Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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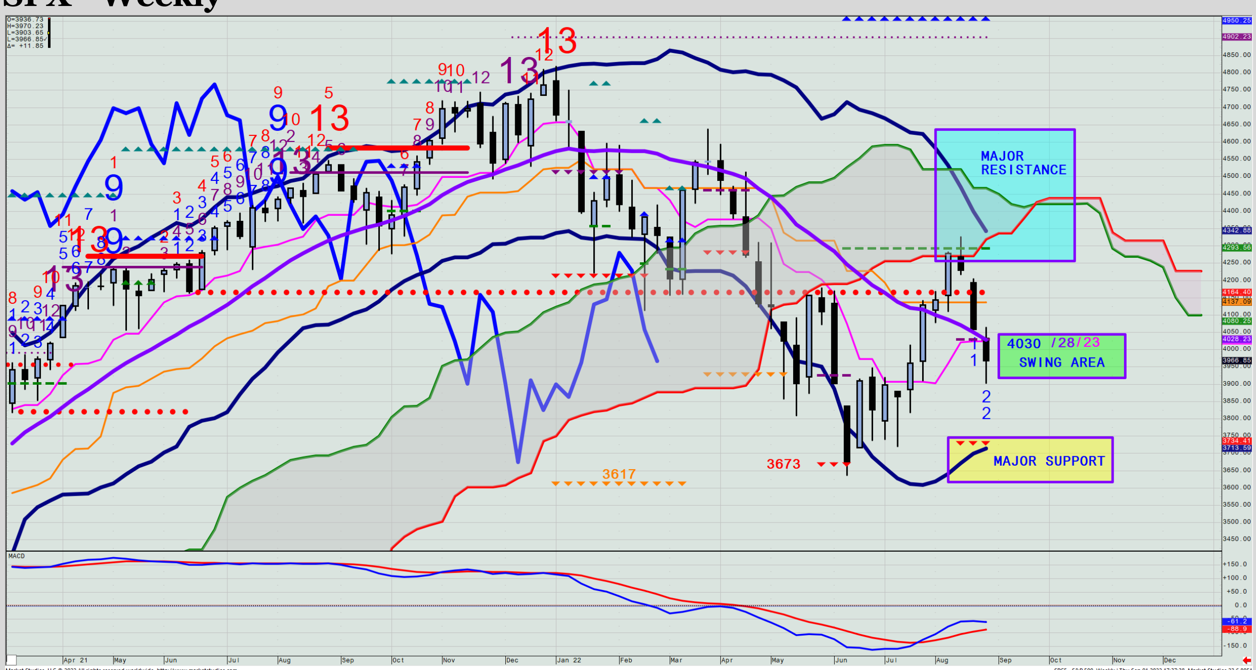
TACTICAL TRADER REPORT

The Macro Picture

Last week I made it clear to pay much attention to what Fed Chairman Powell said at his Jackson Hole symposium press statement. The clarity he brought to just how much the Fed will go to lengths to fight inflation immediately spooked investors, and the market has been straight down since. And this is in alignment to what I've said since investors mistook his July comments as being that the Fed was done tightening. Recall the words of my saying that I was "wholly unconvinced" that the Fed was done raising rates, and that investors had gotten his messaging completely wrong. (He's as much to blame for that as those who were desperate for a bullish spin.) He certainly left nothing to the imagination this time around.)

The downmove we've seen has erased the entire rally from that mistaken "Fed pivot" July press conference, essentially resetting the market into being the clearer bear market that equity indexes have been since early-January.

