and even the biggest cap bull market holdout names have finally been sold down, too (i.e., AAPL, MSFT, NVDA, etc.) so that the indexes, themselves, have lost the remaining market kings that hadn't yet succumbed to Mr. Bear. Not so anymore.

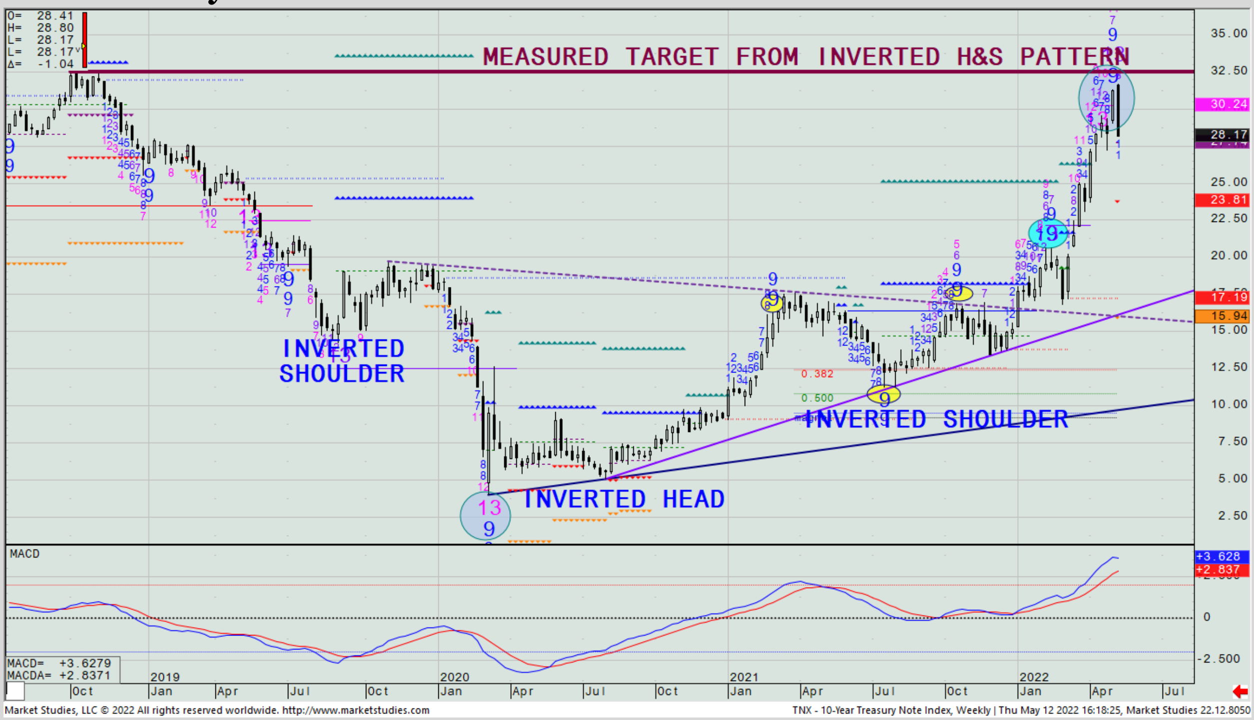
In the larger picture, we are still on track for the SPX to reach my 3617 previously-stated target for this move. Certainly, it can bounce sharply anytime, and even yesterday I bought back some SPYs (that I had sold out of earlier this year) near $391. But it's some 30 SPY points lower (roughly equivalent to 300 SPX points) where I am doing the bulk of my bidding with the cash I've raised from the past four months of stock sales. (This should not be a new idea for you. I've told you for months to sell non-performing stocks and to use those losses to also offset gains made from taking profits on some previously good performing stocks.)

There are more rumblings that the economy is headed for recession, and those dumping stocks in anticipation of it have been right to do so – regardless of if the recession actually happens or not. But the question is, "Will they be able to get back in at better prices than they've sold at?" If yes, then bully for them. If not, then they've likely sold late in the decline. And that is, after all, the only reason to sell. If you can't/don't get back in at a lower price than your sale, then you simply sold too late and/or you don't have a solid game plan to know how/when to re-enter. (If any of this describes you, I suggest you sign up for my coaching lessons.)

Credit spreads have continued to widen, and our preferred one to watch was at 1.48% on Wednesday, nearing its 2022 high of 1.52%. This should make a new high, and would measure up to 1.81% if its same distance move from the secular low (0.86%) up to the 2022 high is added to the early-April low at 1.15%. I continue to be bullish them.

