Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

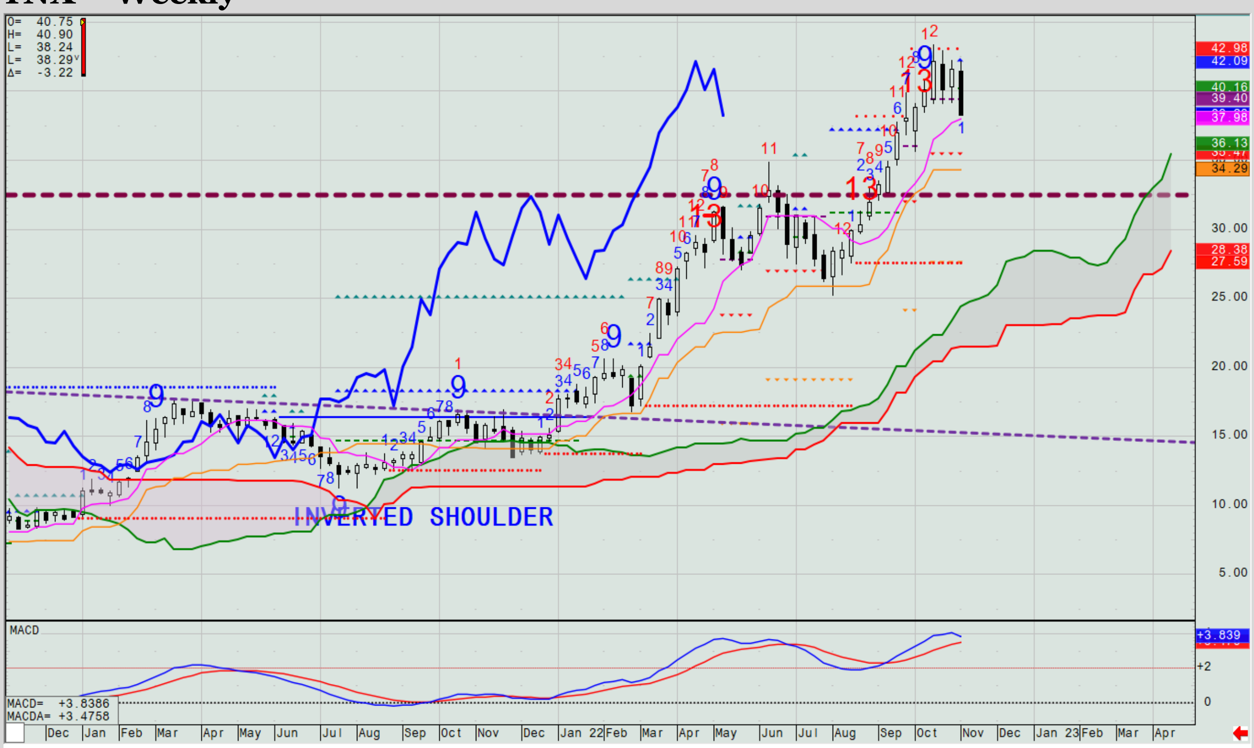
The Macro Picture

Yesterday's lighter-than-expected CPI figure gave the bulls the elixir they so needed to give the equity market its biggest upmove of the year. It also led to a huge decline in rates and the dollar. It was quite the day.

Let's look across the markets we usually do to get an update across the key asset class landscape:

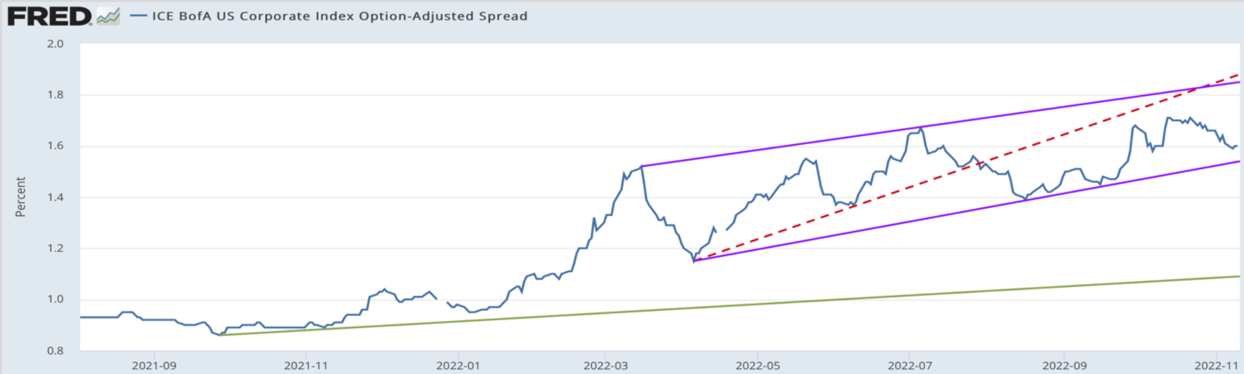
For the past three weeks in a row, **the UST 10-yr. rate** low was right by 3.94%, the bearish Propulsion Momentum level. Last Friday, these yields closed up on the week at 4.16%. That makes a Friday close beneath 3.94% today a qualified breach, upping the odds that yields can slide lower. The two targets I'd make from that are at the weekly Conversion Line (3.80%) and Propulsion Exhaustion level (3.56%).

