Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com February 17, 2023

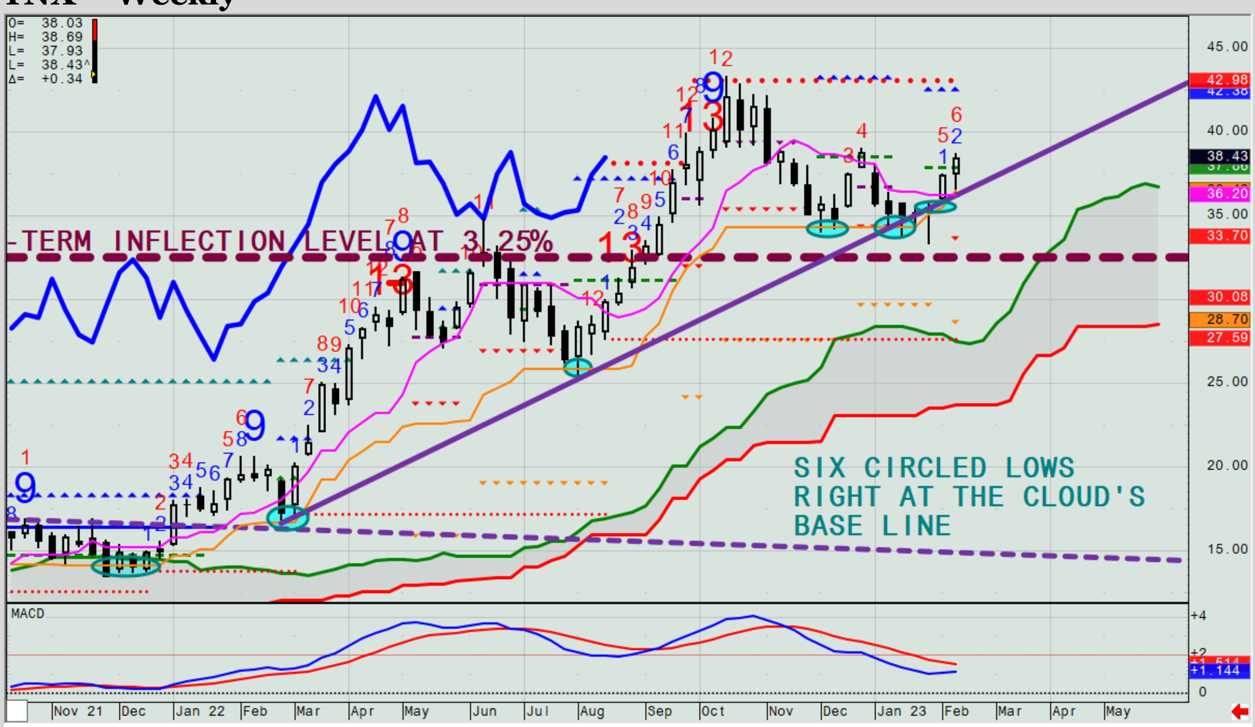
TACTICAL TRADER REPORT

The Macro Picture

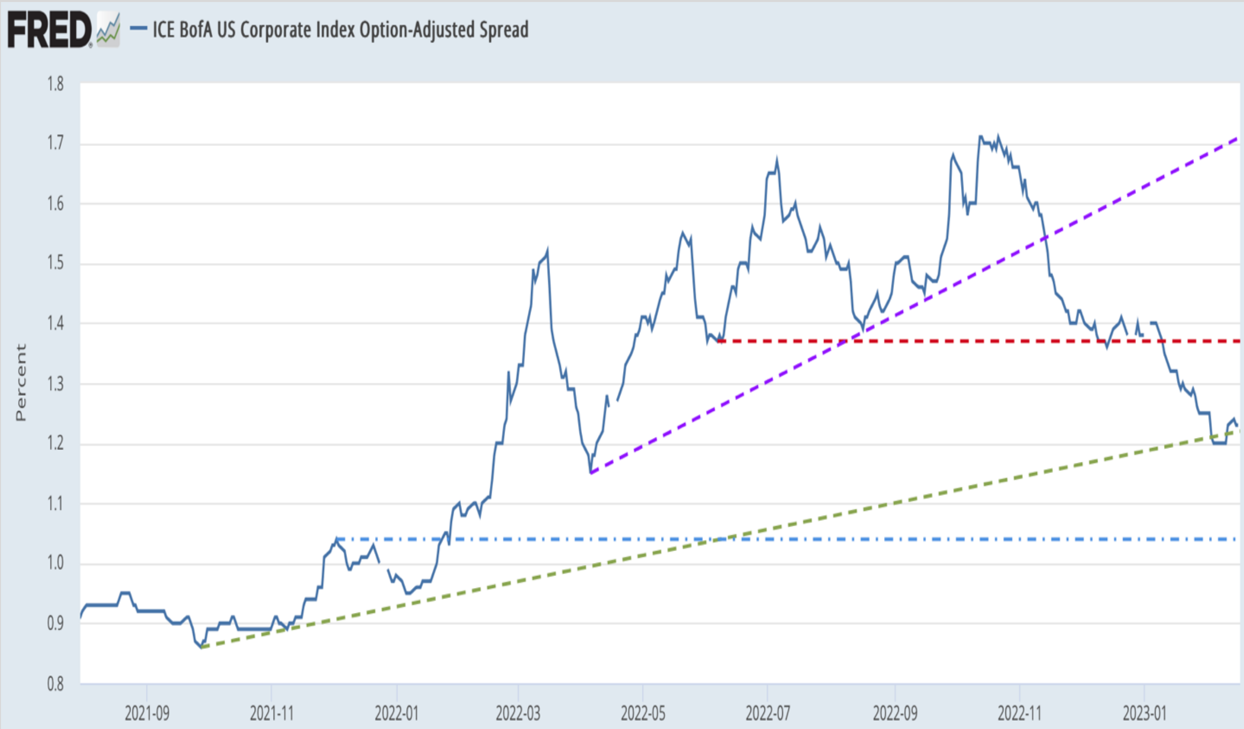
Rates continue to move higher, with UST 10-yr yields back over 3.8% -- a significant rally in just a short time since we called for it from near 3.5% just a couple of weeks ago. Meanwhile, the CPI figure on Tuesday rocked the market in both directions when the number came out, but ended up being a dud by the day's close. But it was yesterday's hotter PPI number that finally put some pressure on the market, but the SPX remains above 4100 and not far off its best close since the October low.

Looking more specifically into the weekly TNX chart, the inability to break beneath the weekly cloud's Base Line when it was near the 3.43% area was the trigger for this rally – having held support against that Base Line for 6x over the past 16months. We now find yields up near their intraday high of 3.90% in December, and they are appearing more as if they want to test the 2022 highs near 4.3%.

