Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

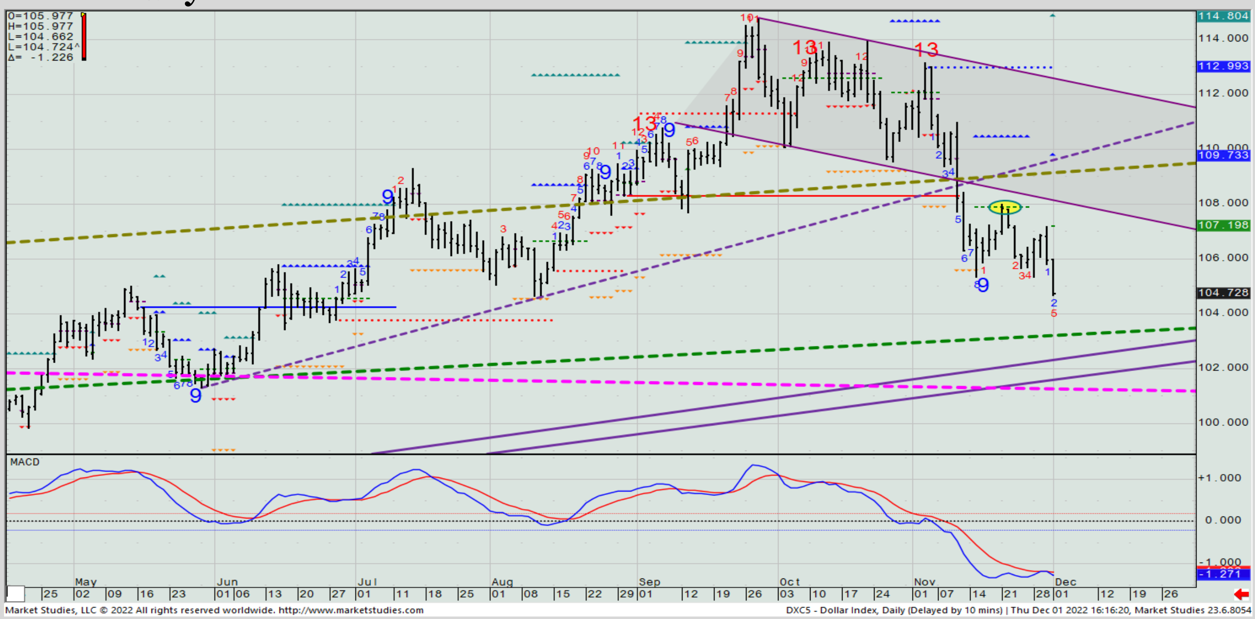
The Macro Picture

Fed Chair Powell threw a steak to the hungry bulls on Wednesday, and stocks rallied, the dollar declined, and rates came down, as investors took his words to be quite dovish. I was surprised to see just how much the market rallied on such little actual new news. And frankly, I think he unwittingly did more of a similar to July's FOMC press conference mistake than he realized, for it would be extremely unlikely that after one month's data since he last mentioned how hawkish the Fed will be, that he would switch tunes and pivot to a far more dovish stance. It just doesn't make sense.

With all Fed officials now in a quiet period until their next meeting comments on Wednesday, Dec. 14th, neither the chair nor any Fed governor can publicly speak for the next two weeks – meaning that none of them can try to caution investors that they again misinterpreted his words. Now, maybe they wouldn't be doing that anyway because they are pivoting, but again, it really seems unlikely to me. (Maybe he just wanted investors to have a nice holiday season before the shoe falls off next year?)

