Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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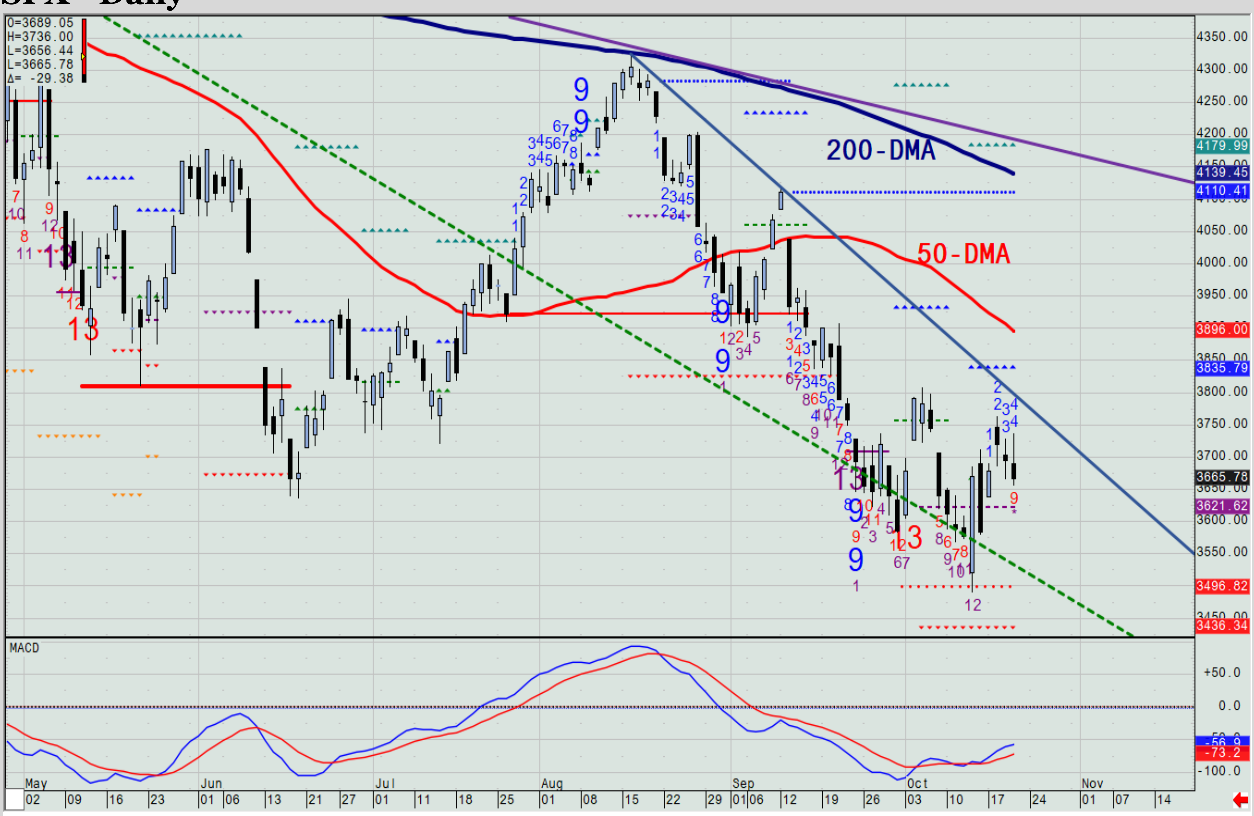
TACTICAL TRADER REPORT