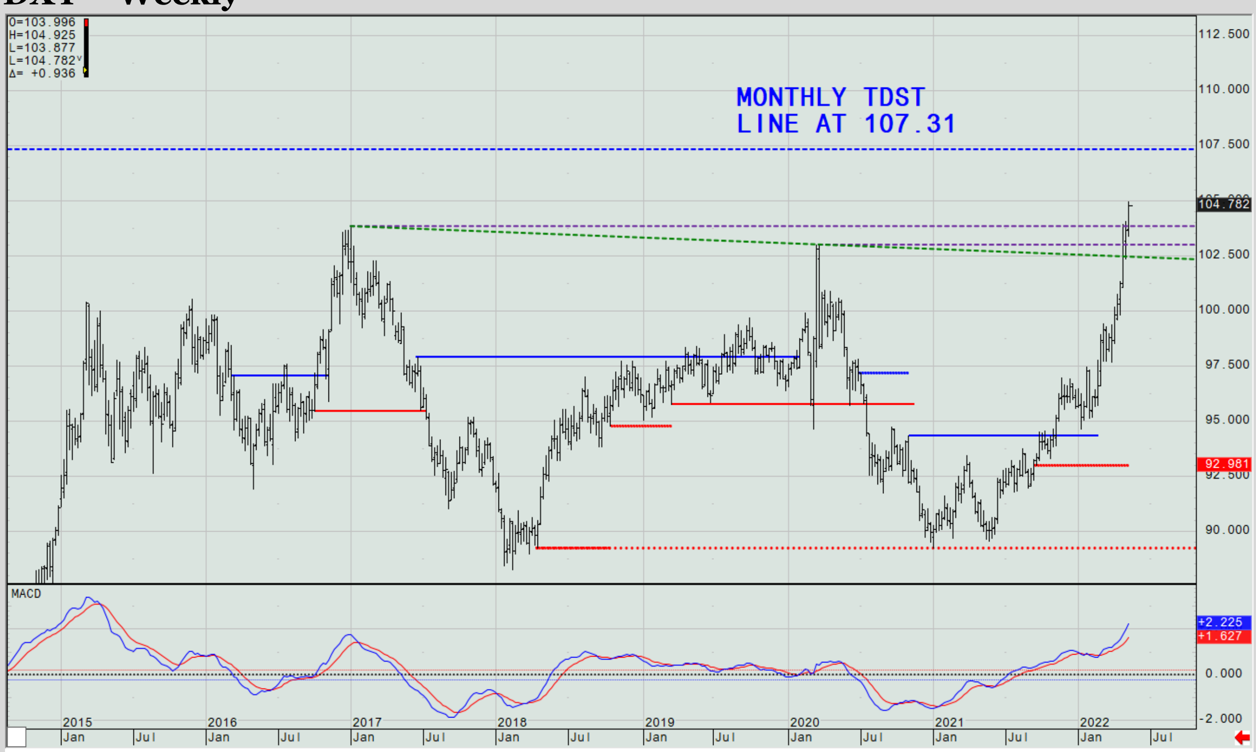
The UST 10-yr. rate might very well have put in a trading top, something I've been looking for and have recently said many times that I had no interest in first selling bonds. The TNX chart has recently marked a weekly Combo +13 and Setup +9. We're finally seeing some of that exhaustive quality showing up in the chart. Yield support levels are at 2.78% and 2.38%.

TNX - Weekly



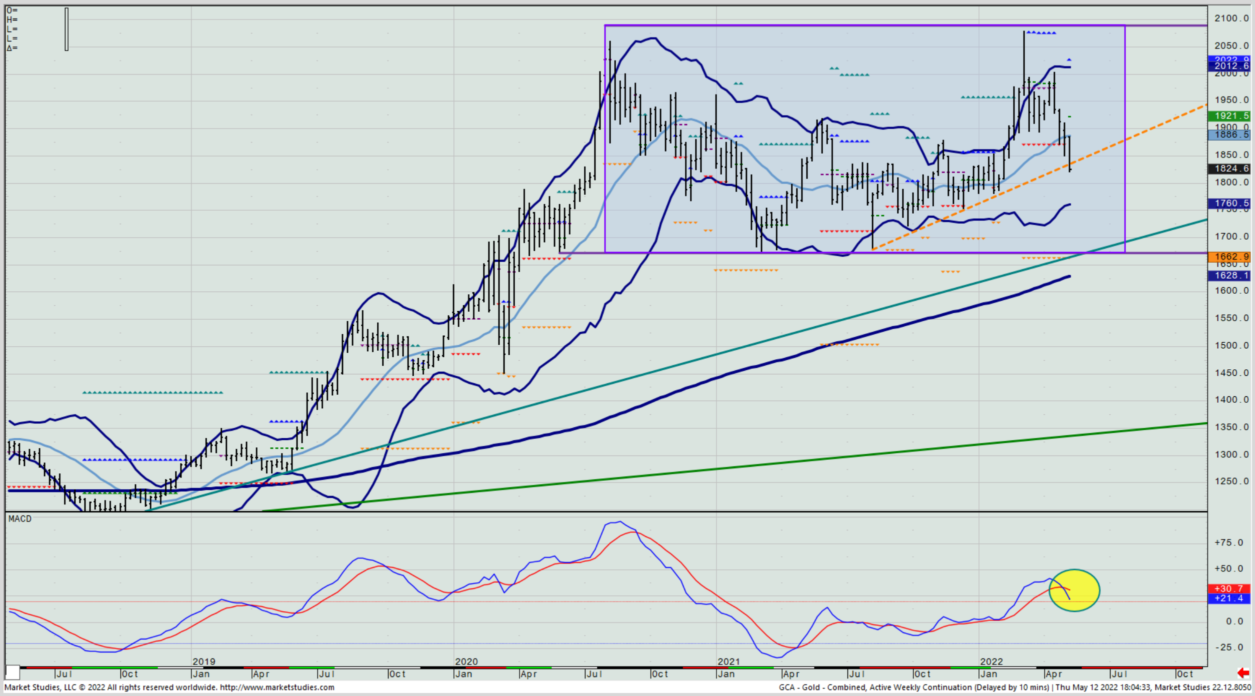
The US Dollar Index (DXY) made new highs again, crossing above 104 on Thursday. I have not been a fan of buying the dollar in 2022, and not correct about it. It looks like it may now trade between 101.50 and 107.

