Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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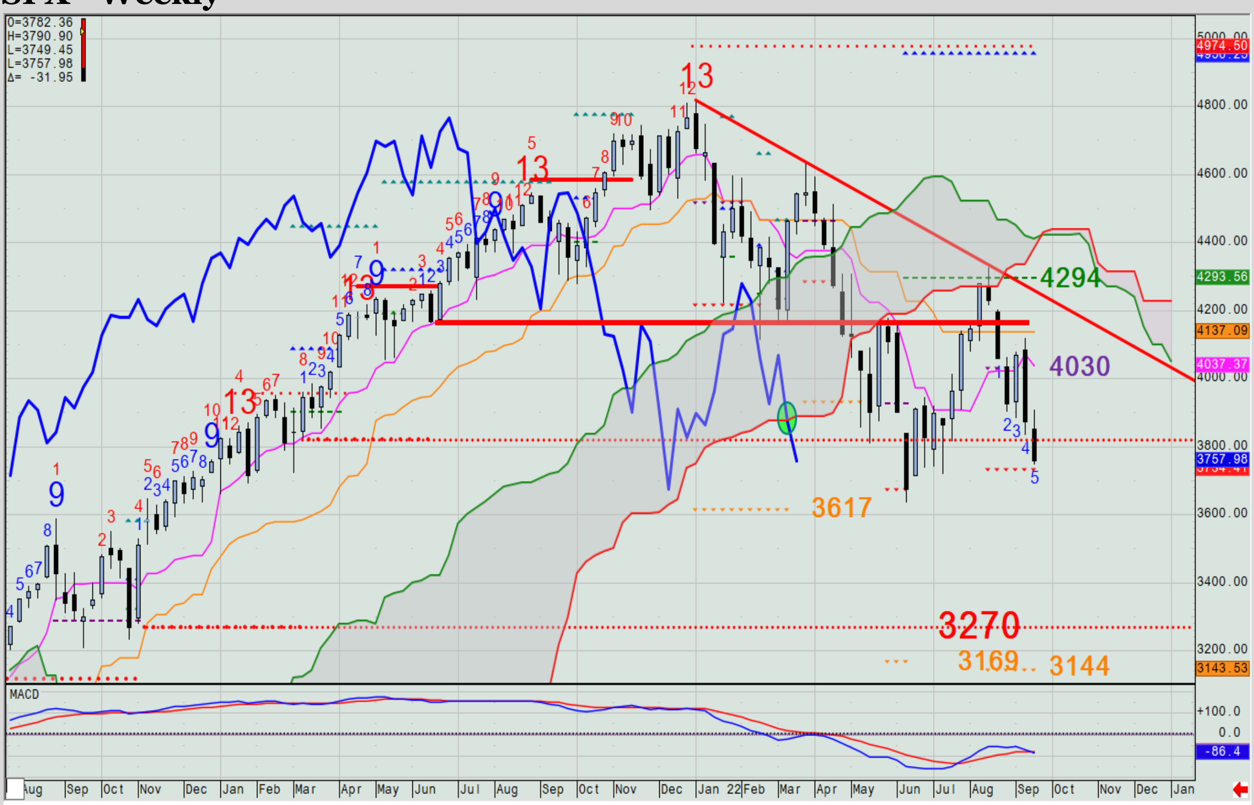
TACTICAL TRADER REPORT

The Macro Picture

Clarity is a good thing; investors are keen on it, even when it's not what they necessarily want to hear. But Fed Chair Jay Powell has indeed stated his case for containing runaway inflation "until the job is done", and rates continue to get raised here, as well as several other global banks raising yields, too.

The most important thing to come out of the Fed's words is that the SPX *weekly* chart now has a clear cloud model sell signal – it's first one of this year. The Lagging Line breaking beneath its respective cloud bottom has eliminated any remaining bullish structure from this time frame's chart. This is a significant change, after having 4x already this year previously seen a bounce when the Lagging Line played with its cloud bottom. Though you might not want to hear it, this is a further bearish development, and makes me think that not only will you have the opportunity to buy against the June low, but likely well-lower than it, too. (It did, however, mark a daily Aggressive Sequential -13 downside exhaustion signal yesterday.)

