Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com

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TACTICAL TRADER REPORT

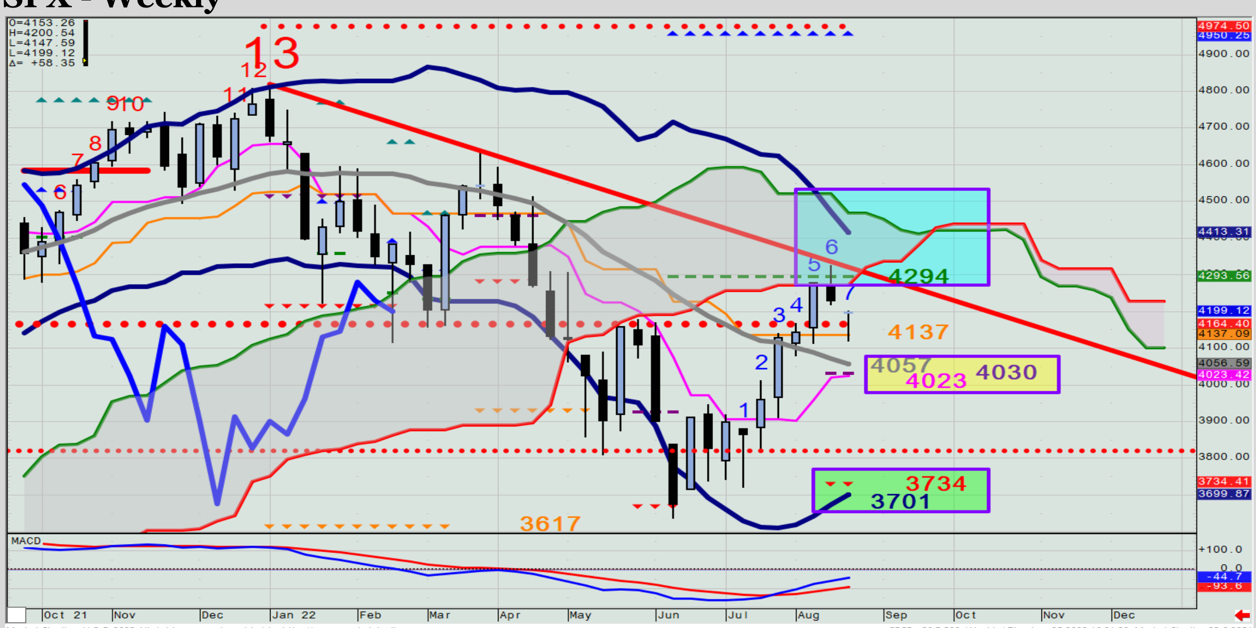
The Macro Picture

The focus has been set for today's Fed Chair statement from the world's central bankers' symposium held each August in Jackson Hole, WY. What he says, and more importantly, the tone in which he says what he will, will be what drives the markets into month-end and September.

I remain focused on inflation figures, actual high food and energy prices that effect virtually everyone, the continuing Ukraine/Russia war, political conflicts with China, climbing interest rates (which also hurts virtually everyone one way or another), and earnings numbers that still need to come down, as to why I am still in the camp that stocks are not the panacea elixir that the mega bulls keep telling you they will be for the rest of the year.

Almost right after the June lows were made, I went out with a "Sell on rally to 4294" area statement – well before we knew that the rally there would just so happen to line up with the 200-DMA and downtrend line from all-time highs such that many other technicians made the call shortly after that area was hit, too. As I said in Tuesday's *In The Know* Trader video on my You Tube channel (https://youtu.be/r-boRYzSakw), the key was having your resting sell orders at that level *before* the market got there, so that the move to the actual high at 4325 and upside breach of the downtrend line would *not* have talked you out of following through with your intended defensive move.