TNX – Weekly



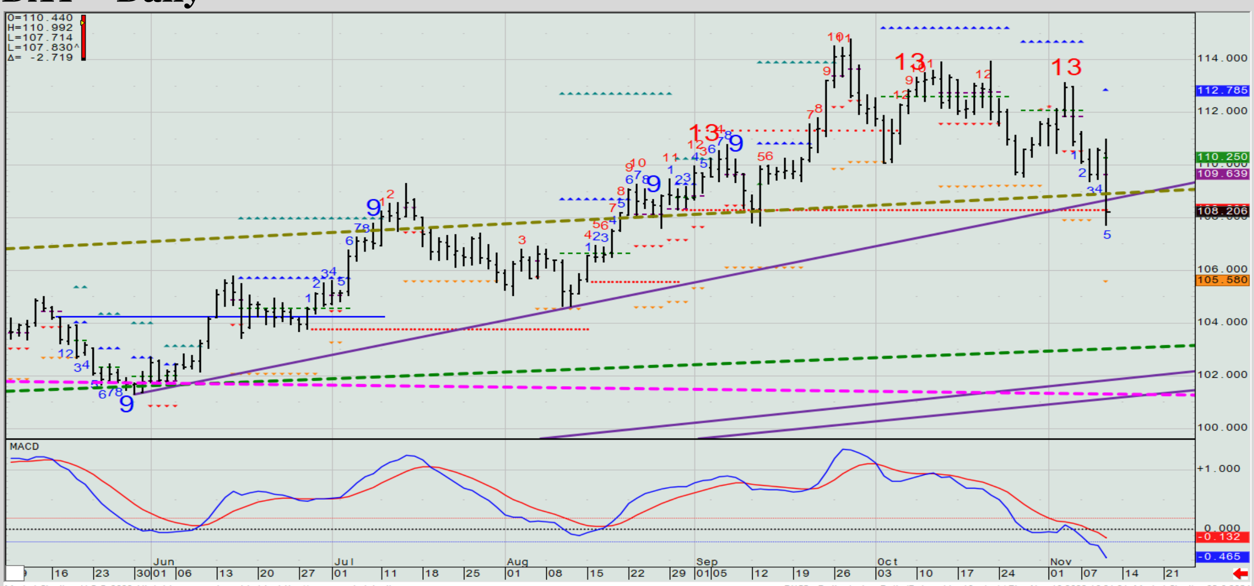
Credit spreads have narrowed, and the ICE BofA Corporate Index OAS closed at 1.60% on Wednesday. Even if the lower channel line gets broken, this remains an uptrend until and if we see a breach of 1.37%.

