

Rick Bensignor's



IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com

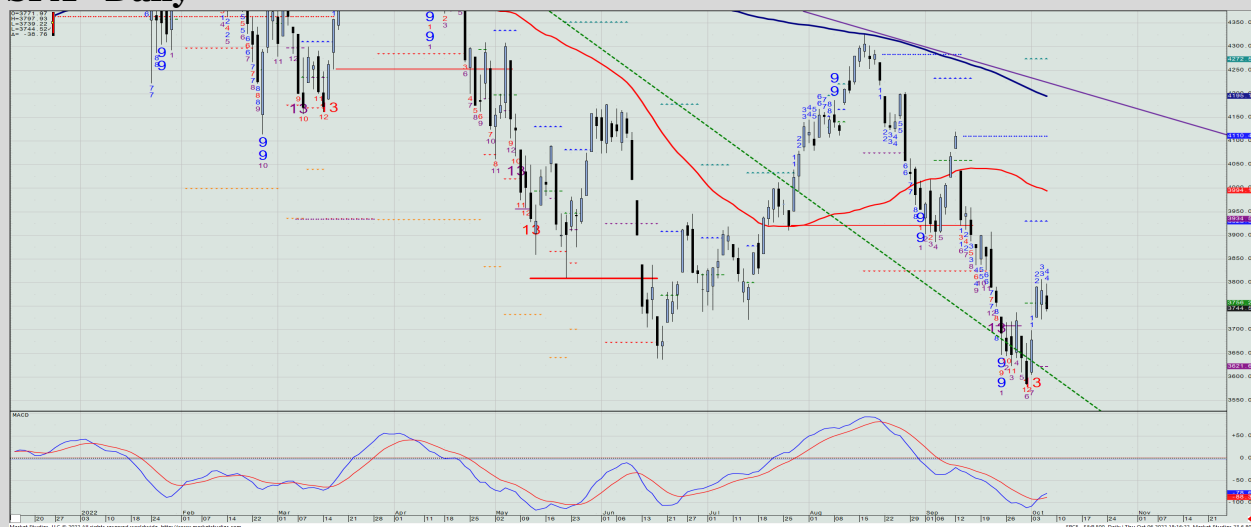
October 7, 2022

TACTICAL TRADER REPORT

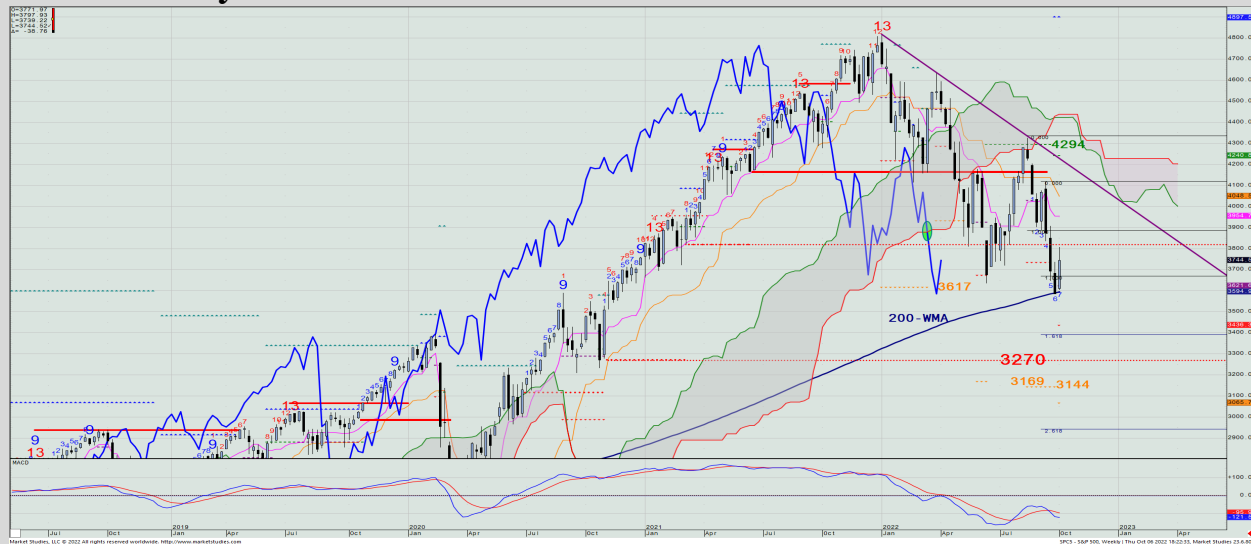
The Macro Picture

The business media is abuzz with many interviewed guests stating that last Friday's low was THE low for will now become a major move higher. I even heard a few institutional people on-air saying that "There was a DeMark 13" that was made, and indeed, it was on the daily chart (and the first standard one since May). And the weekly chart sold down to touch the 200-WMA last Friday, too.

SPX - Daily



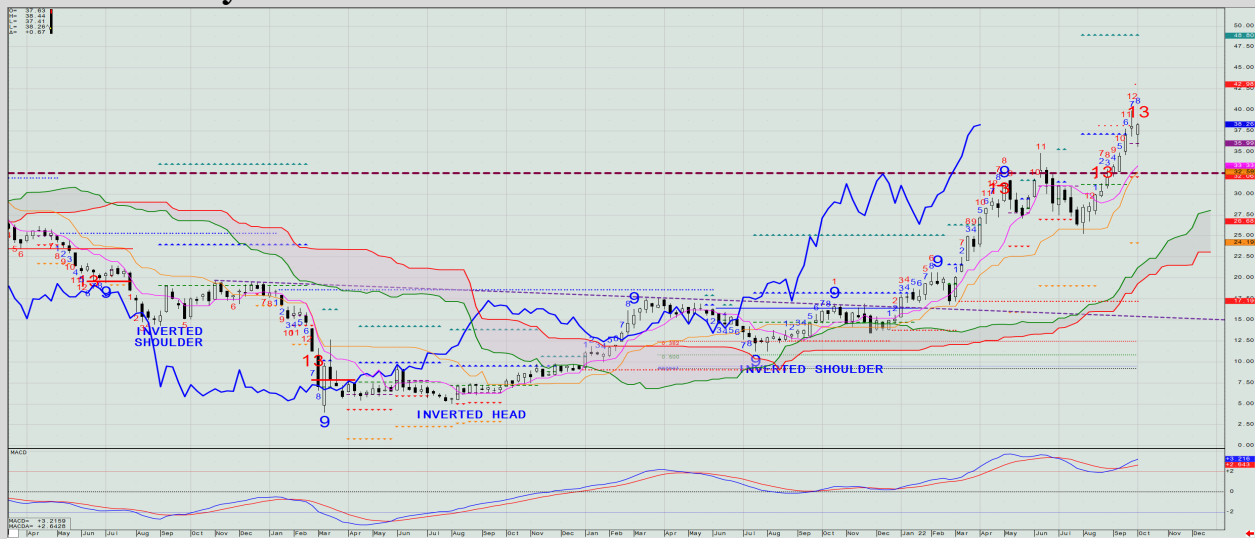
SPX - Weekly



Today's employment/non-farm payrolls numbers will be an important input to what the Fed decides to do with rates next Wednesday. In my opinion, the likelihood that the Fed gives any sense of it halting its previously-stated intent of strongly fighting inflation is not high at all, and again, those who think they will – just weeks after Chair Powell said, “there will be pain” and that “we’ll do it until the job gets done” – are likely wishing rather than really thinking it through. What credibility would the Fed have if they quickly changed their tune after what was said at Jackson Hole? I just don't see it happening.