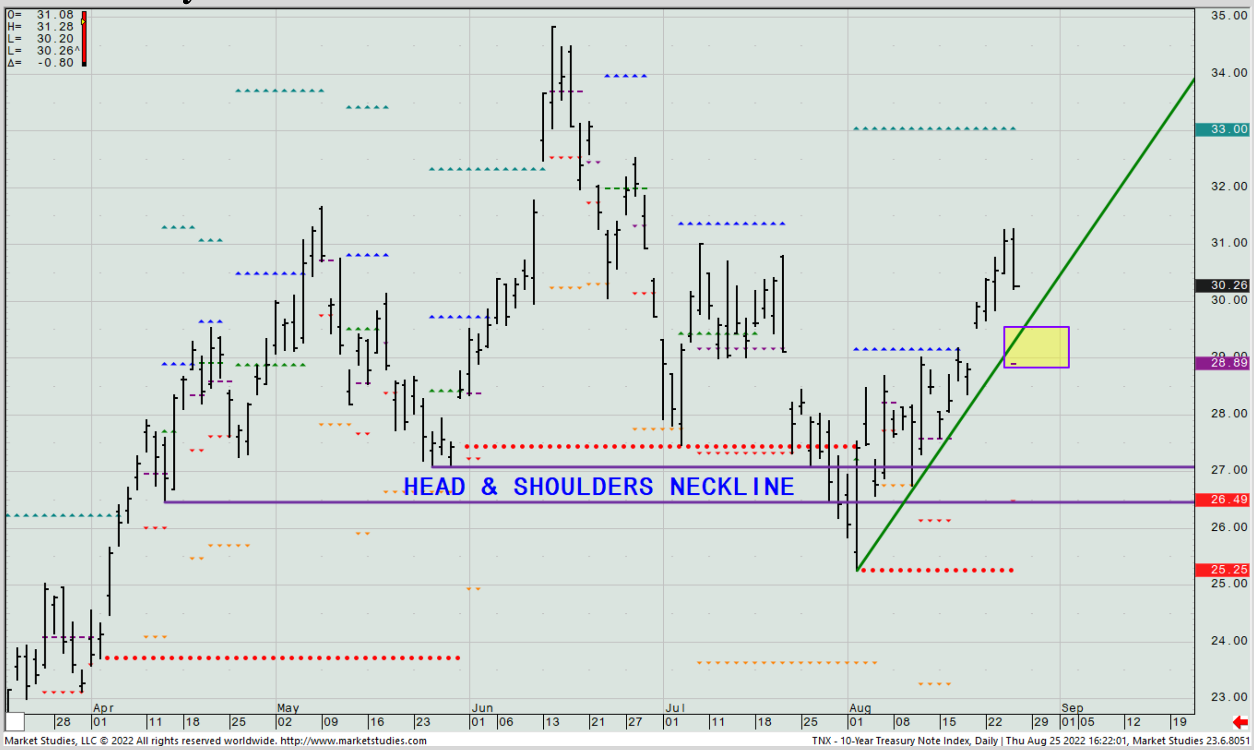
SPX - Weekly



We still see a small but meaningful tactical support zone from 4055 to 4023, where three unrelated technical indicators come together. (See yellow zone on chart.) Beneath that, the key support zone is highlighted in green near the 2022 lows.

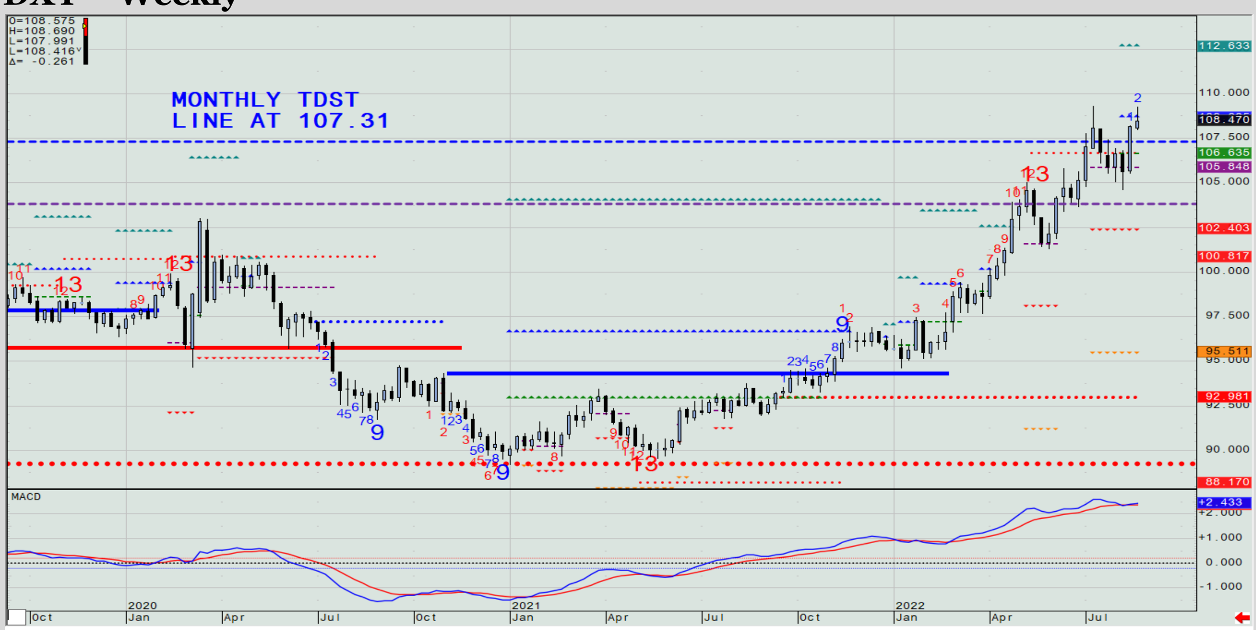
UST-10yr. yields passed above initial resistance at 2.91% (from the 2.58% weekly cloud Base Line support level I had previously called as the key support level). It's now at the next resistance area at 3.10/3.14%, with the 3.30% level the key bigger upside target that is within the current 2022 range. I've highlighted initial support (in the yellow box).

