



Positioning Individual Investors Alongside Professionals

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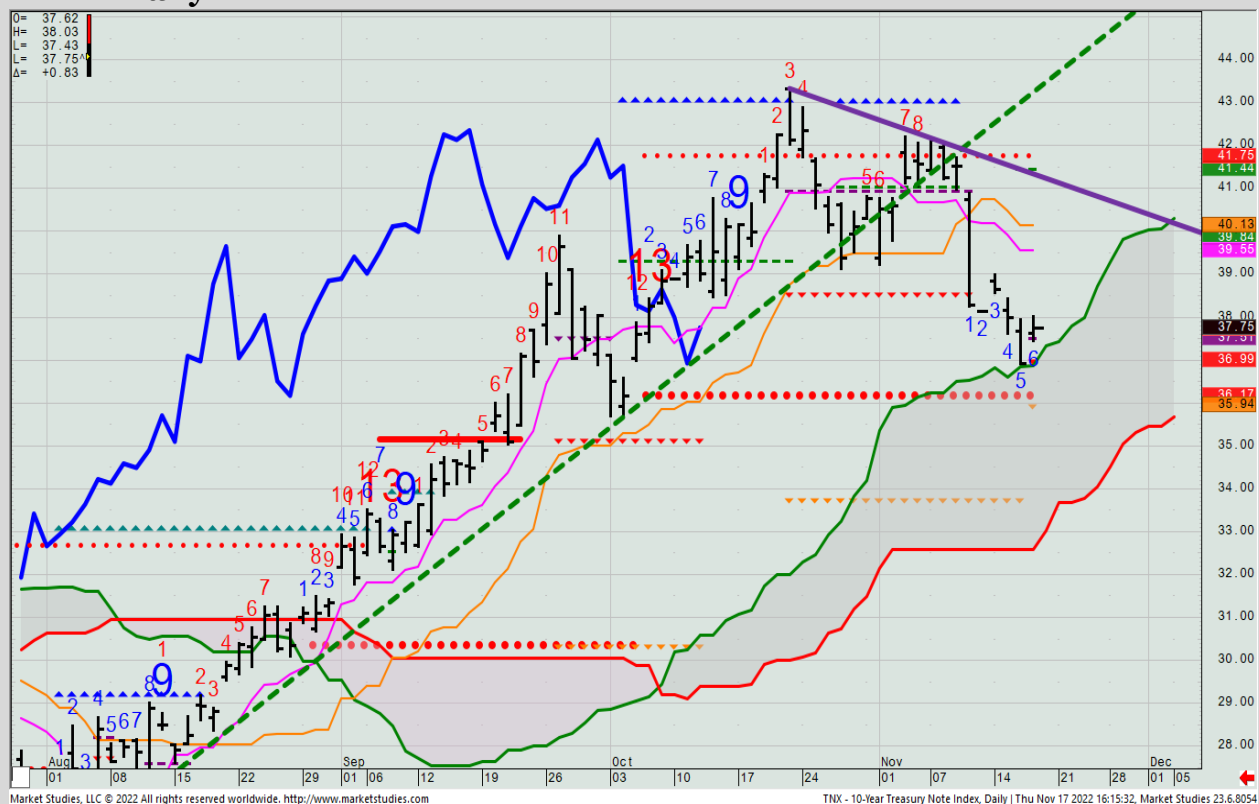
TACTICAL TRADER REPORT

The Macro Picture

Investors got a better than expected PPI figure earlier this week, but mixed earnings figures as well as Fed officials telling us that they are not taking their foot off the rate hike gas pedal (i.e., “it’s not even being discussed”) has given a negative tone to the week, along with St. Louis Fed President James Bullard yesterday saying that Fed Fund rates may need to go as high as 7% to get the inflation-fighting job done.

