Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

I am on vacation from tomorrow till 9/18. There is no TTR next week.

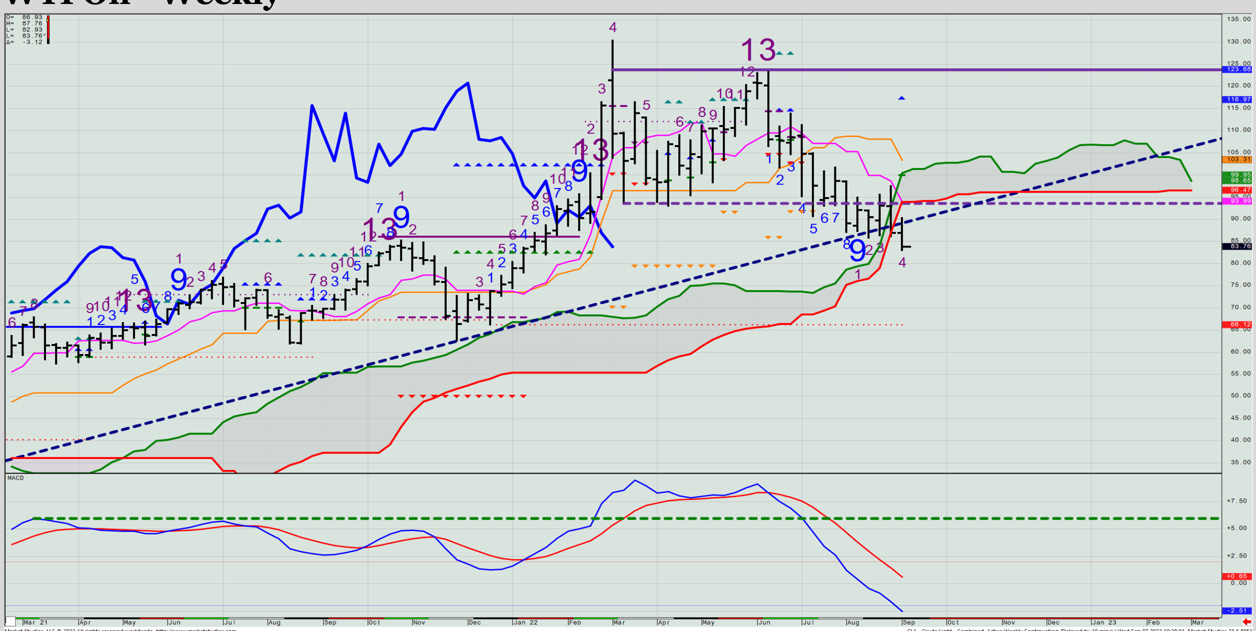
The Macro Picture

What appears to be most prominent proof of continued overall bearishness since Fed Chair Powell's Jackson Hole hawkish clarification statement is that the market rarely holds intraday rallies. We're seeing a pattern that often has some morning strength that gets nullified by the close, still suggesting that sellers are prominent and that bulls don't have enough power to offset the daily selling pressure.

Helpful to the overall macro picture for stocks, though, is the dwindling price of oil, which translates to lower pump prices and potential inflation-related figures like the upcoming CPI and PPI figures due out next Tuesday and Wednesday, respectively.