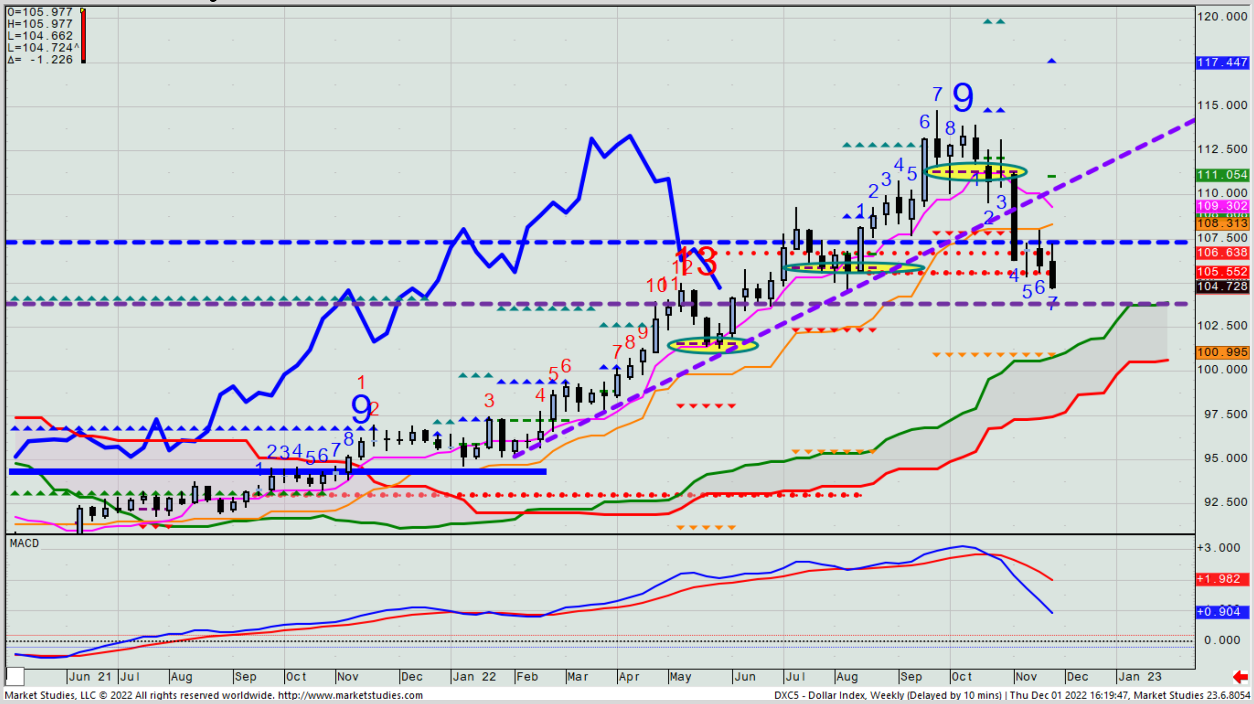
Let's take a look at how markets have moved since our most recent report from earlier this week. Starting with the US dollar – the main driver of how other markets are moving – we see that the failure to surpass the bullish Propulsion Momentum level on its recent rally attempt kept the bearish picture intact.

DXY – Daily



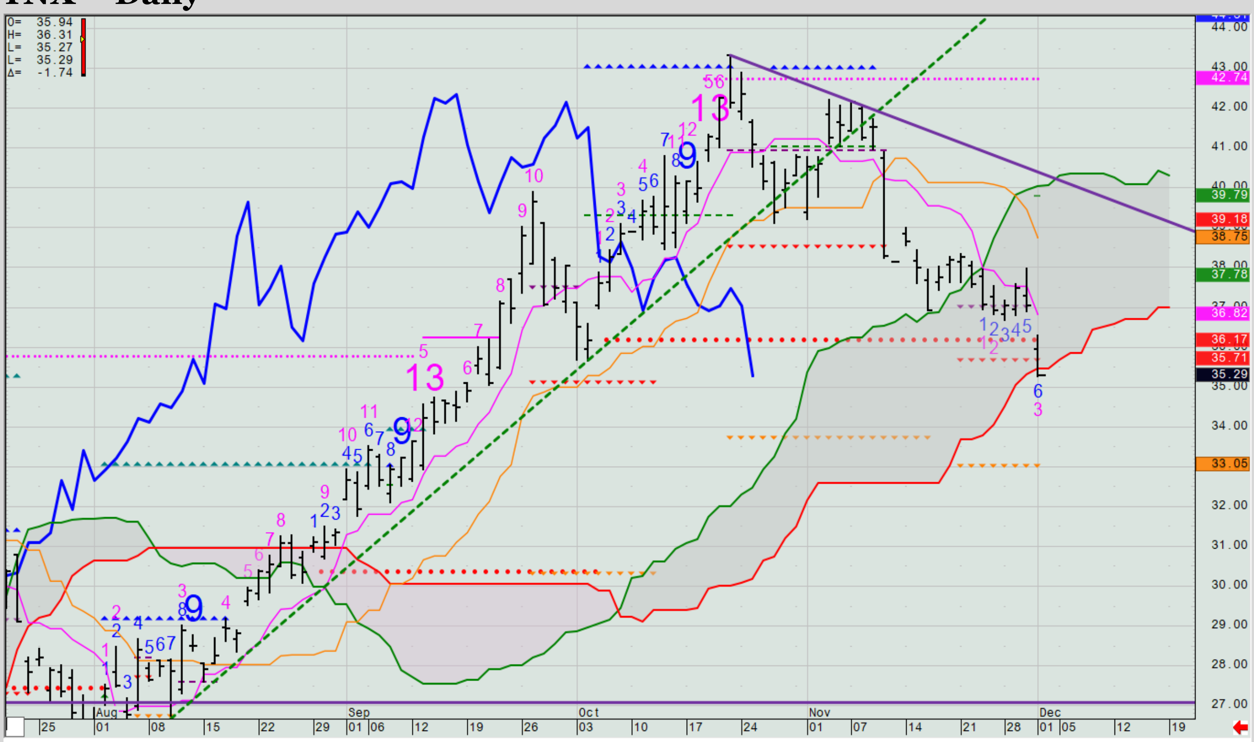
The greenback is seemingly headed for lower levels to targets in the 103 to 100 area. And if it gets to near 100, it's gonna still be a good near-term catalyst for stocks.