The Macro Picture

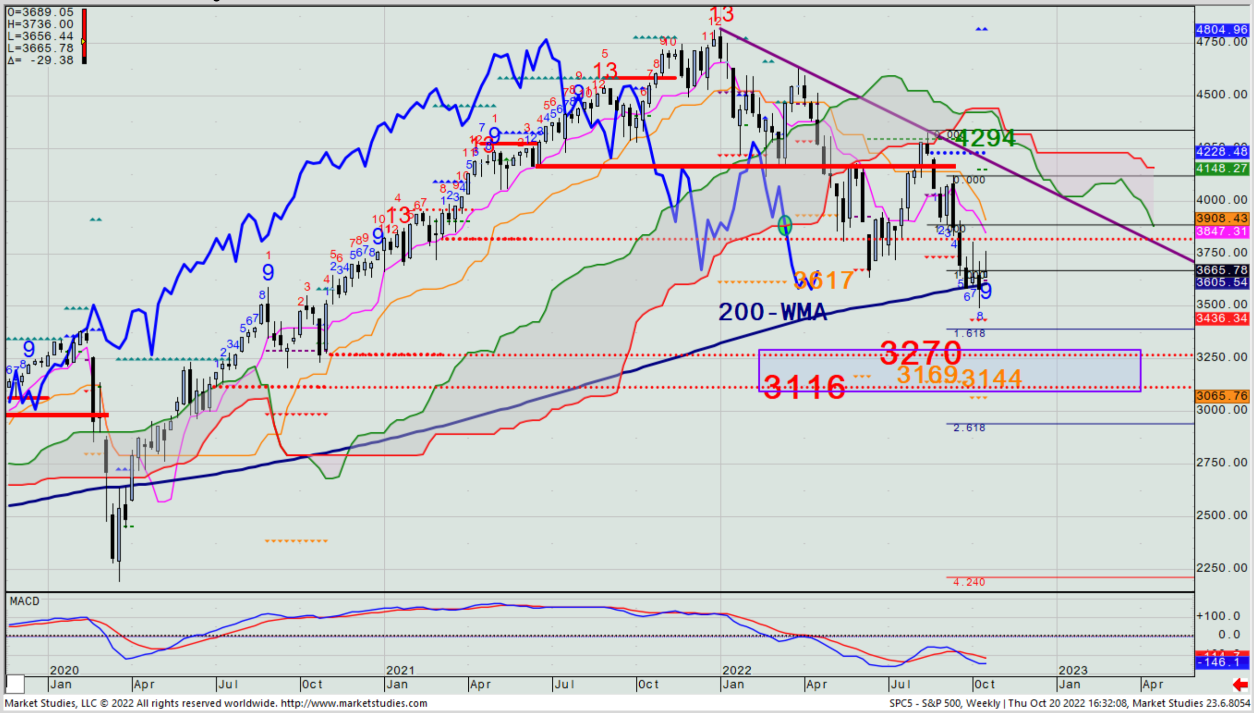
Investors jumped on Monday back into buy mode, believing that last week's new 2022 lows was "the bottom". That matched up with my belief that we would see a good tradeable low take place in mid-October – something I wrote about multiple times since mid-September. I had been hoping to be able to get long in the mid-3400s, but the SPX only got down to 3492, so I didn't quite get the last 1%, but I did get the idea right of a bounce coming in this time frame. I continue to believe that those lows hold at least through Election Day on Nov. 8th.

