Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

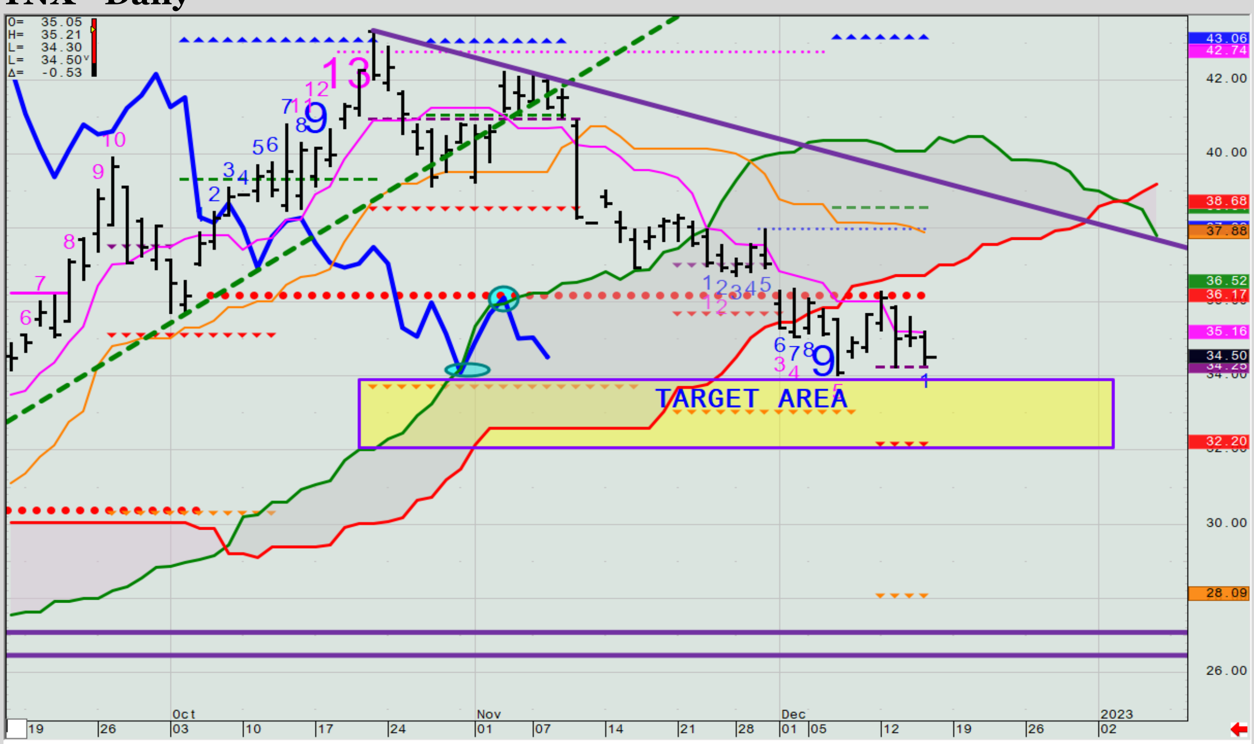
The Macro Picture

Stock prices have done a 360 in the past 24 hours, as the S&P not only took a 35-point gain going into Wednesday's Fed meeting to a 24-point loss by that day's close, and then kerplunked yesterday by another 100 pts. as other central banks raised rates and retail sales and business inventory numbers came in weaker than expected. The bottom line is that Fed Chair Powell gave nothing for bulls to celebrate, and the rally until then was largely based upon bulls thinking that the Fed would become more dovish. They weren't; they aren't; and in my opinion, they're not likely going to be for at least a few more meetings. So, as I've said to you time and time again, "Sell 'em when you can; not when you have to".

Let's start by looking at the rate market, with the UST 2-yr. down some 50 bps. off its 2022 high, and the UST 10-yr. down 90 bps. Clearly, investors are not aligning with what the Fed is saying.

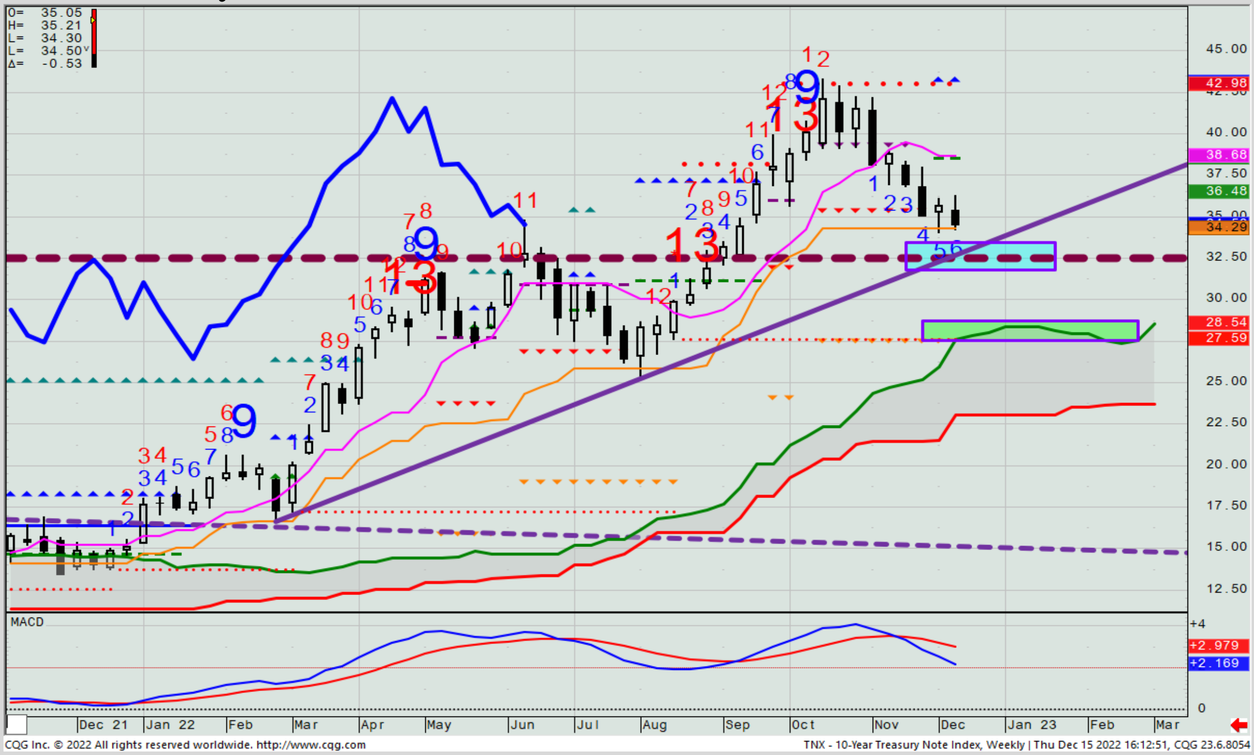
The TNX has come down to the 3.43% for the third time on this corrective move since the intraday high of 4.33% in mid-October.