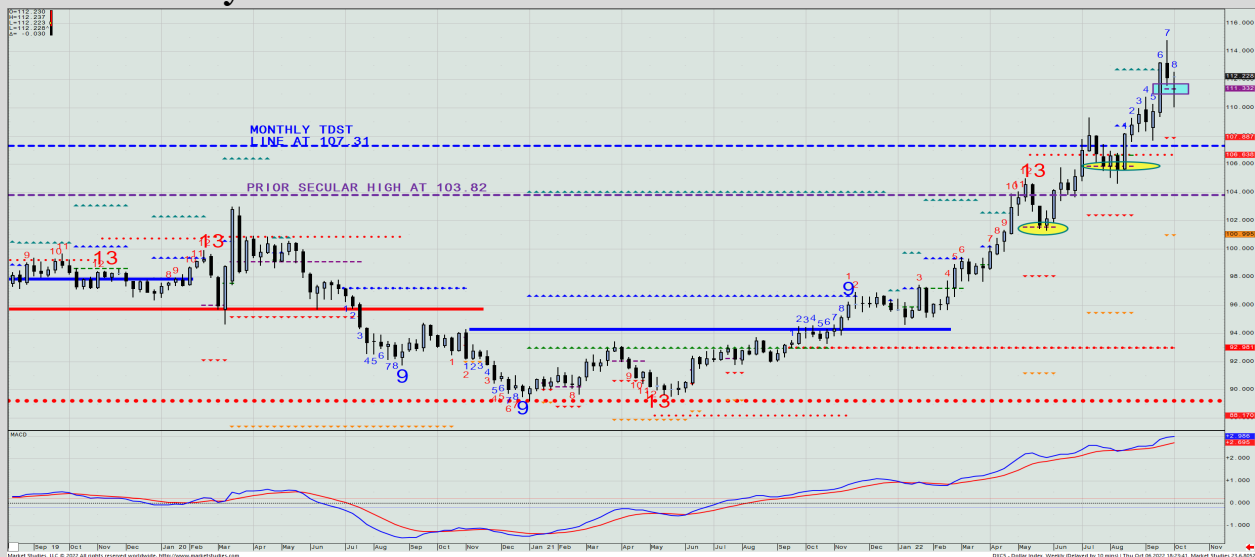
Treasury 10-yr. rates fell from 4% to a low this week at 3.56%, where they bounced on its bearish Propulsion Momentum level. A TNX close under 35.99 today would likely be short-term negative (in yield terms), especially with this week also marking a standard Sequential +13 signal. Again, a lot rides on several key markets' action and closing levels today (i.e., bonds, dollar, and SPX).

TNX – Weekly



Last Friday's US Dollar Index close < 112.63 (my previous upside target) started the week off softly for the greenback, but it's come crawling back. Its weekly bearish Propulsion Momentum level has moved up to 111.33.