SPX - Daily



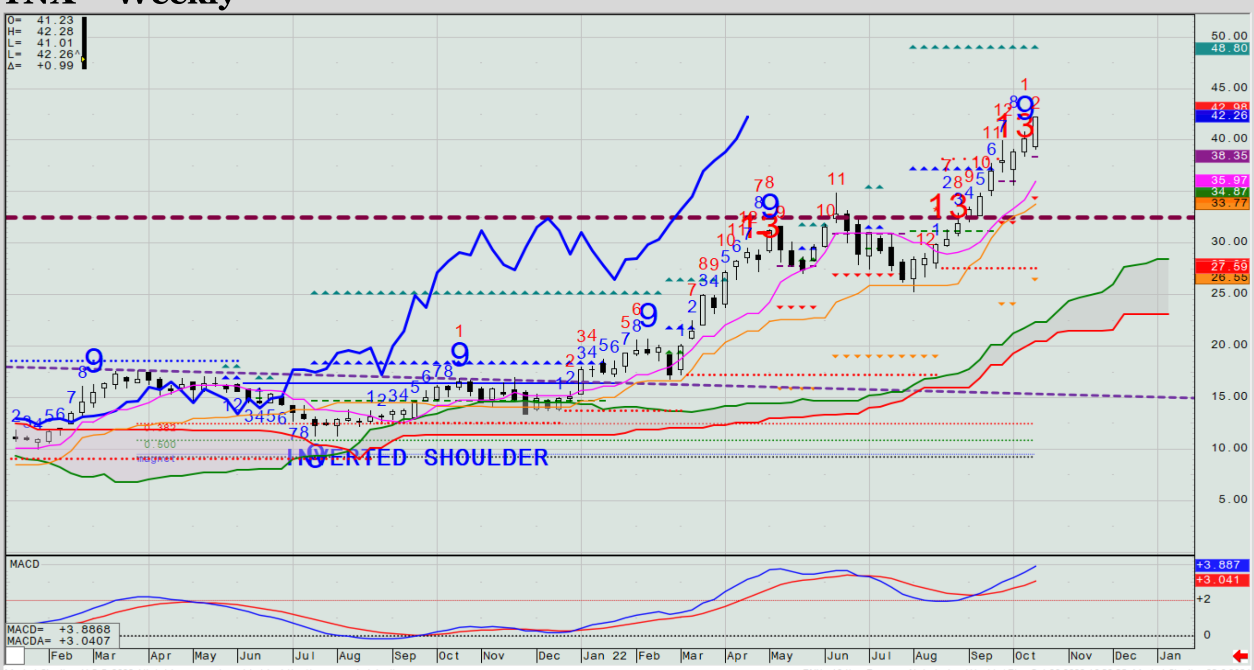
We'll see if the Setup -9 count actually gets marked or not tomorrow, based upon if the SPX closes beneath 3693.23 or not. (It needs to be beneath that level for the -9 to exist.) As I've said before, I have thought for a while that we would finally see one marked in the SPX this year, as it has not seen one during the entire decline. Seeing one would likely help define the current low as the bottom of Wave 3 of Wave III (in Elliot Wave terms).

SPX – Weekly



Treasury 10-yr. yields continue to edge higher. Surely, that is not helping stocks move significantly higher. Some Fed officials are saying that they won't stop raising rates until sometime next year. I think they're saying what everyone already takes as given.