TNX - Daily



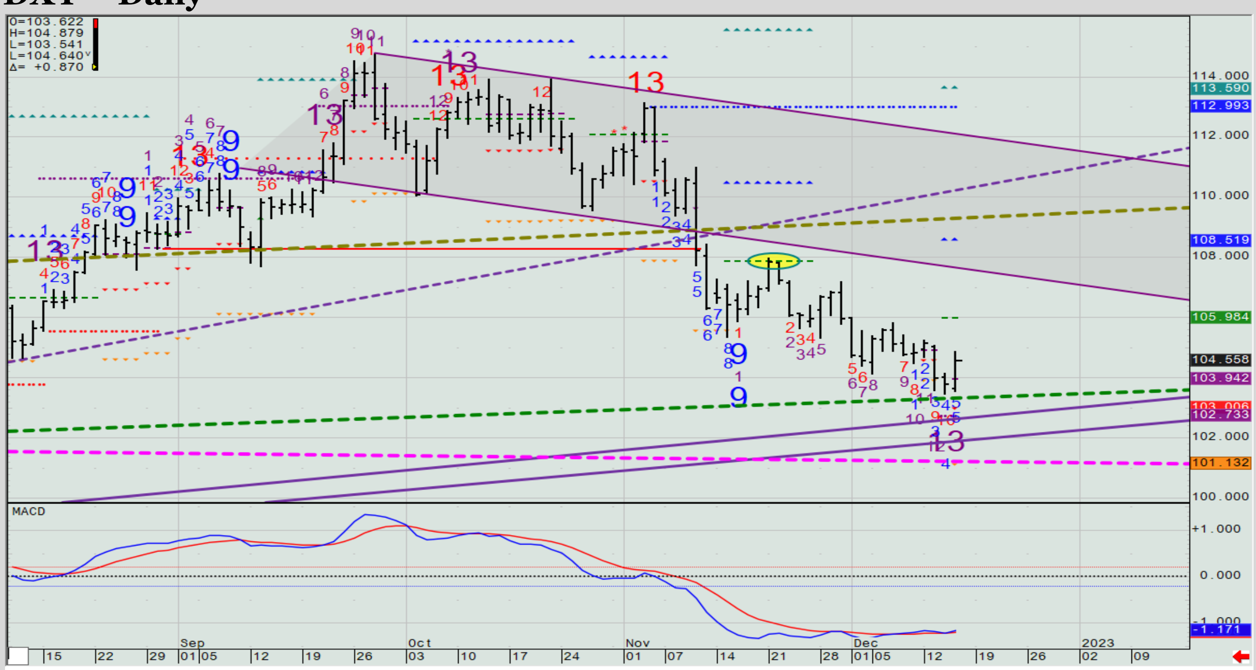
We know that somewhere near the 3.25% level is a prior inflection area, that rate having been the last high in 2018 before rates declined to their all-time lows. If that 3.25% area gives way, then I could make the case that rates could fall to the 2.85% to 2.75% area. But I take things one step at a time. Meanwhile, key resistance should be in the 3.77% to 3.86% area.

