Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com

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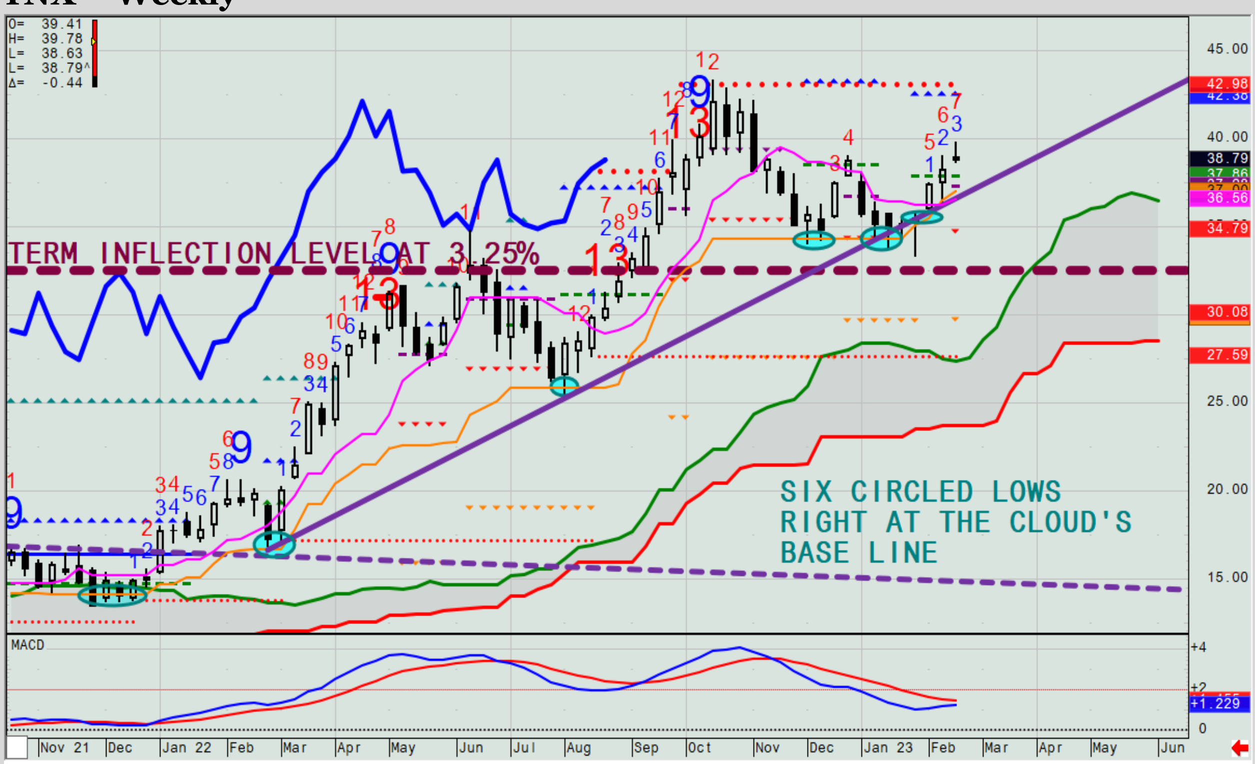
TACTICAL TRADER REPORT