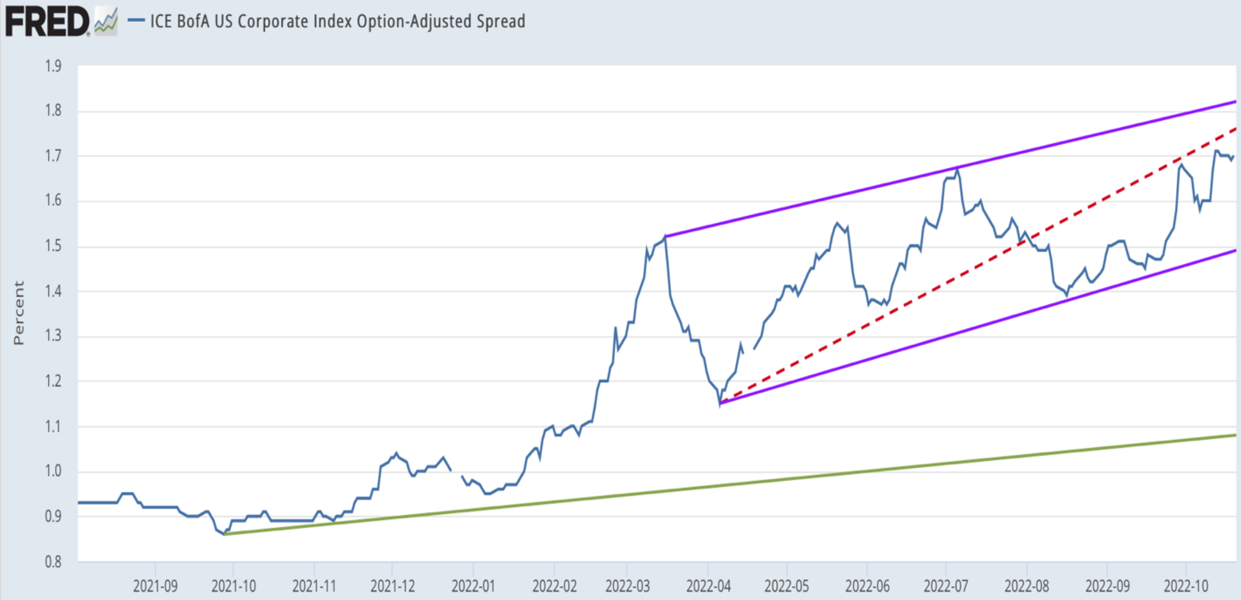
TNX – Weekly



Potential resistance levels are at the equivalent of 4.18%, 4.30%, and 4.88%. More importantly, first daily chart support has moved up to 3.97%, and first weekly support at 3.82%.

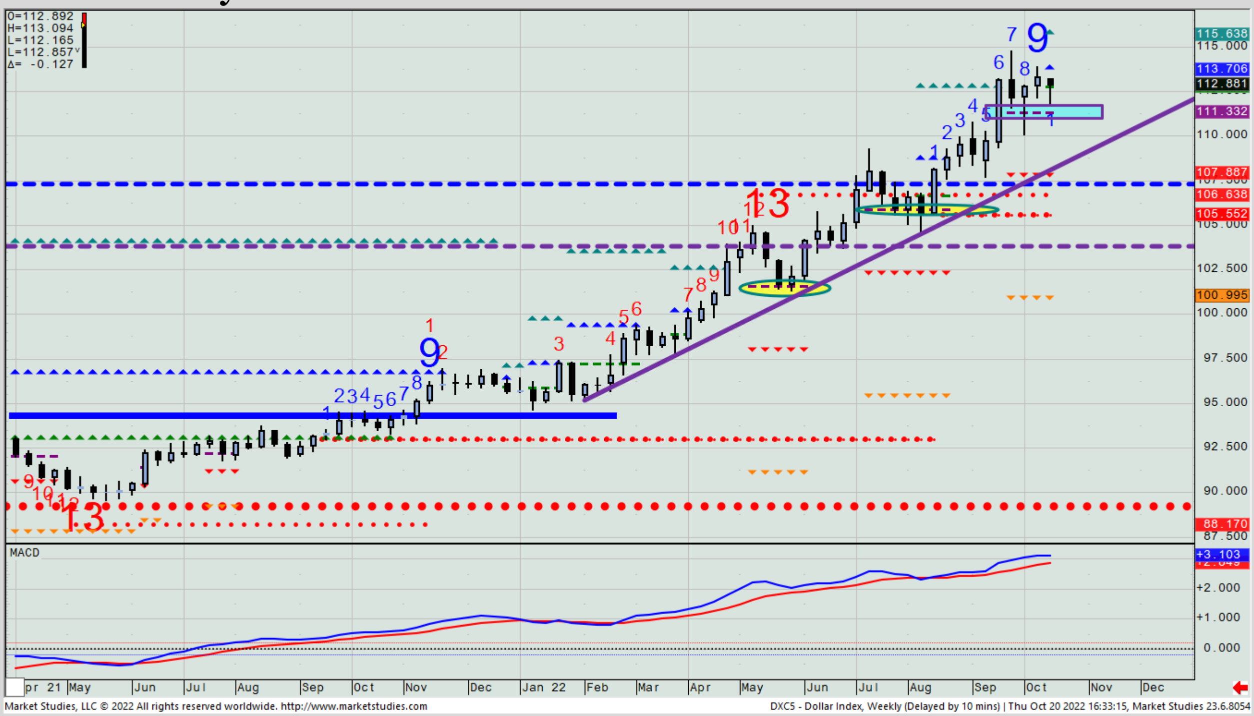
Credit spreads have widened to new 2022 highs in the past week. Our preferred spread closed at 1.71% on Wednesday, and if it maintains moving higher within the channel, it should reach over 1.8% during this run.

