Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

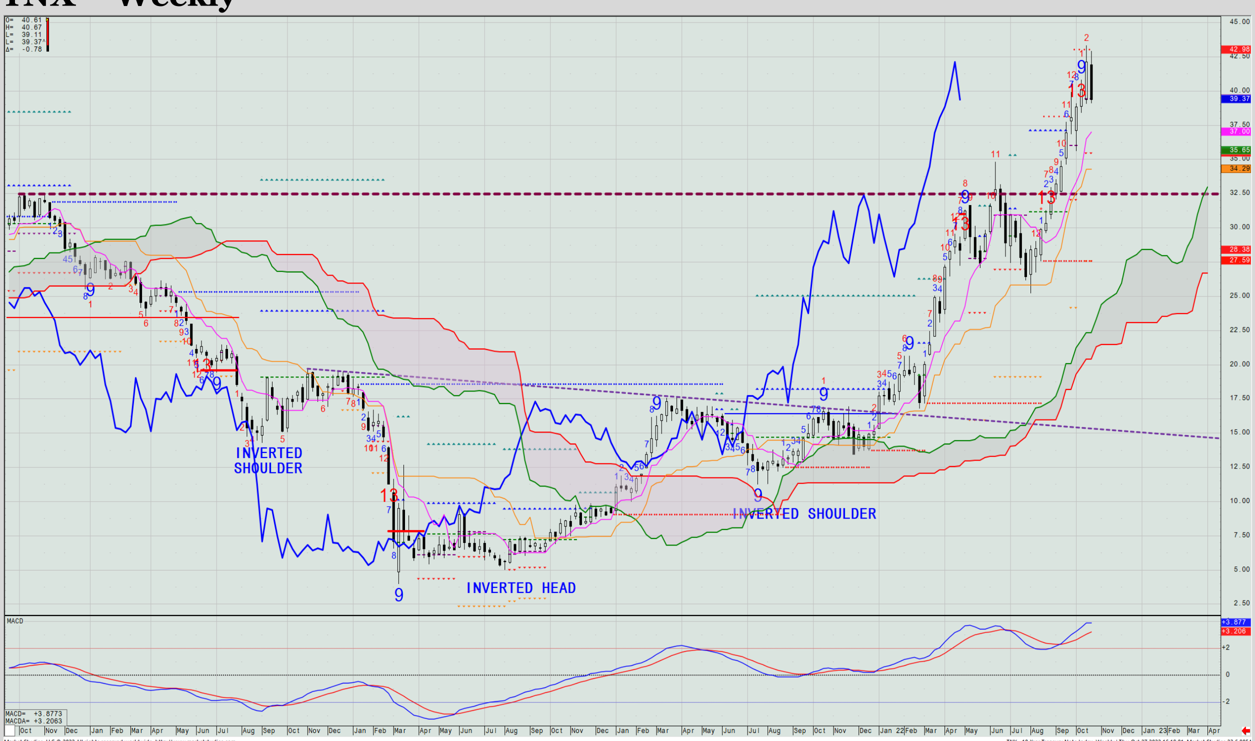
The Macro Picture

Big tech is having a tough time during earnings season, something not unexpected as they're almost all multi-national firms, and dollar strength this year is taking a big bite out of profits coming from overseas. Earnings season is well underway, with some 1150 names (of all market caps) reporting numbers today.

Stocks continue to hold well above those mid-October lows, and they should continue to do so over the next week-and-a-half through Election Day, if not beyond. However, I still look at this rally as one within the context of an overall bear market, and when and if we get to 4100+, I will again be reducing long-term exposure from positions I've held for years. I still believe that 2023 will not be a great year for stocks, and that there's still another leg to the downside coming next year that many are just simply not looking for.

There is continued talk from bulls of the Fed taking their foot off the rate-hike pedal this coming FOMC rate statement next Wednesday. In my view, I see little chance of them curtailing the hikes. One can even make the case that they are still behind just how much rates need to move higher in order to meaningfully cut the multi-decade high inflation numbers.