ICE BofA Corporate Index OAS - Daily

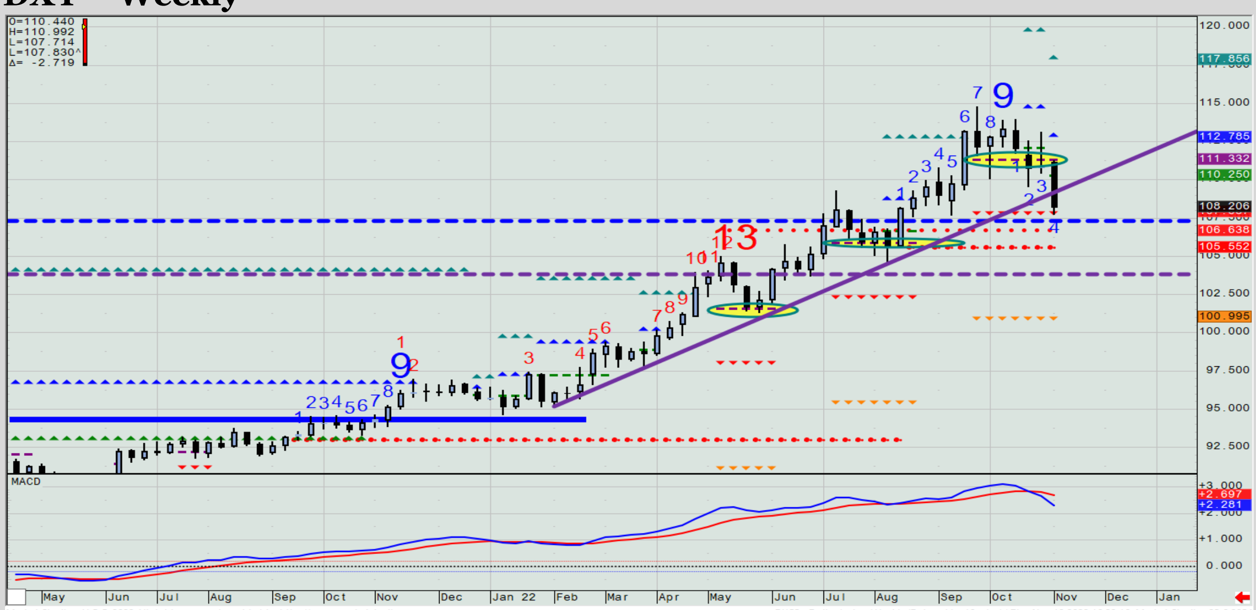


Last week's up close in the **US Dollar Index** set up a potential qualified breach of the 111.63 bearish Propulsion Momentum level this week, and along with the two recent daily Sequential +13s we've seen is what led to a top in the greenback. My initial downside target on this is the 108 to 105.50 area.

DXY – Daily

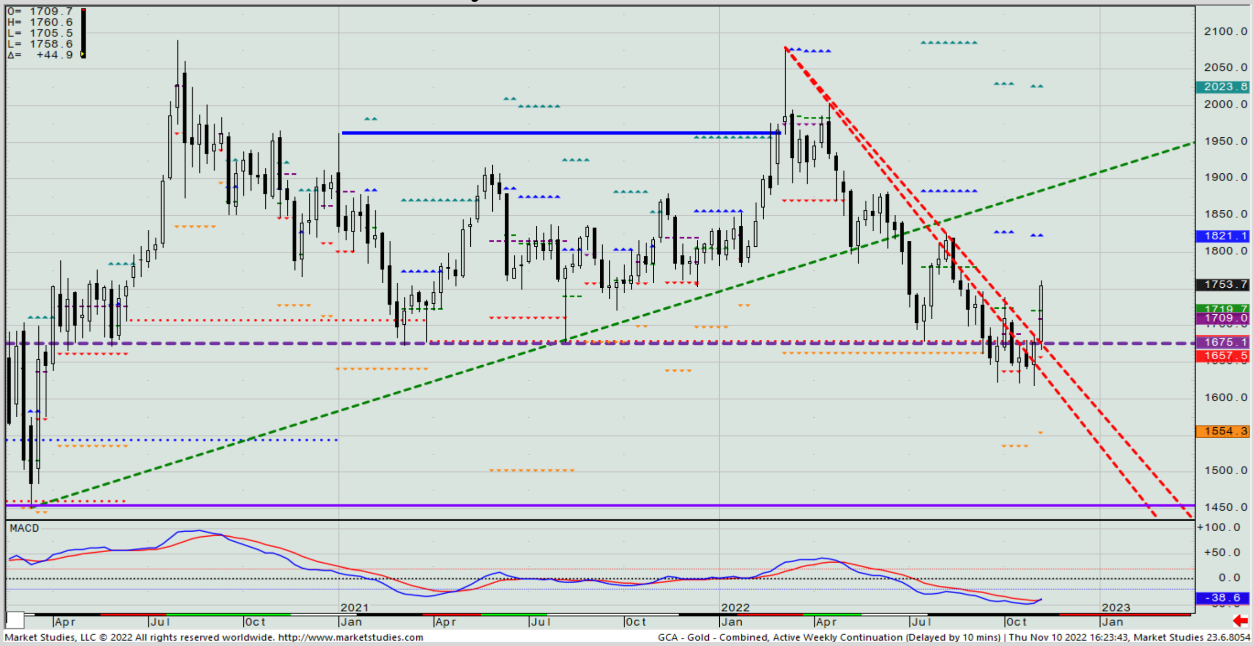


DXY – Weekly



Metals markets almost always trade better on a weaker dollar, and we can see the **gold** market has not only failed to materially break when it should have a month ago, but now got the boost it needed from the lower greenback.