DXY - Weekly

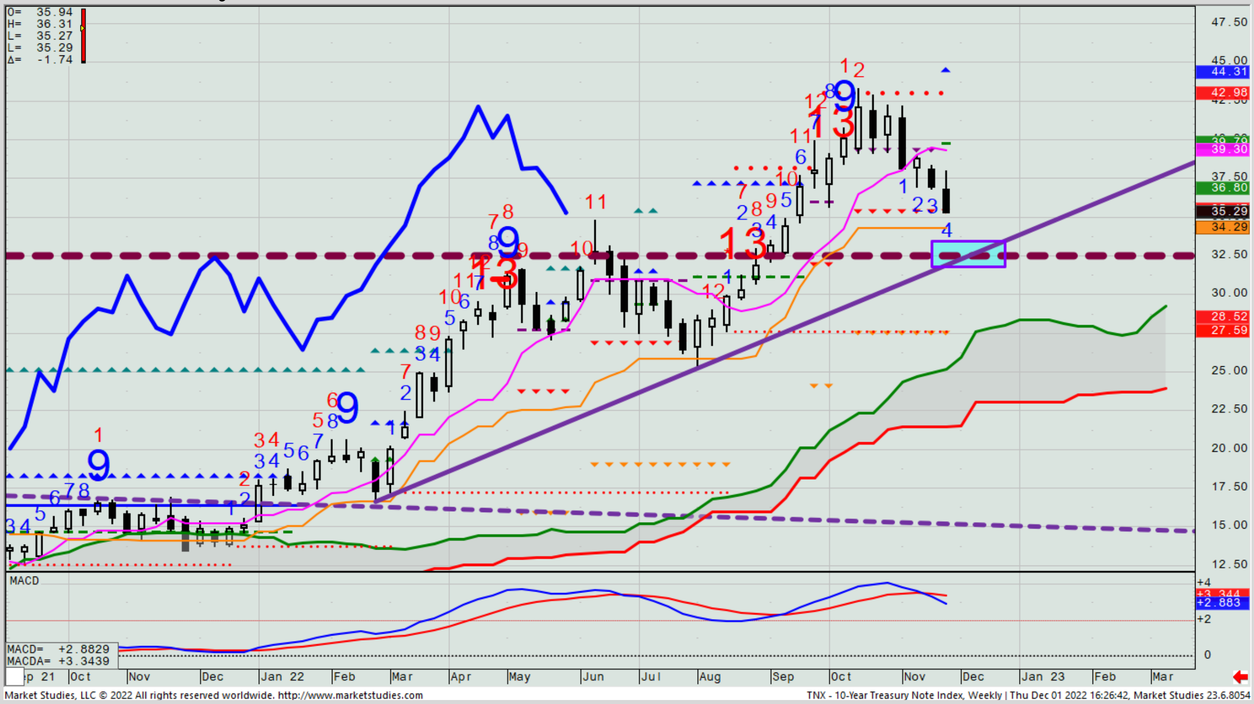


Rates fell sharply, and there are TNX downside tactical targets at the equivalent of 3.55% and 3.43%, and then something around the 3.25% (the major old high level from 2018). Upside ones start at the daily Conversion Line (which again became this week's high), then the Base Line, and key resistance at the weekly bullish Propulsion Momentum level (currently at 3.99%).