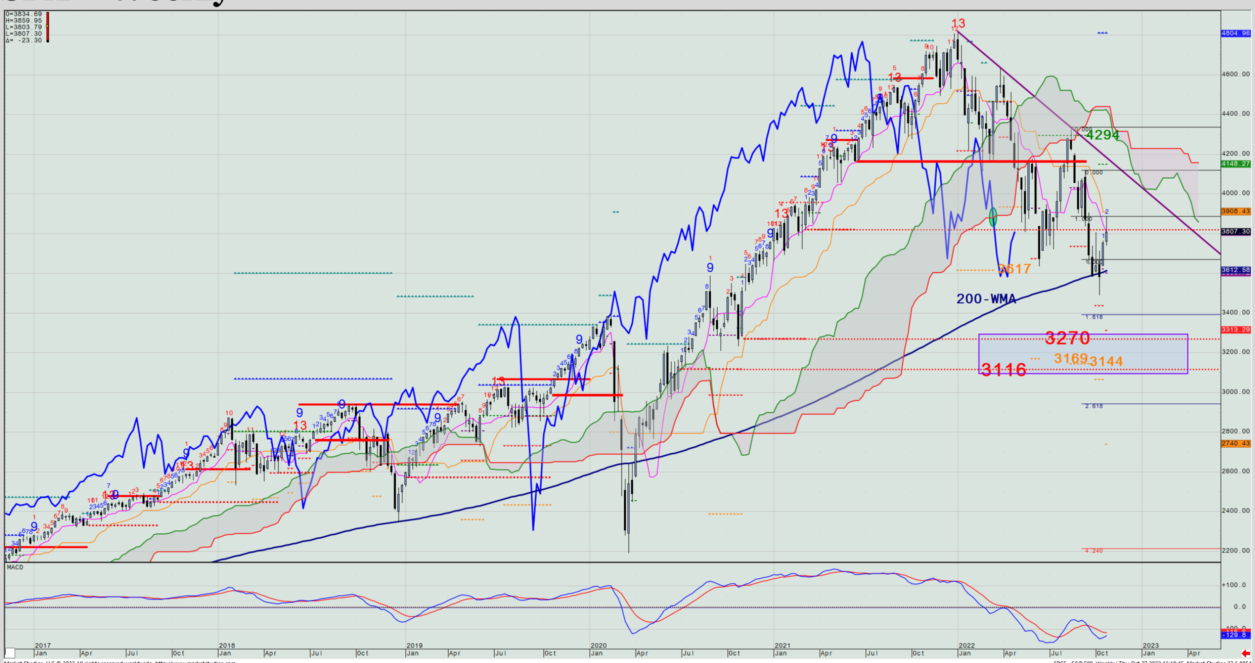
TNX – Weekly



Let's take a look at the bond market, as the UST 10-yr. rates have fallen some 30 bps. this week. This downmove came on the heels of a weekly Sequential +13/Setup +9 counts seen over the past few weeks, and a close today beneath 3.94% that then next week gaps lower/makes a lower low than this week/closes lower than this week creates the first qualified and confirmed weekly Propulsion Momentum sell signal of the entire rally since all-time lows were made. (This would be negated by consecutive weekly closes > 4.30%.)

The SPX has rallied since the last CPI figure got released in October, and that bad news number is what bottomed the stock market (as is so often the case. Markets rarely ever bottom on good news.) My main two resistance levels (amongst other lesser ones) are at SPX 3908 and then 4148 – the latter if reached will be where I largely reduce holdings.

SPX – Weekly



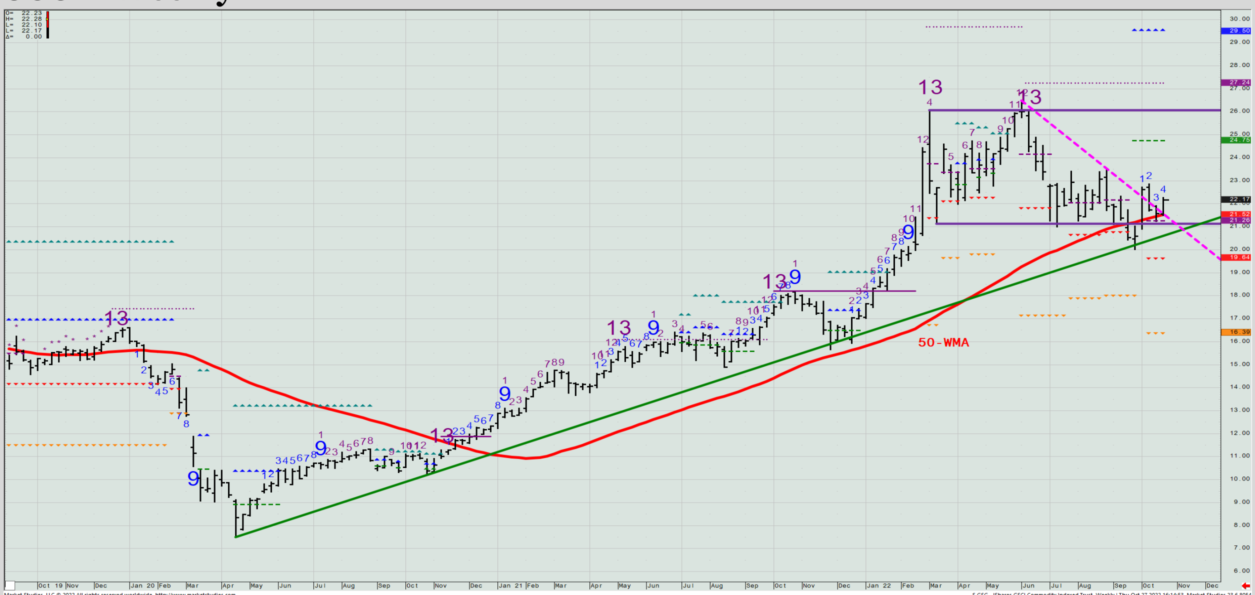
Earnings coming out after yesterday's close has S&P futures sharply falling as I write this (down another 40 pts. on top of the 24 or so they lost on Thursday). Big tech is getting kicked in the face.