TNX – Weekly

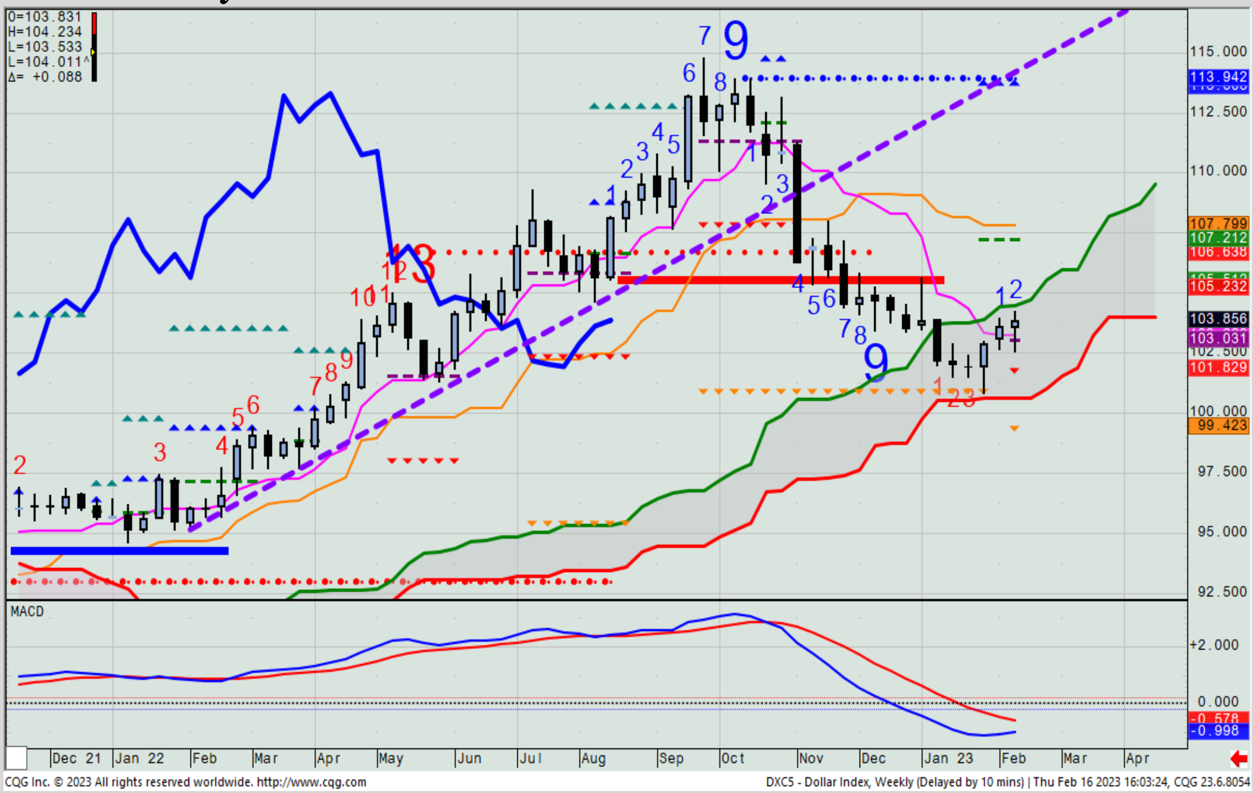


The ICE BofA credit spread narrowed to as low of 1.20%, and even tucked beneath the uptrend line from its secular low of 0.86 bps. in 2021. However, it is trying to get a bounce from this general area, and I suspect a rally can occur if stocks can't lift off above SPX 4148 (More on the latter, below.)