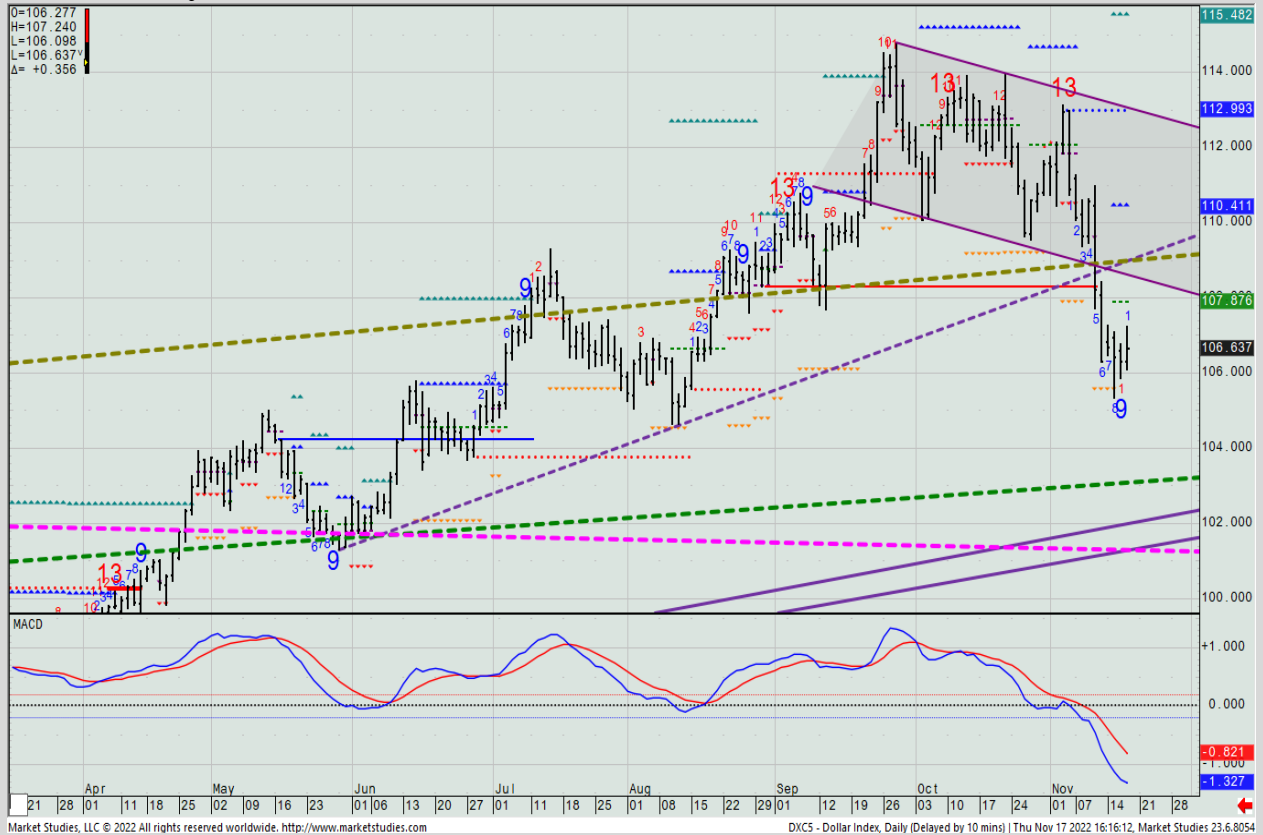
Even lower rates haven’t been able to help, as the UST 10-yr. slid to as low as 3.69% on Wednesday after it closed last week beneath what I suggested was its breakdown point of 3.94%. Downside target areas are the daily cloud bottom down to the TDST Line level at 3.62%. The weekly chart has targets at 3.55% to 3.43%.