TNX – Weekly



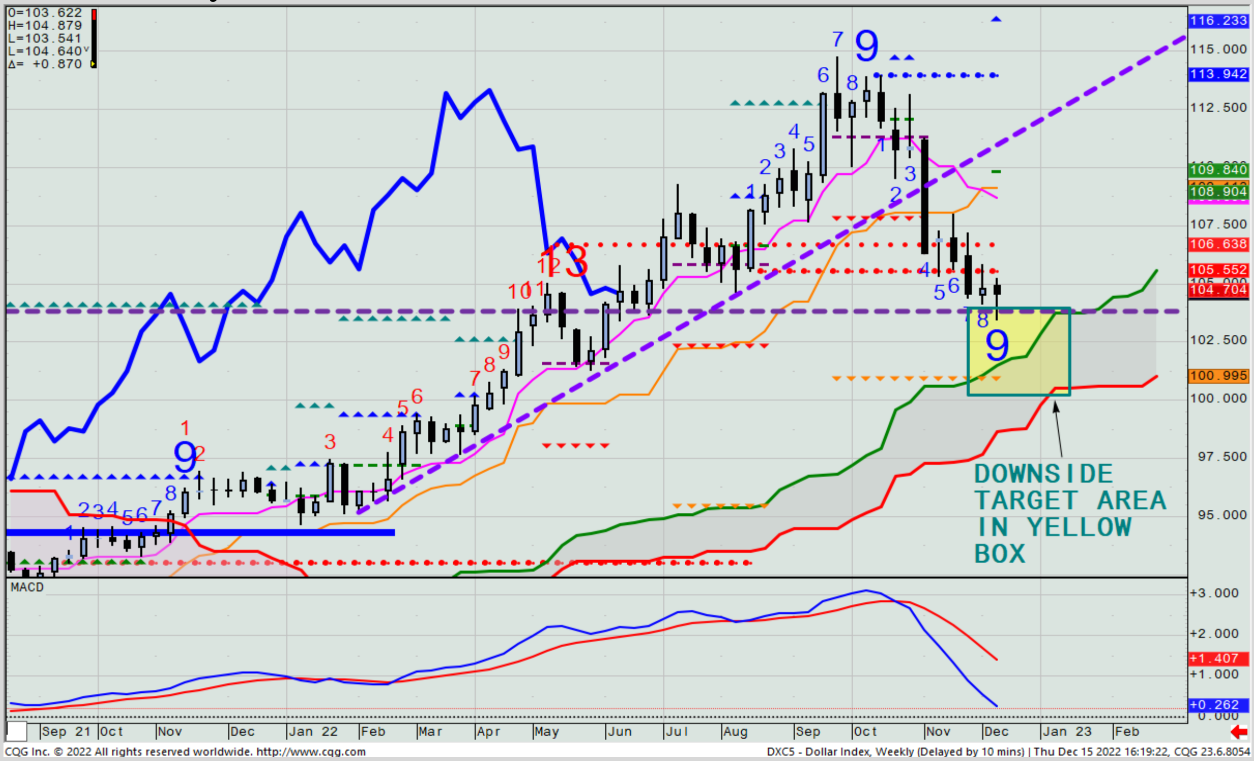
The US Dollar remains under pressure, more so following perceived future lower rates (as per the fixed income market players) than what the Fed is saying and doing. But note the daily Aggressive Sequential -13 signal from Wednesday.

DXY – Daily



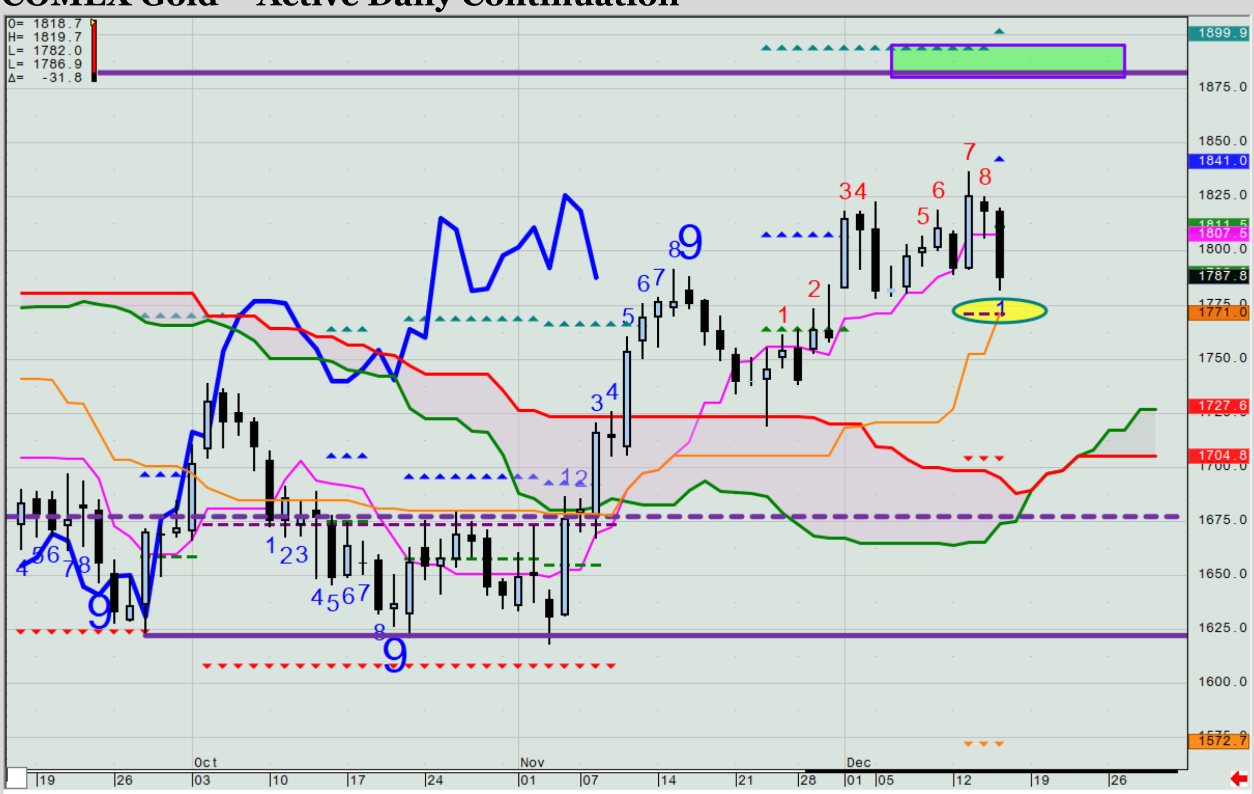
I had made the case that the greenback was headed for targets in the 103 to 100 area. It has reached the higher end of that range this week. I am no longer a new seller; the reward to risk ratio is no longer favorable in that bearish direction.