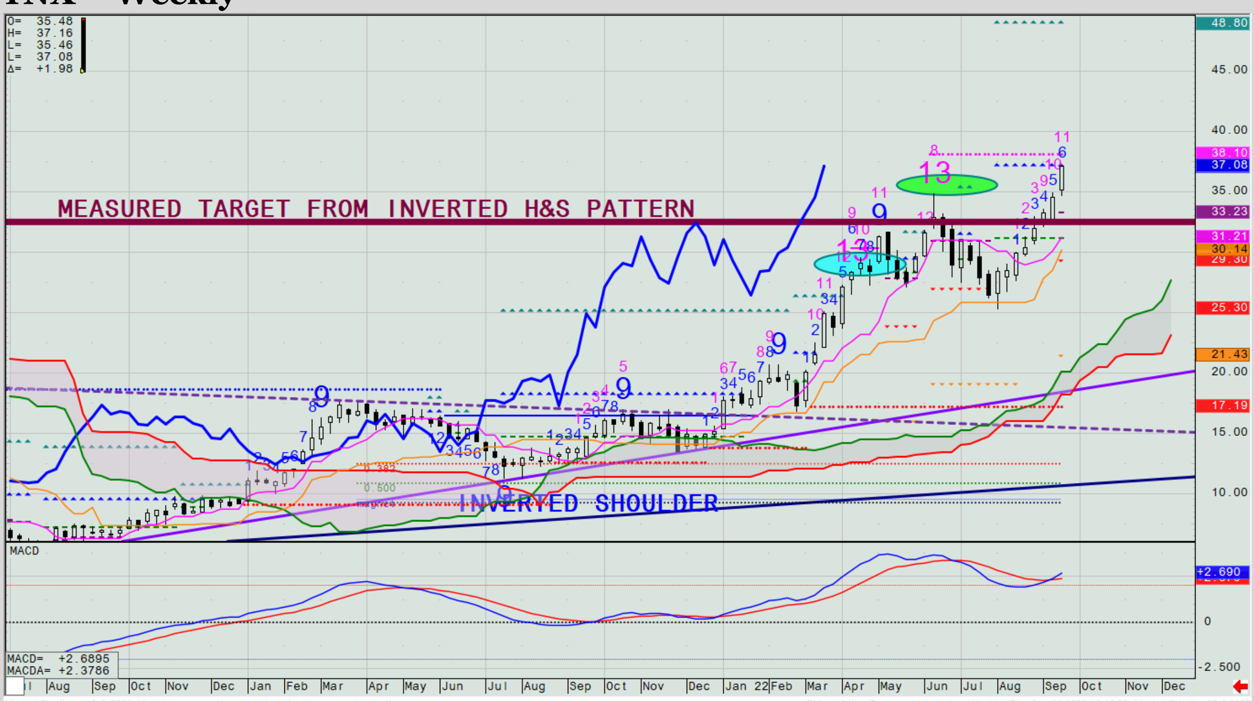
SPX - Weekly



SPX - Daily

With UST 10-yr. rates pushing above 3.30%, they are now testing the bigger upside target I've laid out from 3.70% to about 3.83%.