TNX – Daily

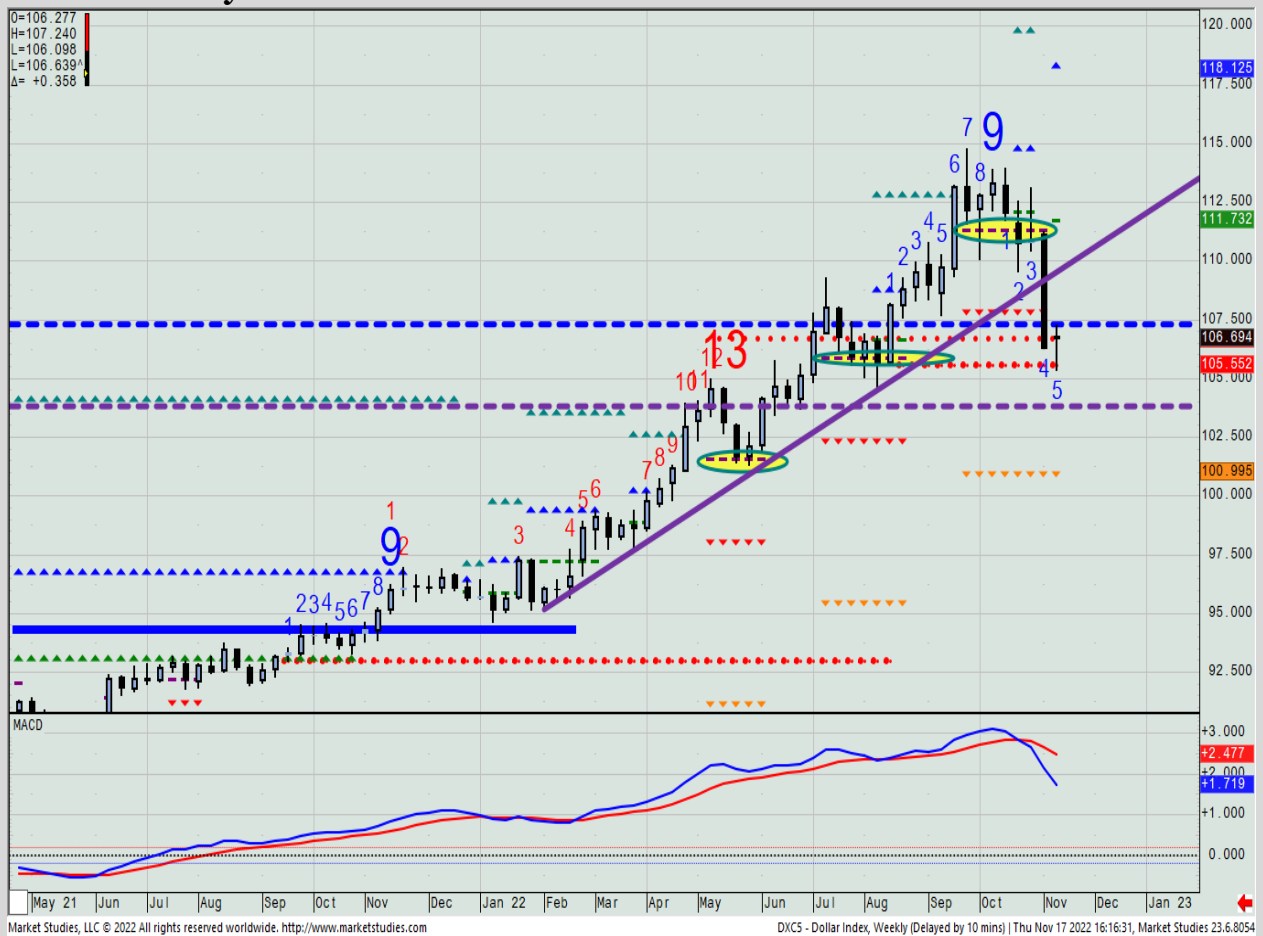


The falling dollar has reached my initial downside target area of 108 to 105.50, with the lowest low of 105.34 made on Tuesday along with the daily Setup -9 count. Potential upside trading resistance levels are now at 107.88 and 110.41.

