Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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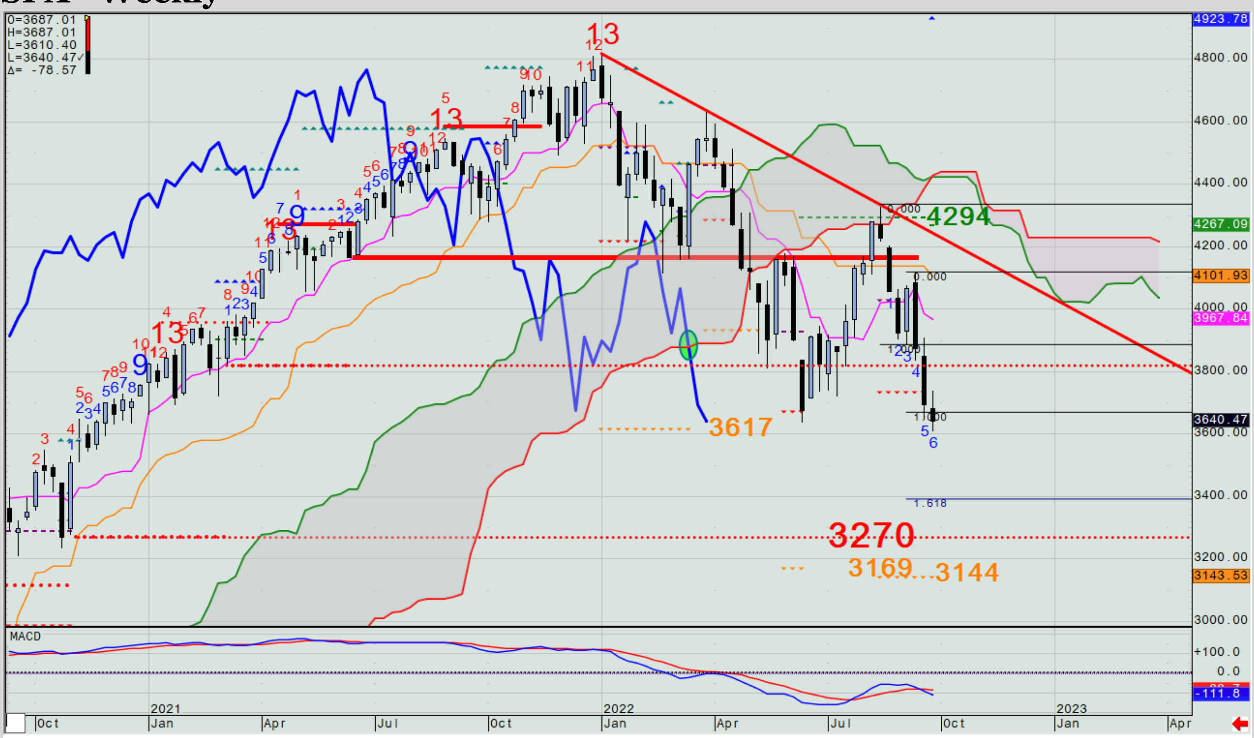
TACTICAL TRADER REPORT

The Macro Picture

If you were very pleased to see Wednesday's huge rally, only to be disappointed by Thursday's give-back of it, then you are a bull in a bear market. That's important to know about yourself, because it is probably making you hang on longer to long positions than you should likely be doing. I suspect that once the "let's buy the test of the June lows" buyers have done their thing, we'll continue to see a rollover of stock prices to target 3430—3400, and possibly another couple of hundred points lower than that. Down there, is where I'll be buying back the bulk of what I've personally sold from my portfolio this year.