COMEX Gold – Active Weekly Continuation



Equity markets got a massive upmove on Thursday. The bigger question is does the mild CPI beat mean the bearishness should be over for the balance of the year? To me, no. But that doesn't mean that there still can't be some upside follow-through this month until we get to next month's Fed meeting, CPI figure, and employment report.

I think that yesterday's move had to clean out a bunch of short positions, though the market isn't yet materially higher than where it recently peaked on Nov. 1. So, let's figure that buyers can push the indexes still higher in the near-term – maybe even to test or mildly exceed the September high. (Should that happen, I'd be a seller again as there is still significant resistance in the 4100+ area.)

SPX – Daily

As of now, the bearish daily Propulsion Momentum level (which was tested last week on the low of the move at 3703), has moved up to 3719. As long as that is not exceeded, you have a bullish near-term picture to look to bid into on pullbacks.

New ETF Trade Idea

Many tech names/groups have been gutted this year. One particular area of huge demise has been cloud computing names, with one of the group's ETF, the **Global X Cloud Computing (CLOU)** one down as much as 45% this year on Tuesday this week – what is now its lowest close of 2022.

Yesterday's huge move up was not lost in this name either, with a gain of 11+ percent. The massive gap up leaves a low-volume area in which we may get an opportunity to bid into in coming days. As such, let's look to buy one unit of CLOU on a pullback to the $15.60 to $15.30 level (I'd suggest you have resting bids in there because it may be a flash chance to get long in there) for what I think can be an initial move up to $17.64, the most recent TDST resistance line. We'll risk to a new closing 2022 low under $14.61.