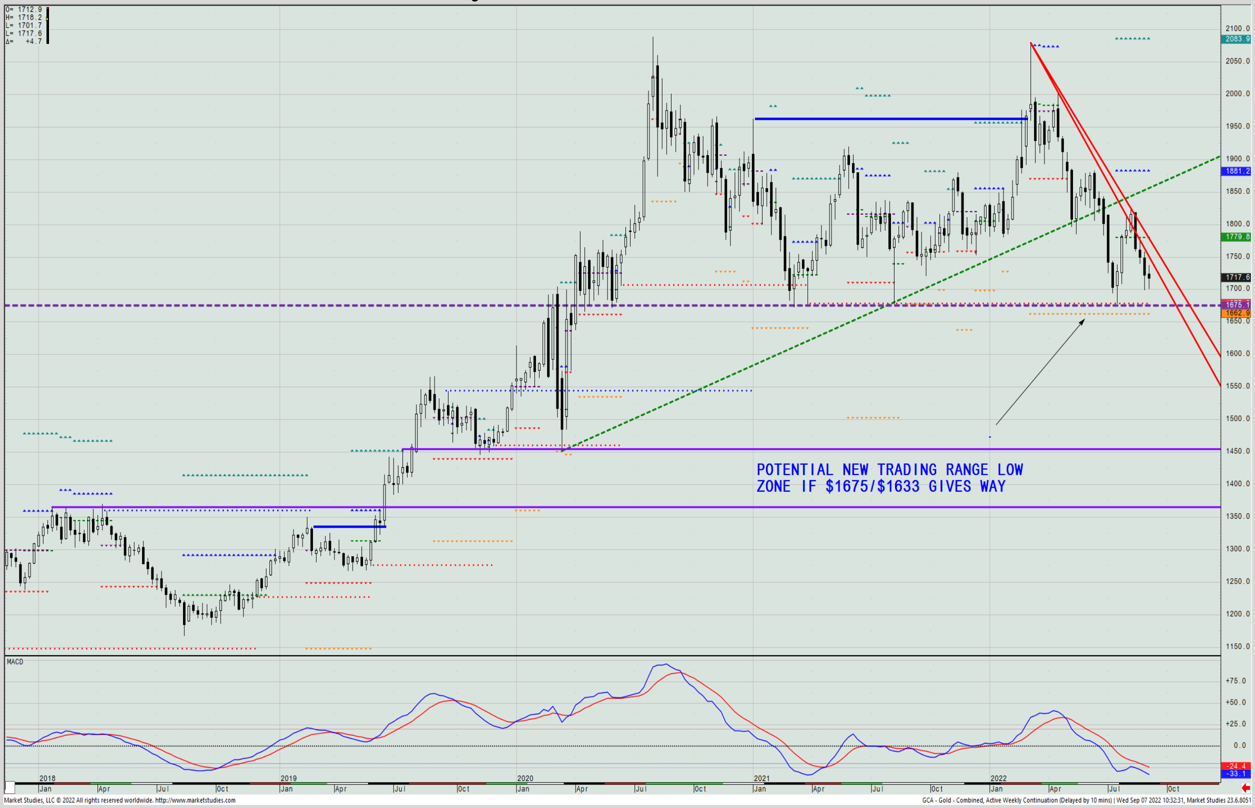
Oil's chart seems like we finally have some clarity to it, with price breaking down now such that the weekly cloud is now above price action and what now should pose serious resistance for the next six months.

WTI Oil - Weekly



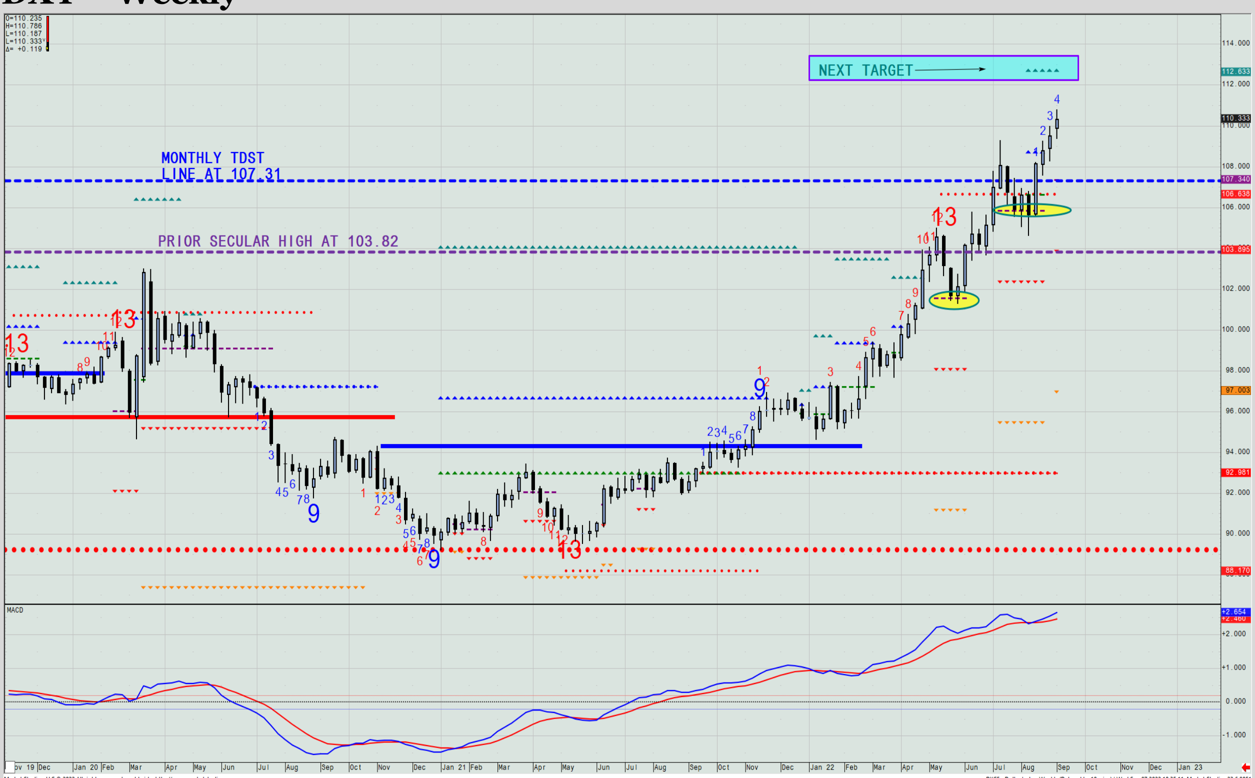
Dollar strength is not helping oil prices either, nor is it a friend at all to gold bugs. The yellow metal is getting dangerously close to a major downdraft if we see the $1675/$1663 level broken, which would then likely kick in a whole new trading range with future highs no better than $1700 and a new bottom target in the $1450/$1360 zone.