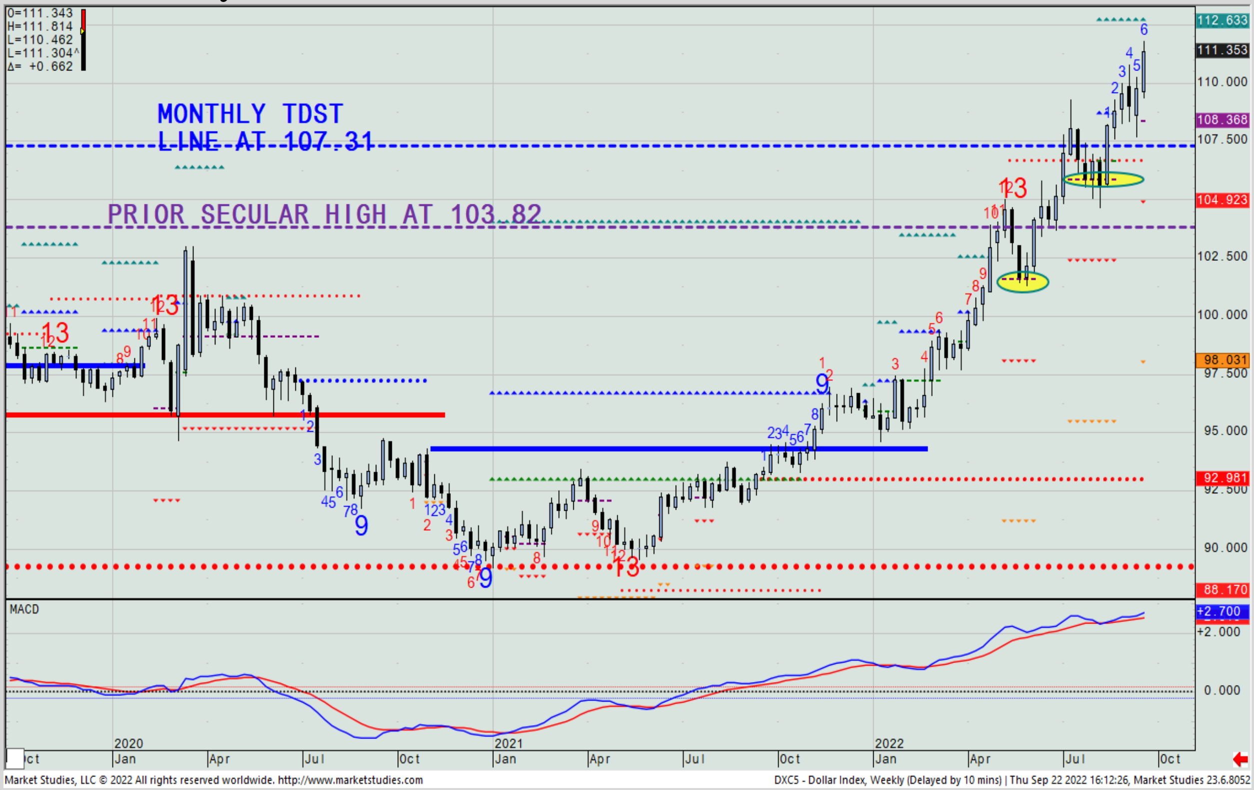
TNX – Weekly



The dollar has pushed to new highs, and is approaching our upside tactical target at 112.63. As long as it properly stays above 108.37 (its newest weekly bearish Propulsion