SPX - Weekly

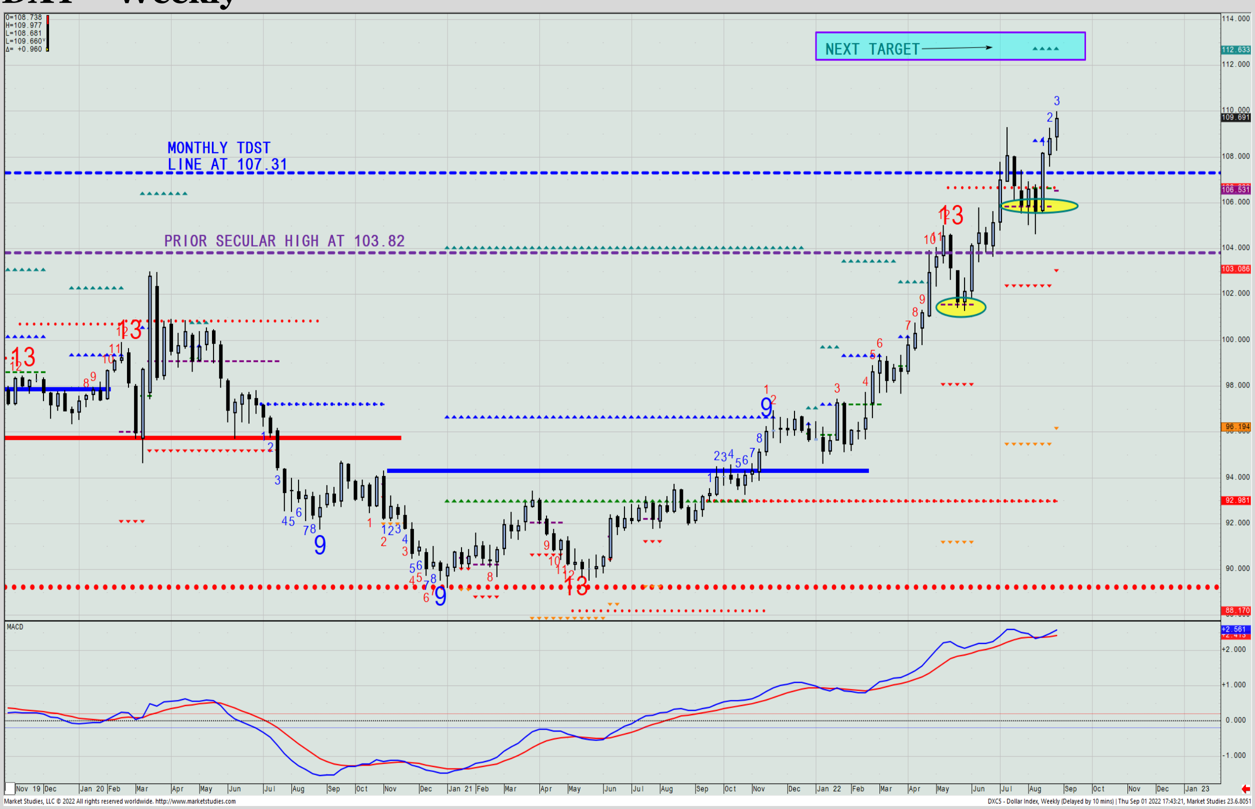


I expected to see some trading bounce from the 4055/4023 level this week, but the overall bearishness proved too much to get more than about a 1% bounce from the lower part of that range. That leaves minor support near the uptrend line from the lows (3901 today) and then the backfill to the prior broken downtrend line (3790) before the more important support near 2022 lows. We certainly can now see a trading bounce, having moved from major downtrend line to minor uptrend line (that also held its TDST Line at 3921.

SPX - Daily

One of the main headwinds for stocks is the continual dollar rally, which yesterday made its best level of the year (and for that matter, for the last 20 years). I recently turned tactically bullish on the greenback, and look for a trading target at 112.63 for it. Bigger upside targets from the monthly Propulsion chart are at 113.53 and then 121.38.