COMEX Gold – Active Weekly Continuation



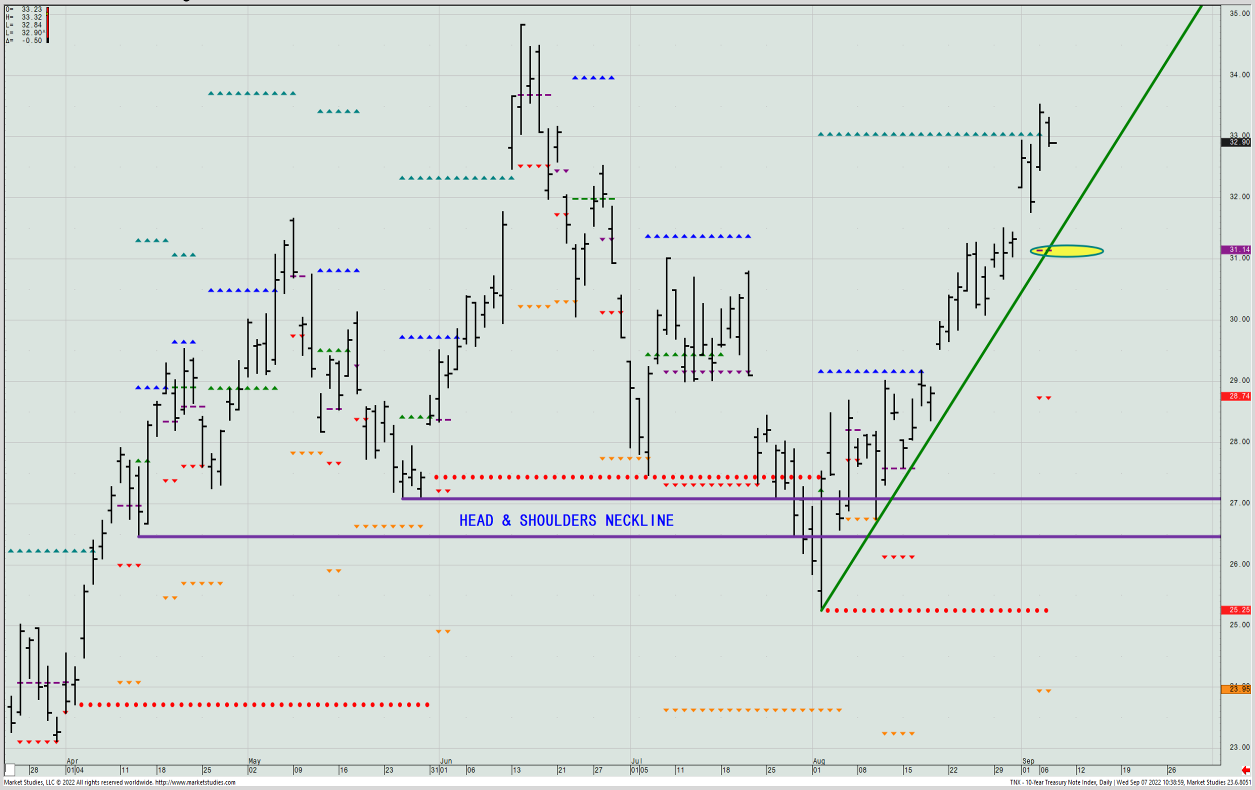
The dollar has pushed to new 20-year highs. Upside trading targets include 112.63 and 113.53, with a bigger monthly chart target at 121.38