TNX – Daily



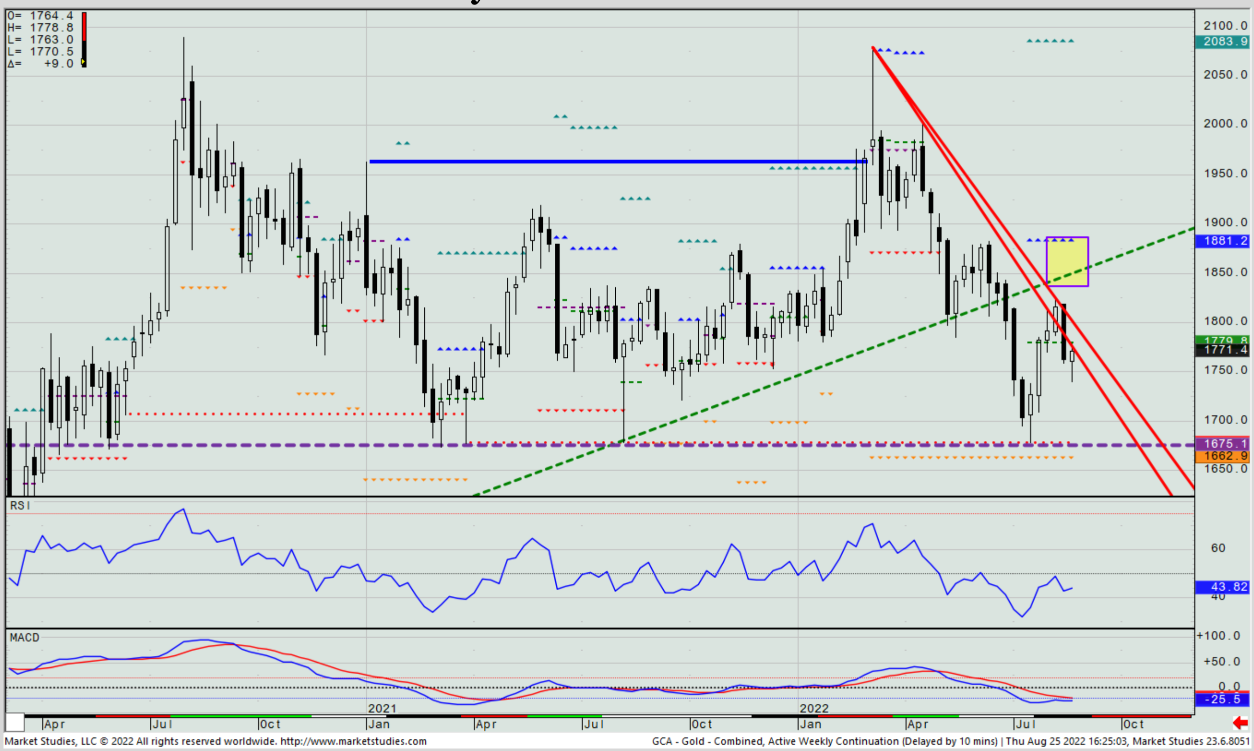
The US Dollar Index continues near its 2022 high, and last week I turned tactically bullish due to the continuous rejection of its weekly bearish Propulsion Momentum level at 105.85.