DXY – Weekly

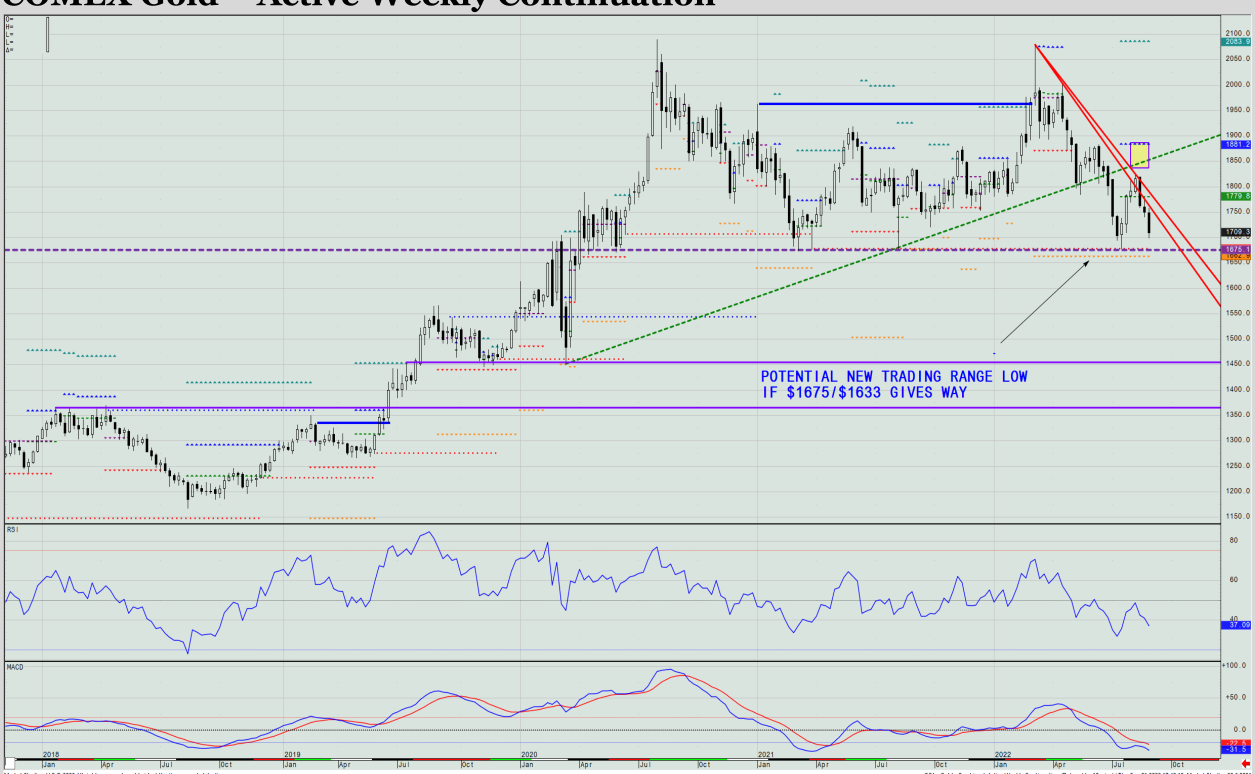


UST-10yr. yields have now pushed above the resistance area of 3.10/3.14%, now making the 3.30% level the key upside target that is still below the current 2022 high of 3.48%. Support has now moved higher to 3.06%. A bigger upside target is at 3.70%.