DXY – Weekly



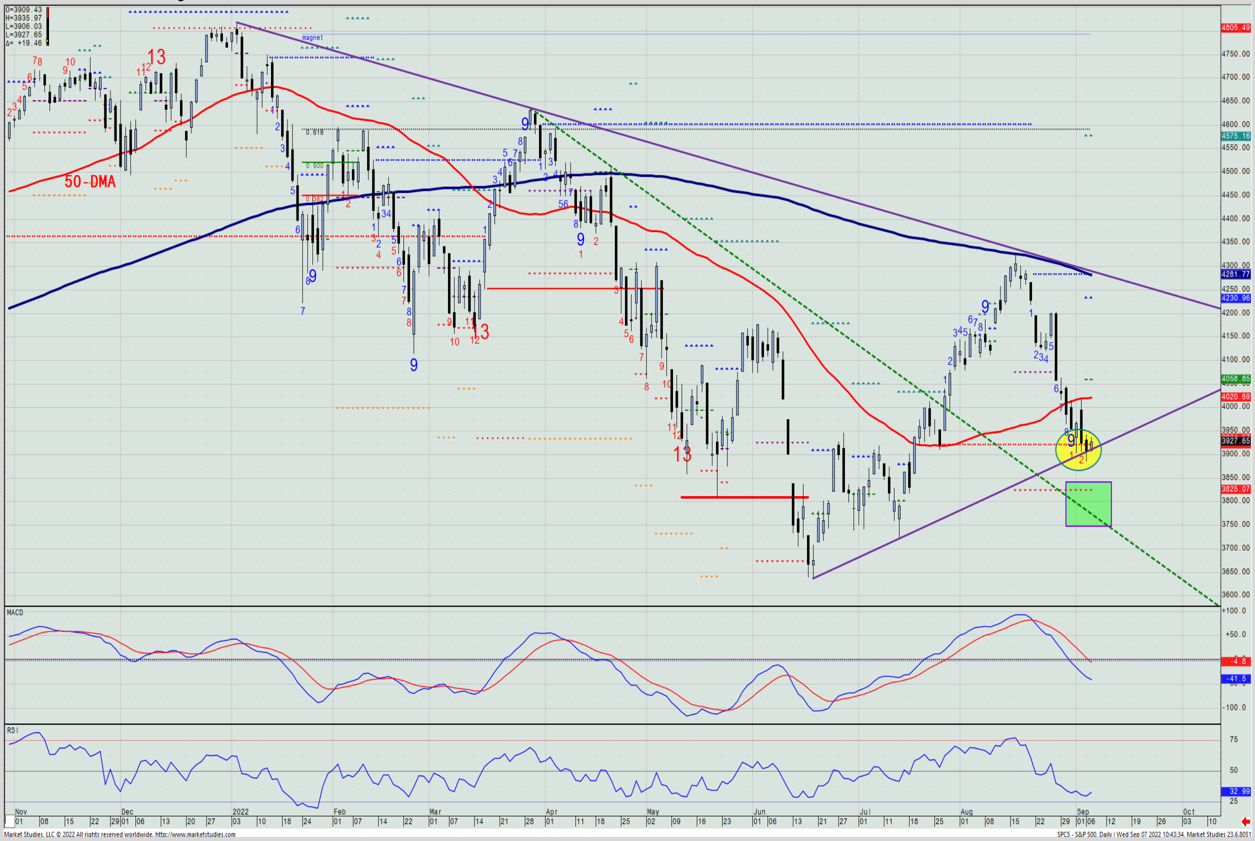
UST-10yr. yields are playing around the 3.30% level – the last target upside that is still *below* the current 2022 high of 3.48%. First support has now moved higher to 3.114%. A bigger upside target on new highs is up at 3.70%.