DXY - Weekly



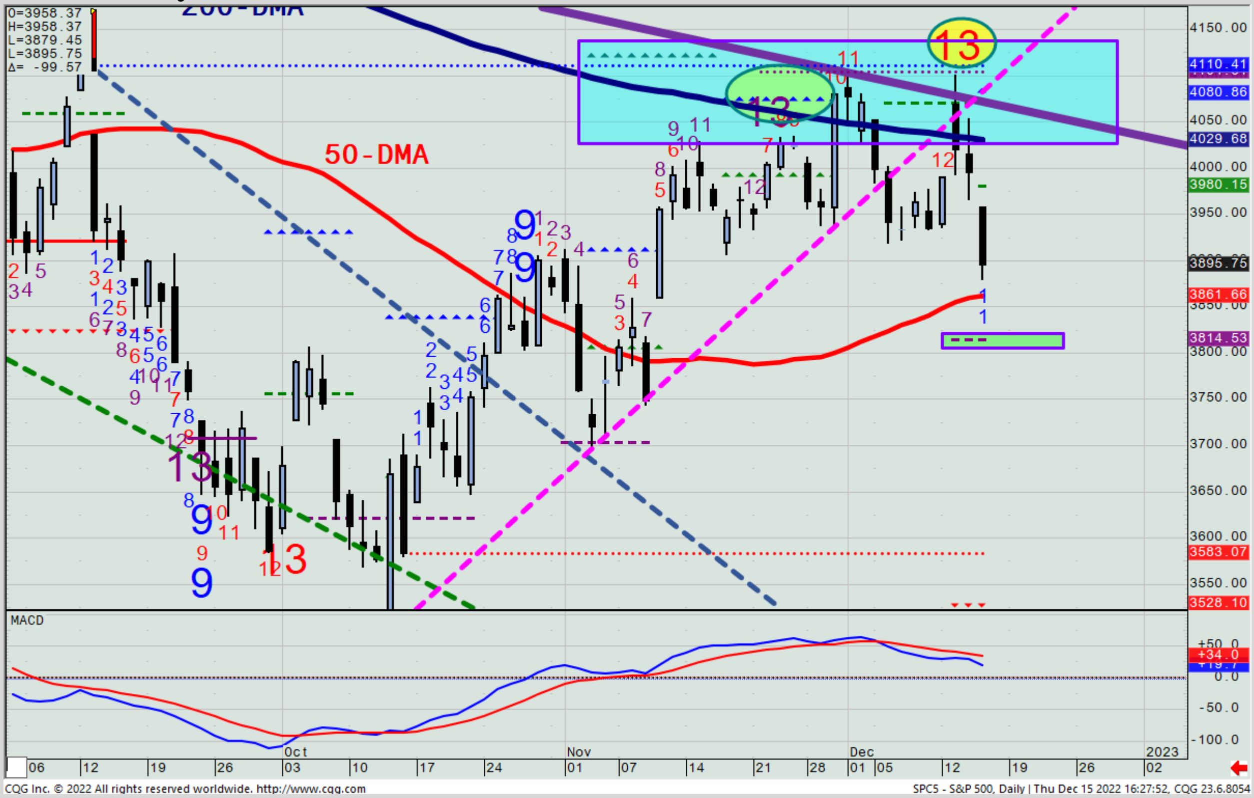
Gold has continually stalled at a variety of targets near $1820. The low-$1720s is initial support. If it can hold there, I may buy it for a quick trade with a fairly tight stop.

COMEX Gold – Active Daily Continuation



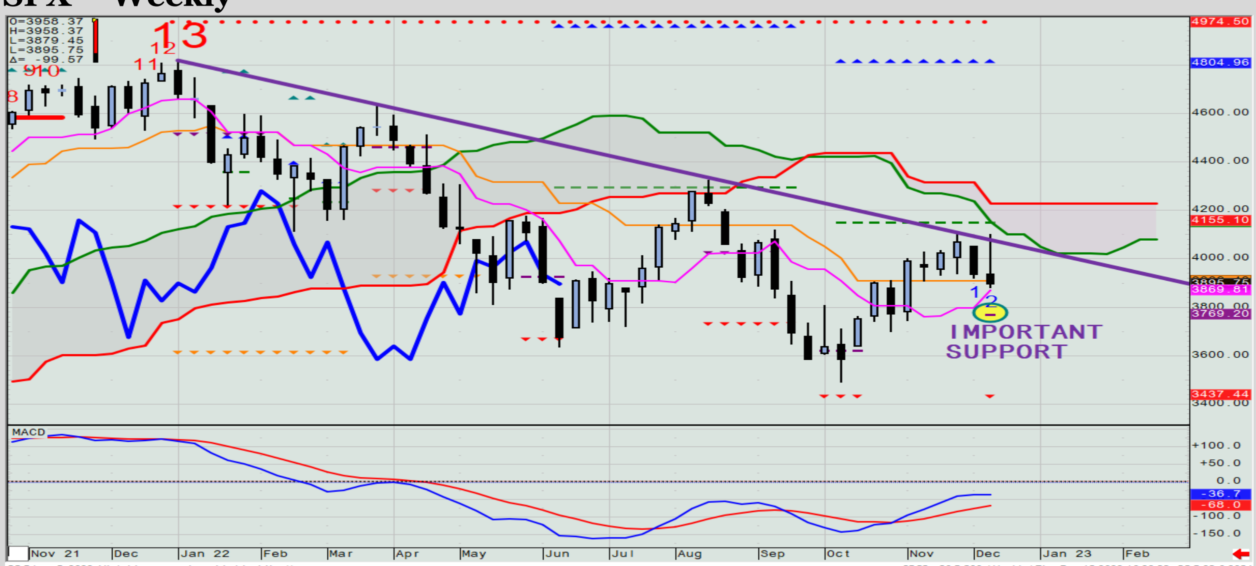
Let's now turn to the SPX, which gave everyone several chances to sell near its resistance zone in the past two weeks. (On Tuesday, I put on the largest short S&P futures position I ever traded in the fund I trade for on the CPI rally.) To me, it was worth the risk to do that considering where price was relative to where I'd stop myself out to how much I would ride it for. In fact, Mike Santoli of CNBC got my Flash Note that I sent out to my institutional clients and press on Tuesday morning, with my suggesting that the SPX had just made the high of the move. He quoted it during his appearance on the Halftime show.