TNX – Daily

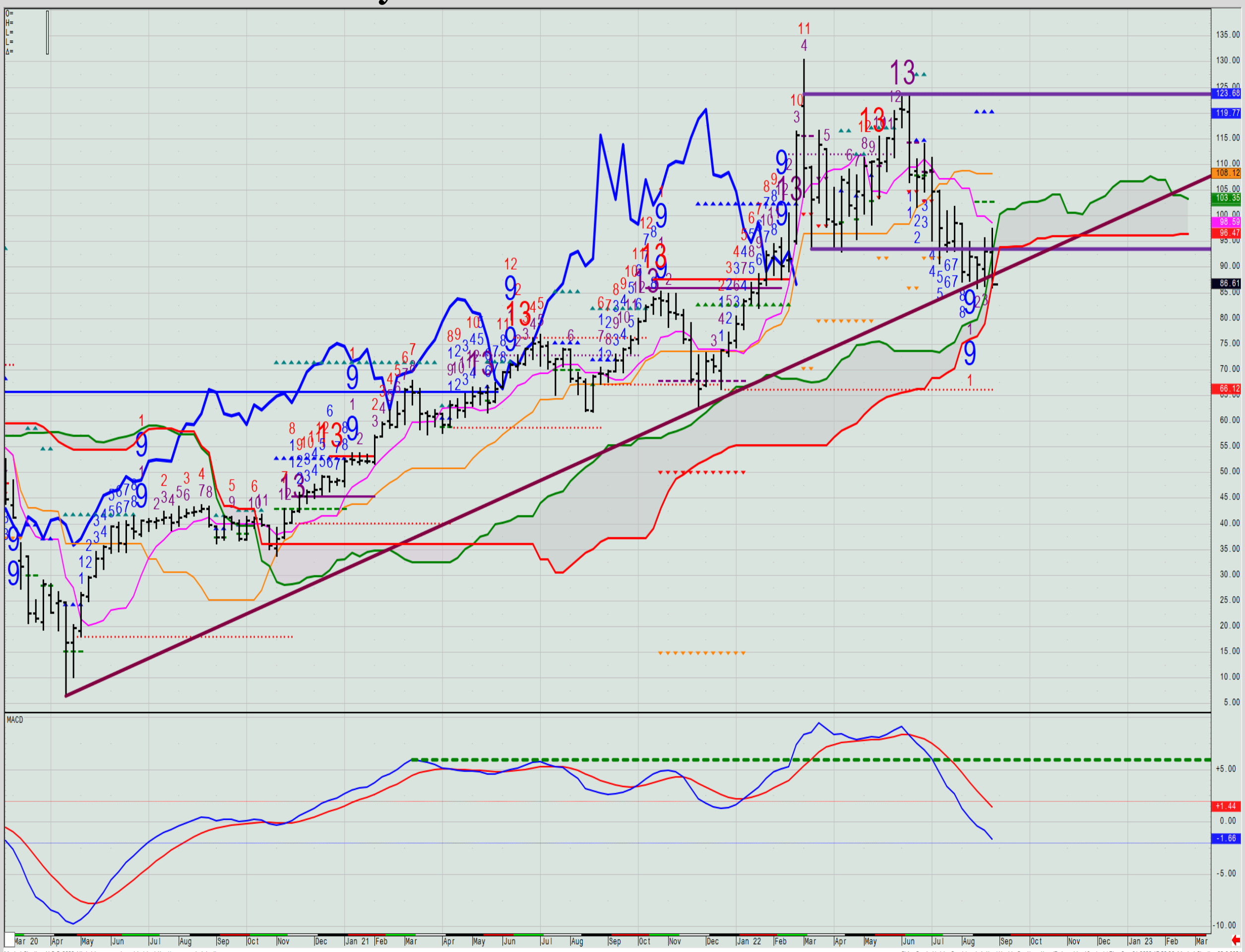
Gold seems in trouble because dollar strength more than offsets inflation fears. Any material break of $1675/$1633 will likely plummet gold quickly and to potentially start a whole new multi-year trading range from $1450 to $1700.