TNX – Daily



Lastly, turning to stocks, there is some support in the 3925/3900 area, as shown on the below daily SPX chart. If that gives way, then look for 3825/3819 to be tested, possibly down to as low as 3597 (which in my opinion, constitutes the bottom end of what I consider a "test of the lows").

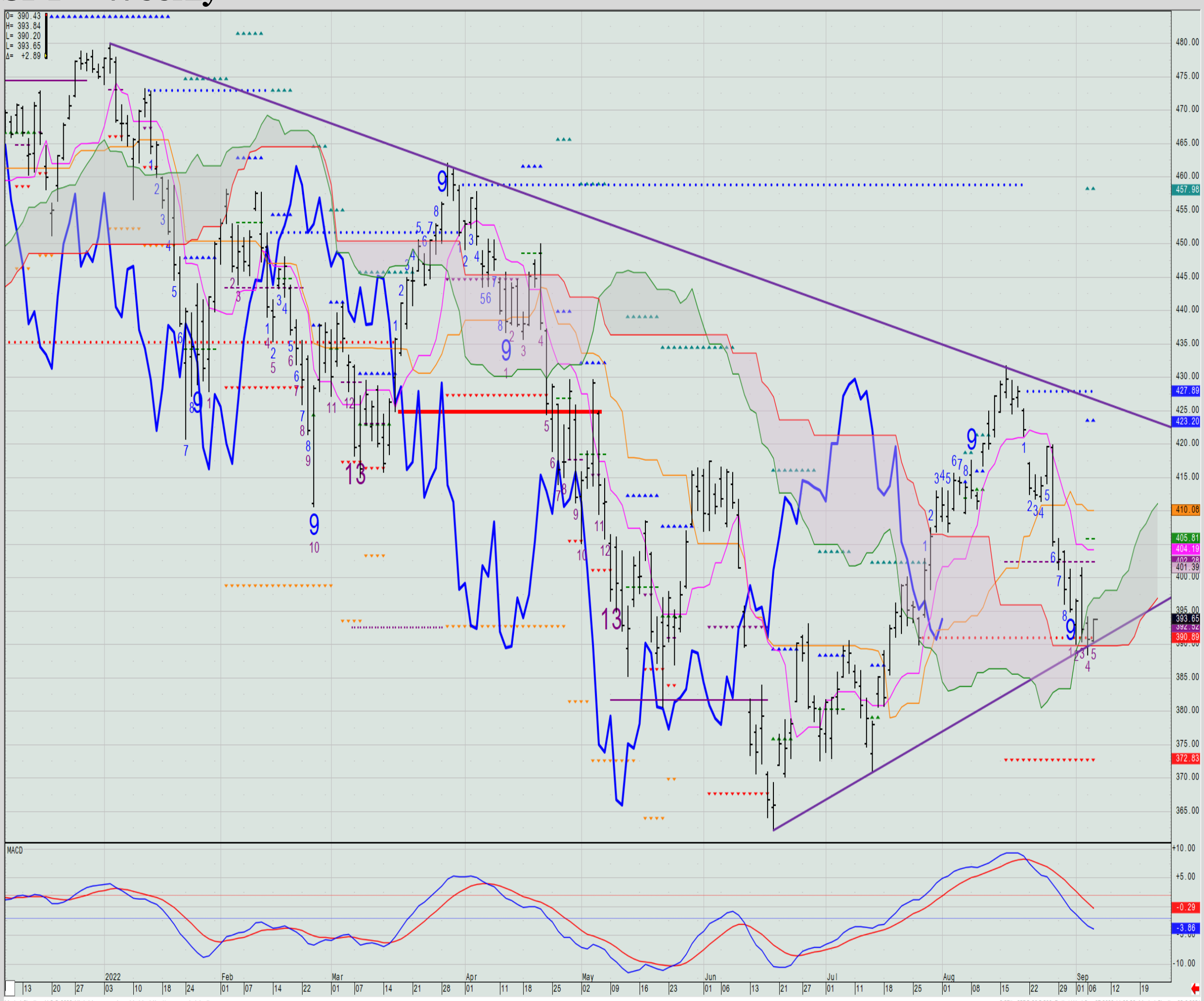
SPX – Daily



New ETF Trade Idea

With my going on vacation through 9/18, I want to give you an idea to sell into should the stock market rally from the current support level up to where I see meaningful resistance. In the case of the **SPDR S&P 500 ETF (SPY)**, I see the weekly bullish Propulsion Momentum level at $405.81, and the cloud's Lagging Line potentially find resistance at the top of its cloud at $406.09. (How perfect that these two unrelated indicators are so close to each other.) Therefore, let's look to short the SPY in the $405.50/$406.50 range should a rally get there. We can use this as a partial hedge to your market exposure; trade it; or simply look at it as an outright position to be short in what I still expect to be a further downside market.