DXY – Weekly



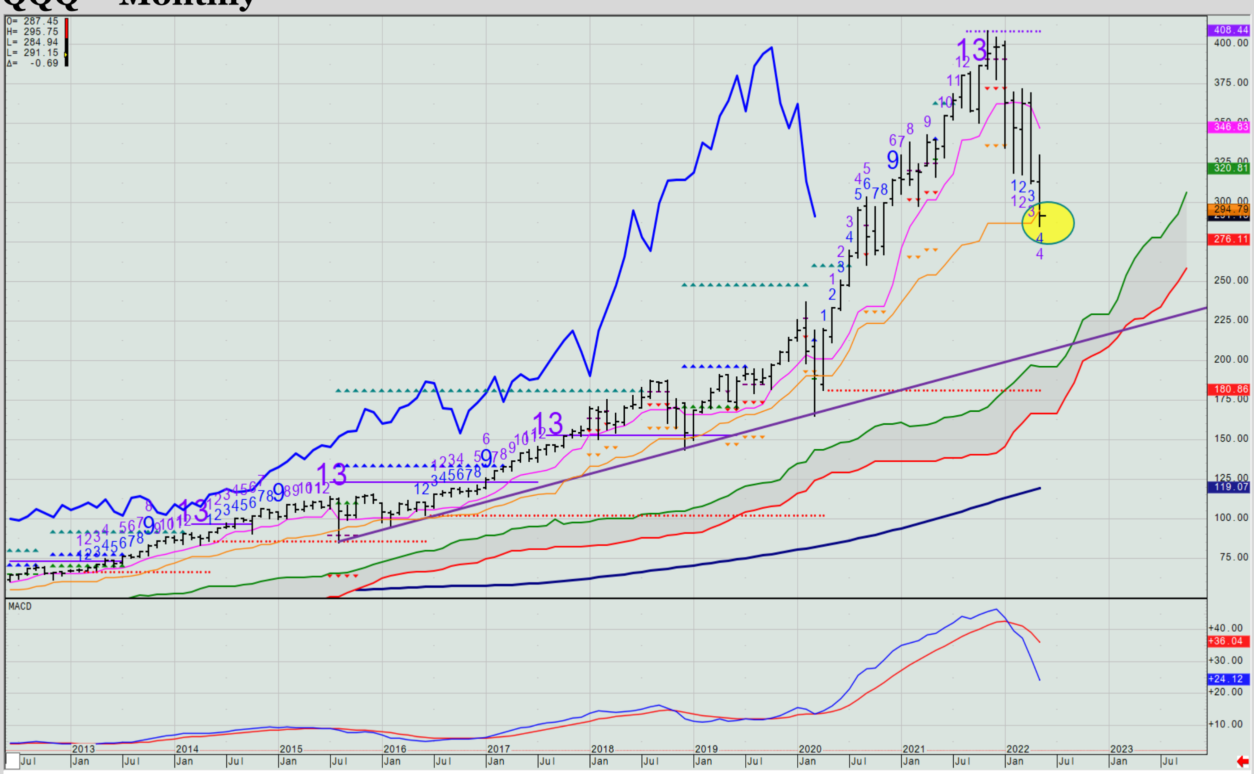
Gold continues to struggle with the dollar's strength. It has broken beneath its middle weekly Bollinger Band and now just also with its uptrend line from the 2021 low. Continued dollar strength likely sends this down under $1700.