SPX – Daily



Nothing has changed my view that the market will likely make new lows in the first or second quarter in 2023, and I've continually expressed to you that I have actively been selling into rallies all year. Important weekly chart support has moved up to 3769.

SPX – Weekly

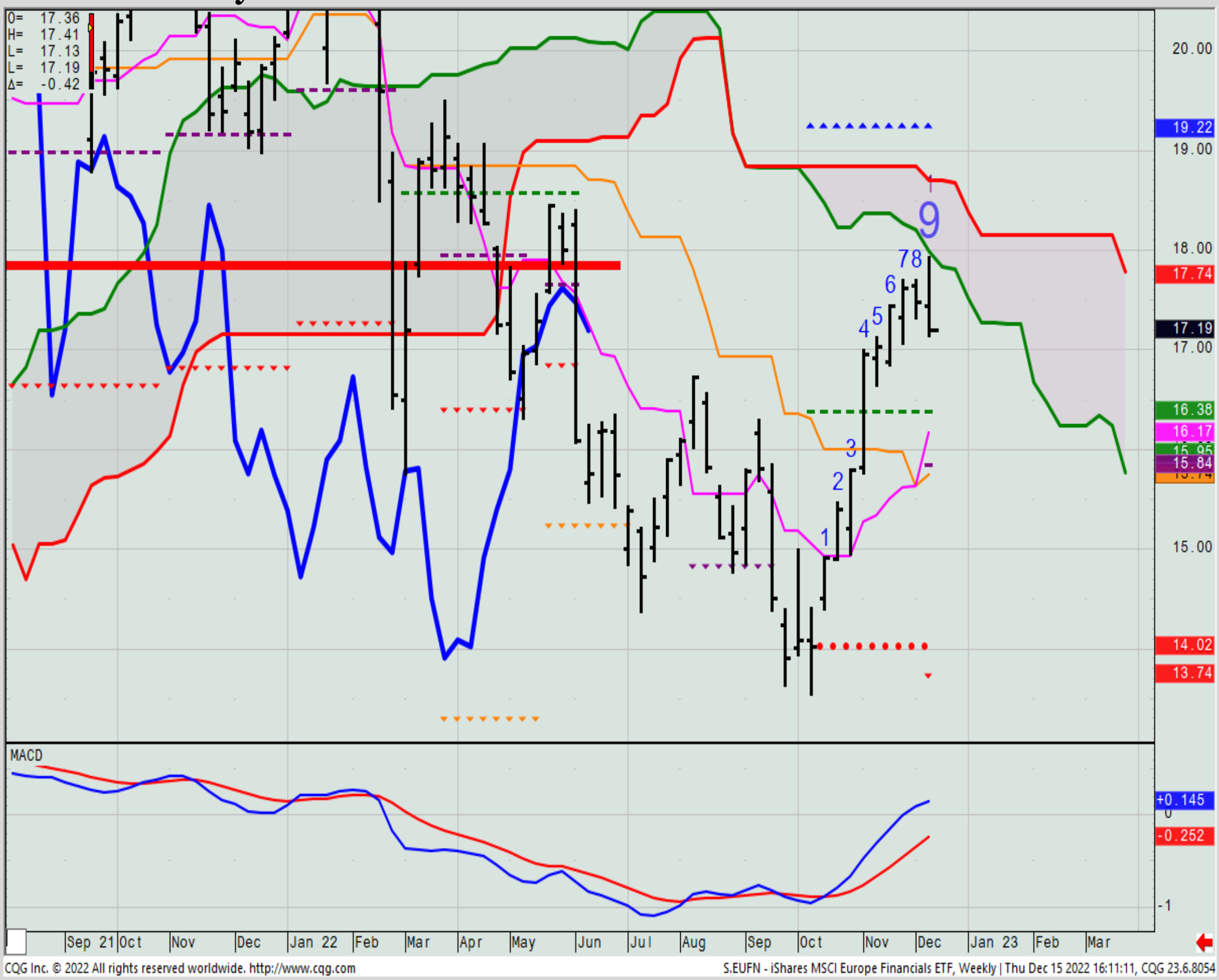


New ETF Trade Idea

For those of you who also subscribe to my monthly 7:11 Report (which is crushing the SPY's return this year while being 100% continuously invested in the bulk of the 11 SPY sectors), you know that I pulled Financials out of the portfolio on Dec. 1 (after having put the sector back in during the early spring). When I think of Financials in relative terms, and come across a possible short idea that just failed at resistance, it makes sense to me to play it as a new short.