SPY – Weekly

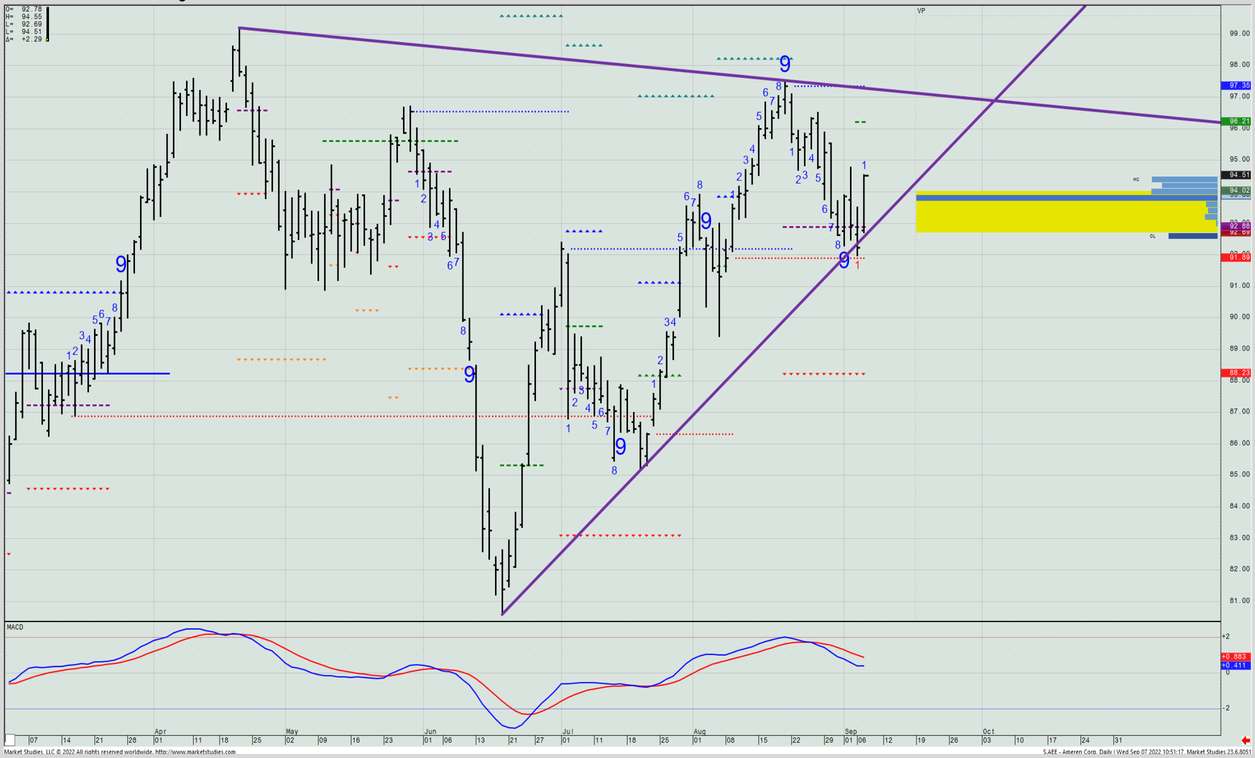


Other Open Recommendations and Positions

Long AEE

I just realized that last week's idea was an individual stock, not an ETF. (Sorry for the oversight.) Nonetheless, we'll see this through as planned, which was to get long in the $93 +/- 20 cents range, with a stop under $92 and a target of $95. We got in at our price and now see the stock at $94+. Now raise your target to $96.21 +/- 15 cents, and raise your sell-stop to a close under $92.22.