Gold – Continues Active Futures



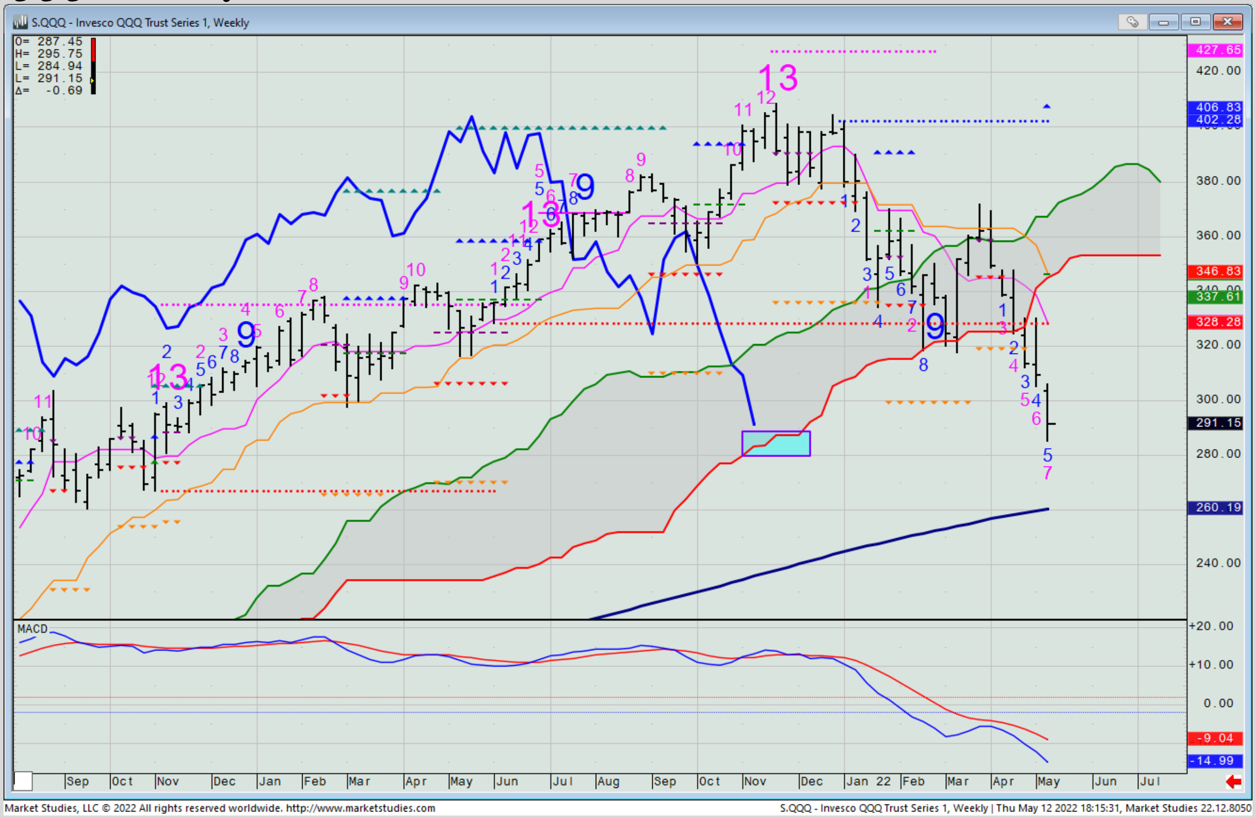
The NDX's tracking ETF, the QQQ, is now a tad beneath its monthly cloud Base Line ($294.79). The last three month's highs were the monthly Conversion Line, so right now I don't see a rally getting back up there. More concerning would be a significant break beneath the Base Line (which opens the door for a test of the monthly cloud later this year. (None of us want to see that.)

QQQ – Monthly



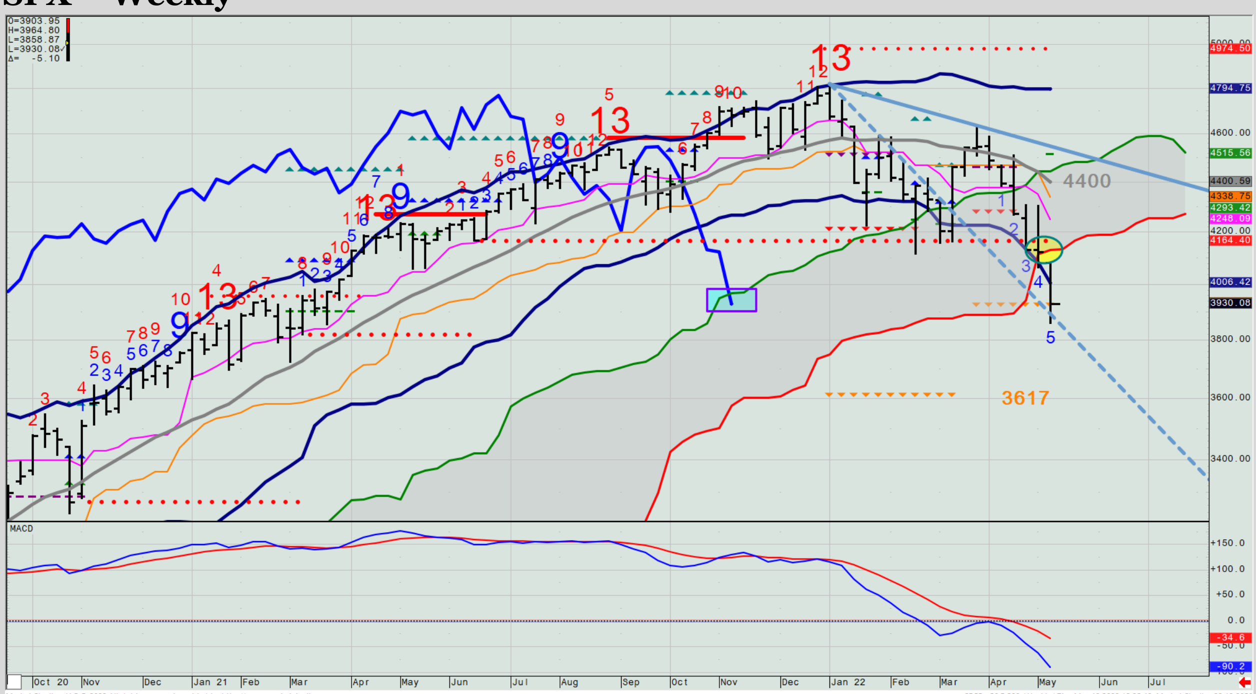
Watch the weekly chart's Lagging Line against its cloud bottom in coming weeks. Bulls want to see that area hold or that then targets a move down to the 200-WMA.

QQQ – Weekly



The S&P 500 cracked cloud model support early this week gapping down Monday and falling beneath the key levels I wrote about last week that triggered a new sell. Now there's potentially some support from a near-term Propulsion Full Exhaustion level ($3933) to next at my bigger downside target of 3617, which for the next four weeks also happens to be almost exactly where the cloud's Lagging Line would hit its cloud bottom.