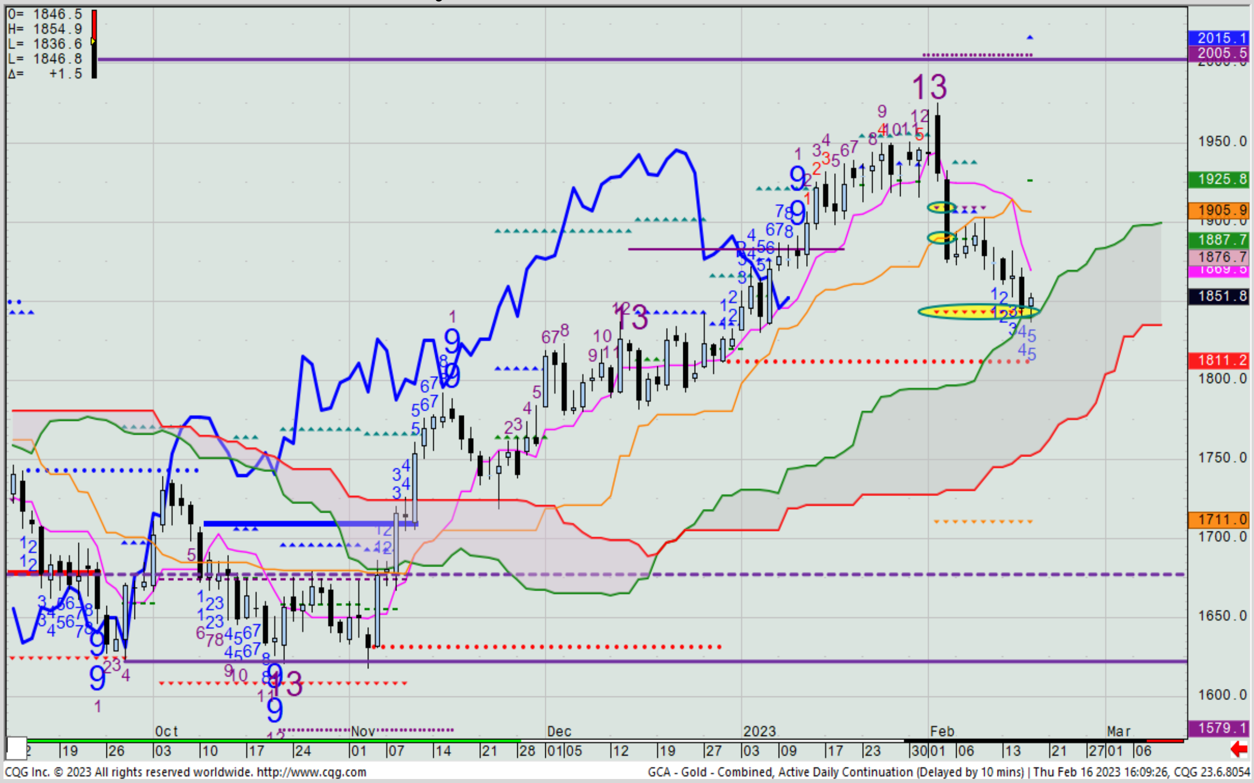
I have been calling for a tactical trading bounce in the US Dollar Index from the 102 to 100.50 level. It has rallied from there to now be in the 104 area. It needs to get some Friday closes north of 104.50 to then challenge the weekly bullish Propulsion Momentum level of 107.12.

DXY – Weekly



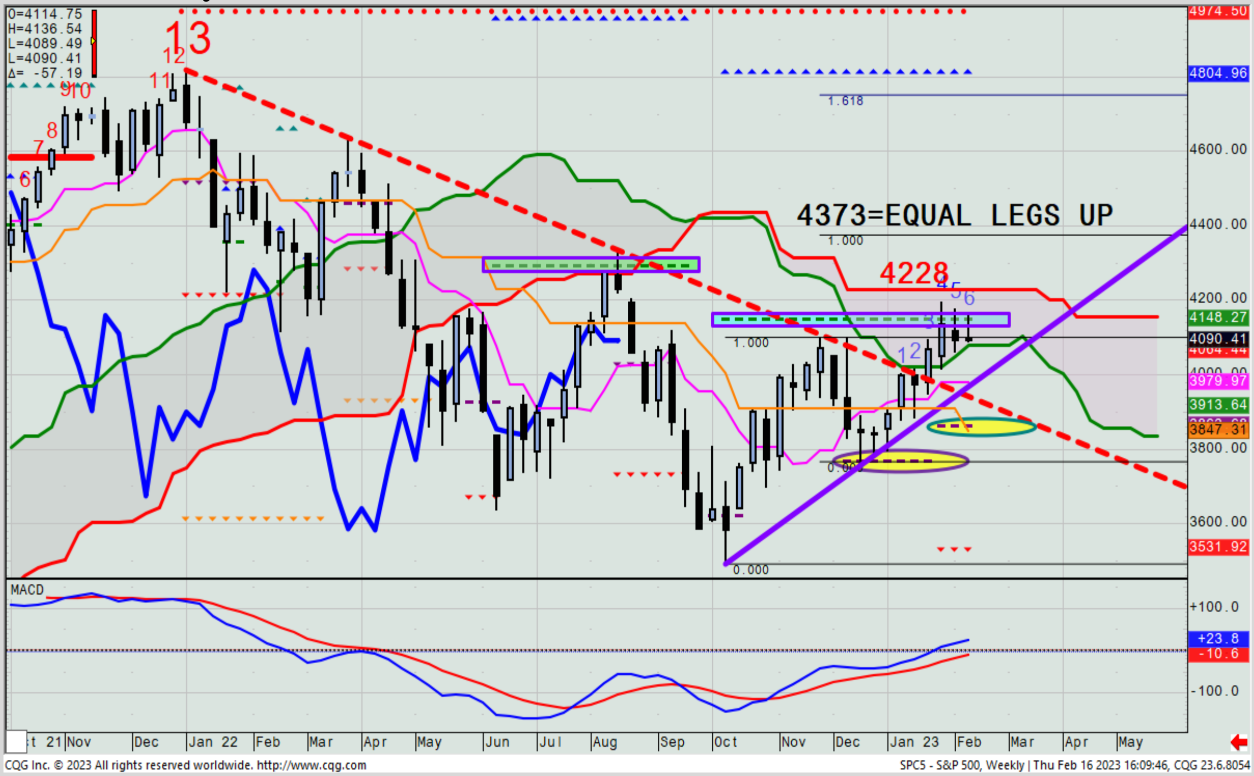
Dollar strength has kept pressure on gold. Price has now reached the bearish daily Propulsion Full Exhaustion level as well as the top of the cloud – both potential support levels. I do think new all-time highs are in the cards.