As such, we are going to look to short the **iShares MSCI Financials ETF (EUFN)**, which stalled on a weekly Setup +9 count that was right against its cloud bottom, and which was also marked by a few *daily* Sequential +13 counts on the high. We will short one-half unit today, and one half if we see a rally up to $17.50-ish. Our downside target to cover is $16 to $15.74, while our buy stop will be consecutive Friday closes > $18.15.

EUFN – Weekly

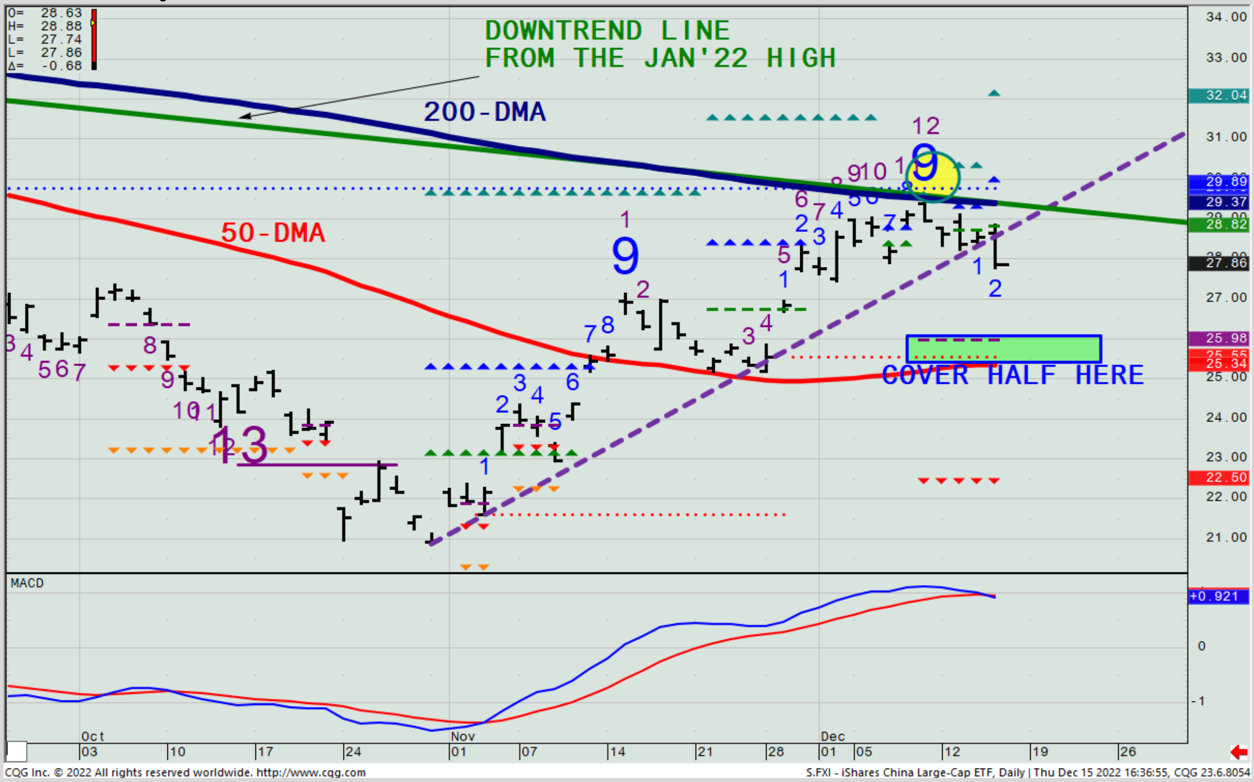


Other Open Recommendations and Positions

Short FXI

Last week's recommendation was to short the FXI in two pieces: Half on Friday (avg. sell price was $29.18) and half on Monday (avg. sell price was $28.54) for a total avg. short at $28.56. So far, we've sold the high of the move. I want to cover half into the $26 to $25.50 zone. We can now lower our sell-stop to a close or two above $28.82.