The US Dollar is pulling back after reaching 20-year highs last month. Last week I mentioned to watch for a break of the 111.63 level by today's close, and if so, some downside follow-through next week opens the door for a move to 108 to 105.50. That potential weakness will be taken bullishly by both stock and bond bulls.

New ETF Trade Idea

With short-term dollar weakness at hand, commodities should get some general price rebound since the sector peaked in June. When I look at a name we've played before – the iShares Goldman Sachs Commodity Indexed Trust ETF (GSG), we see the major uptrend line having held in September and a bounce from near the 50-week moving average. As last week sold down to the bearish Propulsion Momentum level, let's look to get long one unit today, looking for a move to ~ $24.75 to exit while risking a Friday close beneath the uptrend line ($20.60 this week, rising 10 cents/wk.).

GSG – Weekly

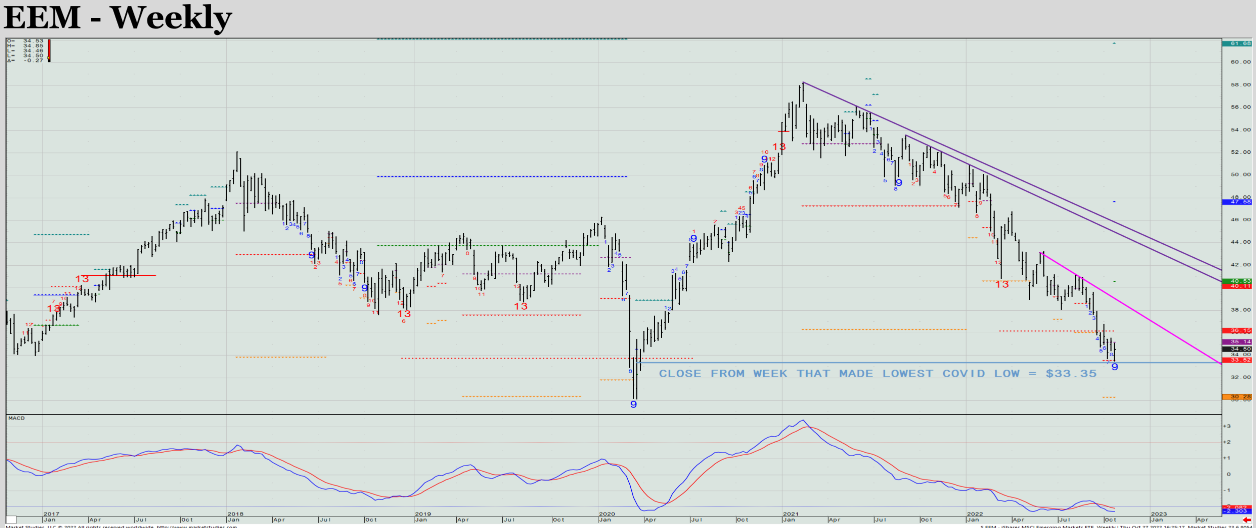


Other Open Recommendations and Positions

Long EEM

Last Friday I suggested looking to get long EEM sometime this week if we saw a move in it down to $33.35 +/- 25 cents. This week's low is $33.48, so we did get entry (or certainly, at least some) while it also marked its weekly Setup -9 count (so long as today doesn't close above $34.88, the close of Setup bar -5). I'm looking for a move up to near $38, and we'll adjust that over time depending upon how long it might take to get there. We'll stop this long out on consecutive Friday closes < $33.35.