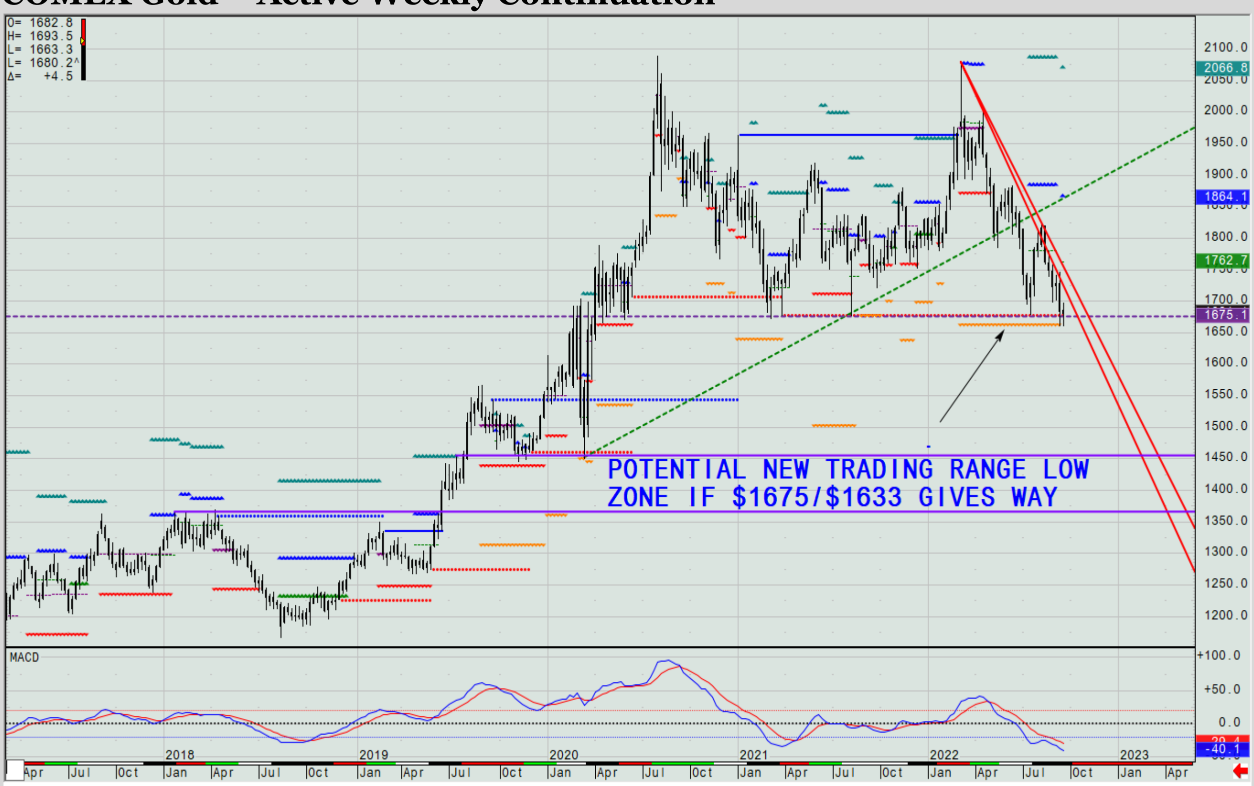
Momentum level), the dollar remains a real issue for stocks and commodities to reckon with. Other upside targets are 113.53 and 121.38.

DXY – Weekly



Gold remains 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.