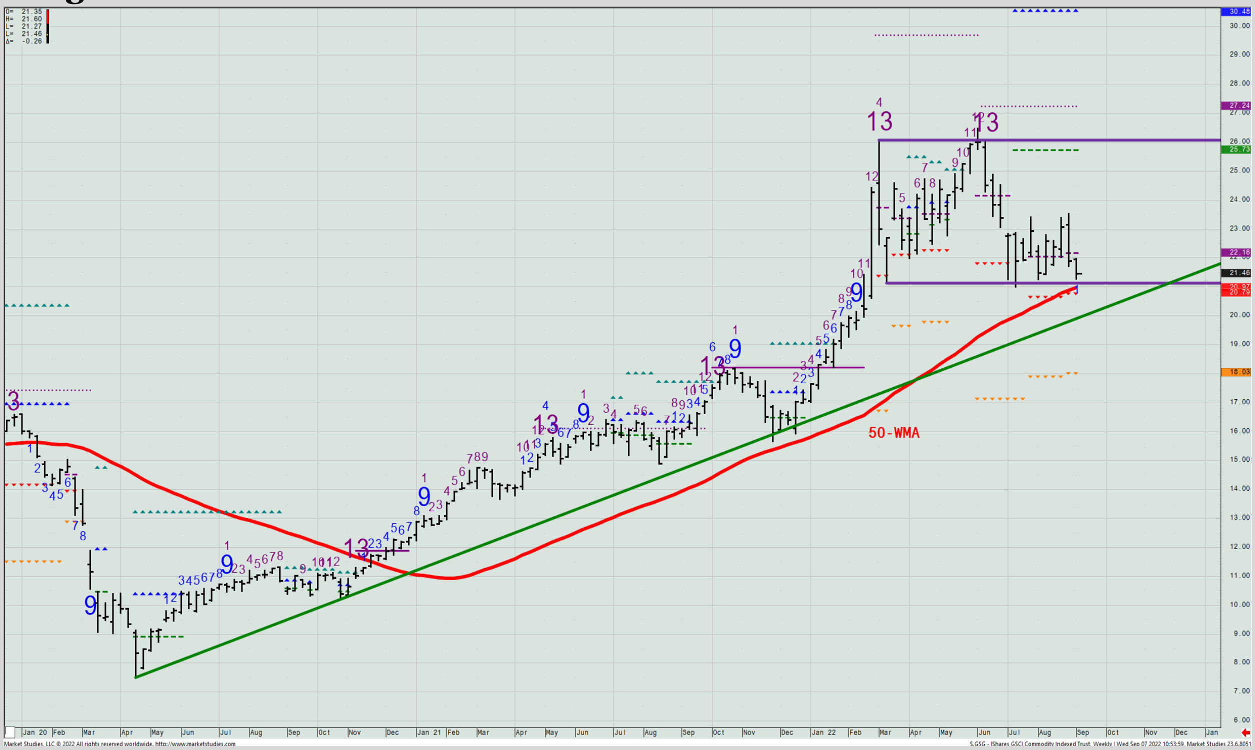
AEE – Daily



Long GSG

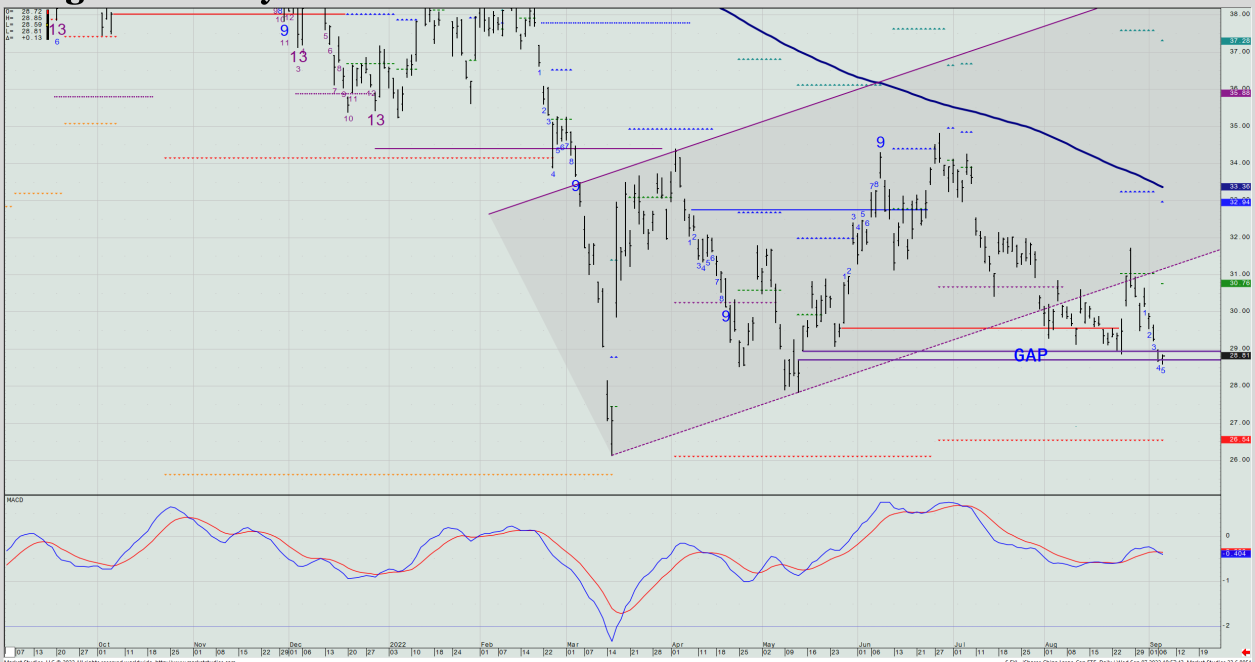
Three weeks ago, our ETF idea was a new long position in this commodity index related ETF. (We were filled at an avg. price of $22.43.) We're aiming for this to get back to the $24--$25 area, and stop ourselves out if we see a new low weekly close within the trading range, meaning exit on a Friday close < $21.47, or a simple daily close < $20.98. (Dollar strength is hurting commodities right now.)