SPX - Weekly

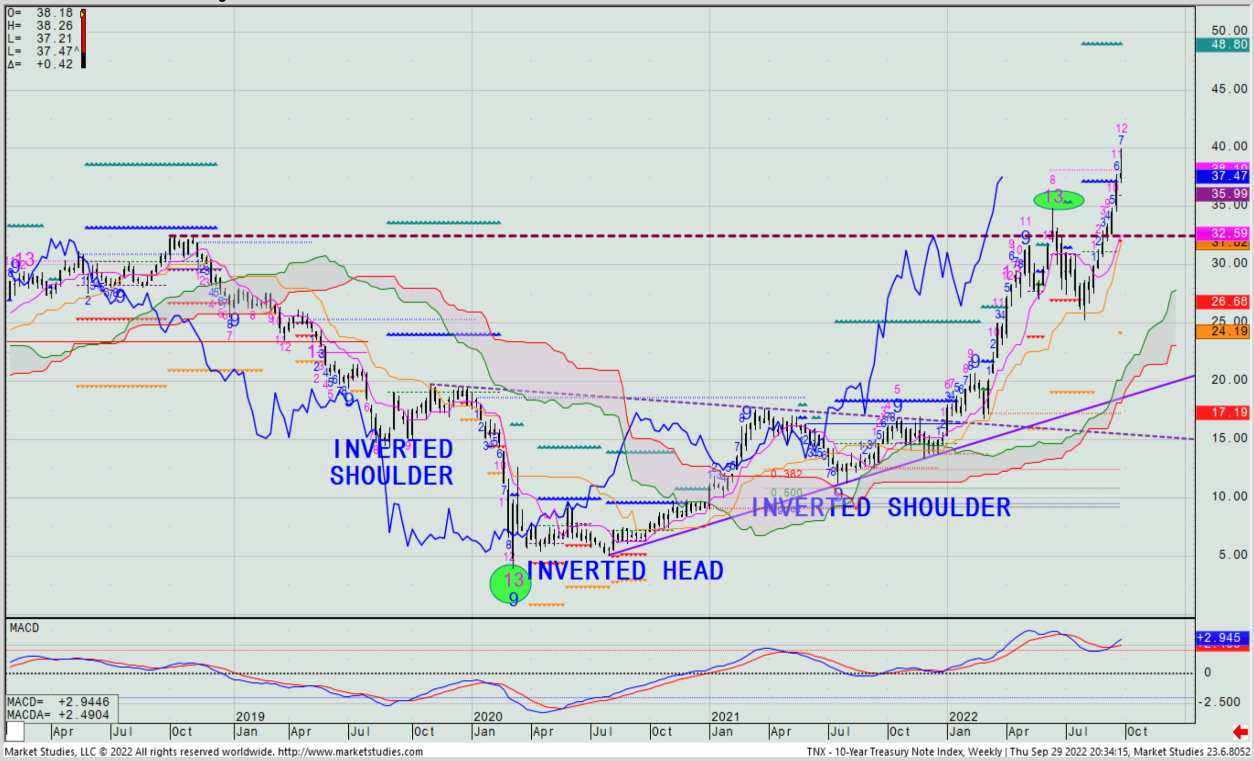


As you can see in the above chart, the weekly Setup count is on a -6 this week. Not once this year has any prior SPX bottom been accompanied by a Setup -9. I do very much believe that we will make a -9 count on this move. That's likely the earliest I can consider really putting some cash to work.

Treasury rates are top of mind for investors this week, and the UST 10-yr. is front and center, having touched as high as 4% on Tuesday before collapsing 30 bps. on

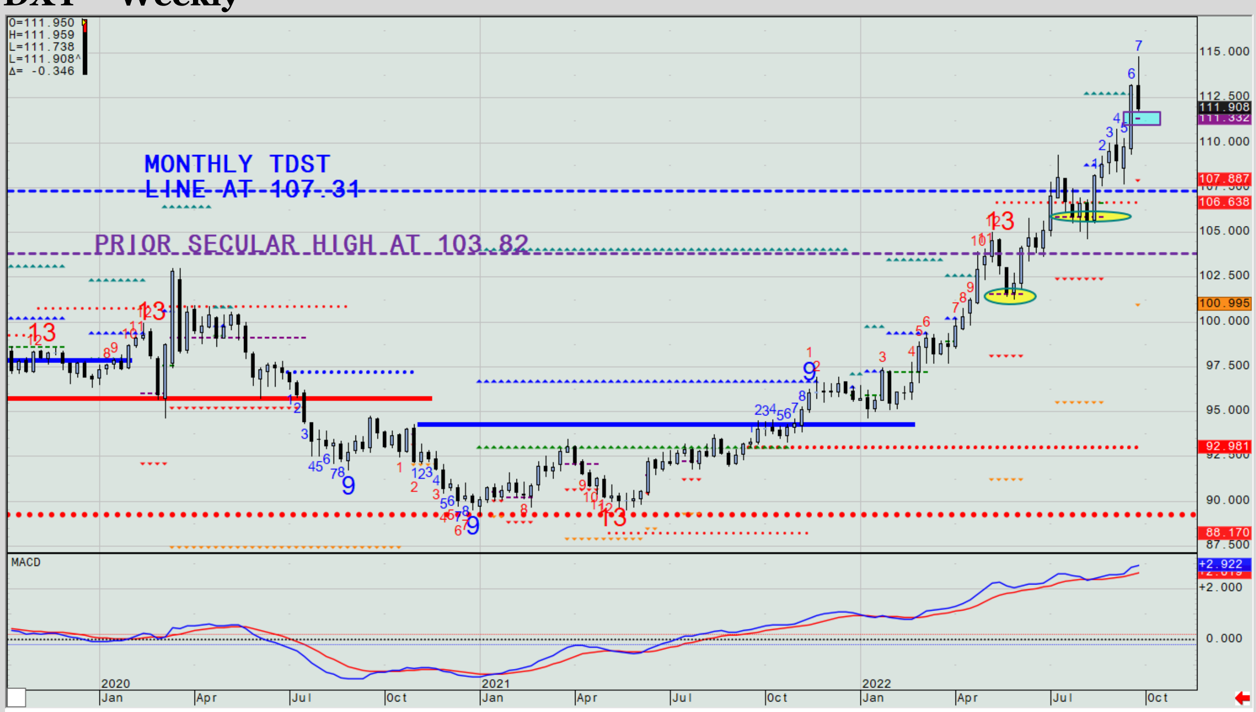
Wednesday. Notice that it is finding itself now in the 3.70-3.83% range, where last week I said I suspect it can consolidate. The next level I have on the upside would be 4.13%.