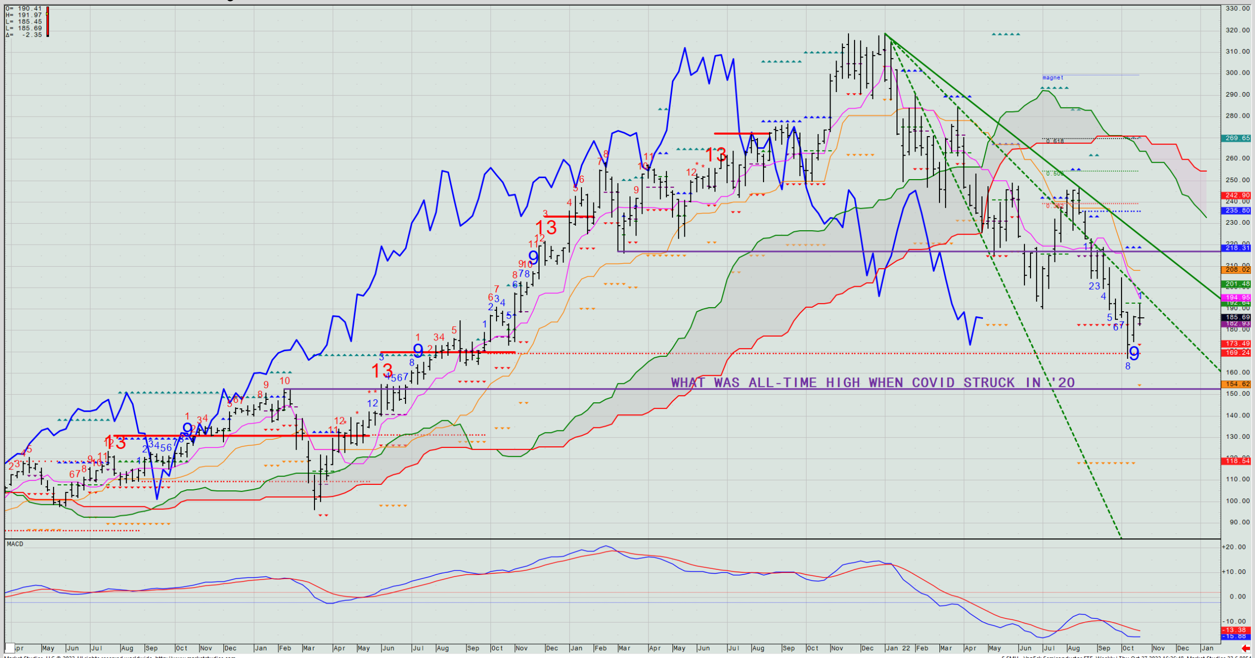
EEM - Weekly



Long SMH

We bought this two weeks ago at $174. I was looking for a move that minimally targeted $192 (high got to $192.36) which we saw this week and where I had said to take off half. I also recommended raising your sell-stop to breakeven, which it should now already be at for the other half.