DXY – Weekly



New ETF Trade Idea

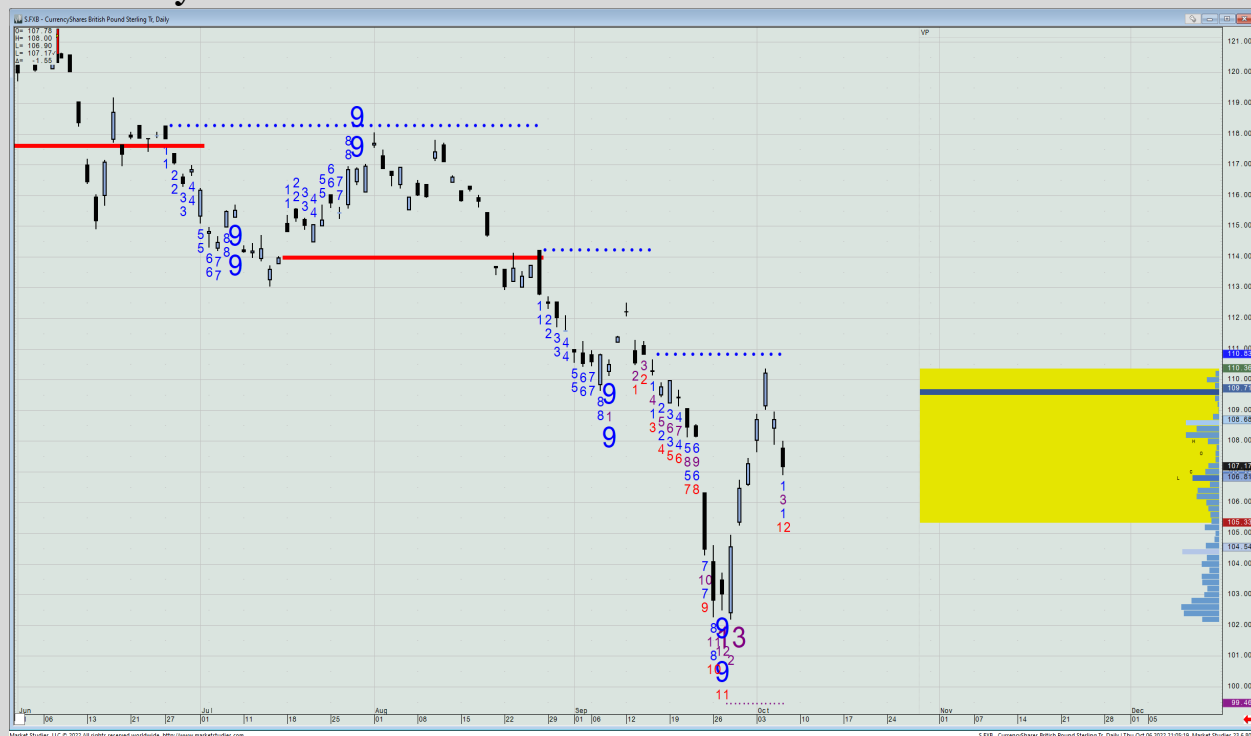
With today's jobs numbers likely making one of the two sides of the markets pretty unhappy, it's no small feat to come up with a new trade idea for this week. But I have found a currency ETF to play depending upon how today trades.

We know that the British Pound has been under extreme pressure this year, falling from \$135 to a recent low near \$1.05, with current price near \$1.11. Its associated ETF, the Currency Shares British Pound ETF (**FXB**), is trading ~ \$107 as of yesterday's close.

The low last week was made when the Bank of England came in to support the pound by buying bonds. The currency price right away spiked higher, but as you can see, FXB failed just beneath its TDST resistance line at \$1.1083. We also see that huge volume was done at ~\$109.70, where some are now trapped long (or covered poorly). That creates a resistance area between those two levels.

On the other side of this coin, an open or close today beneath \$1.0789 will mark a Sequential -13 signal – the first once since May (and that one wasn't any good.) It then would help make me to be more inclined to be a buyer on a test near the lows.

FXB - Daily



So, I put this all together to come up with the following trade idea: Let's look to buy the FXB on a pullback to \$1.0550/\$1.0450. We'll stop out the long on a close (or two; your choice) beneath \$1.0238. Conversely, if this rallies first, we'll look to sell a move to \$1.0750 to \$110.80 (scale up sell into that zone to still amass your one unit total), with a buy-stop as consecutive daily closes > \$1.1083.