TNX – Weekly



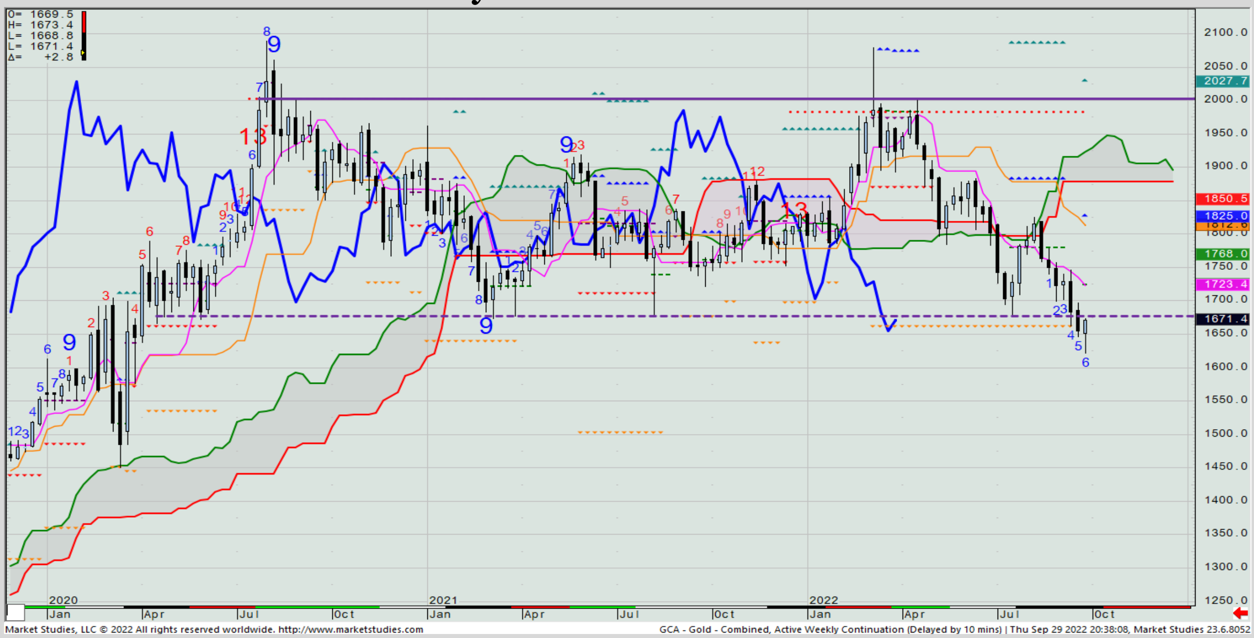
In the past week since last week's issue, the US Dollar Index hit and exceeded my tactical target of 112.63. Other upside targets are 113.53 (also hit) and then 121.38. First support has moved up to the 111.32. Only a close under there today could potentially kick off a sell signal my next Friday, depending upon how it trades next week. If that occurred, then stocks could get a lift and rates might pull back.

DXY – Weekly



Gold broke to new 2022 lows which should kick in a whole new trading range with future highs no better than $1700 and a new bottom target in the $1450/$1360 zone. HOWEVER, the fact that it hasn't dropped sharply already AND the dollar keeps making new highs makes me less confident of the downmove I had been looking for.