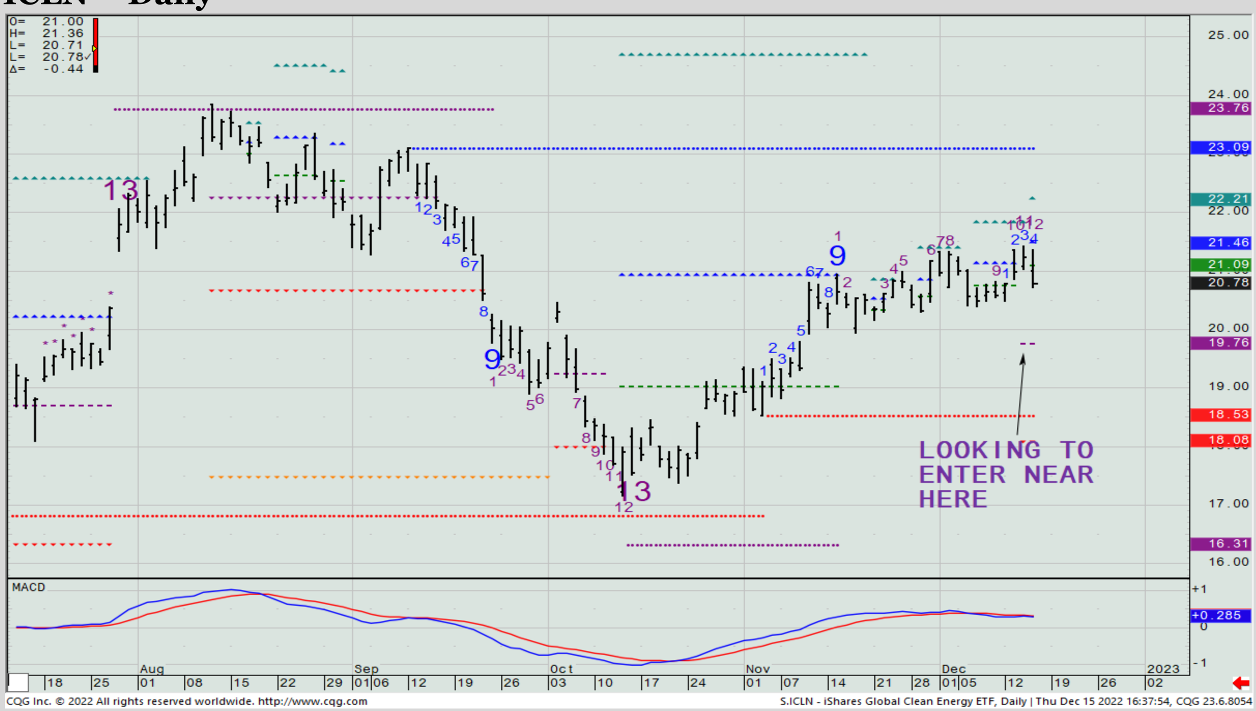
FXI - Daily



Long ICLN

Two weeks ago, I recommended getting long on a pullback to $19.65 +/- 25 cents. We're still awaiting entry, but the entry level is now $19.76 +/- 10 cents.

ICLN – Daily

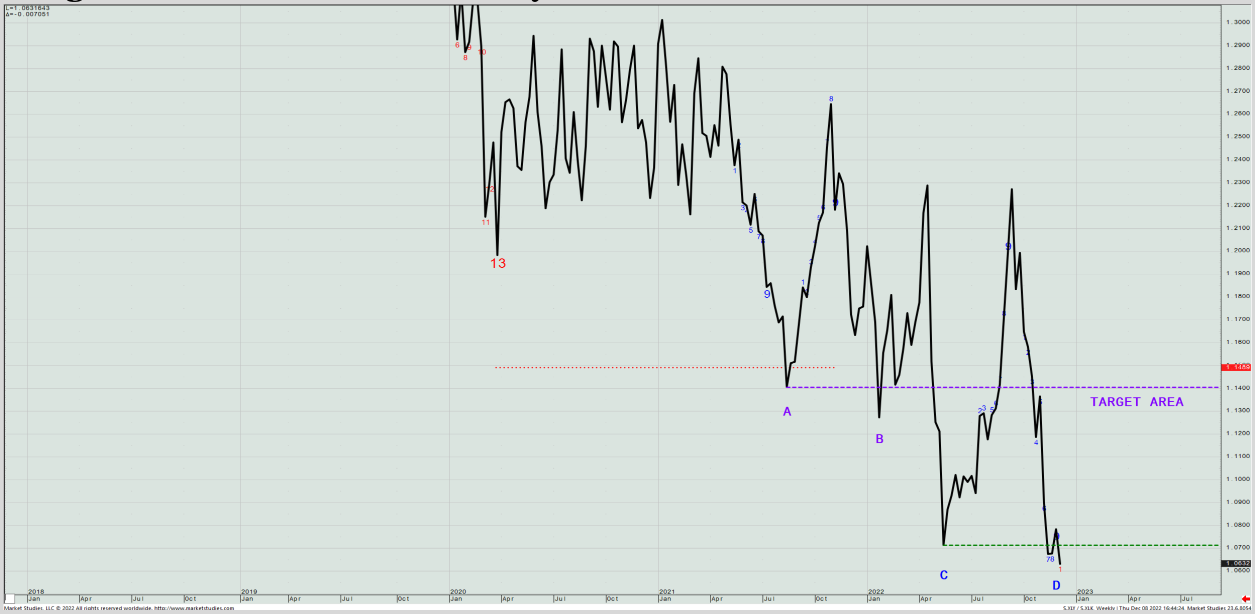


We'll look to get long a total of one unit in that zone, with an initial target of $23.09 to $23.76, where I'd suggest we take off 2/3 of the trade. We can stop ourselves out on half on a daily close under $18.53, and the other half under $17.97, giving us a decent 2:1 reward to risk play.

Long XLY vs. Short XLK

We put this on at about 1.084, but it has traded to new lows and I see no reason to hold. We'll exit today for a minor loss of something near 2.5 to 3 percent.