TNX – Daily

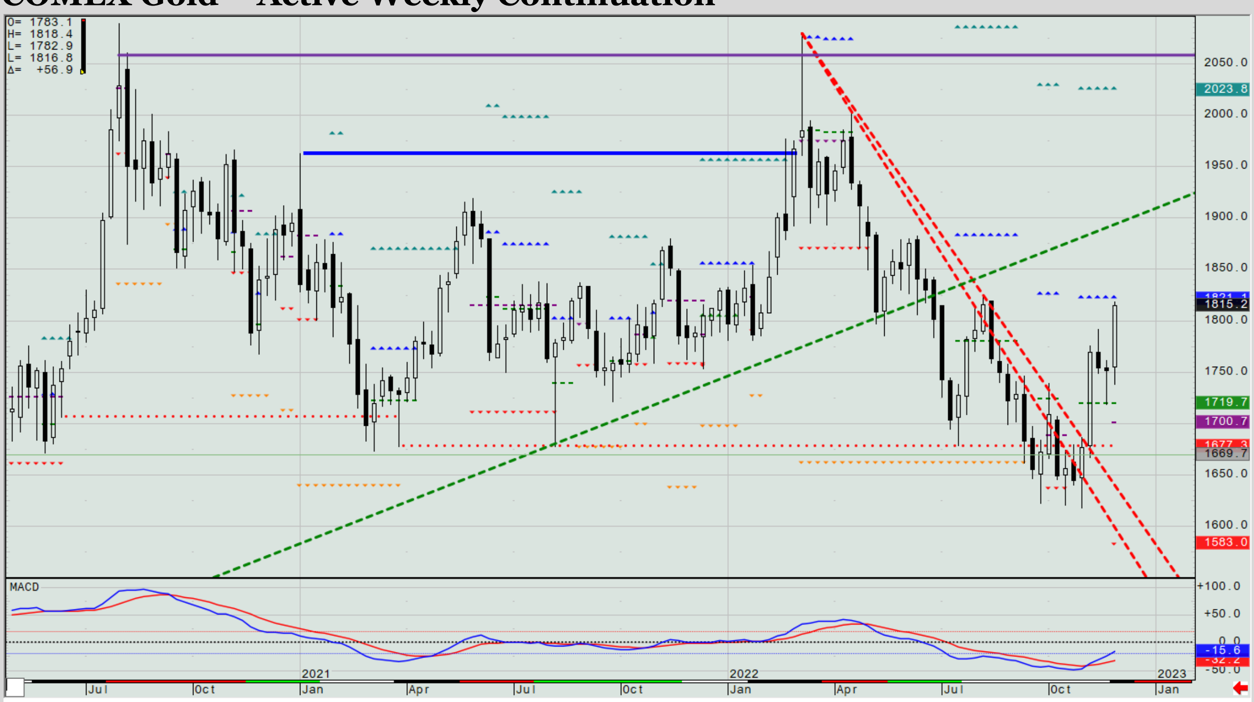


TNX – Weekly



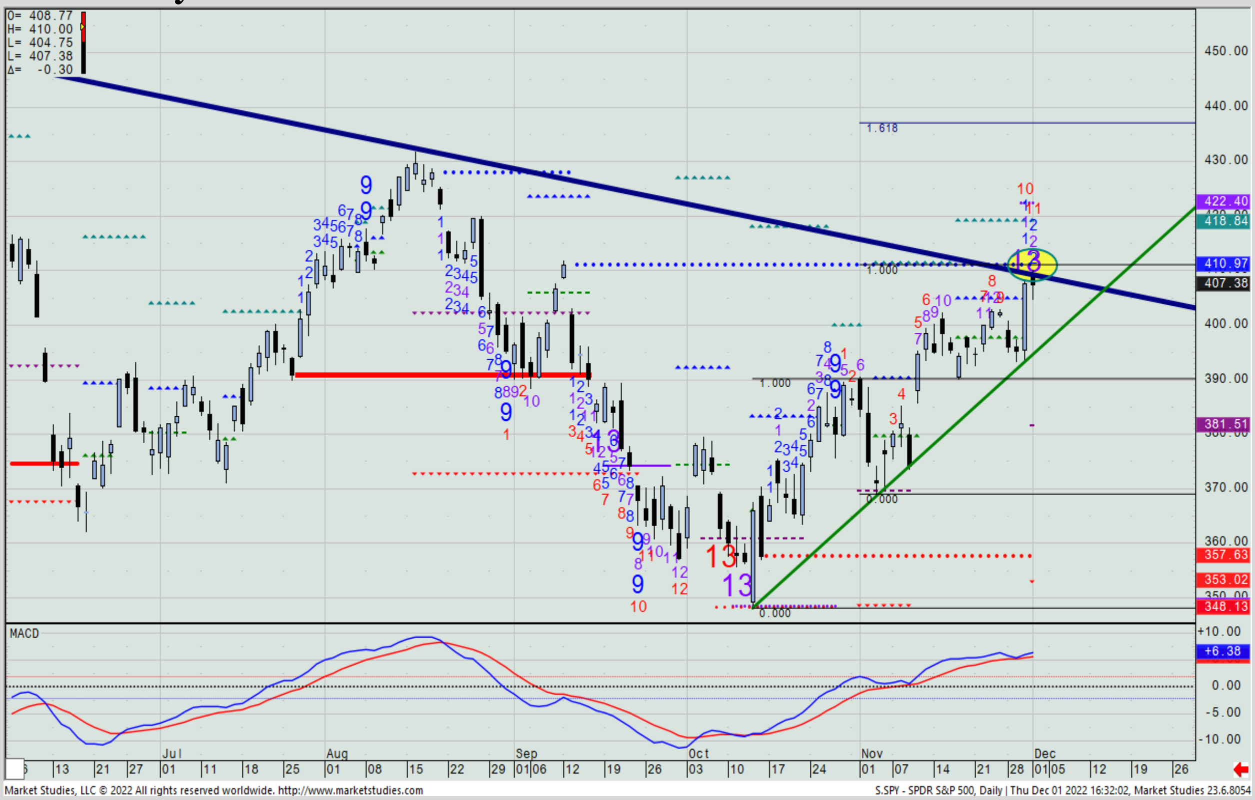
Two weeks ago, I recommended you consider getting long **gold** on weakness near $1720/$1705. It got down as low as $1719, and I suspect heading to test $1821 (virtually there) and then up to backfill against the prior, green-dashed uptrend line (currently in the upper-$1800s). Important support moves up to the $1760s.