The Macro Picture

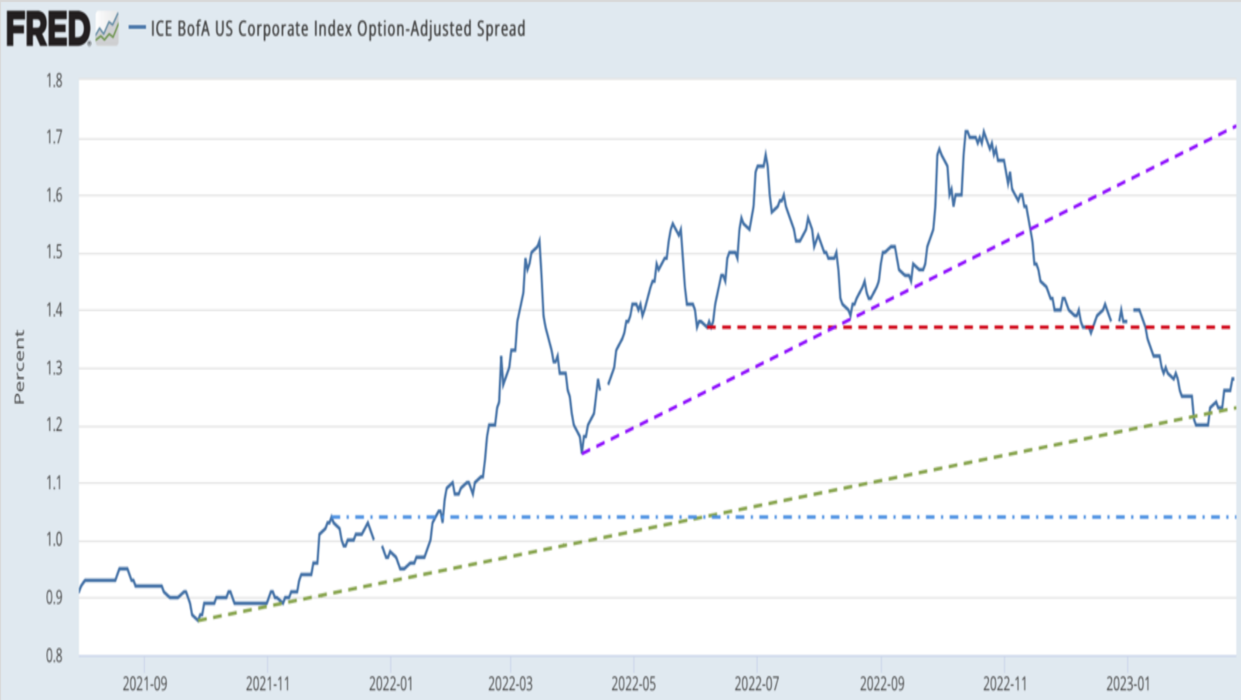
Rates continue to move higher, with UST 10-yr yields back over 3.8% -- a significant rally in just a short time since we called for it from near 3.5% just a couple of weeks ago. Meanwhile, the CPI figure on Tuesday rocked the market in both directions when the number came out, but ended up being a dud 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.

UST 10-yr rates have held up this week. To me, the key level to keep watching is the weekly cloud model's Base Line (currently at 37.00, or 3.70%). Any Friday close beneath there that doesn't immediately rebound is a key to become a bond buyer. If that breach doesn't happen, then we could see a test of the 2022 high rate mark.