Long GSG



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 got a close on Tuesday beneath our sell-stop exit of a close < $29.12 (it was at $28.58), so we are out and lost 4.83%.

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.

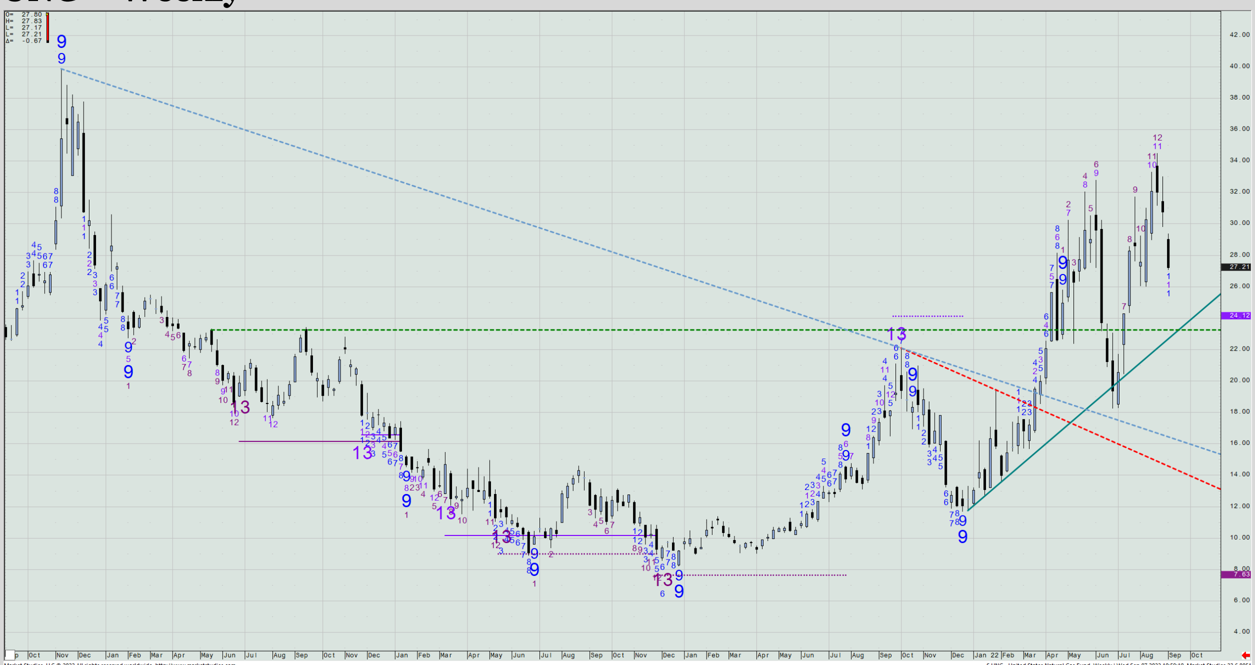
ARKK – Monthly

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).

Last week I said that 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.) Price has come off sharply. If you are still holding, exit it no lower than $26.00.

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