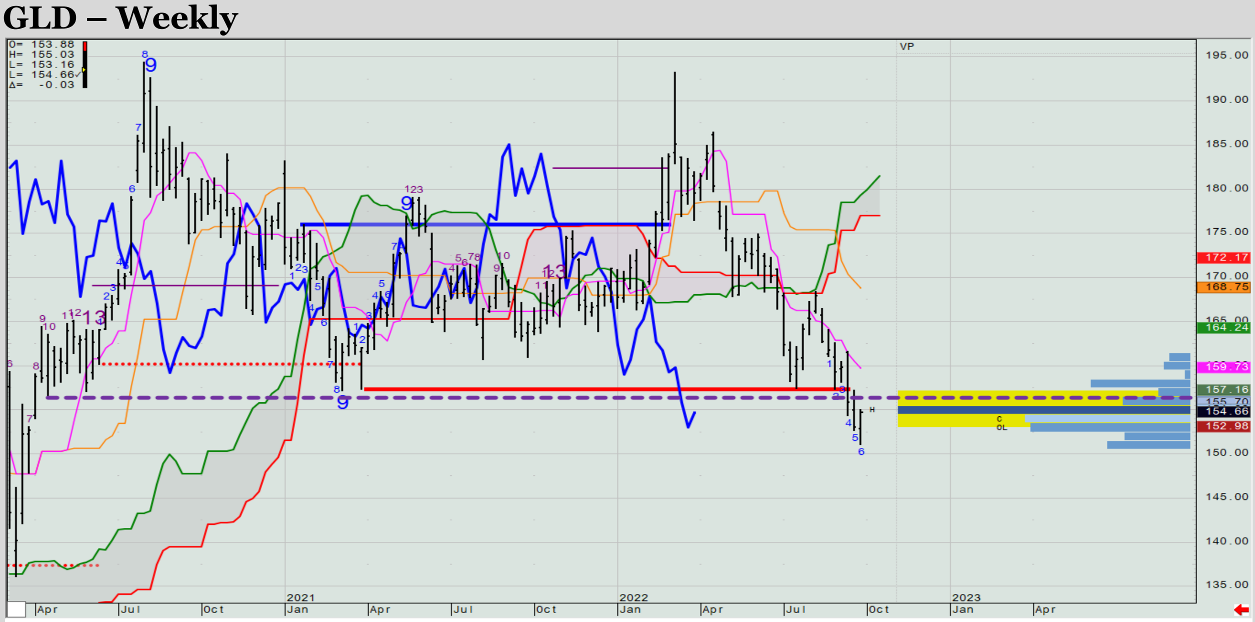
COMEX Gold – Active Weekly Continuation



[New ETF Trade Idea]()

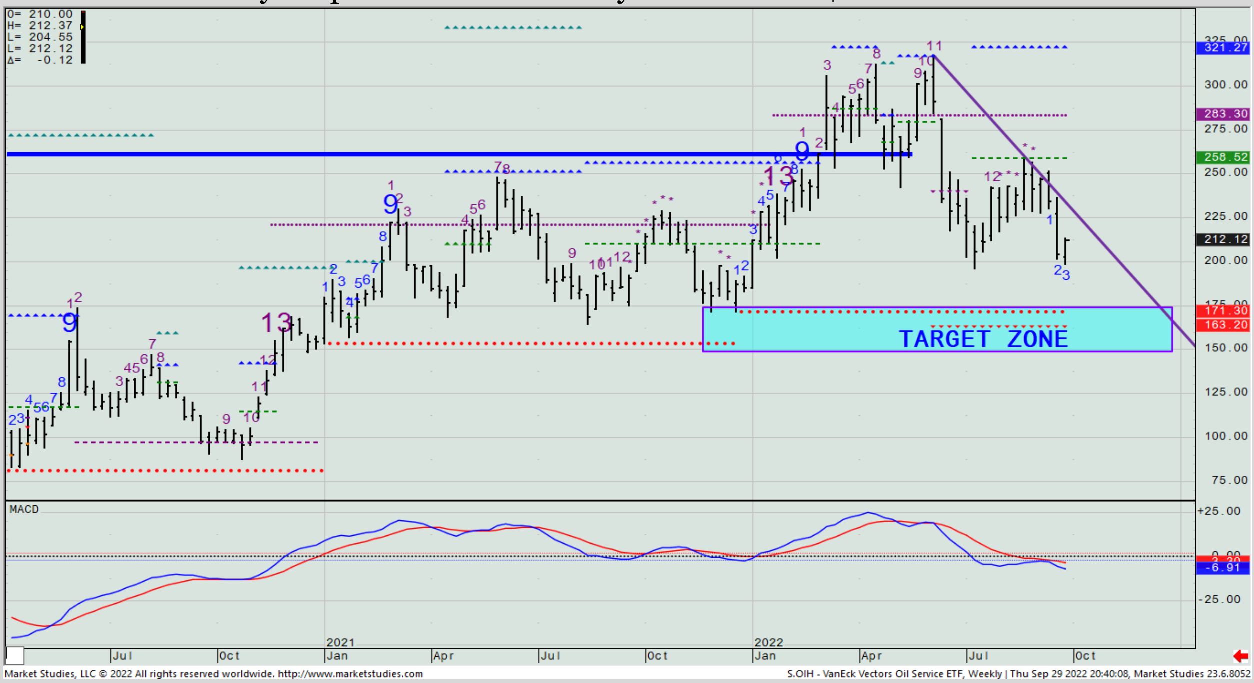
Gold has seemingly broken a key level, but it's not getting the downside thrust I thought it might get quickly. Though that doesn't make me bullish the metal, it does let me wait for it to rally to want to sell it. As such, we will look to sell the **SPDR Gold Trust ETF (GLD)** on a rally this week or next up to the $159/$160 level, which not only had meager volume on the breakdown, but also is near where the weekly Conversion Line resistance should be. We'll target the mid-$140s, and cover only on consecutive Friday closes above $161.62.