DXY – Weekly



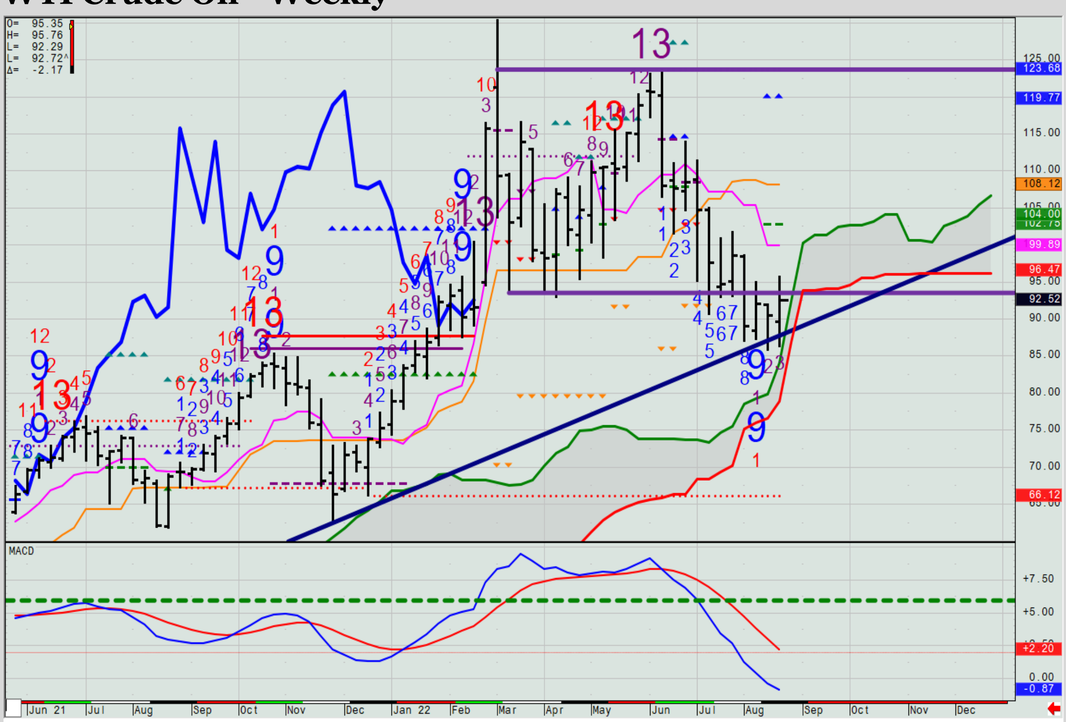
Gold is somewhat stuck right now, having again held the $1675 level on the summer low, but not being able to materially rally, either, as dollar strength keeps a lid on it. I'm still looking for trading resistance at a return back to the broken major uptrend line (dashed green) up to its Propulsion Exhaustion level at $1881 (highlighted in the yellow box).

COMEX Gold – Active Weekly Continuation



I showed you over the past couple of weeks that WTI Oil made a daily Sequential -13 count along with a weekly Setup -9 count – suggesting a trading bottom likely in place. Then bullish OPEC-related news hit up earlier this week, and oil rallied several dollars.