COMEX Gold – Active Weekly Continuation



Oil's picture is shaping up more negatively, as we may get a clear cloud break by next week's close, then putting a lid on future rallies over the next six months to no better than near $103/$107. If you have some large profits on energy-related oil names, you may want to think about selling upside calls on them or simply reducing exposure.

WTI Crude Oil – Weekly

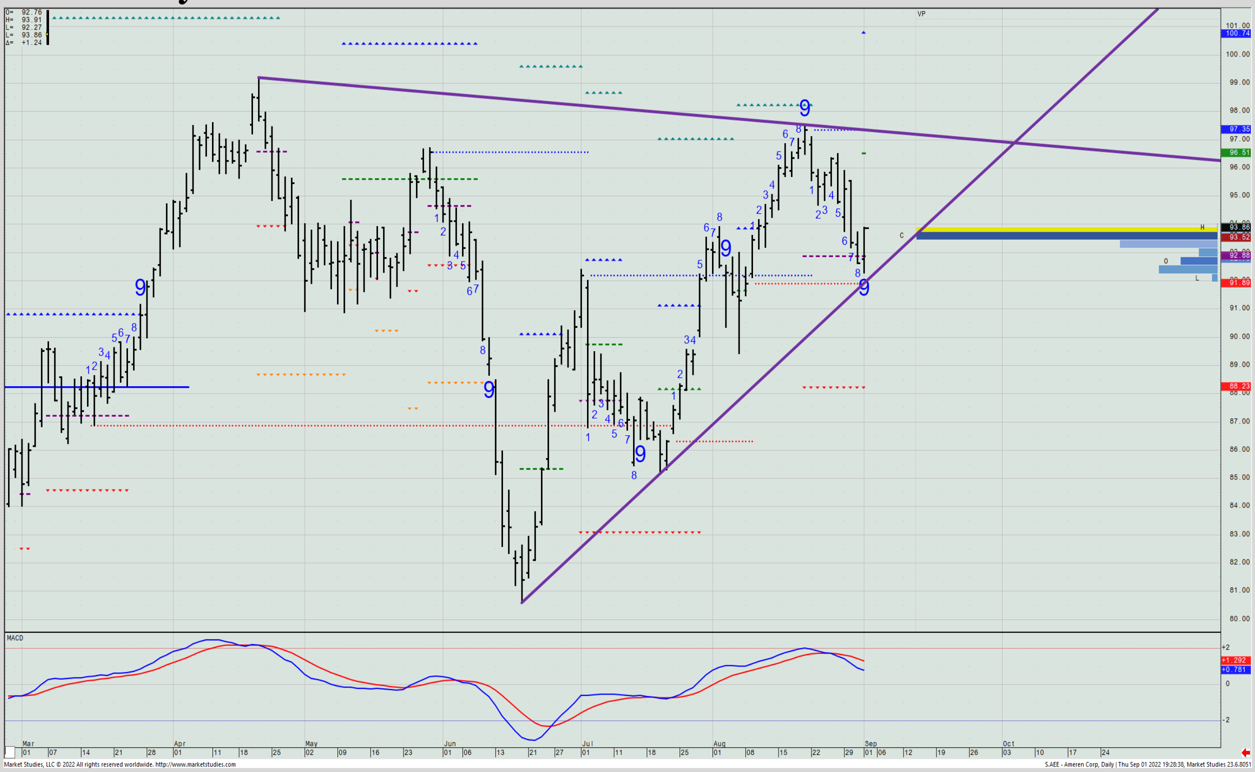


New ETF Trade Idea

Two weeks ago, we saw the market reject the downtrend line from all-time highs, and then yesterday we bounced on the uptrend line from the 2022 low. That would portend more leaning towards putting on a new long idea than a short one, but one that I wouldn't expect to be holding more than a week or two.

One such name to consider is power utility name Ameren (AEE). The relative strength of Utilities has been very solid this year, and just two weeks ago this name was testing highs of the year. (Very few were on that August peak.) It's pulled back to a Setup -9 count yesterday, while also bouncing right by its uptrend line and TDST Line near $92. It seems that we can attempt to buy this at $93 +/- 20 cents if the chance comes today, with a pretty tight stop beneath $92. (You choose if you want a single or two consecutive closes beneath there. I'm not looking for a heck of a lot of upside, but we could see something near $95, so it's still near a 2:1 reward to risk, which is acceptable when buying a downward market.