DX - Daily

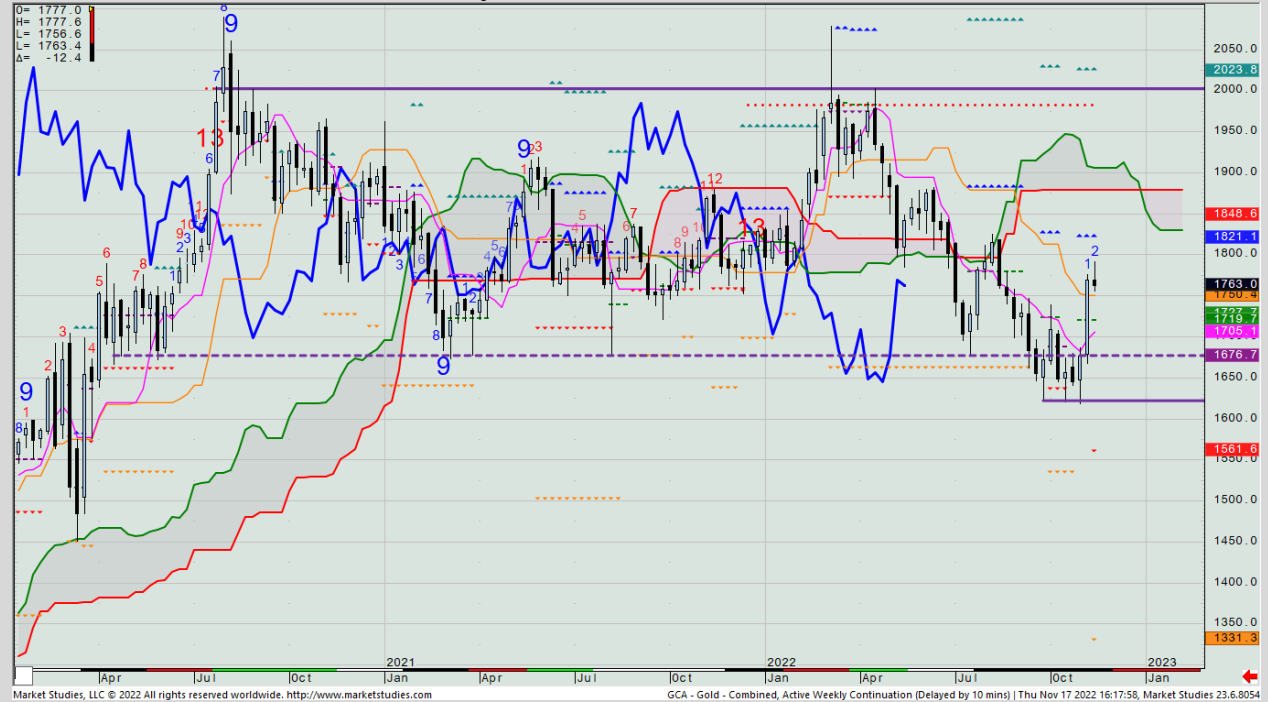


DX - Weekly



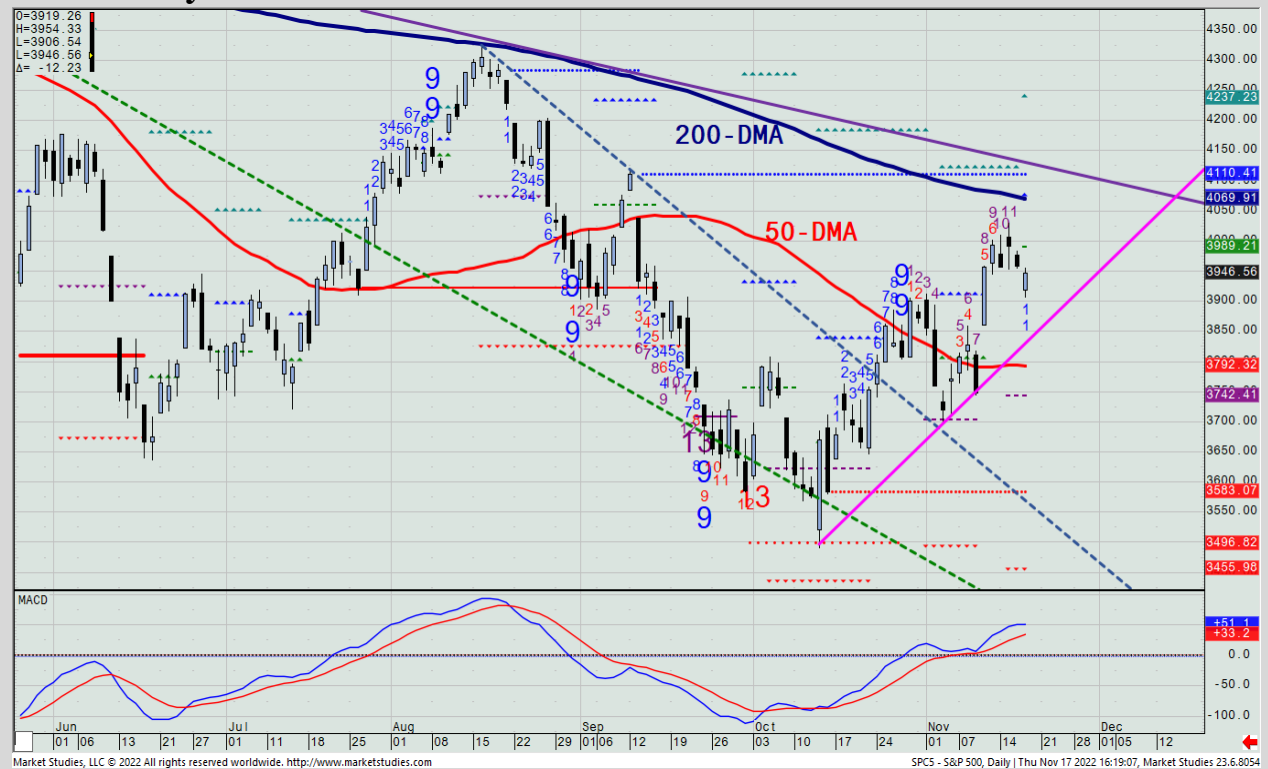
Gold's recent run higher is stalling this week, but it looks like it should still be able to get up to targets just north of \$1820. Consider getting long on weakness near \$1720/\$1705.

COMEX Gold – Active Weekly Continuation



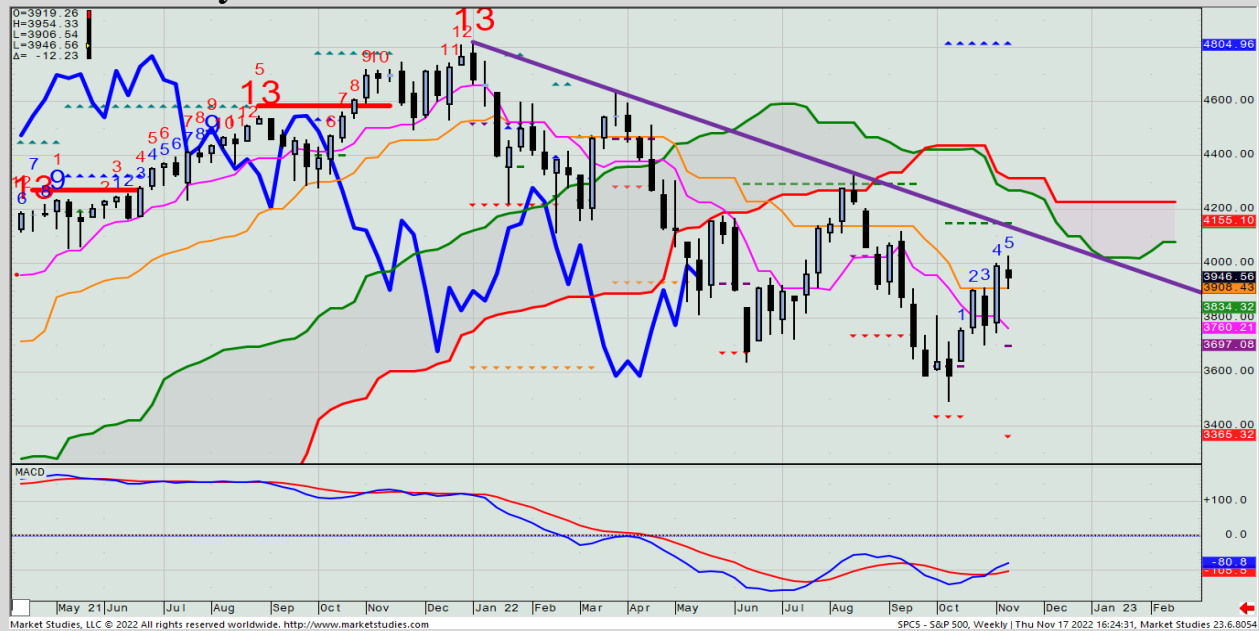
The SPX saw its upward Setup count killed on Thursday's decline that closed beneath the close from four days prior. Earlier this week I saw the chance of a Setup +9 count this week that could have been marked just a couple of days before a Countdown +13 – a signal that would have likely marked the top of the rally – but yesterday changed that chance of occurring. The Countdown is still on a +11 count, so a rally next week can still possibly give us the +13 signal and a likely trading top signal.