WTI Crude Oil - Weekly

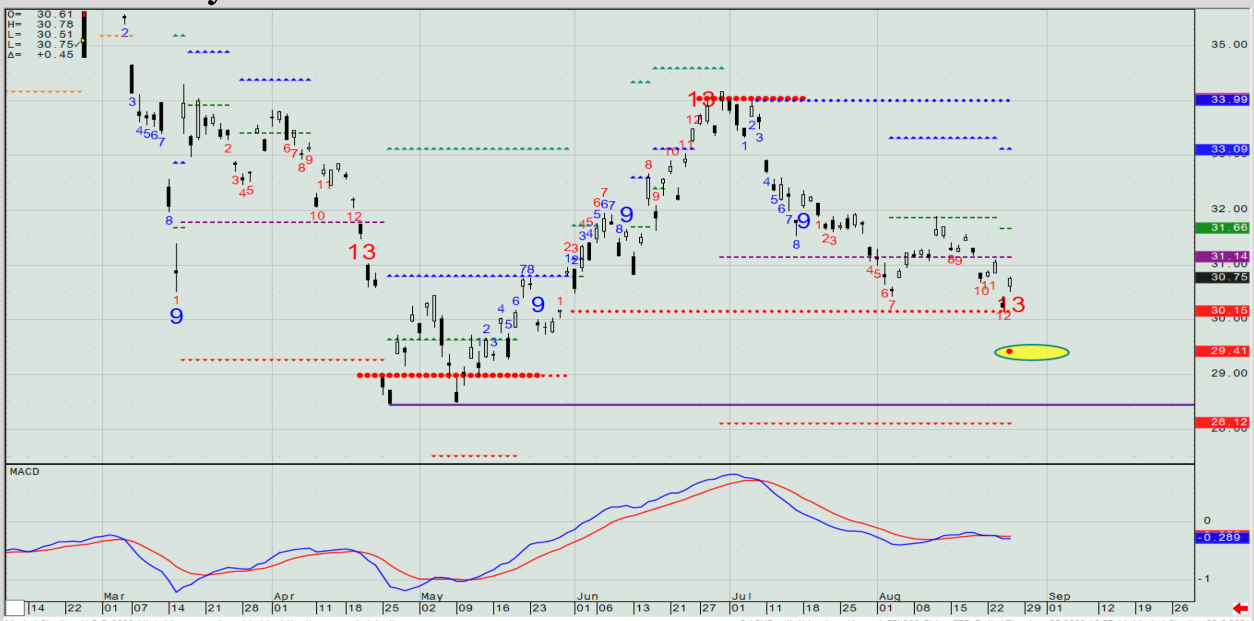


The move in the next 2-3 weeks will be very important relative to how its future price movement lines up to the cloud model's cloud range, and if price is above, in, or beneath that cloud.

New ETF Trade Idea

With China finally putting some stimulus into their economy yesterday, stocks there got bolstered after badly trailing major global indexes for the bulk of the year. When I look at their mainland A shares index chart, via the X-Trackers Harvest CSI 300 ETF (ASHR), we see a daily -13 from yesterday, along with a Setup -7 count. So, let's see if in the next two trading days (today and Monday) we get the chance to buy this at the Risk level of the -13 – at the yellow-circled $29.41 (+/- 20 cents) area. If filled, we'll then look for a move to test the $33 level. We'll stop ourselves out on a couple of daily closes beneath $28.12, the daily Propulsion Full Exhaustion level.

ASHR – Daily



Other Open Recommendations and Positions

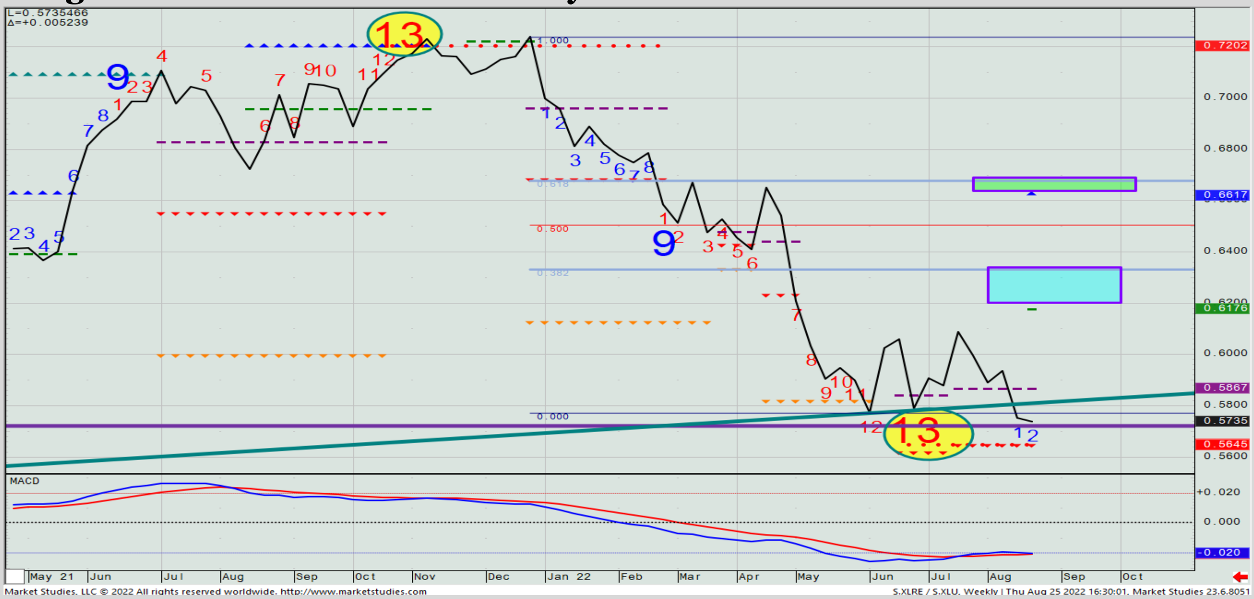
Long GSG

Last week's ETF idea was a new long position in this commodity index related ETF. (We were filled at an avg. price of $22.43.) We're aiming for this to get back to the $24--$25 area, and stop ourselves out if we see a new low weekly close within the trading range, meaning exit on a Friday close < $21.47.