COMEX Gold – Active Weekly Continuation

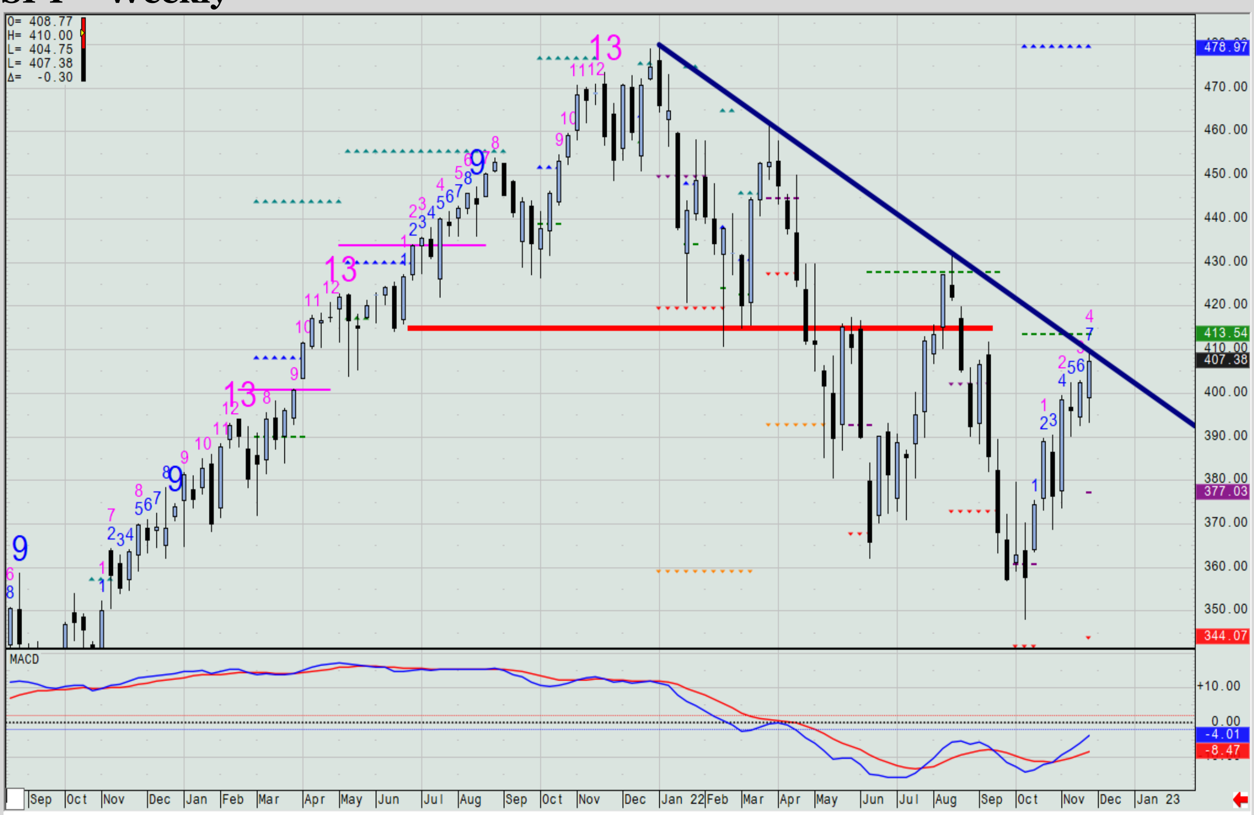


Last Friday, the SPX marked a daily Aggressive Combo +13 count, and then on Wednesday, the SPY marked one. Price has also rallied up to its downtrend line from the all-time high. It would not surprise me that before year's end this time and price resistance gets broken above to push to targets in the 4100-4200 zone, where I have several upside targets (including what would be a 20% upmove from the low (which may very well be needed to convince bulls that there's no chance that 2022 lows can be exceeded in 2023). I'm still in the camp that it's a very real possibility, and will still be using rallies to lighten exposure in names that may not come back for years.