SPX – Weekly

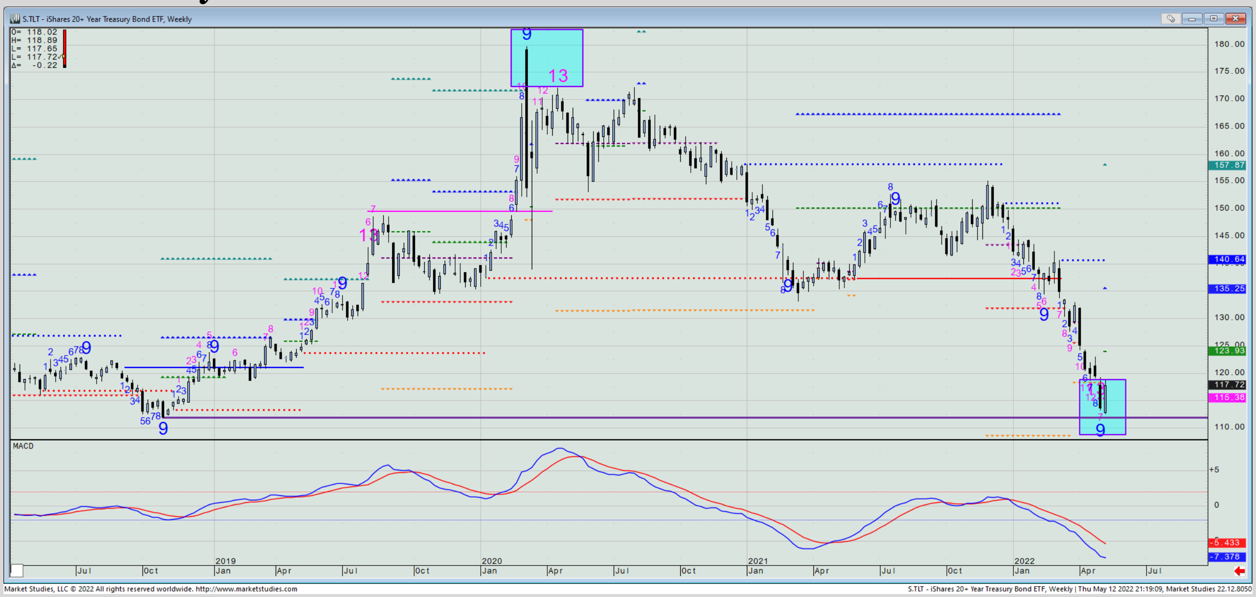


New ETF Trade Idea

With our seeing that T-bond yields potentially having a near-term top in place, I looked at the popularly-traded iShares 20+ Year Bond ETF (TLT). It has a Combo -13/Setup -9 pattern similar to the TNX chart's Combo +13/Setup +9 view, which makes total sense because they should basically be the inverse of each other.

So, let's look to buy the TLT in the $116 to $115 range anytime in the next two weeks, looking for a counter-trend bounce to reach $123.93 +/- 25 cents. Our stop out is going to need to be a bit beneath the $110 area.

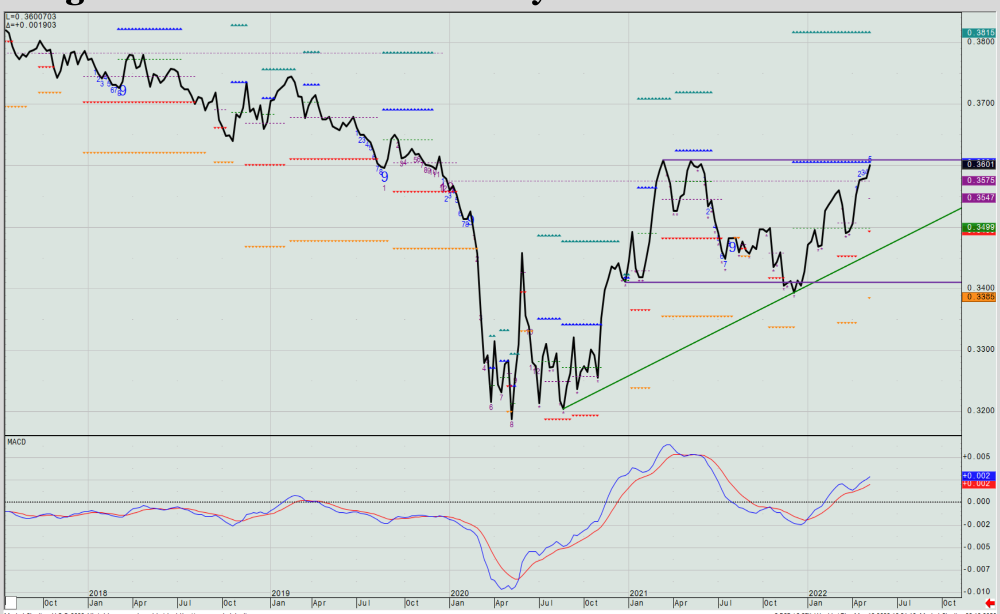
TLT - Weekly



Other Open Recommendations and Positions

Long RSP vs. Short SPY
Last Friday we bought 1/3 of our newest pair trade idea (avg. entry at 0.3582). We'll add another 1/3 on any Friday close above 0.3604 (it's very close to that today), and 1/3 on a pullback to 0.3547. (Remember that pair trades are always done in equal-dollars.)