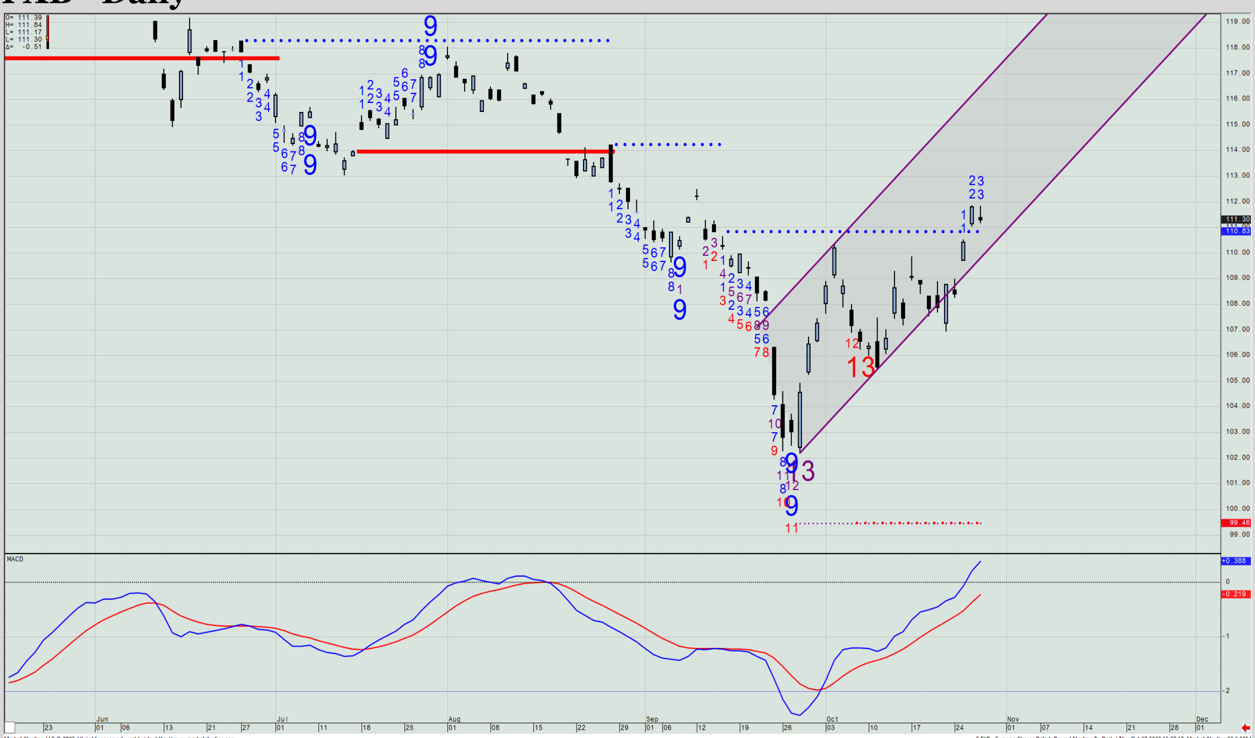
SMH – Weekly



Long FXB

Some of you may have on a long position on from $1.0550 – the top end of our buy zone. We'll got our exit to sell half on Wednesday at $1.1083 +/- 25 cents (filled at $111.14 on the gap up opening). Make sure the rest has a sell-stop at no worse than your breakeven entry price.

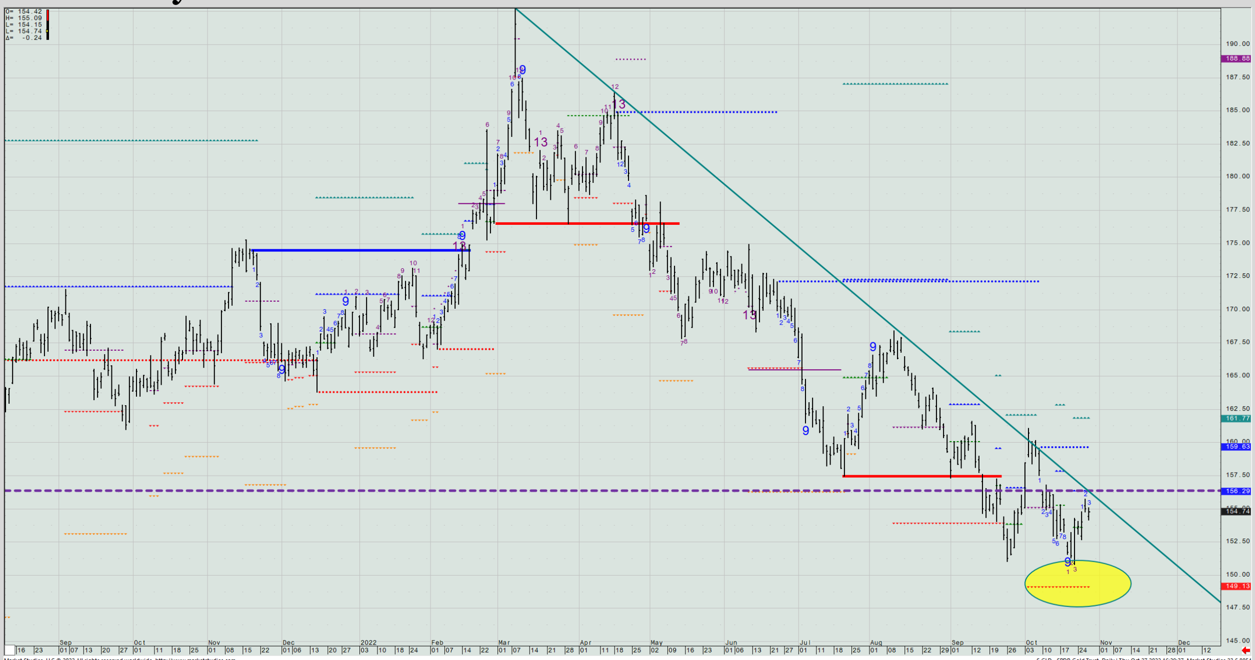
FXB - Daily



Short GLD

In September, we shorted the GLD ETF at an avg. price of $159.50. We covered half at an average price of $153.82. With recent dollar weakness, let's cover the balance of GLD on any consecutive days that the DXY closes above 111.33.

GLD - 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.

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