SPY – Daily



SPY – Weekly

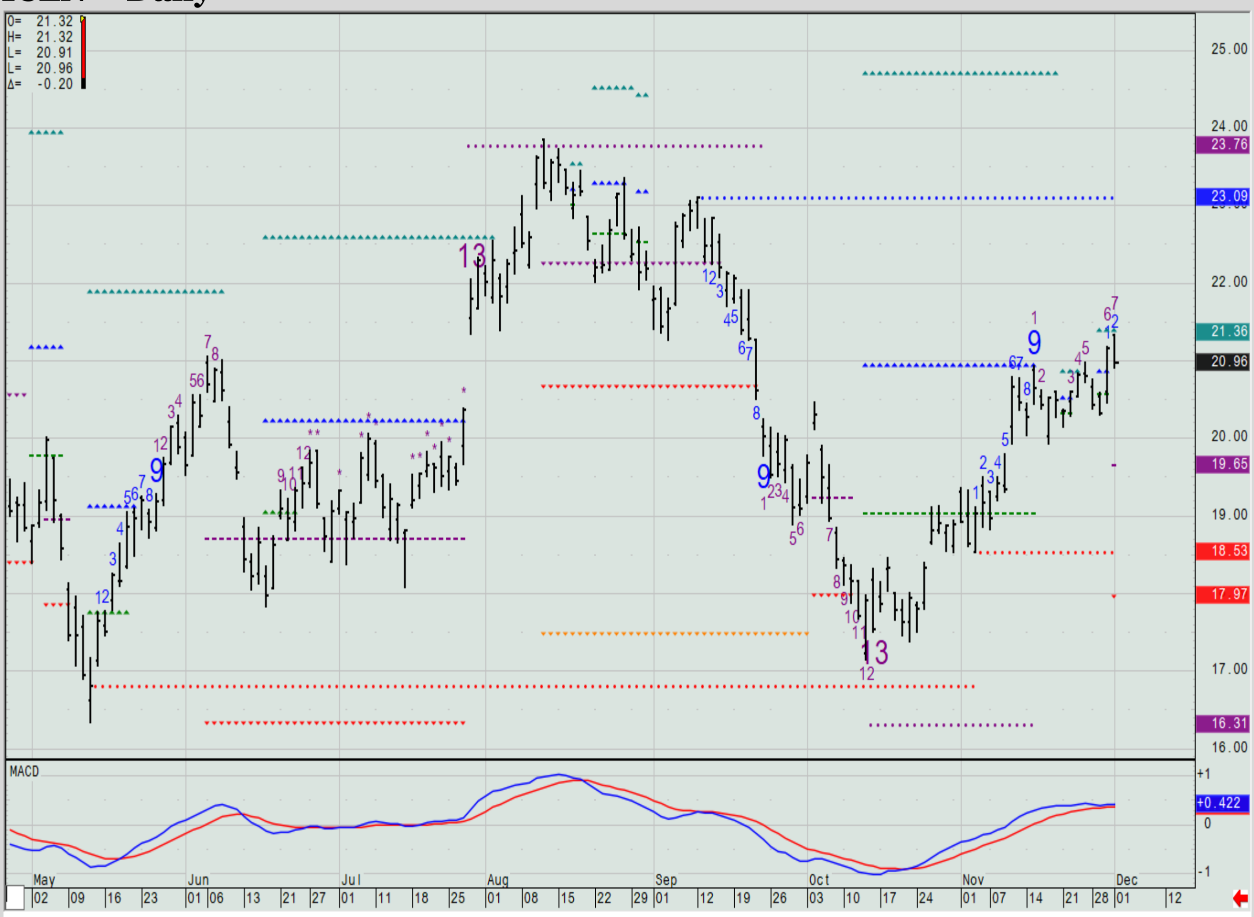


New ETF Trade Idea

We all have to determine if we chase after the market, or wait for some type of pullback. I vote for the latter, and who knows – even today it could come if the employment report comes in "hot" (as they like to say these days).

Let's look at the iShares Global Clean Energy ETF (**ICLN**), which bottomed in October as the market bottomed. It's had a nice move up, stalled at the Setup +9 count two weeks ago, and then yesterday hit a minor tactical target and backed off. I'm hoping that in the next week or so that we get the chance to buy this at 25 cents either side of the bearish Propulsion Momentum level at $19.65. We'll look to get long a total of one unit in that zone, with an initial target of $23.09 to $23.76, where I'd suggest we take off 2/3 of the trade. We can stop ourselves out on half on a daily close under $18.53, and the other half under $17.97, giving us a decent 2:1 reward to risk play.