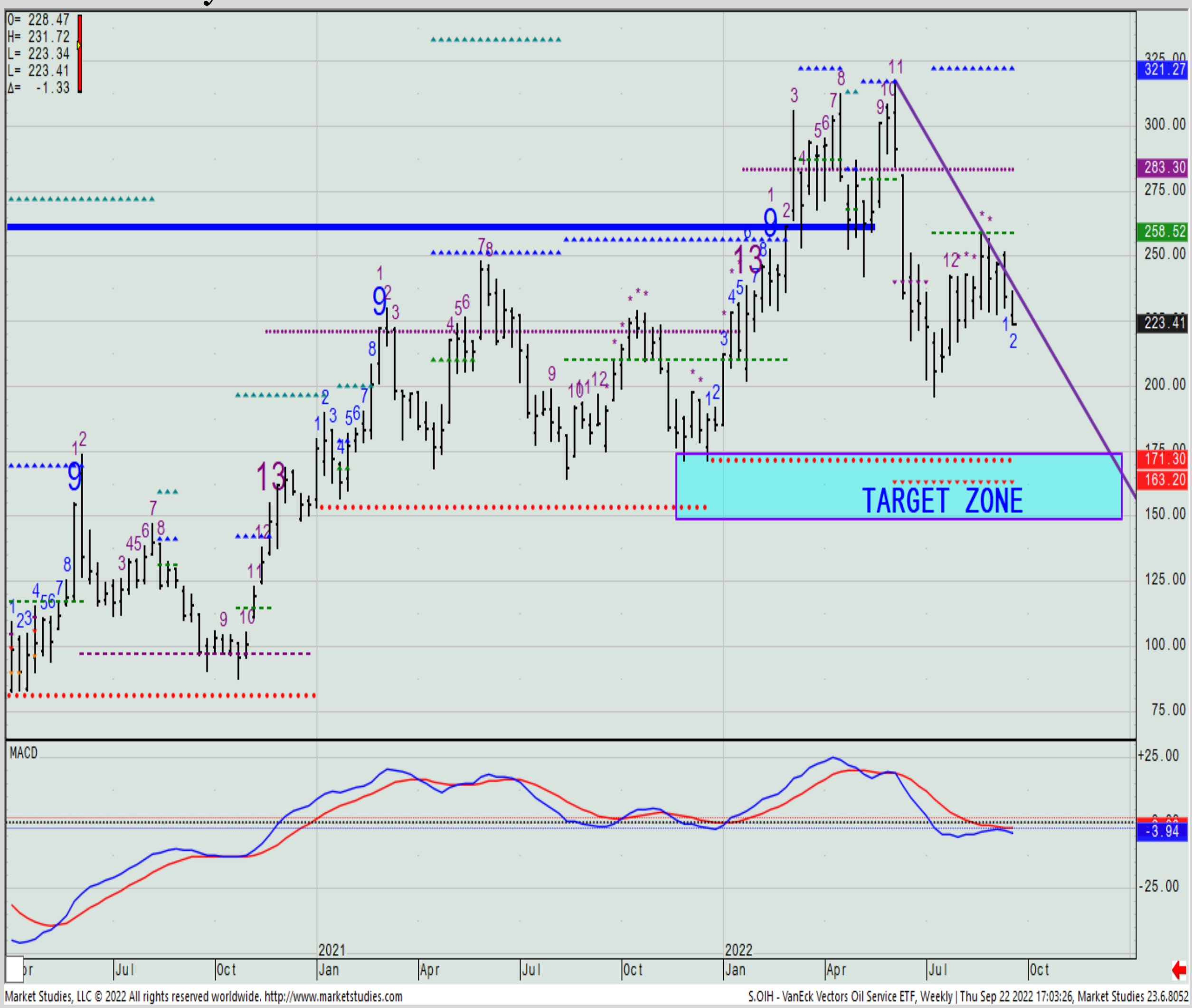
COMEX Gold – Active Weekly Continuation



New ETF Trade Idea

As mentioned above, we may very well see a short-term bounce – but one I want to look to sell into. As such, let's look at the **VanEck Vectors Oil Service ETF (OIH)**, which a month ago failed against its bullish Propulsion Momentum level (the green hyphenated line at $258). To me, this looks like it can ultimately trade beneath this year's double bottom at $200 and head to $175 to $155. So, let's look to short a half-unit today and a half-unit near $240 if the ETF rallies. Our target area is highlighted on the chart. We'll stop ourselves out just above $258.53.