ICE BofA Corporate OAS – Daily



The US Dollar is pausing in its long-winded rally. I'd still watch for a Friday break of the 111.33 level as a potential clearer sign of a more meaningful near-term top.

DXY – Weekly



New ETF Trade Idea

With prospects that a global recession is imminent, and higher rates causing inflationary problems like we haven't seen in decades, stocks of emerging market nations have had a very tough year, barely off their 2022 lows. Moreover, they have been so much weaker than US stocks that they are now less than 5% above their 2020 Covid DeMark "Magnet Price" (i.e., the closing price of the bar that makes the extreme high or low of a move), whereas the SPX is over 40% above that same level.

However, with the largest of all Emerging Market ETFs (the iShares MSCI Emerging Markets ETF (EEM) quickly approaching that Magnet level ($33.35), and next week most likely becoming a weekly Setup -9 count (completing a -9/-13/-9 pattern), let's look to buy a one-unit position next week at $33.35 +/- 25 cents (if the opportunity presents itself). We'll play for a trading bounce to ~$38. I'll be able to place our stop once I see what next week's range is.

EEM - Weekly

Other Open Recommendations and Positions

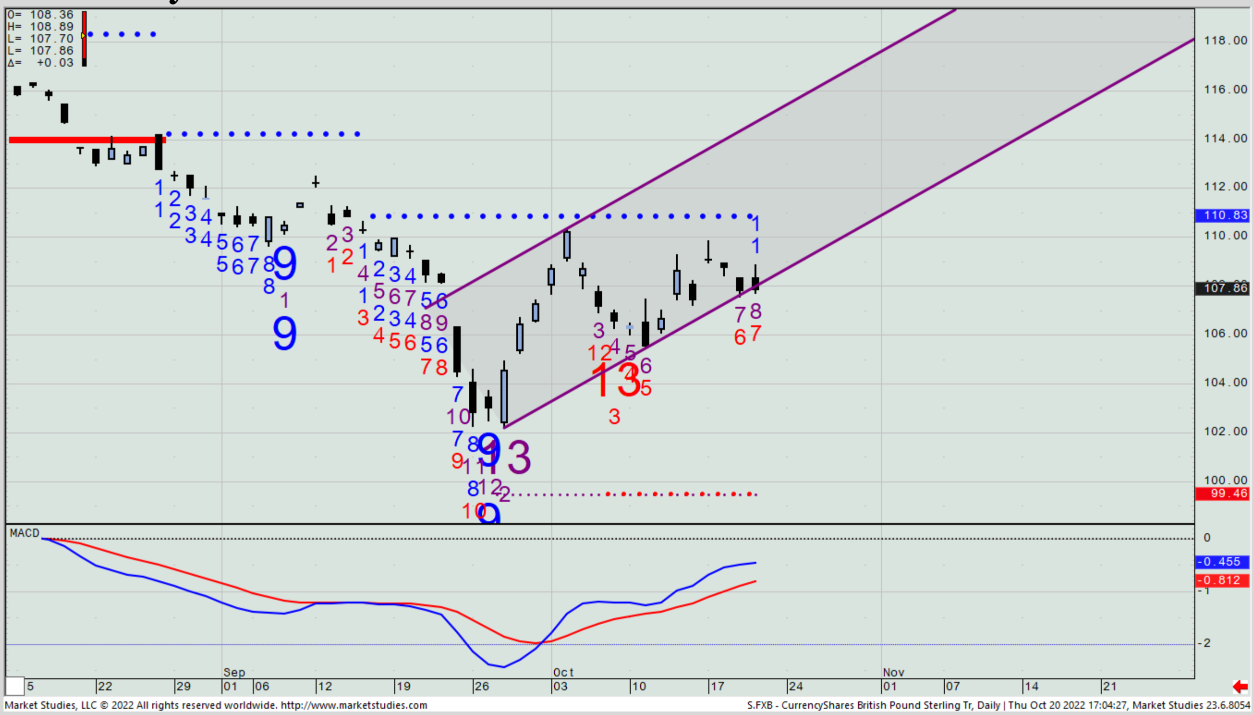
Long SMH

Last week we were looking to get long the SMH on a pullback to $174, which we saw last Friday with a low at $172.79. I am looking for a move that minimally targets $192, so we will look to remove half the long in that area. I also recommend raising your sell-stop up to breakeven.

SMH – Weekly

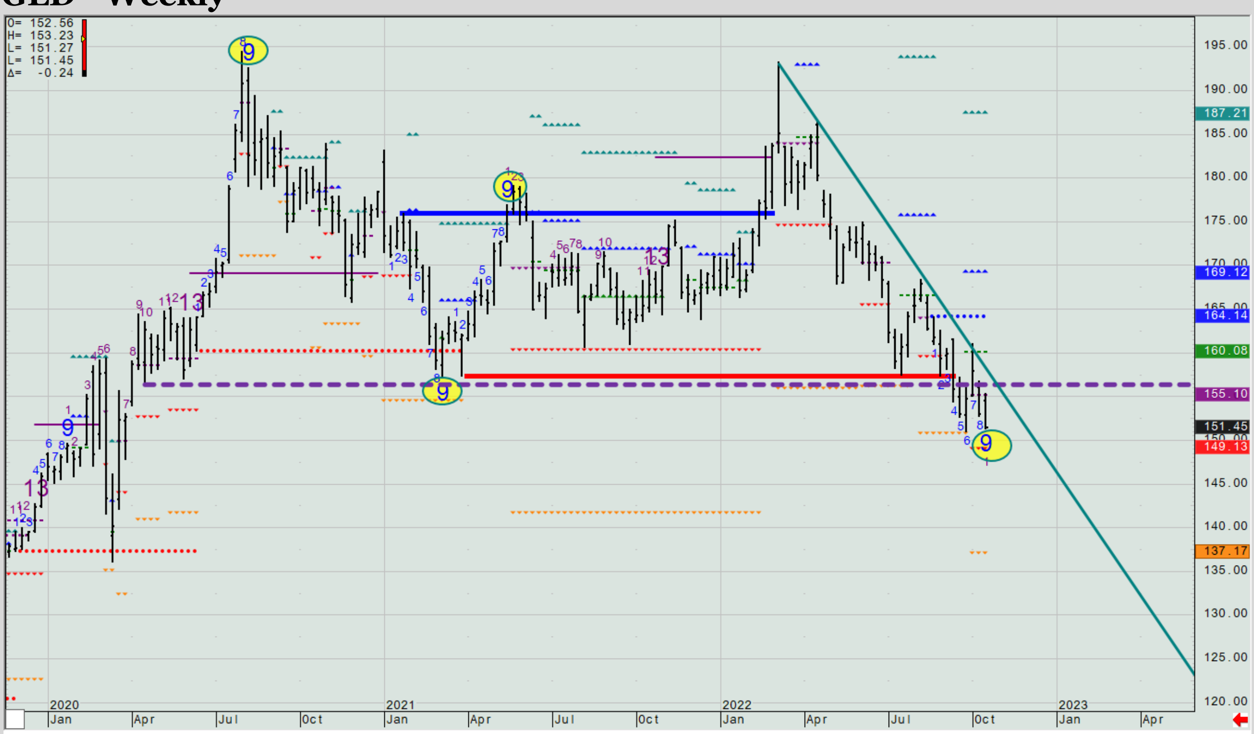
Long FXB
Some of you may have on a long position on from $1.0550 – the top end of our buy zone.   We'll exit half at $1.1083 +/- 25 cents. And our sell-stop is at your breakeven entry price.