SPX – Daily



I continue to be in the bigger bear market camp, as I have been for the bulk of this year. I think that the first half of 2023 will still bring tough times for stocks, and that's why I'm still willing to sell into rallies to reduce overall equity exposure.

SPX – Weekly

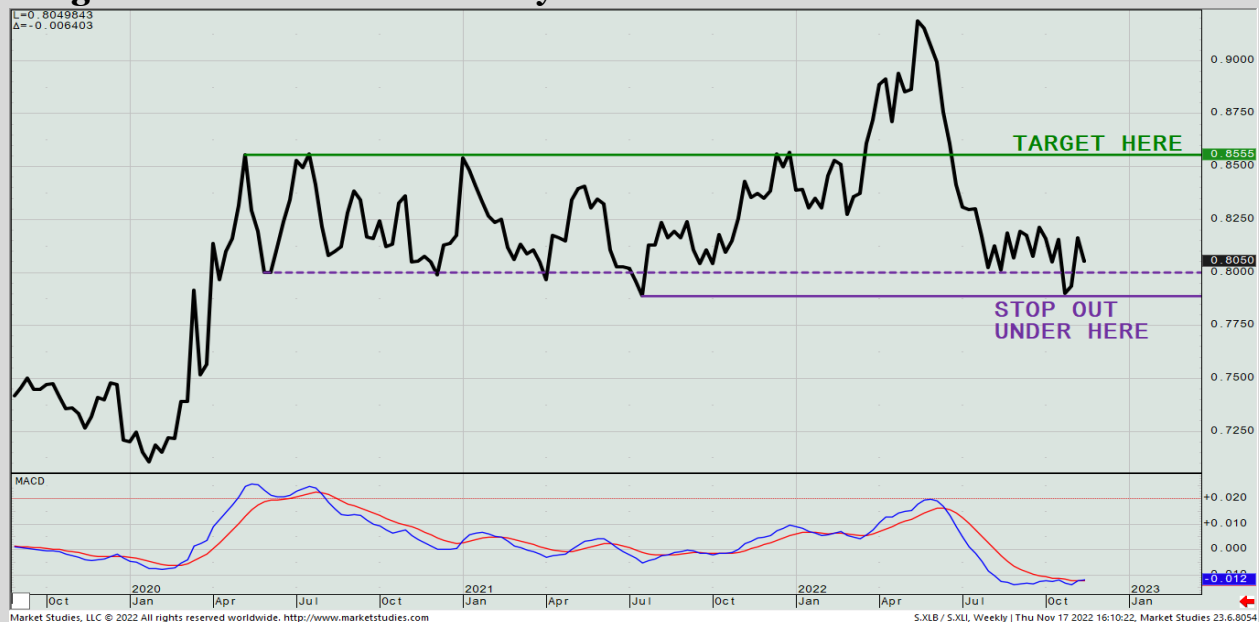


New ETF Trade Idea

Every so often I take a look at major SPX sector ETFs against each other to see if I see anything that stands out from a chart perspective. I don't go through every possible combination of 11 sectors against themselves, because it would take me hours to do so. But sometimes I just have an inkling on a particular pair's possible trend change, and I've come across one that has the potential to create a 4x reward relative to the small risk we need to take if wrong.