COMEX Gold – Active Daily Continuation



The SPX closed Wednesday right on its weekly bullish Propulsion Momentum level of 4148, and as I've said before, this level is a key one – just as it was when it was where last August's high was of 4273. (See highlighted bright green circled zones.)

SPX - Weekly



A failure to close above 4148 today keeps my recent call in place for a coming 5% decline. A close above there today that sees upside follow-through next week is bullish, and takes odds down of future 2023 lows under last year's low.

New ETF Trade Idea

Let's do a pure trader's trade – one that we have defined risk at what should be no more than ~1%, and what could return three to five times the amount risked if correct. Here it is: Let's look to short one unit of the SPDR S&P 500 Trust (**SPY**) – the most liquid equity security traded every single day. If today or any Friday closes above 4148, we'll cover for a mild loss. Otherwise, I'll look for the SPX to fall at least to 4000, but more likely even to 3900-3850. In SPY terms, I'd look for $400 to $384.

SPY – Weekly

Other Open Recommendations and Positions

Long INDA

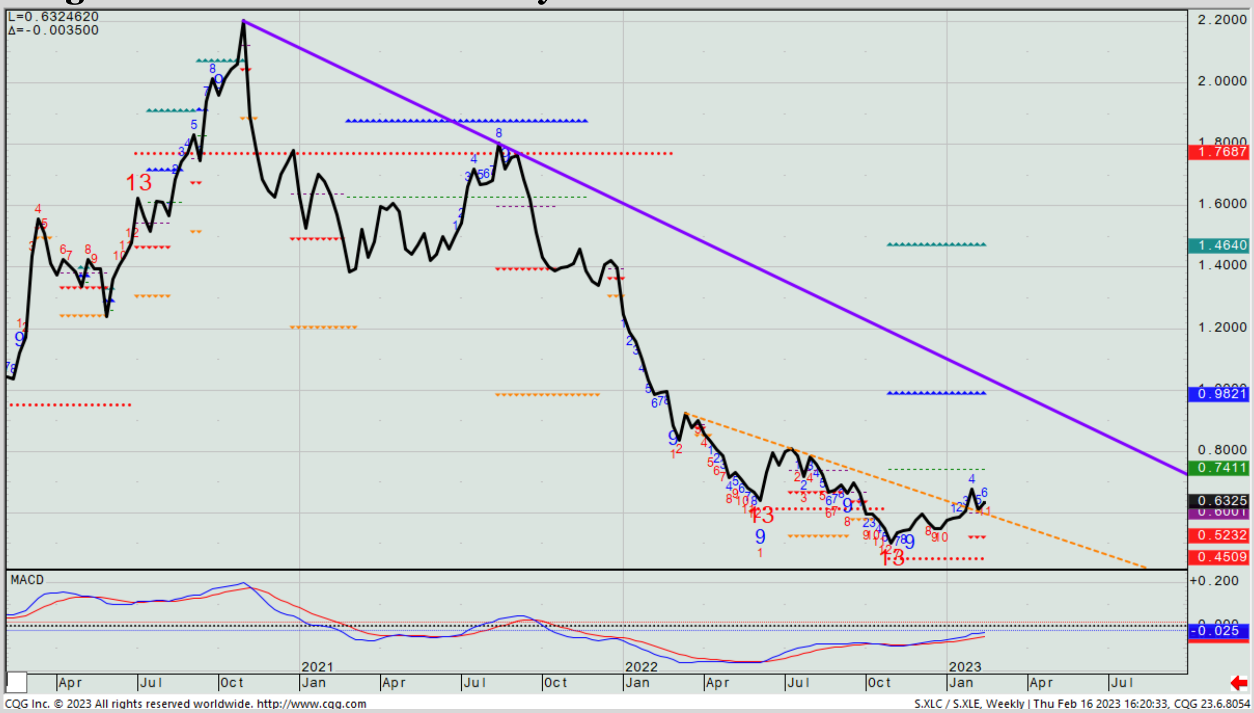
Last Friday we got long INDA, looking to get long near the low end of the range. Our sell-stop is on a new closing low under $38.77 – the lowest closing low of 2022.