OIH – Weekly

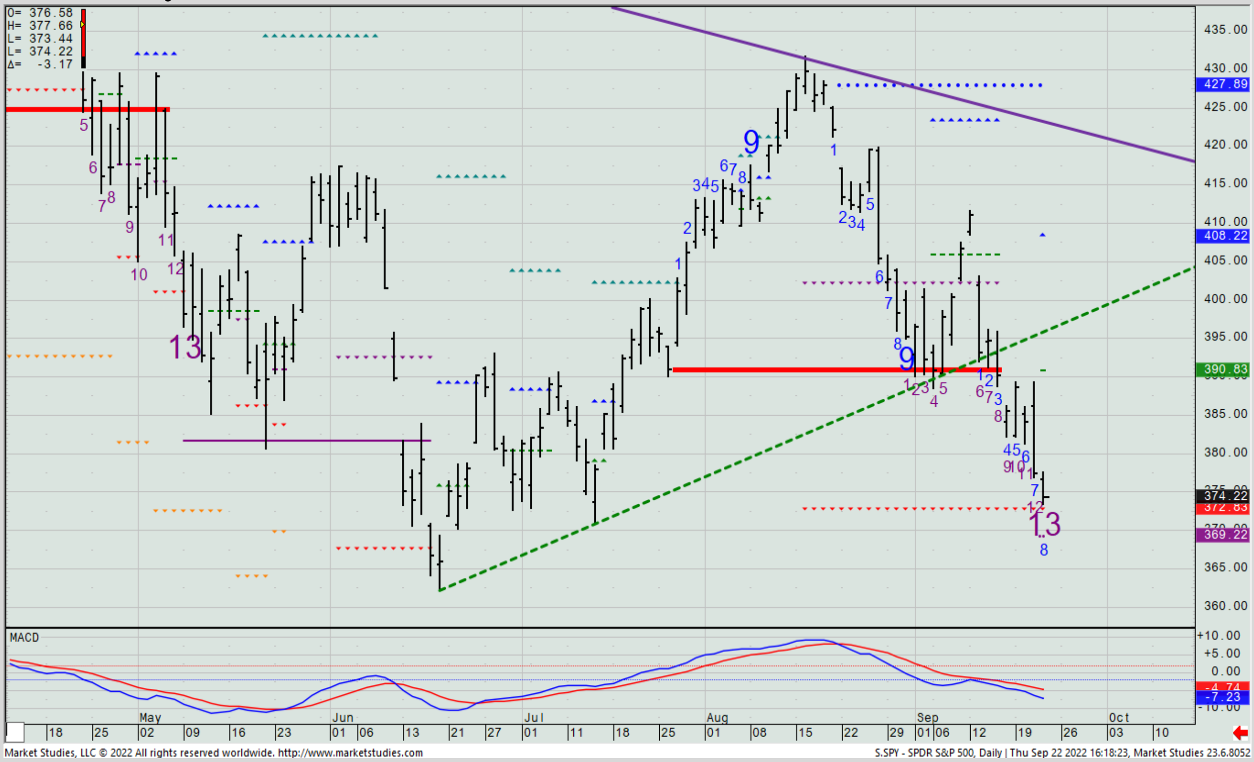


Other Open Recommendations and Positions

Short SPY

Though I was away on vacation last week, I had left you with a recommendation to short the SPY in the $405.50/$406.50 level, which we saw occur on 9/9 and 9/12, when the rally hit a high of $411.73. So, we have an avg. short at $406, and with the daily chart marking an Aggressive Sequential -13 on Thursday against the Propulsion Exhaustion level, and a likely Setup -9 today, let's take half off now.