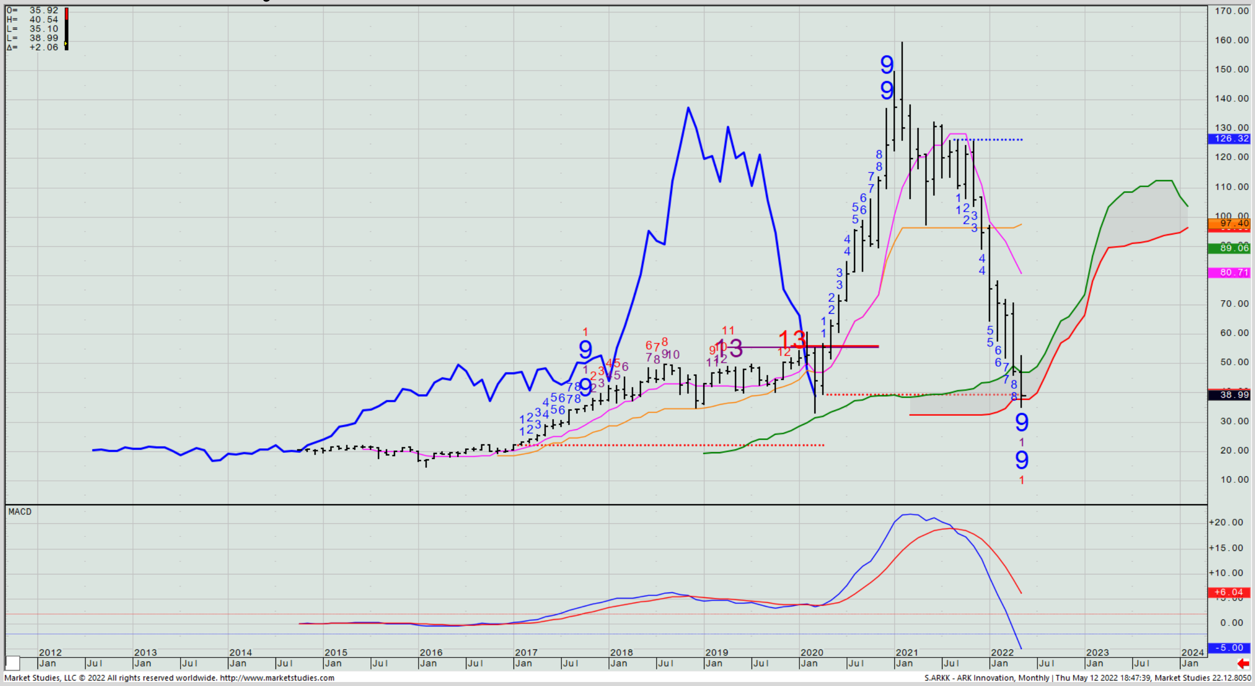
Long RSP vs. Short SPY – Weekly



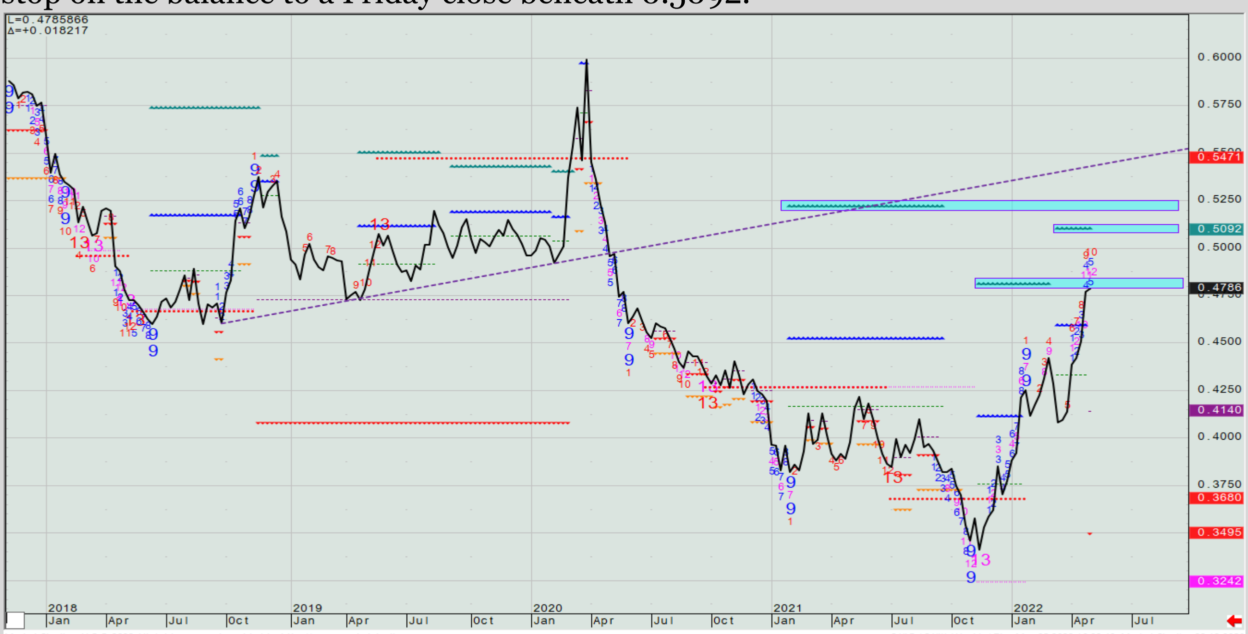
We're playing for this to breakout upside, meaning that the average SPX stock will do better than the SPX mega-cap "heavyweights" (which have far more sway in the price of the index each day). Our target is up near 0.3815.