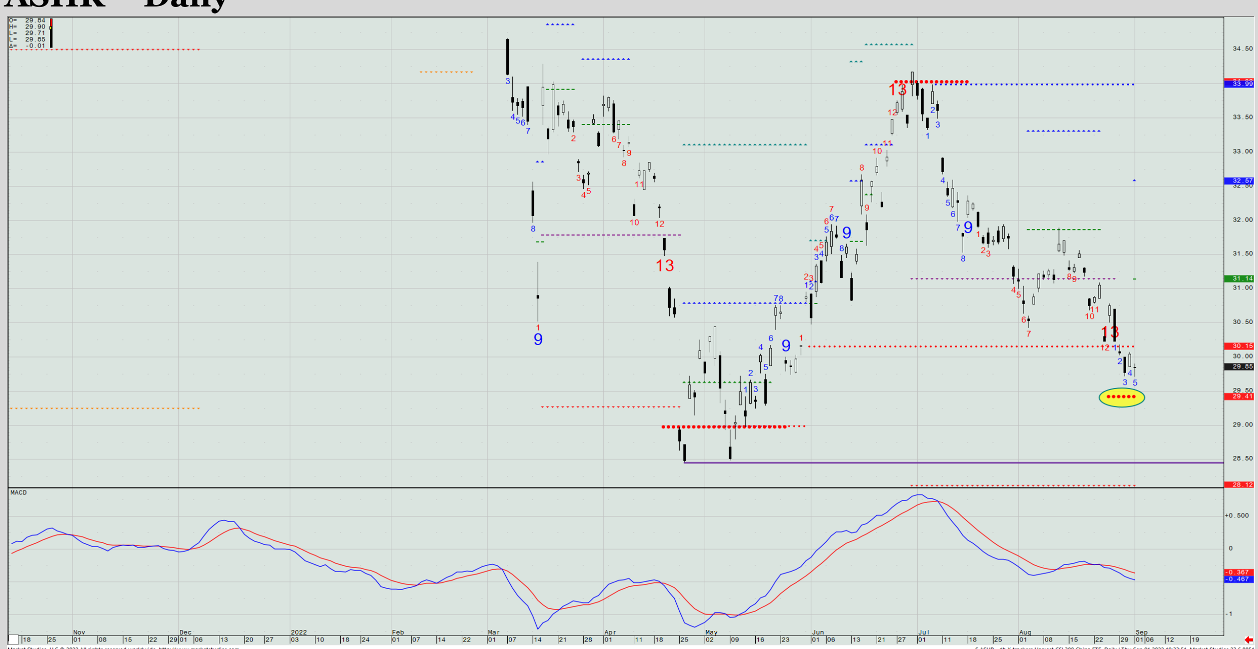
AEE – Daily



Other Open Recommendations and Positions

Last week's trade idea was limited to entering a long in this name if it got down to $29.41 +/- 20 cents either on last Friday or this past Monday. It did not, so we got no entry. You could buy it now with a stop-out under this year's low near $28.50. However, now I'm not sure it gets much beyond $31.14, so it's an equal risk/reward play, which in this market probably makes it not worthwhile.

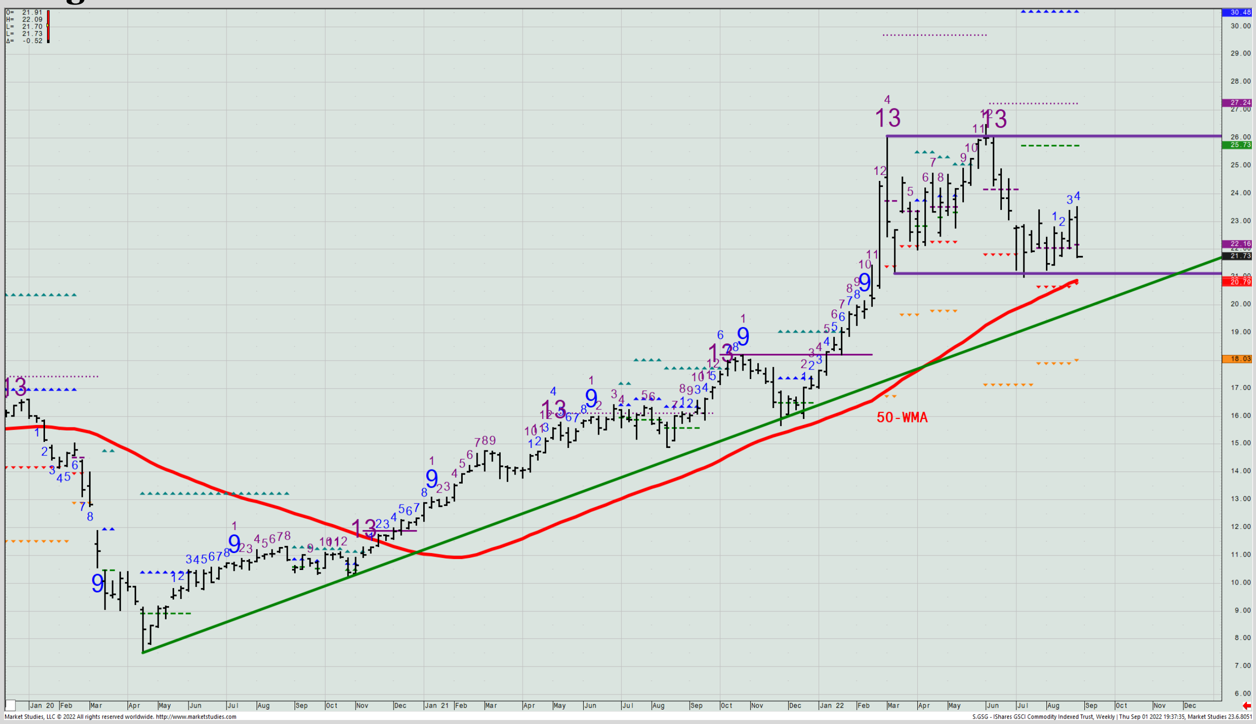
ASHR – Daily



Long GSG

Two weeks ago, our 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, or a simple daily close < $20.98.