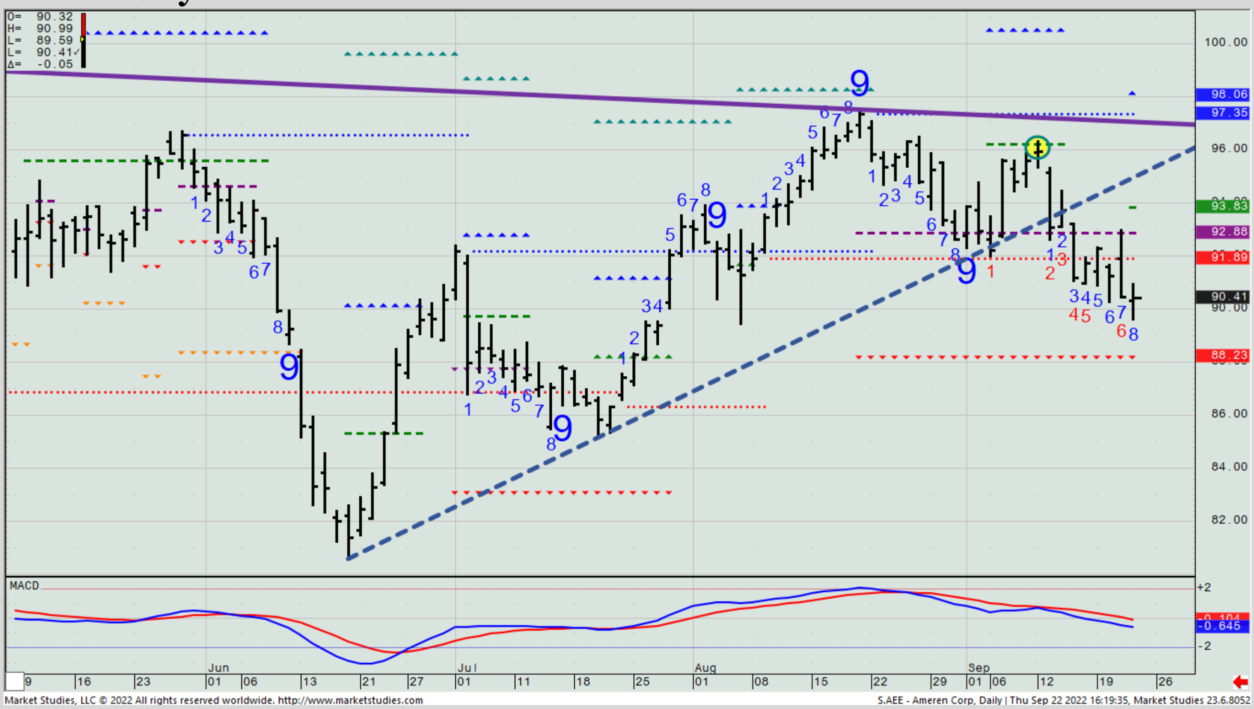
SPY - Daily



Long AEE

I mistakenly had gotten you long this individual stock (we only do ETFs) at $93, with a stop under $92 and a target of $95. In the last issue, I raised the target to $96.21 +/- 15 cents, and we hit that target on the high of the move on 9/12 when it reached a high of $96.36. We're glad we're out, given its subsequent breakdown. We made 3.45%.