INDA – Daily

Long XLC vs. Short XLE

Two weeks ago, we went long XLC vs. shorting an equal dollar amount of XLE, based upon the upside breakout I saw on the relative chart, getting in at an avg. price of 0.6766. I'm looking for this to potentially move up to the 0.982 level. Our sell stop is on a Friday close beneath 0.5756.

Long XLC vs. Short XLE – Weekly



Long EWZ

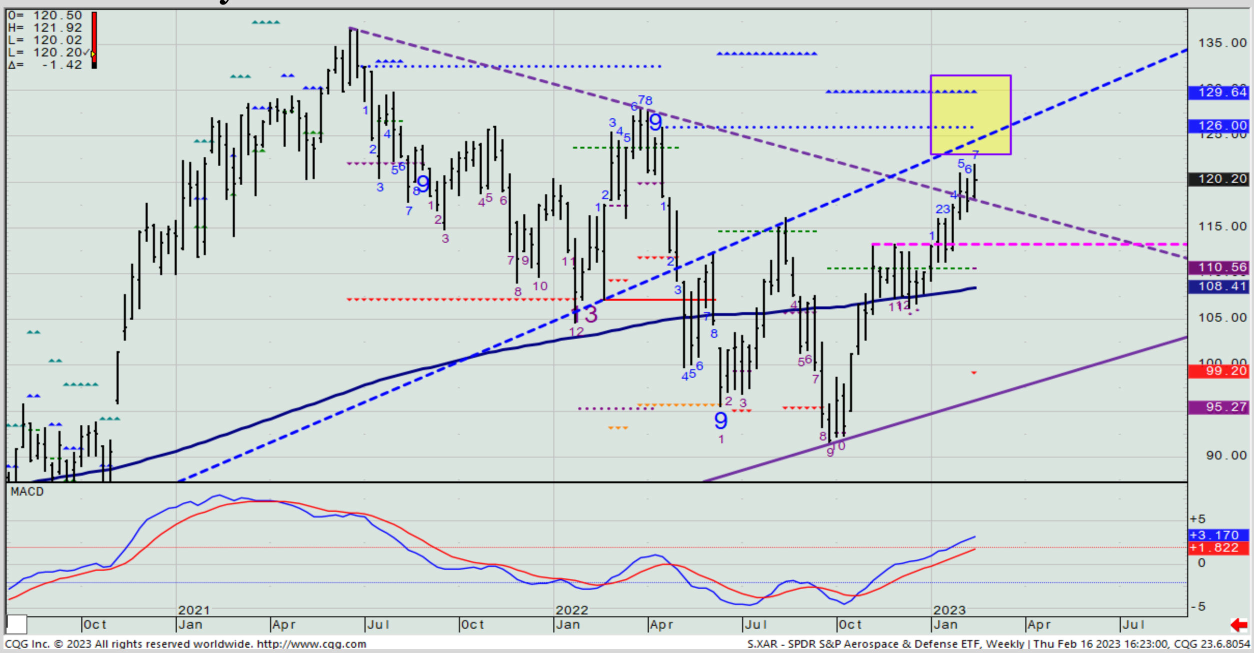
Four weeks ago, we went long this Brazil equity ETF (avg. fill price at $29.19), looking for a move that targets the downtrend line in the $34 to $35 area. We'll keep a tight sell-stop on this to exit on the second consecutive Friday close beneath $28.64. Last week was the first, so watch where this goes out today to potentially exit on the close.