Long GSG

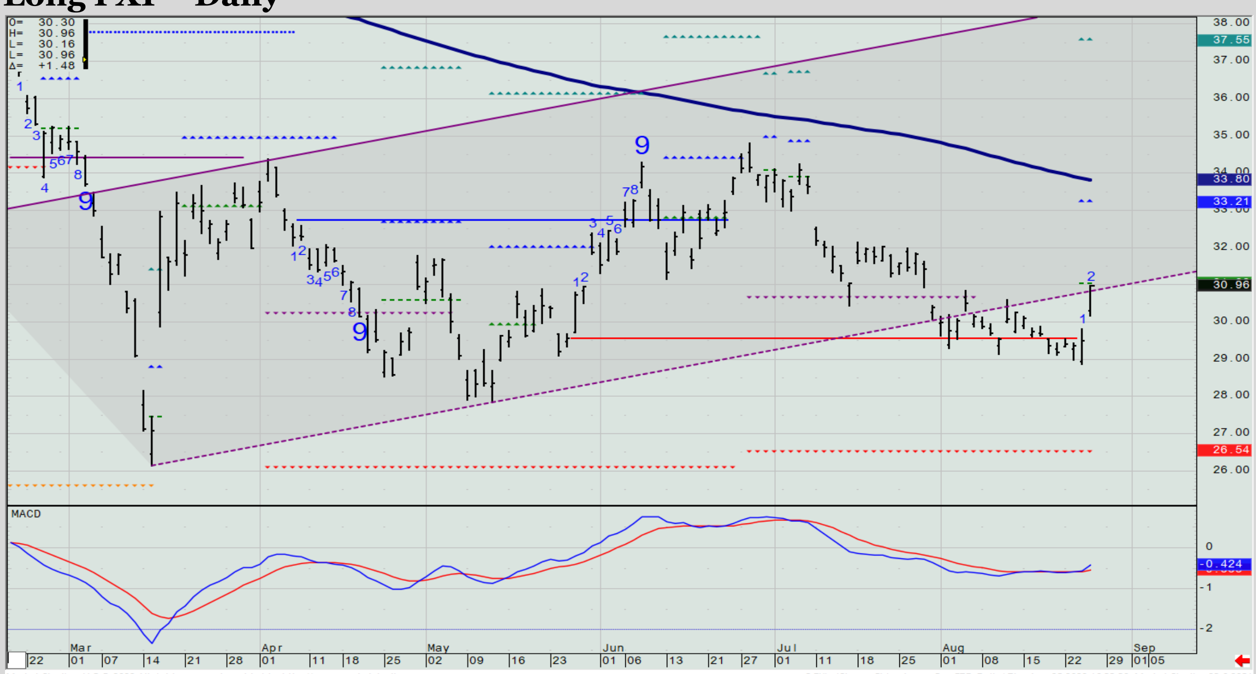
Long XLRE vs. Short XLU
Last week's trade was to buy REITs vs. Utilities, using a new 2022 Friday low close < 0.5771 as our protective stop on this ratio trade. Our upside targets will look to remove half into each of the above highlighted areas. We are likely getting stopped out today.

Long XLRE vs. Short XLU – Weekly



Long FXI
Three weeks ago, we put on a "trader's trade" (i.e., a level right by support or resistance that one can take on a position with a tight stop and a good reward to risk ratio), and were filled at an average price of $30.03. We were targeting an upmove to near $34, while risking a close or two (your choice) < $29.56. We saw a single close at $29.53, so we got one close beneath. China just came out with some stimulus plans yesterday, and this ETF rallied 3%+. If you're still long, use a close beneath < $29.12 to exit, or if you don't want to be long two different China stock-index related ETFs, then sell this one out today and stay with the new ASHR trade.