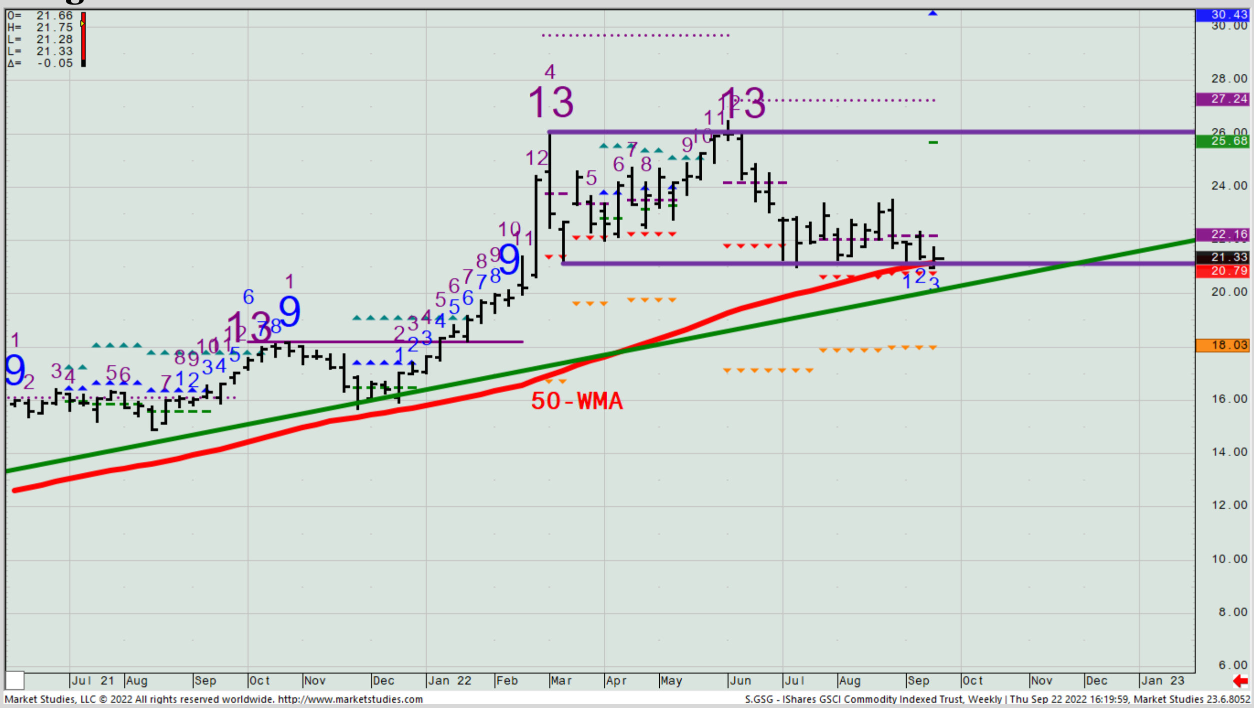
AEE – Daily



Long GSG

We were long 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, which occurred last Friday with a close at $21.38. Thus, we were stopped out and lost 4.68%/

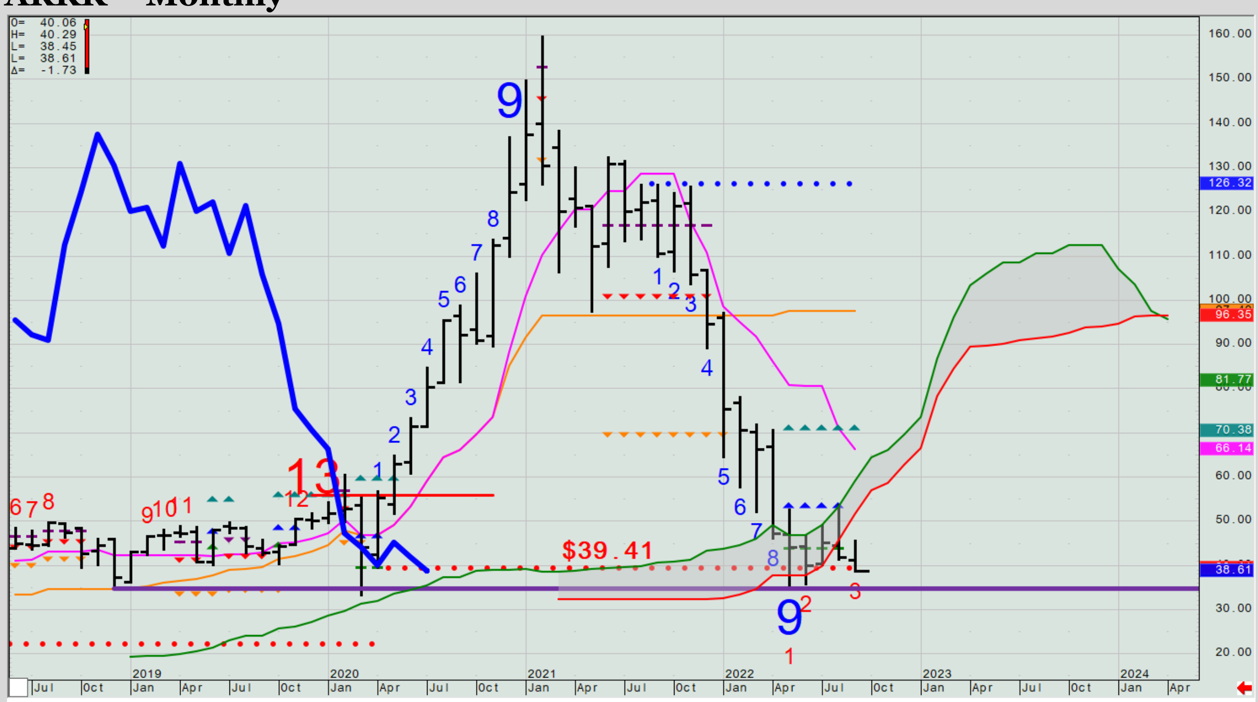
Long GSG



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 per se.

ARKK – Monthly



I previously wrote that 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. It's very close to them now, as this year's low is $35.10.

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. Ten 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. Eight Fridays ago, we sold out of half of our position at an avg. exit of $27.91.

Three weeks ago, 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 were 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, I said to exit no lower than $26.00, which has now been violated. Thus, in the worst case scenario for this total trade, you made no less than 35.9%.

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 financing cost 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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