FXB - Daily



Short GLD
Three weeks ago, we shorted the GLD ETF at an avg. price of $159.50. We covered half last Friday at an average price of $153.82. Let's take another 25% of this off at $149.13 +/- 25 cents. We'll stop-out the balance on consecutive daily closes > $155.10.

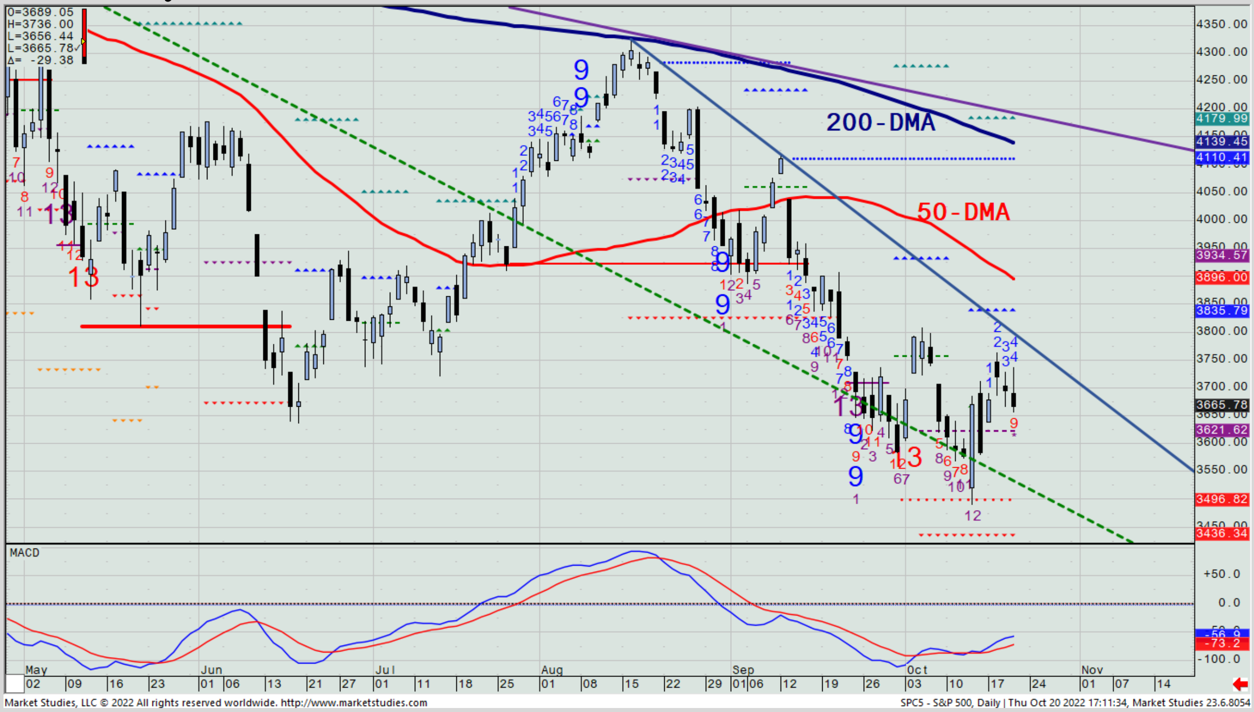
GLD - Weekly



Short SPY

We have an avg. short position at $406, and we removed half of the trade at an avg. buy of $366.96. We covered the other half last Friday at an average price of $363.61, giving us an average profit of 0.9%. (Anytime you make money on a hedge, it's a good thing.)

SPY - Daily



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