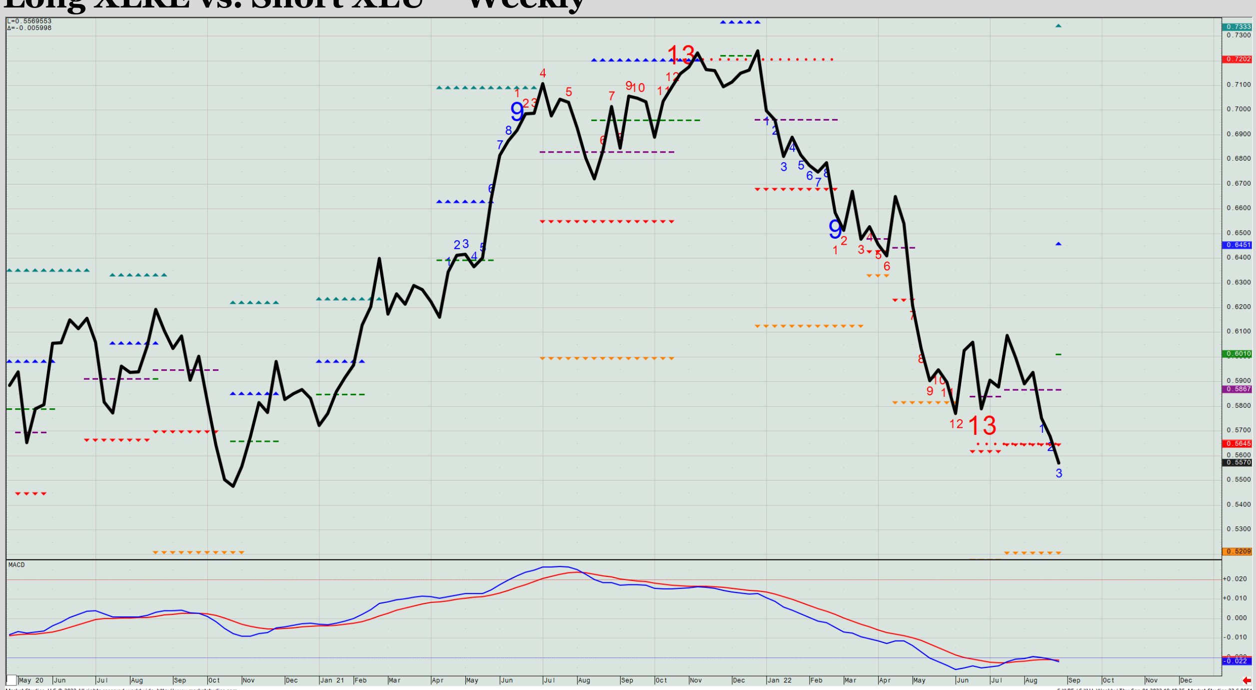
Long GSG



Long XLRE vs. Short XLU

Three weeks ago, we bought REITs vs. Utilities (filled at an avg. of 0.5926), using a new 2022 Friday low close < 0.5771 as our protective stop on this ratio trade. That happened last Friday (0.5677), so we were stopped out for a loss of 4.2%.