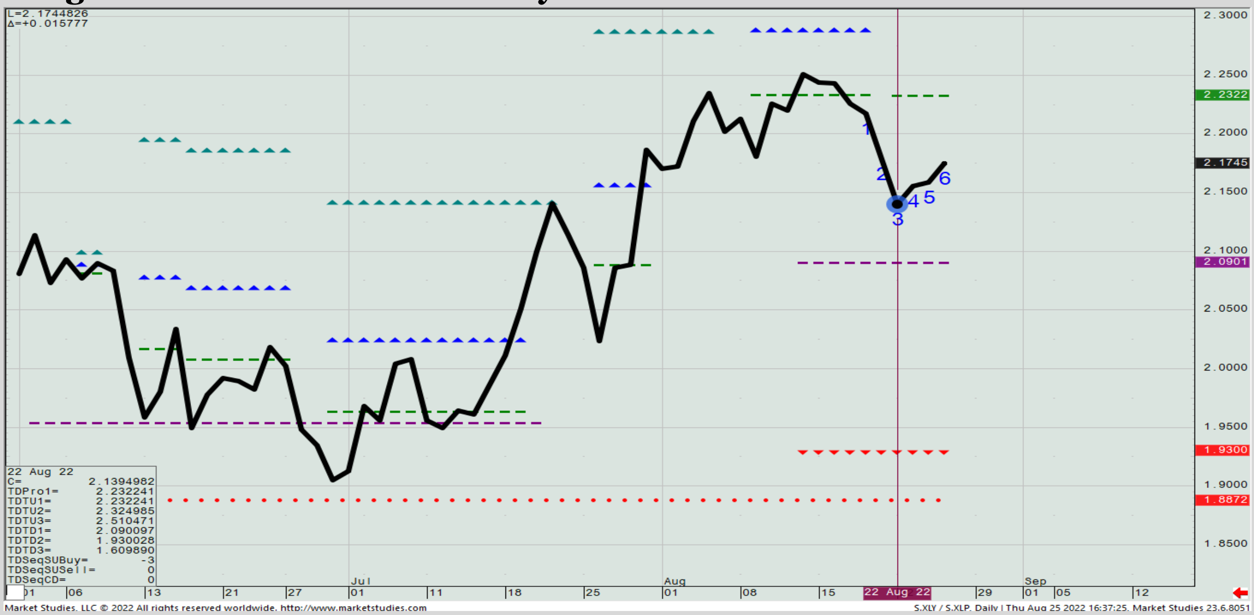
Long FXI – Daily



Long XLY vs. Short XLP

We put this trade on three Fridays ago (avg. ratio entry at 2.18). We'll look for a move up to the horizontal lines that were previously important as early as the first quarter this year. Our sell-stop was raised to a daily stop beneath 2.16, which occurred on Monday's close of 2.1395. We're out and lost 1.86%.

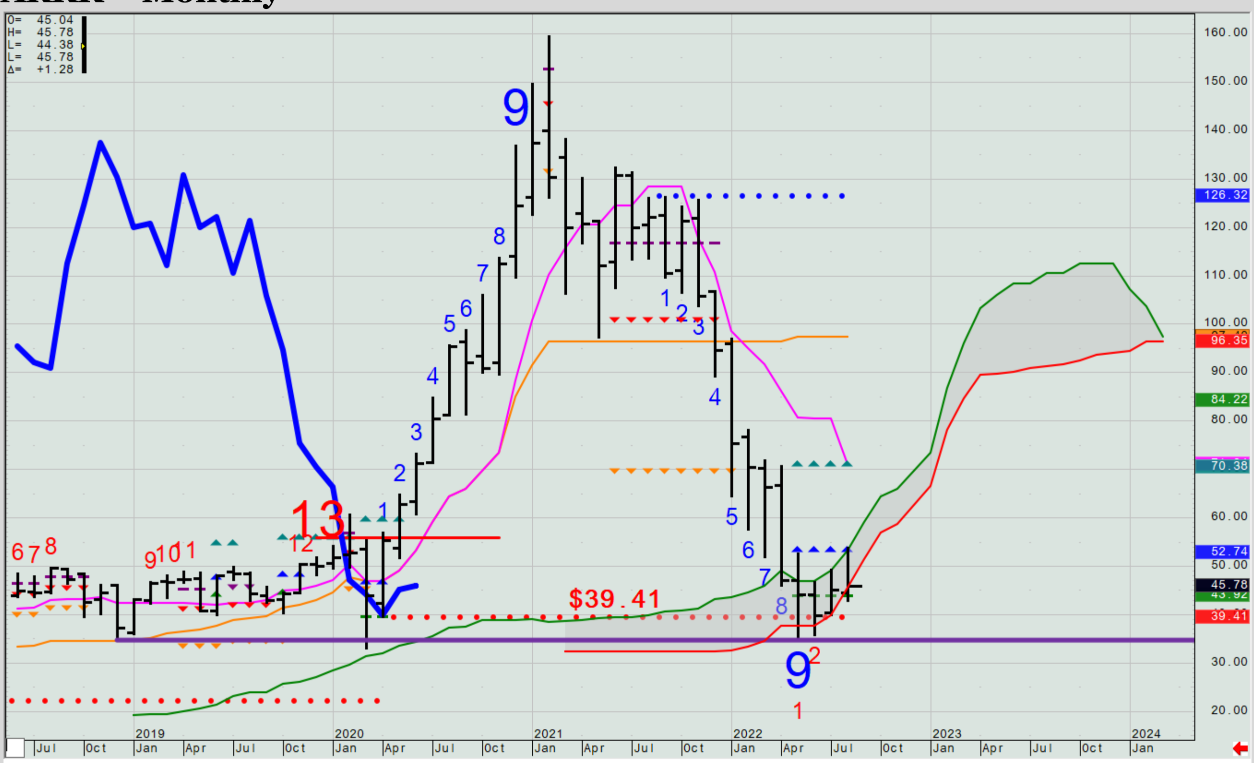
Long XLY vs. Short XLP – Weekly



Long ARK Innovation Fund (ARKK)