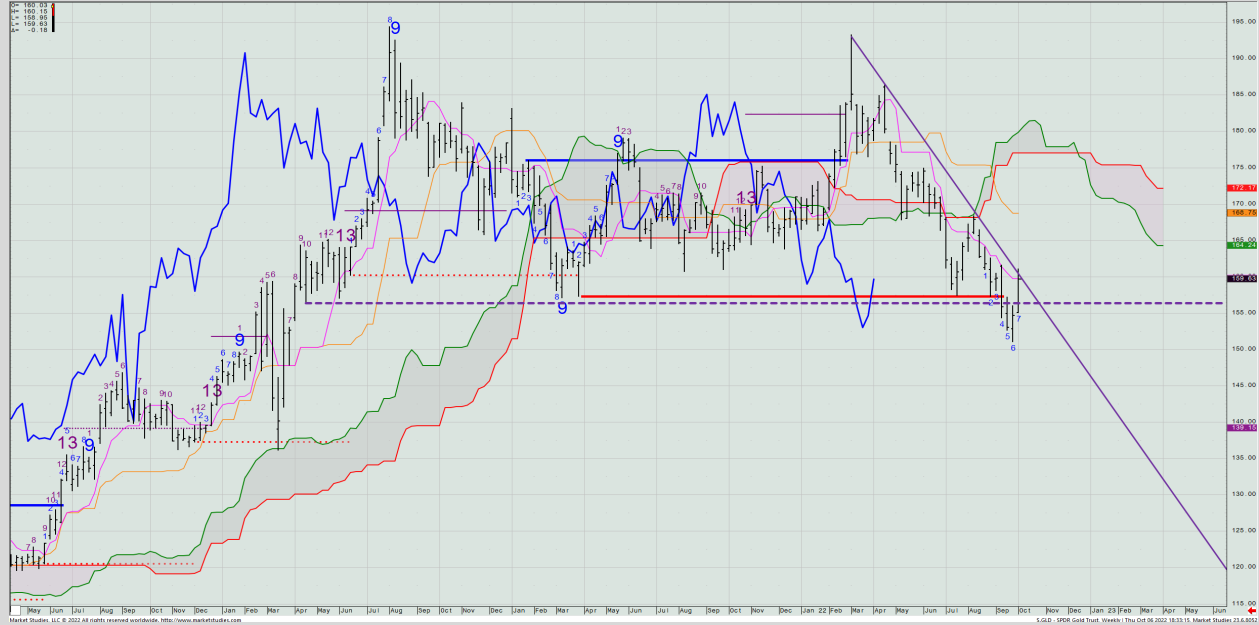
Note: if we buy first, we target where we would sell. If we sell first, we target where we'd buy.

Other Open Recommendations and Positions

Short GLD

Last week I suggested selling gold if the GLD ETF rallied to \$159/\$160 last week or this week. It got there this week (with a high at \$161.08). We will cover half of that if going into today's close we see price above \$159.82 (the close of four Friday's prior).