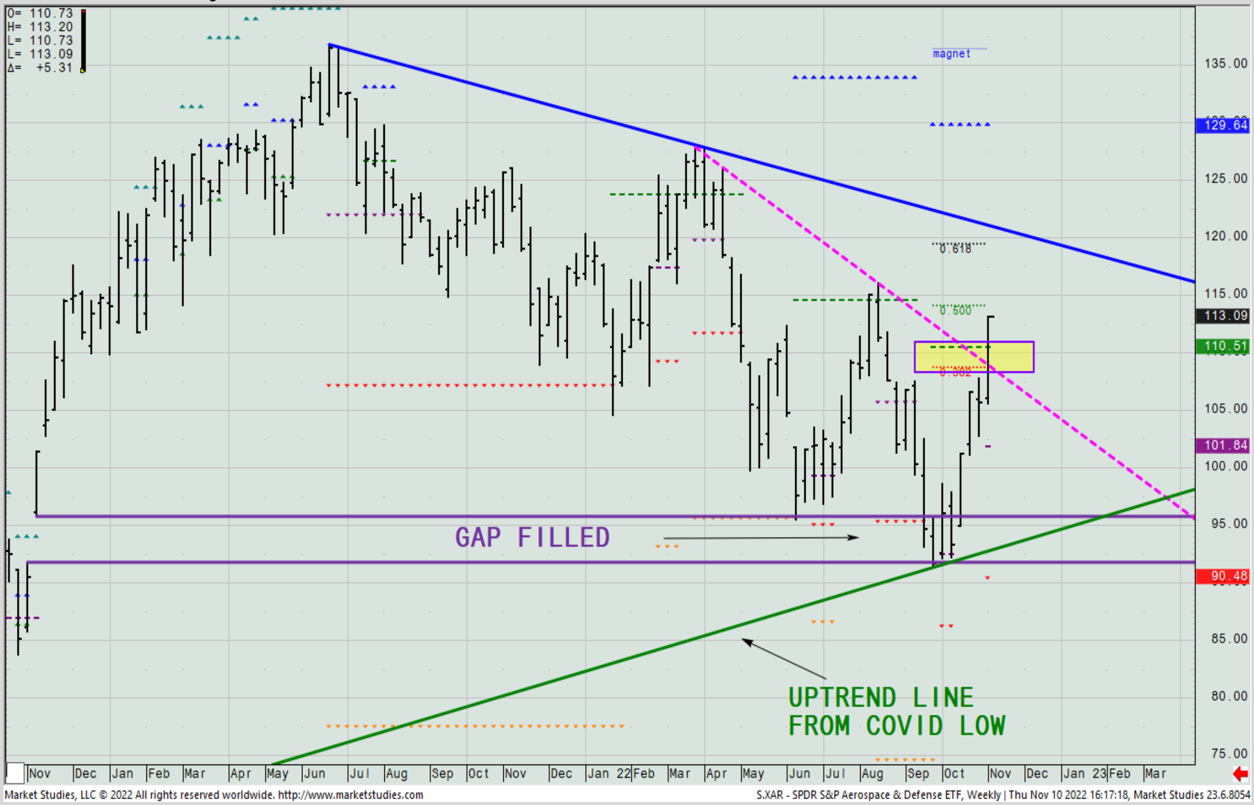
CLOU - Daily

Other Open Recommendations and Positions

Short XAR

Last week we looked to short this ETF in the $108.73 to $110.51 zone. (We got filled at an avg. entry price of $109.62.) Our stop out was posted as a Friday close above the $116.07 high from August, but given the news-driven thrust higher seen yesterday, I'd also look to buy this back at anything near breakeven if we get the chance to.

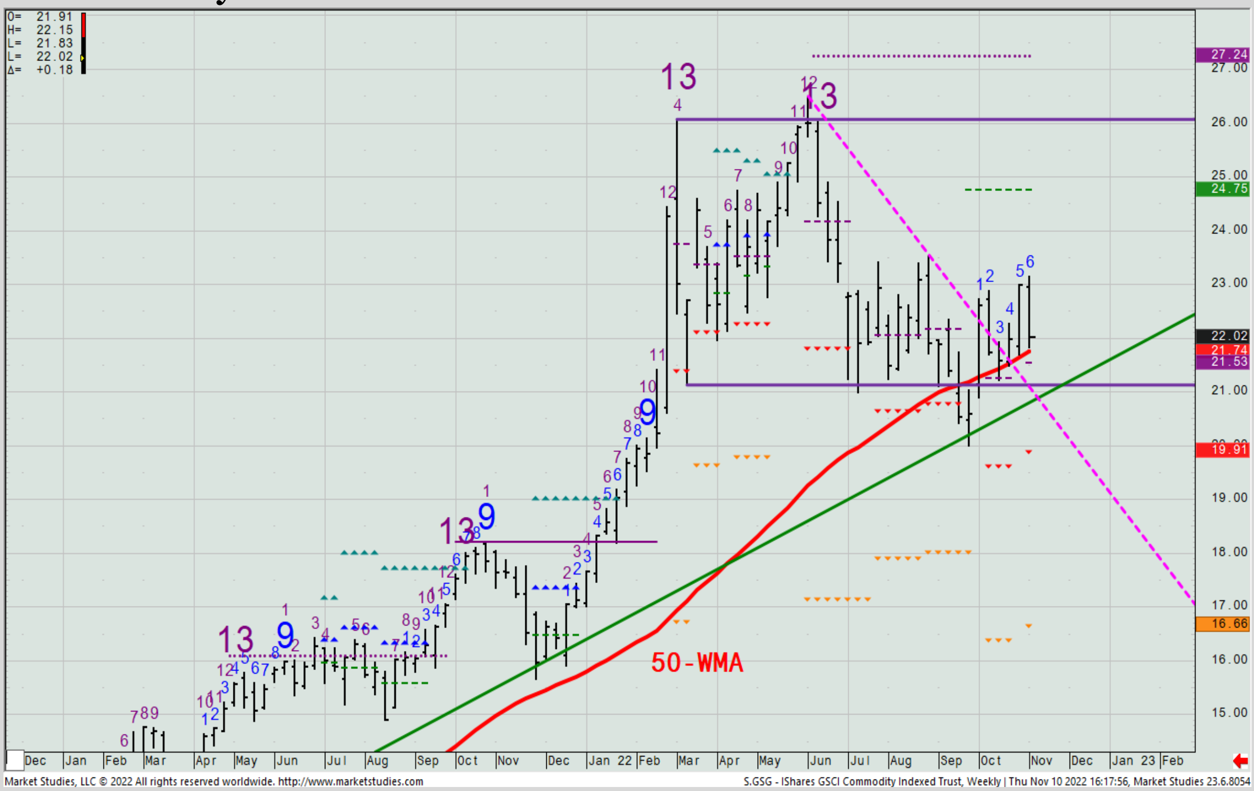
XAR - Weekly



Long GSG

Two weeks ago, we went long at an avg. entry price of $21.90. The upside target remains ~ $24.75. I am going to raise our sell-stop to any Friday close (including today) that the close is less than $21.53.