EWZ – Weekly

Long XAR

Five weeks ago, we entered a new one-half unit long position at an avg. price of $114.62. We've already raised our sell-stop to breakeven entry. Last Friday we took half off at an average price of $ $117.39. The upside target stays in the mid-$120s (say, $124 to $126.) I'll raise the sell-stop now to consecutive daily closes beneath $115.75 or a simple sell-stop at your breakeven entry price.

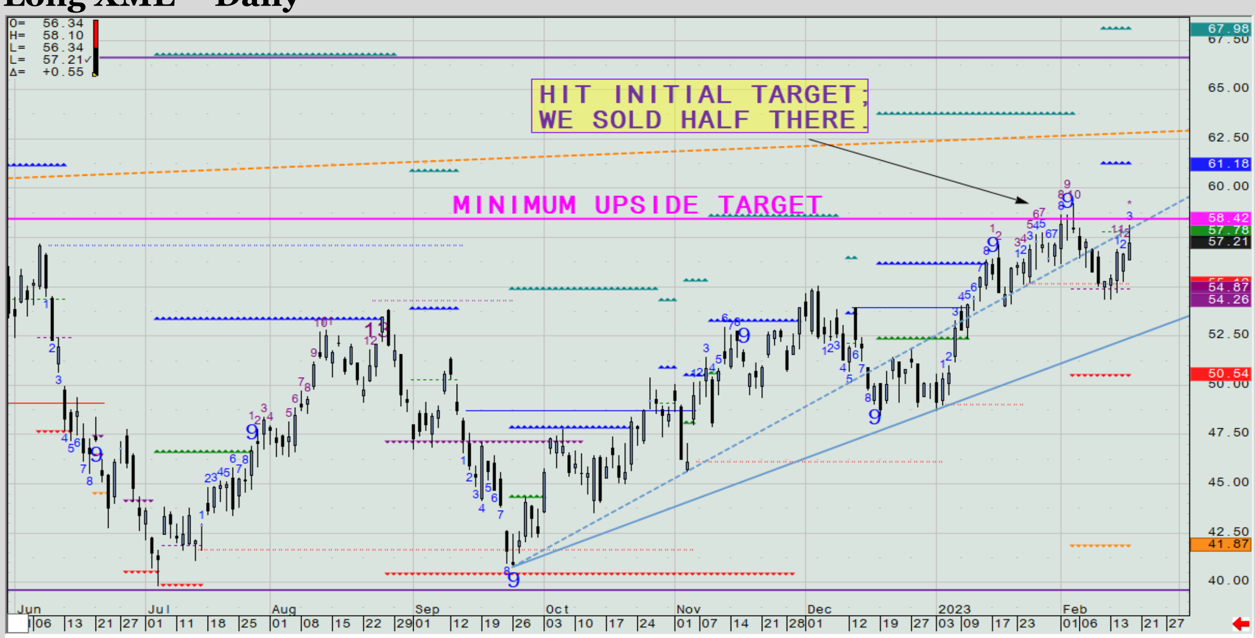
XAR – Weekly



Long XME

Five weeks ago, we bought a one-unit position (avg. fill at $51.23), looking for a move to at least test $58.30-$58.60 – where we previously sold half, locking in a 14% profit on that portion. Our sell-stop to exit the balance is on consecutive daily closes beneath $54.26. (Notice that that was the lowest close in the past week, and has just bounced from there. Just another reason why I so respect the Propulsion indicator as part of my toolkit.)

Long XME – 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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