We have bought a full position into Cathy Woods' ARKK fund in the spring, my previously having suggested your using the $49 to $37 level to gingerly scale down bid into, with the intent of holding onto this as an investment.

ARKK – Monthly

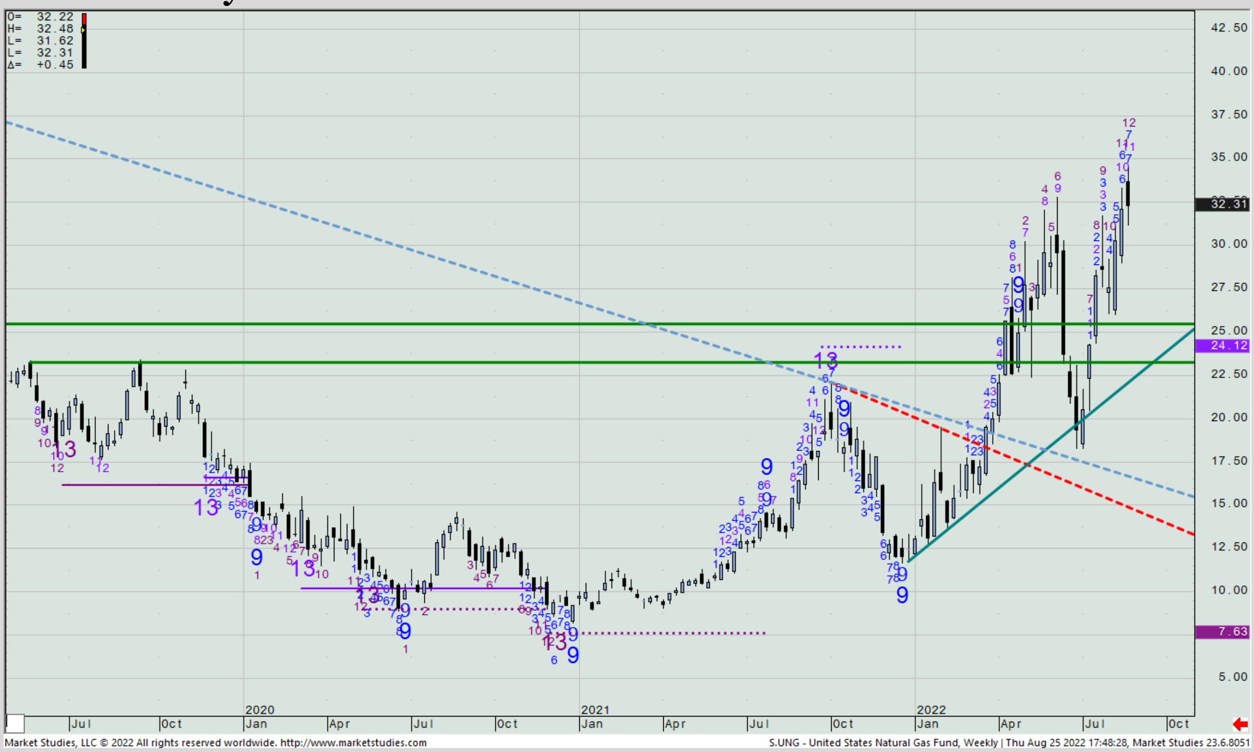


(This was a pure "buy and hold" idea from as good an entry zone as I will be able to come up with. We'd all certainly like to see this break out upside of the monthly cloud's range – something it's been stuck in for the past four months.

Long United States Natural Gas Fund ETF (UNG)

A few months ago, we got long one unit of UNG (avg. entry at $19.36), and we took the first third of that trade off @ $24.63 and another 1/3 off on May 27 at $28.97. Seven Fridays ago, we added another 1/3 position against the uptrend line (avg. entry at $20.15), pushing us back up to a 2/3 position. Five Fridays ago, we sold out of half of our position at an avg. exit of $27.91. To date, we are up 38%+ (not including the final 1/3 position we still have on at an avg. long price of $19.65).

UNG – 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 I 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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