Long ARK Innovation Fund (ARKK)
In the past two weeks we have now bought a full position into Cathy Woods' ARKK fund, my suggesting your using the $49 to $37 level to gingerly scale down bid into, with the intent of holding onto this as an investment over the next few years. This is based on the monthly cloud model's support zone while May also being a monthly Setup -9 count. (This is a pure "buy and hold" idea from as good a long-term entry zone as I will be able to come up with. Put it away for now, and I'm not going to be looking at this each week. It's a rare, long-term type hold and we'll see by year's end where it lies.

ARKK – Monthly



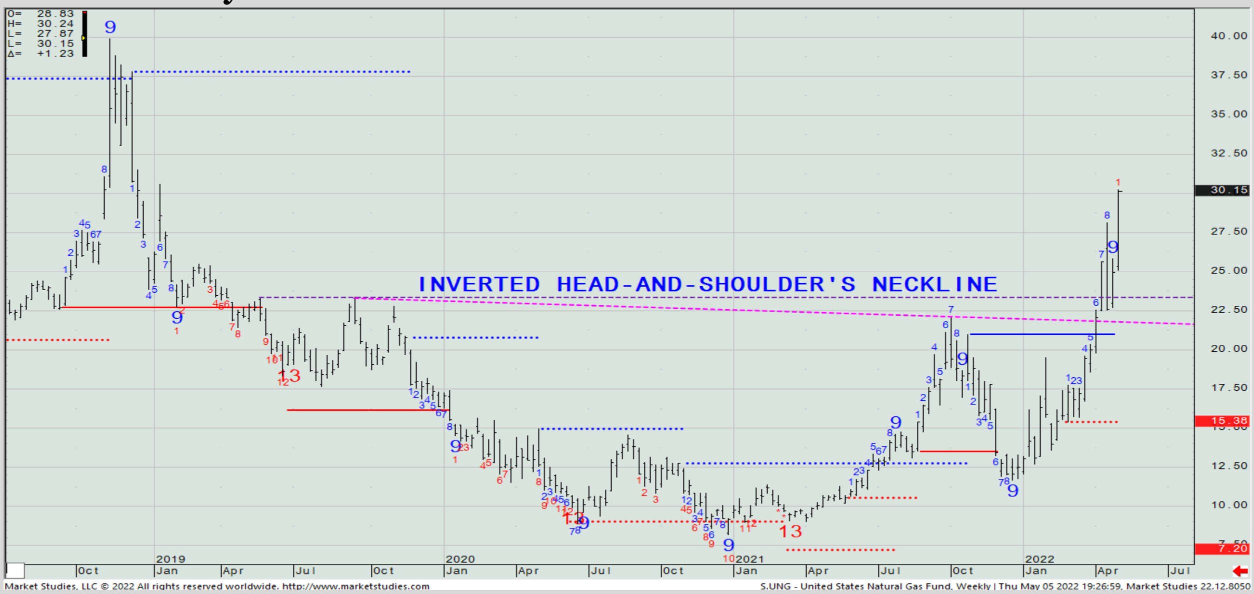
Long Consumer Staples (XLP) vs. Short Consumer Discretionary (XLY)
Three weeks ago, we put this pair trade on at an avg. price of 0.4503. It's quickly become a huge winner, and we took of 1/3 last Friday (.4805); 1/3 earlier this week (.5092), and then the last 1/3 we'll remove at 0.5231. I'll also suggest raising the sell-stop on the balance to a Friday close beneath 0.5092.



Long United States Natural Gas Fund ETF (UNG)

Seven weeks ago, we got long one unit of UNG (avg. entry at $19.36), and we took the first third of that trade off two Friday's ago (avg. price $24.63). The near-term fundamentals remain strong and the inverted head-and-shoulders pattern measures to north of $35. Notice this week's low was exactly at the bearish Propulsion Momentum level. It held. That's bullish.