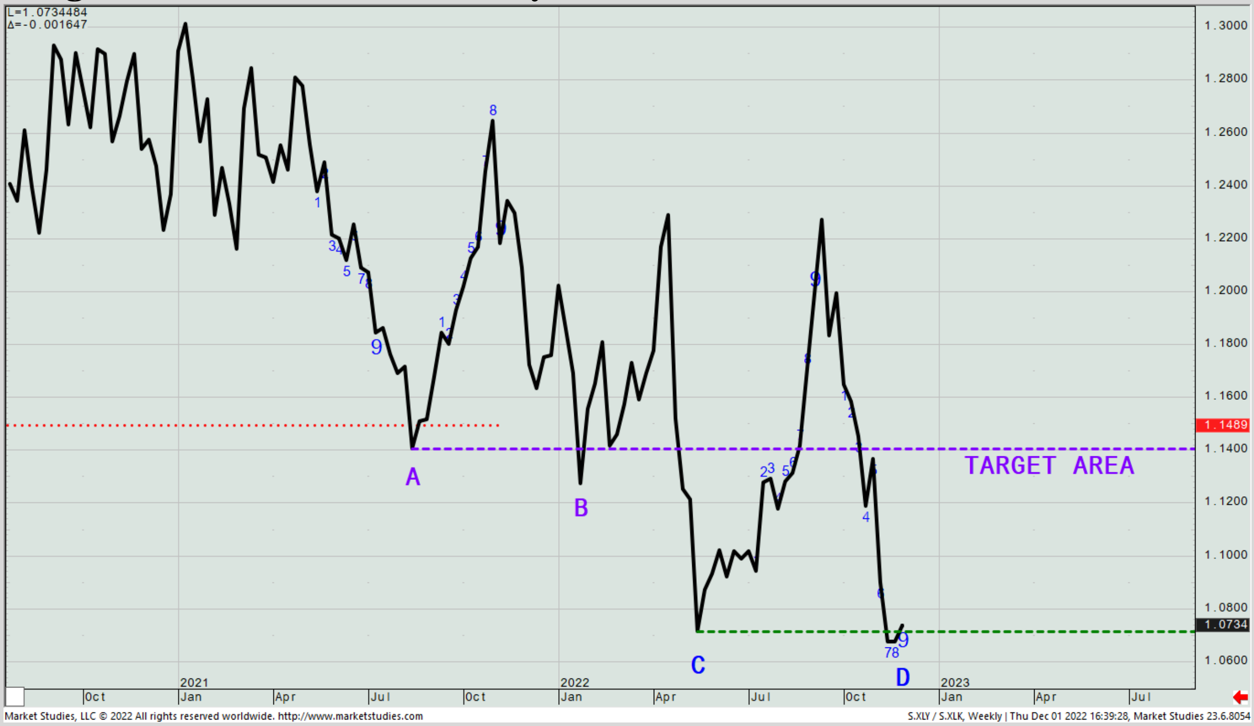
ICLN – Daily



Other Open Recommendations and Positions

Long XLY vs. Short XLK (I've reversed the chart from Monday to show the direction we have this trade on.) We put this on at about 1.084, and we'll look for either a Setup +9 into next year as a time-base target, or somewhere near the dashed purple line near 1.14.