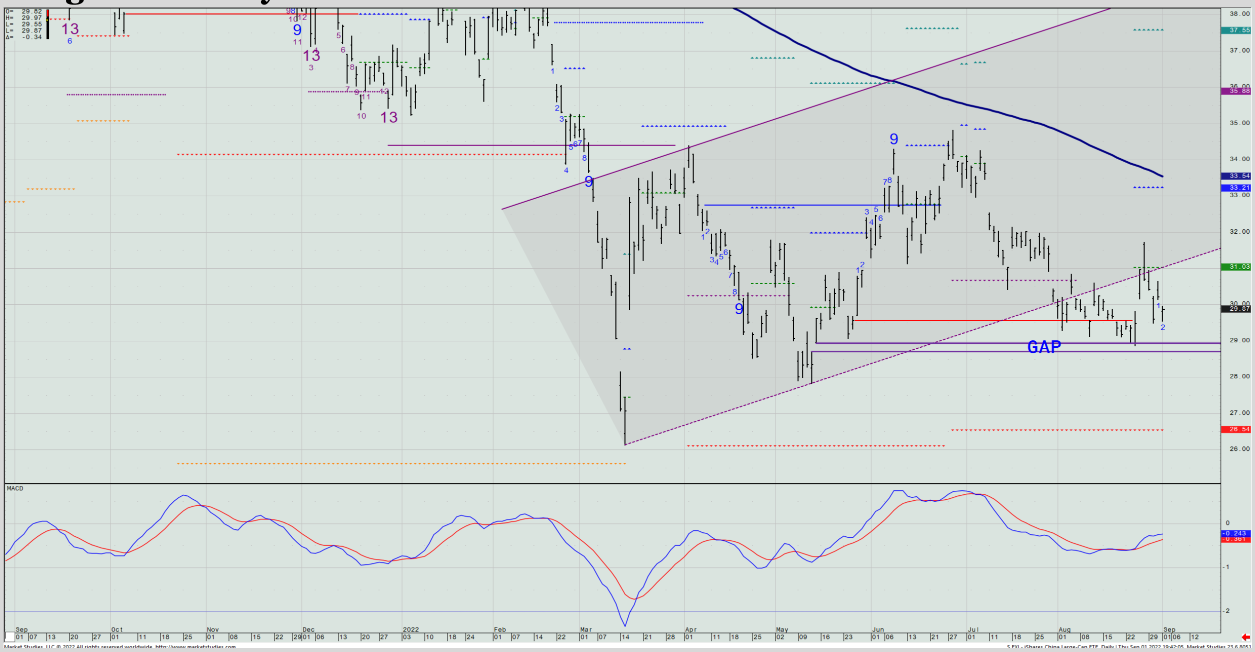
Long XLRE vs. Short XLU – Weekly



Long FXI

Four 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. If you're still long, use a close beneath < $29.12 to exit.

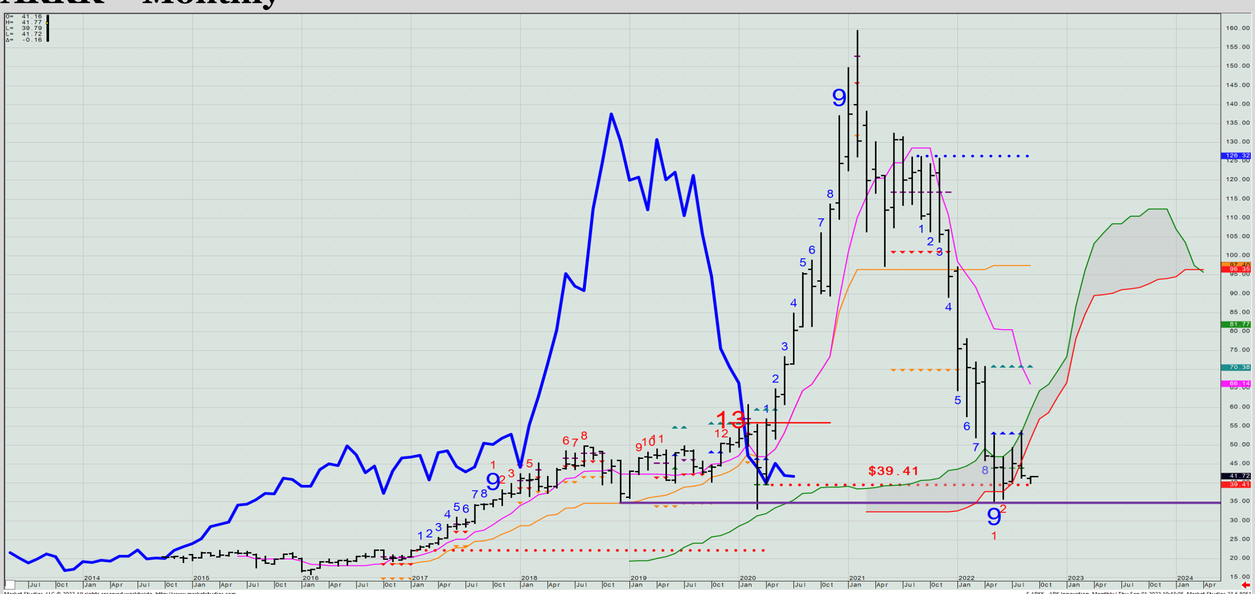
Long FXI – Daily



Long ARK Innovation Fund (ARKK)

In May we bought this at an avg. of $43. Since then, we saw it trade as high as $52+ and stall right at its monthly Propulsion Exhaustion level (i.e., the blue triangles). In August, this finally closed beneath the bottom of its cloud – not a good sign as the prior three months all closed within it while trading cloud boundaries.

ARKK – Monthly



This could bounce now, too, but I leave it to you if you want to hold onto this. Certainly, anyone long would not want to see new 2022 lows in the name.

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. Eight 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. Six 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).

I can make the case to exit the final 1/3, but if this *does* get the bigger surge higher (that so many are looking for) it will be very difficult to figure out where to get back in the midst of that rally.) Thus, I'll be watching to see if next week makes the Setup +9 and Sequential +13 counts, because then I will be able to know where to stop out the long.

UNG – 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 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.

Disclaimer