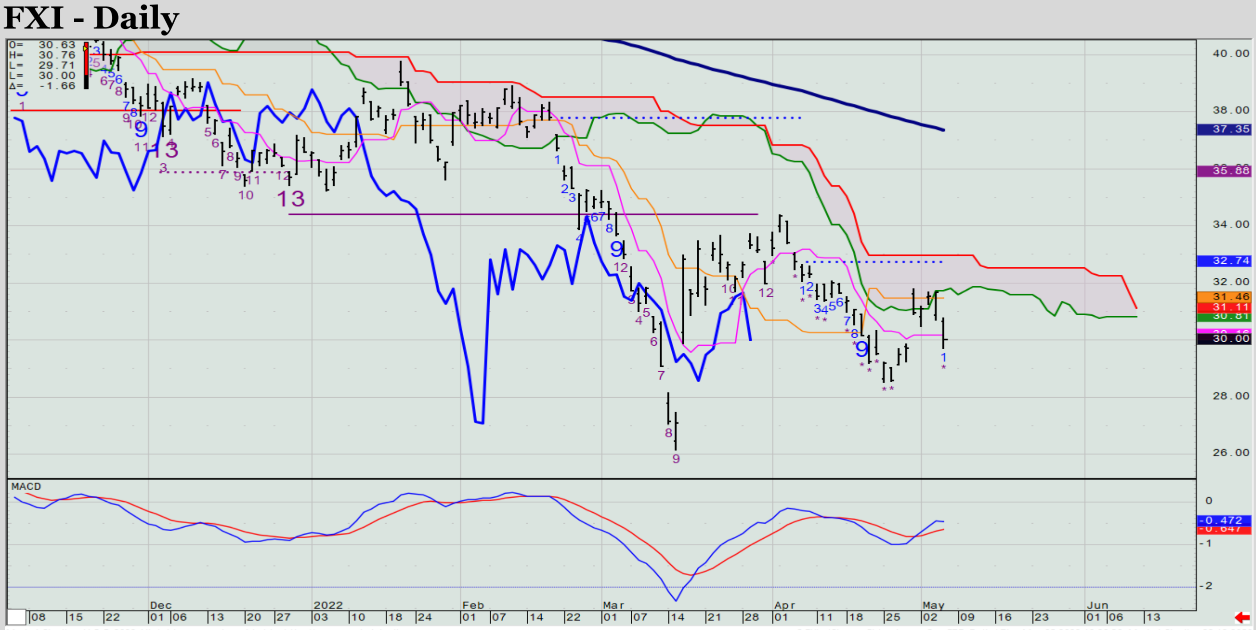
UNG – Weekly



Long iShares China Large Cap ETF (FXI)

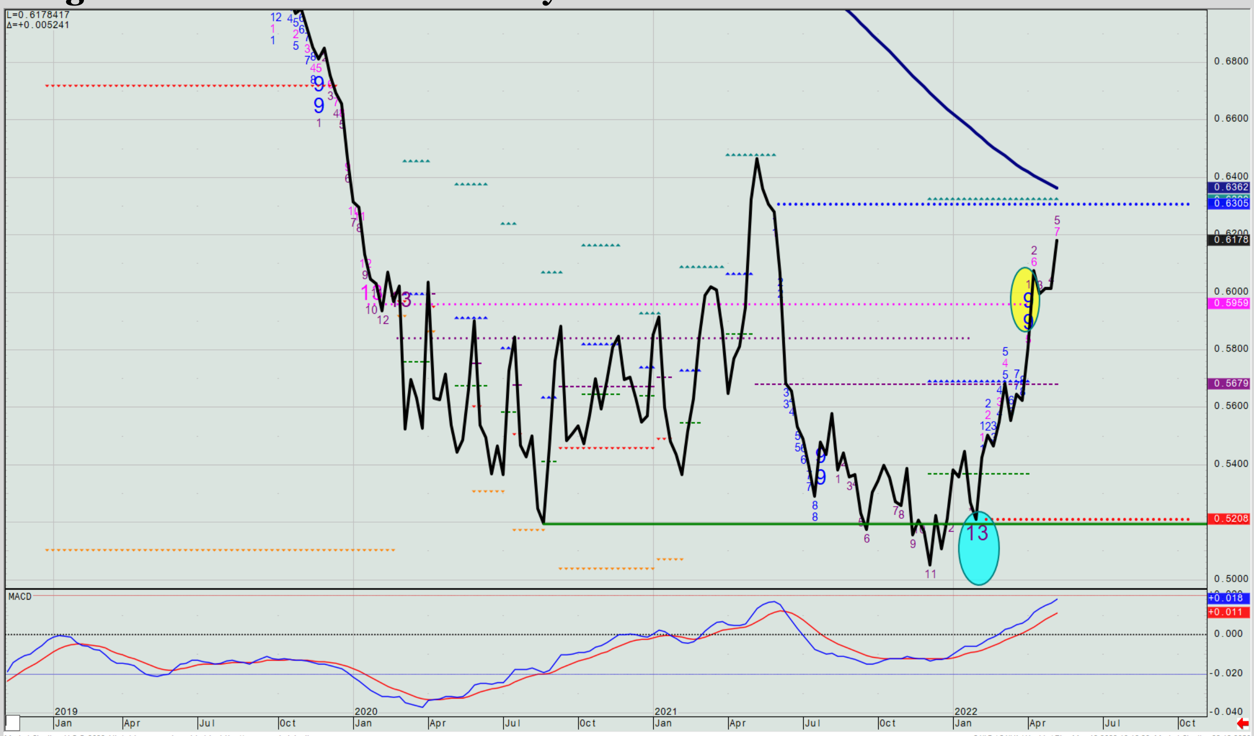
We bought this on a pullback into the $29.75 to $27.50 range. (I said I'd reverse pyramid scale down bid, bidding for larger sizes on the higher end of my prescribed buying range.) Given the totally erratic nature of how everything is trading, we took half off last Friday (avg. price $29.33). This chart cannot get a -13 reading without at least trading as low as $27.12. Our recommended sell-stop is on new 2022 lows, but if that occurs on a downside morning gap, you could get filled far lower than we would want. We only have a half-position on, but I still do want you to be careful about how much you want to risk on this bottom-fishing idea.

FXI - Daily



Long SPDR Materials (XLB) vs. Short SPDR Information Tech (XLK)
Nine weeks ago, we bought this pair trade at 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. Since then, we took 1/3 off (at an avg. of 0.5786), and we'll take another 1/3 any week now that we hit the TDST line/200-WMA/Propulsion Full Exhaustion area between 0.63 and 0.64. Our sell-stop was recently raised to a Friday close beneath 0.5917, and that's where it remains for the balance of the position.

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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