GLD – Weekly



Short OIH

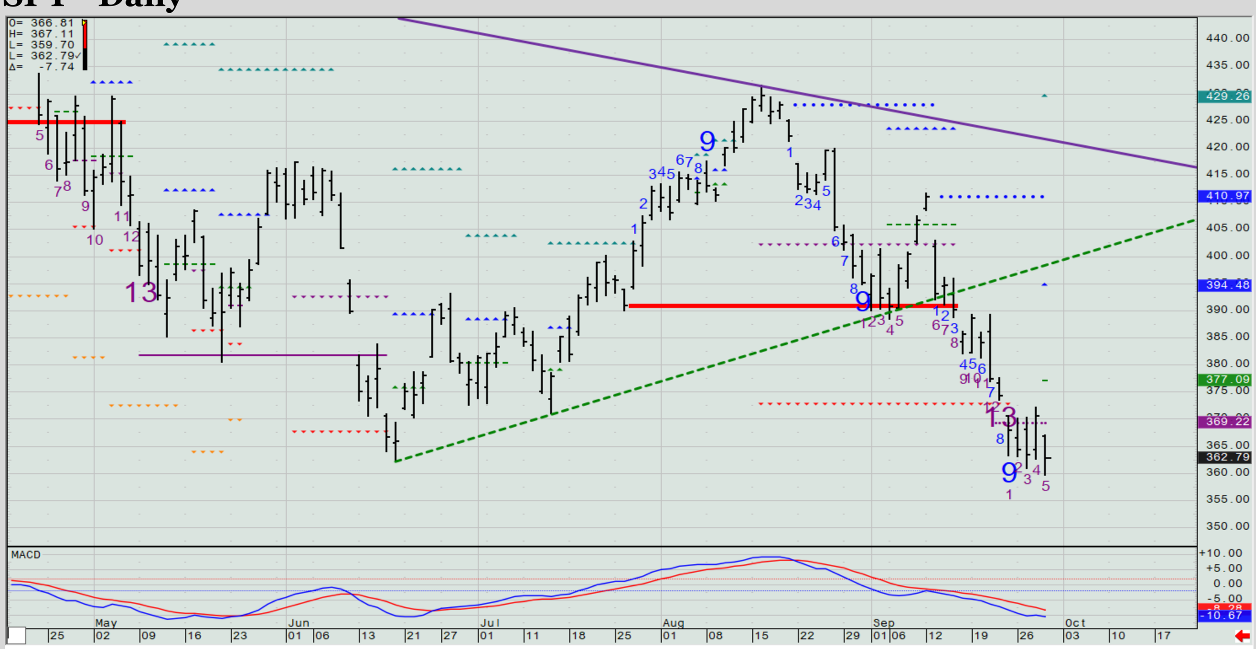
Last Friday we sold a half-position (avg. entry price of ~$206.40), having gotten a very unfortunate large down open and day to short into. We were looking to sell another half-position near $240. (That looks highly unlikely at this point, so I'll cancel that part of the overall idea.) I'll still stick with our highlighted Target Zone to cover the short. We'll lower our buy-stop to consecutive daily closes above $228.22.



Short SPY

We have an avg. short position at $406, and we removed half of the trade last Friday (avg. buy at $366.96) on the daily -13/-9 signals. We remain short the other half, and lower our buy-stop to consecutive daily closes > $377.12.

SPY - Daily



We have recently removed all long positions, and currently carry two short trades. I couldn't be clearer about my bigger picture bearish outlook for equities, despite any possible near-term bounces.

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.

Disclaimer