Look at the below weekly chart of Materials (XLB) vs. Industrials (XLI).

Long XLB vs. Short XLI – Weekly



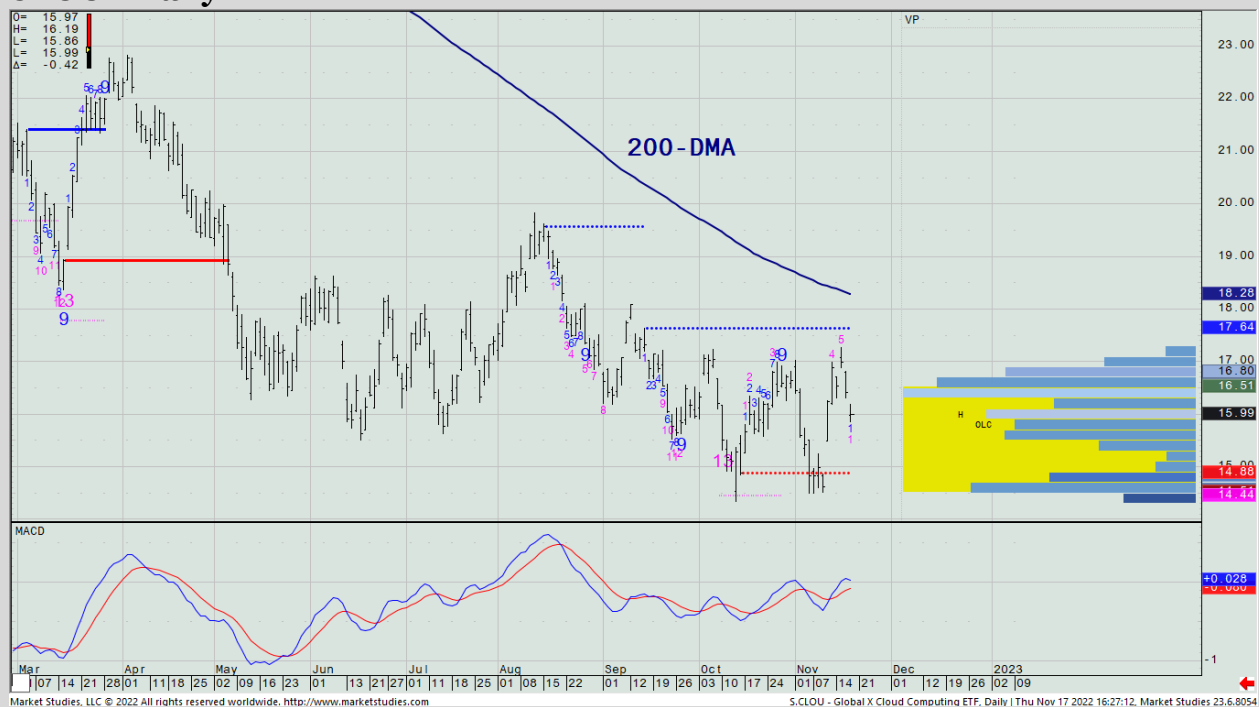
I show the two main horizontal support levels in purple lines, and its one and only major resistance level in green. Given where this is, I have no issue in thinking that we can buy this in this area it's in, risking a new Friday close under the 2021 low of 0.78882 (which was already tested and held in 2022) vs. playing for a move up in 2023 to the area of the green line at 0.8555. That gives us this very nice range trade idea that we may very hold for many months.