Long XLY vs. Short XLK - Weekly



Long XLB vs. Short XLI

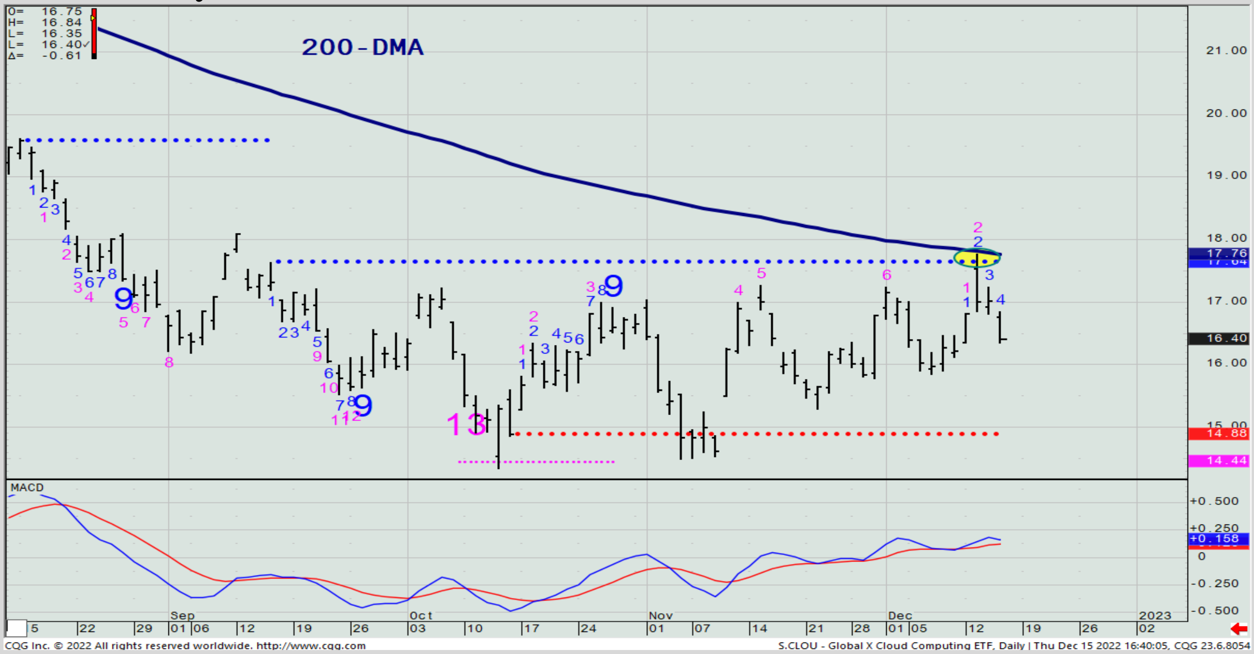
Four Friday's ago, I recommended this pair, with our getting in it at a ratio price of 0.8044. We'll risk a Friday close beneath the 2021 low of 0.78882 (which was already tested and held in 2022) vs. playing for a move up in 2023 to the area of the green line at 0.8555. That gives us this very nice 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 when it traded as low as $15.28. I was looking for a move up to $17.64, the most recent TDST resistance line, and we got that perfect exit on Tuesday this week, right at the high of the move. We made 14.2% on this trade.

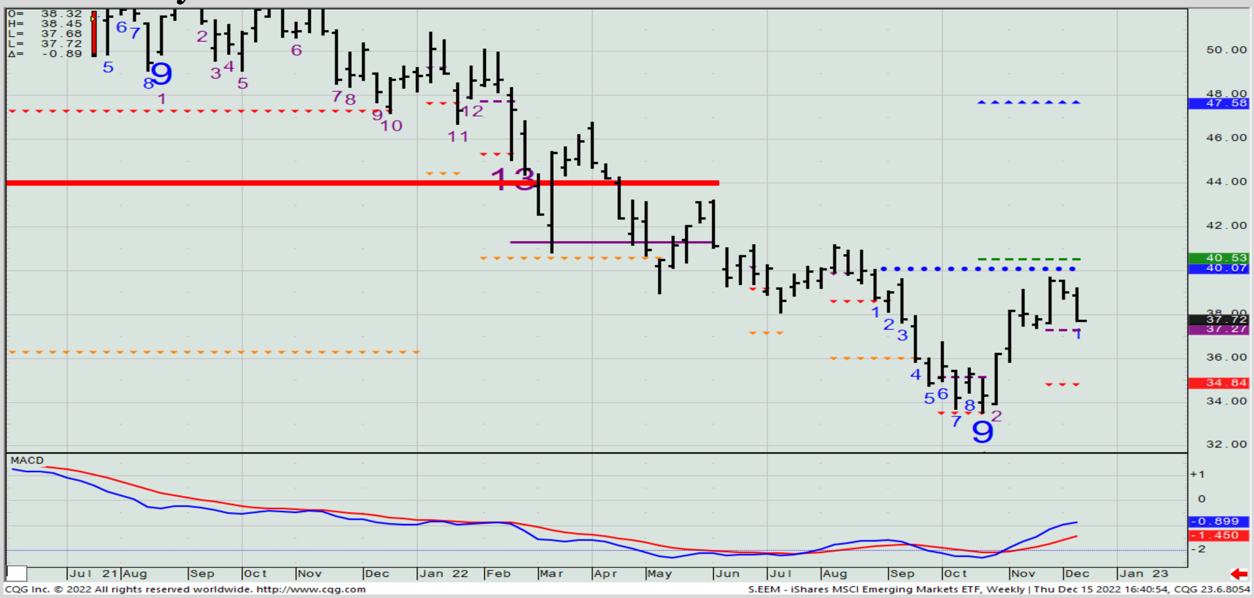
CLOU - Daily



Long EEM

Seven 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, and we'll sell half of what we have left near $40.19. I've already raised our sell-stop to exit whatever balance we have on any Friday close beneath $37.27, which could happen today.

EEM - 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.

Disclaimer