GSG – Weekly



Long EEM

Three weeks ago, I suggested looking to get long EEM if we saw a move in it down to \$33.35 +/- 25 cents. The subsequent low was \$33.48, so we did get entry (or certainly, at least some) while it also marked its weekly Setup -9 count. We'll look to take profits on half between \$38 to \$38.25. We'll stop this long out on consecutive Friday closes < \$34.666 or a single Friday close < \$33.35.

EEM - Weekly

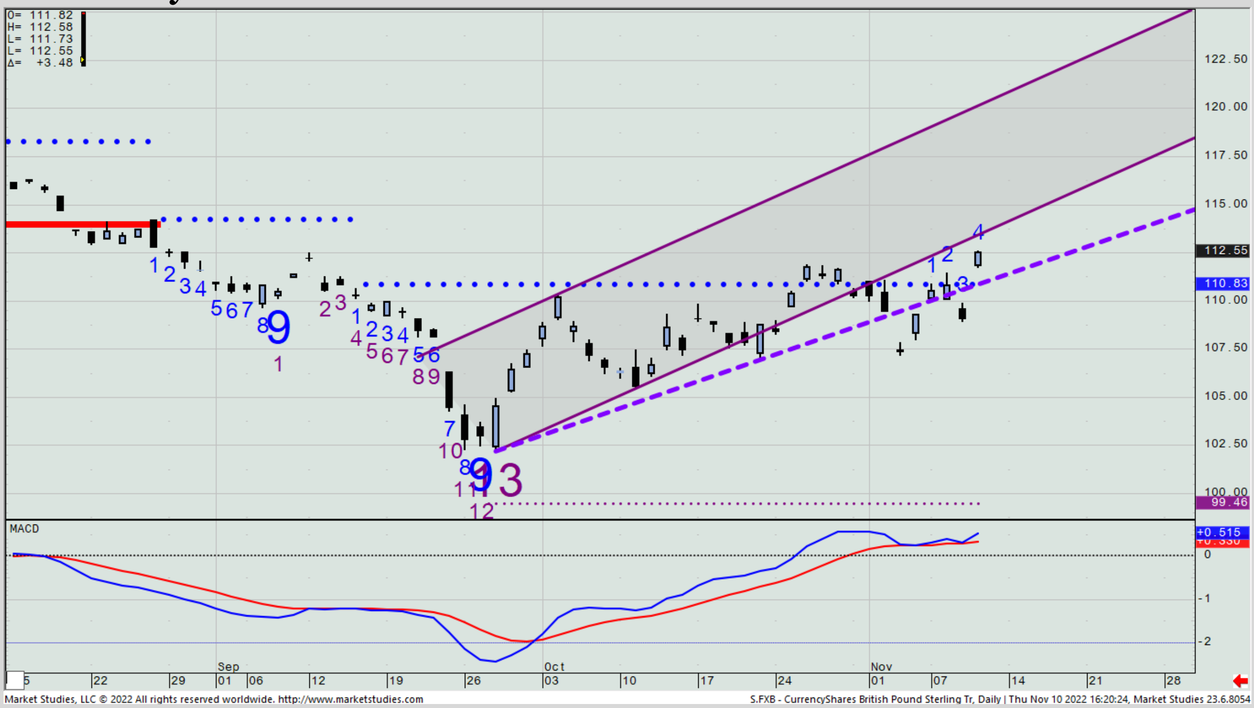
Long SMH

We bought this four weeks ago at \$174. I was looking for a move that minimally targeted \$192 (high got to \$192.36) which we saw and where we already took half off. We'll now look to take profits on another half of what we have on between \$217.75 to \$218.50. Raise sell-stops up to a Friday close < \$192.90.

SMH – Weekly

Long FXB
Last Friday we exited the second half of this long from $1.0550, having previously sold half at $1.1114. We had an avg. fill last Friday at $1.0866. Thus, in all we made 4.2% on this currency trade.

FXB - 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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