Other Open Recommendations and Positions

Long CLOU

Last week I suggested using a possible pullback to \$15.60 to \$15.30 to get long this cloud computing-related ETF. Since that report, the low was made yesterday at \$15.86, so no entry yet. I will leave this as an open trade idea for next week. I'll still look for 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



Short XAR

Two weeks ago, we shorted this ETF at an average 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 last Wednesday, I changed my downside target to buy this back at anything near breakeven if we got the chance to. We did, so we exited the trade with neither a profit or loss.



Long GSG

Three weeks ago, we went long at an avg. entry price of \$21.90. The upside target remains ~ \$24.75. Last week I raised our sell-stop to any Friday close (including today) that the close is less than \$21.53. (It's close to that level now.)

GSG - Weekly



Long EEM

Four 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 sold half this week between \$38 to \$38.25. I'll again raise the sell-stop (on the remaining 50%) to now exit on any Friday close beneath \$36.72.

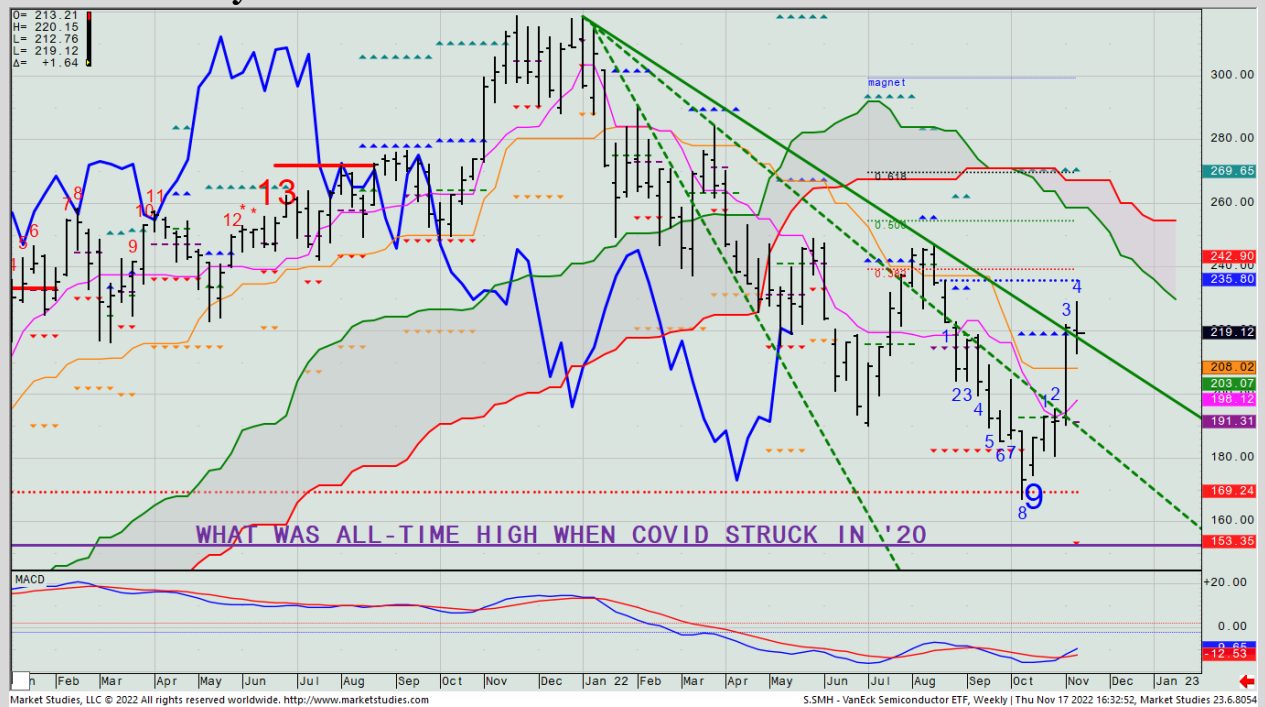
EEM - Weekly



Long SMH

We bought this five 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. Last issue I suggested taking profits between \$217.75 to \$218.50 on the second half of what we had on. We hit that target this week, selling at an avg. of \$218.13, and we are now out of the trade for a total profit of 17.9%.

SMH – Weekly



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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