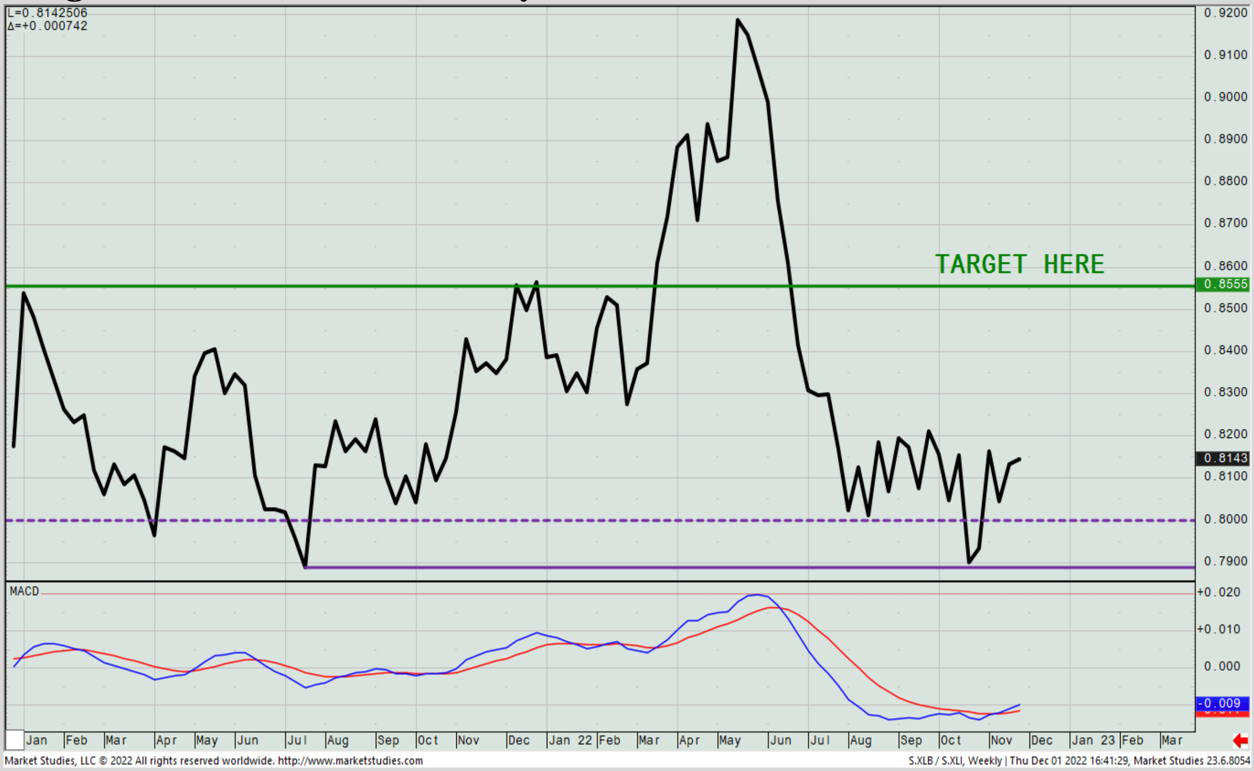
Long XLY vs. Short XLK - Weekly



Long XLB vs. Short XLI

Three Friday's ago, I recommended this pair, with our getting in it at a ratio price of 0.8044. We'll risk a Friday close beneath 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.

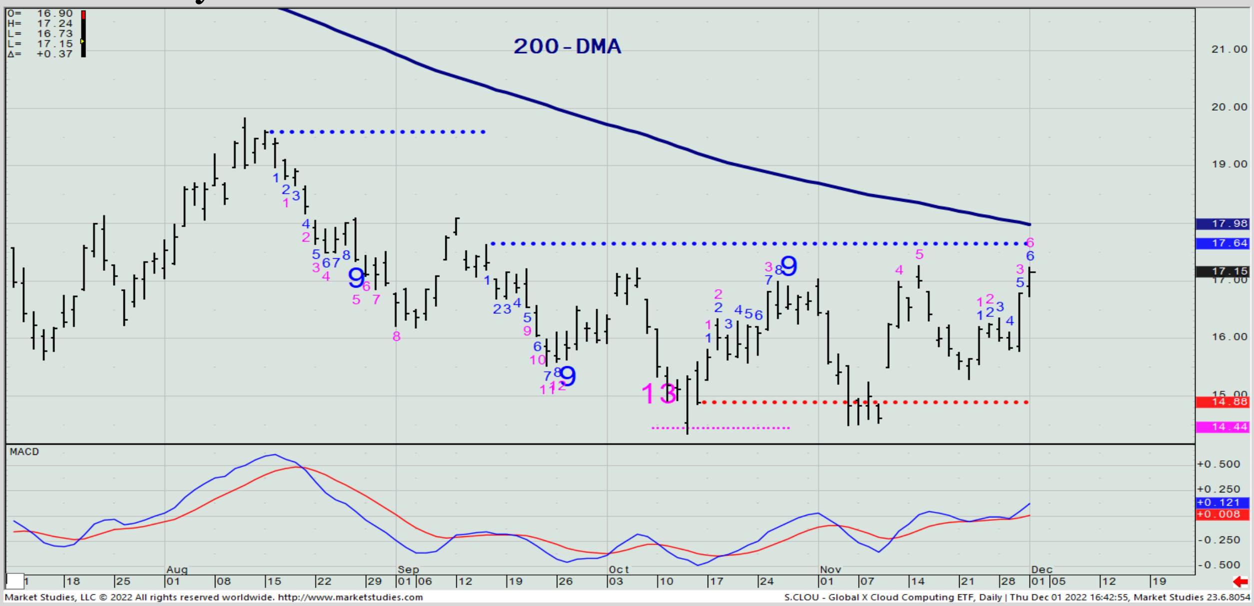
Long XLB vs. Short XLI - Weekly



Long CLOU

I recently suggested using a possible pullback to $15.60 to $15.30 to get long this cloud computing-related ETF, and we got our avg. entry at $15.45 last week when it traded as low as $15.28. I'm looking for a 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



Long EEM

Six 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 already sold half at $38.12. We'll exit the balance on any Friday close beneath $36.72.

EEM - 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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