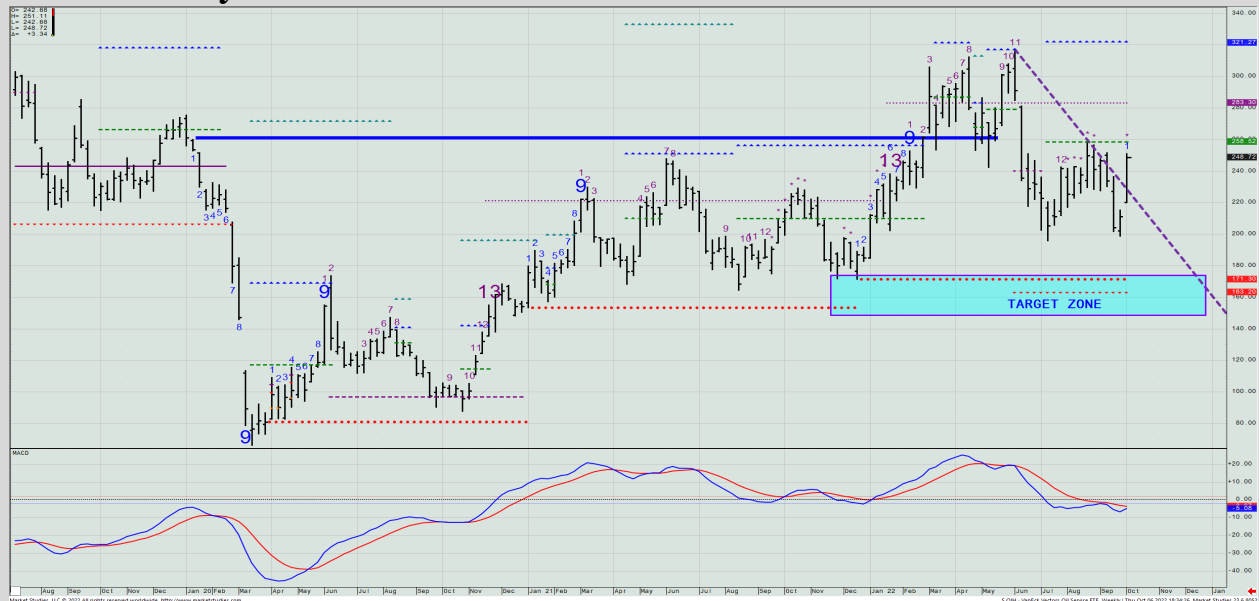
GLD - Weekly



Short OIH

Two weeks ago, we sold a half-position (avg. entry price of ~\$206.40), having gotten a very unfortunate large down open and day to short into. I'll still stick with our highlighted Target Zone to cover the short. I also had lowered our buy-stop to consecutive daily closes above \$228.22, which occurred on Tuesday and Wednesday this week. Thus, with our unlucky bad entry fill, we were stopped-out and lost 9.44% in full-unit terms.

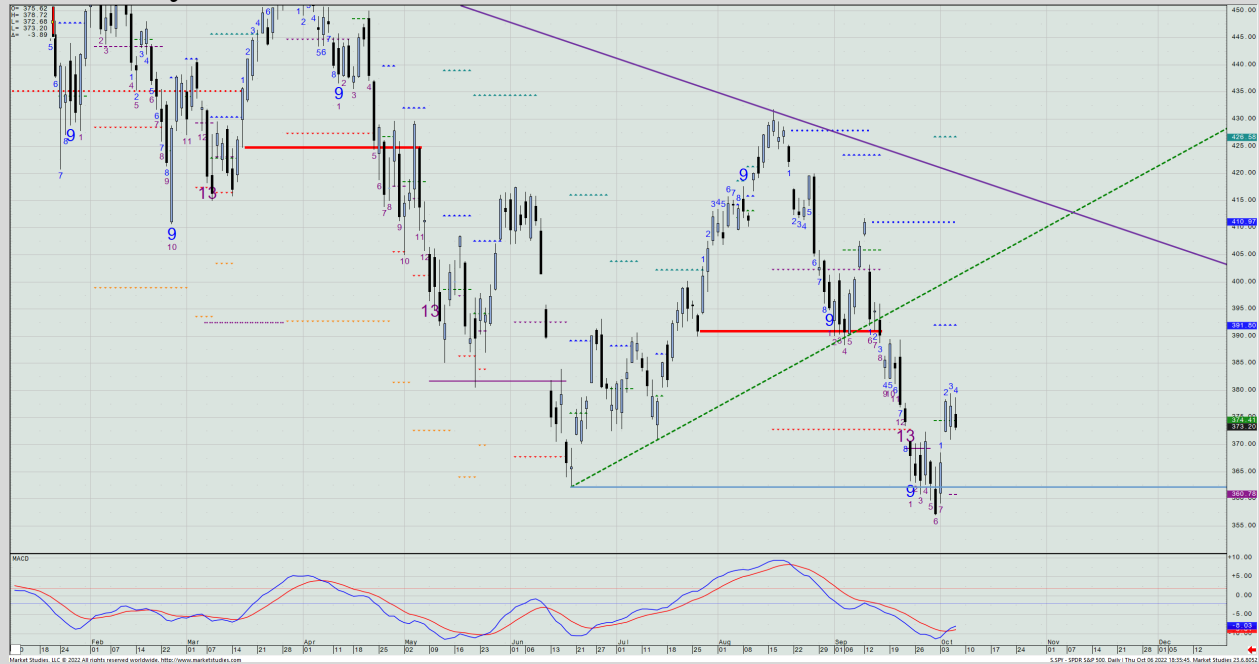
OIH - Weekly



Short SPY

We have an avg. short position at \$406, and we removed half of the trade at an avg. buy price of \$366.96 on the daily -13/-9 signals. We remain short the other half, and lowered our buy-stop to consecutive daily closes > \$377.12. (We almost got the second close on Wednesday, but didn't by pennies.)

SPY - Daily



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 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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