TNX – Weekly

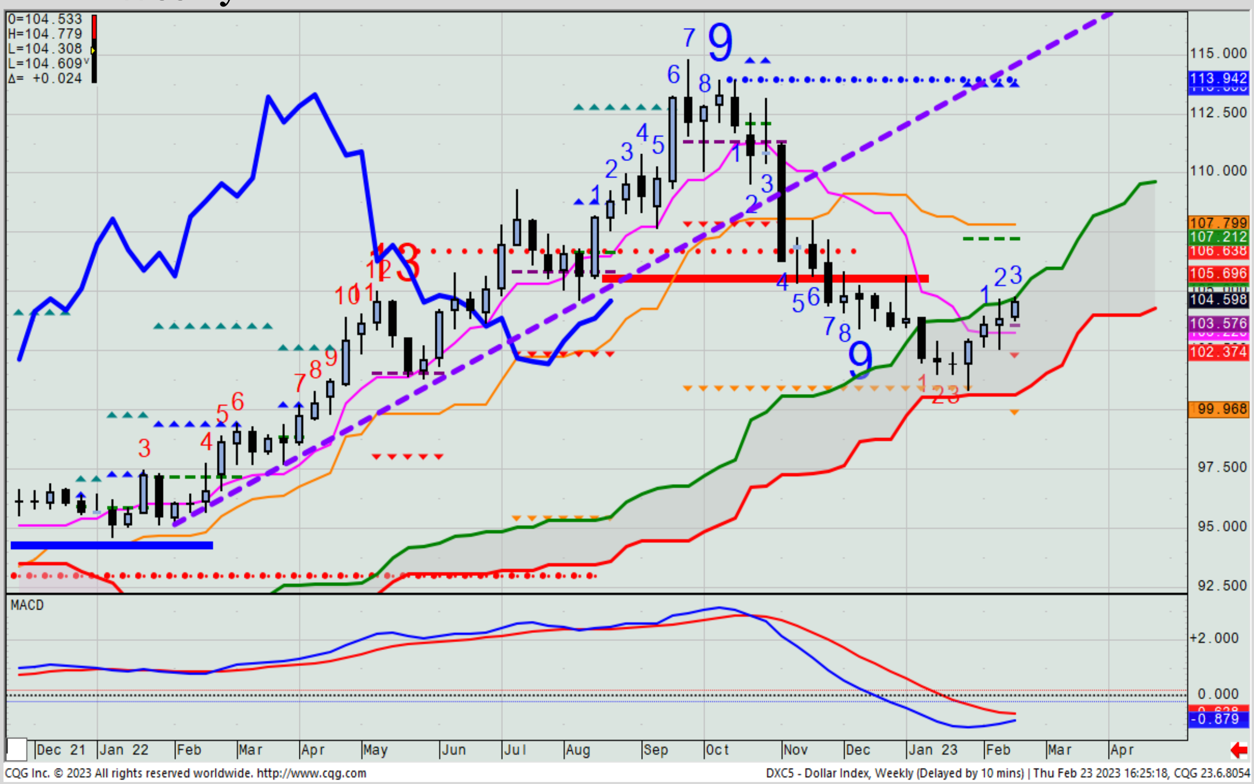


The ICE BofA credit spread narrowed to as low of 1.20%, but as I wrote you last week, I expected a bounce if the SPX could not get above 4148. It didn't, and spreads have started to widen out from bouncing on the major uptrend line from the secular low. Initial resistance should be near 1.37% from the current 1.28%.



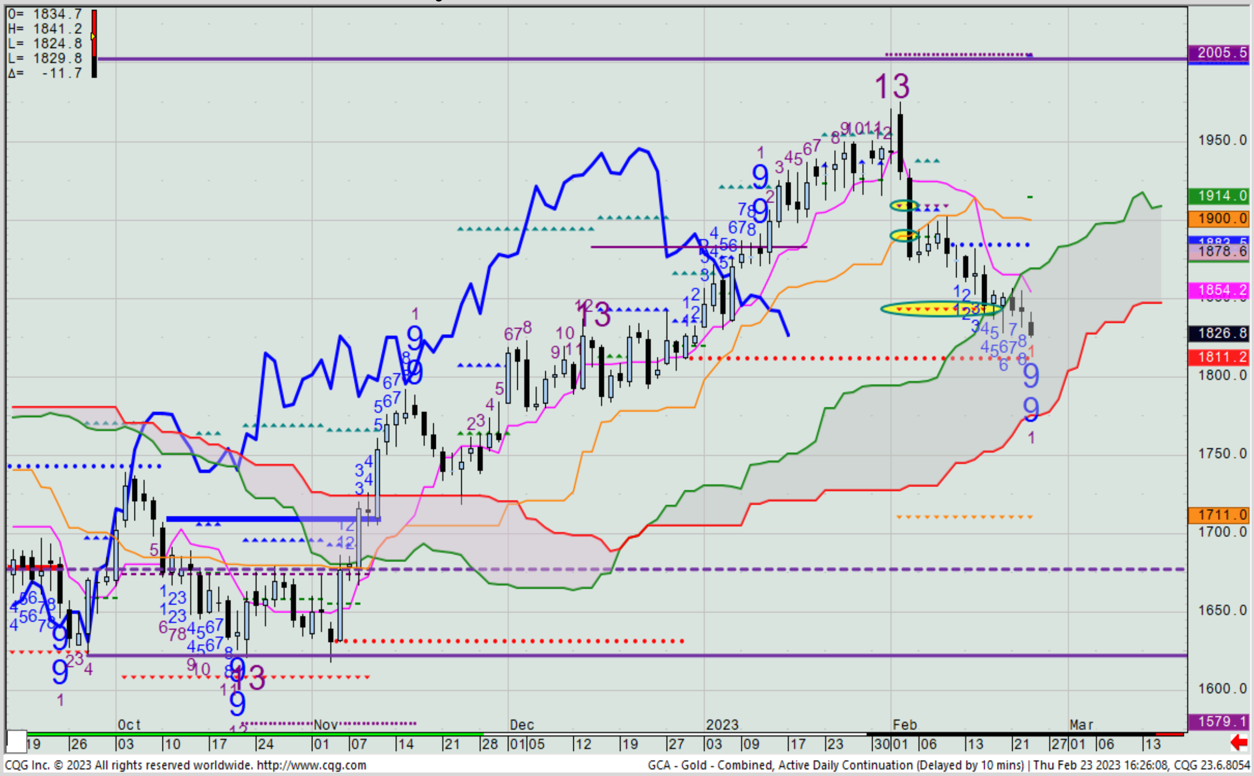
My tactical bullish call on the US Dollar Index worked well, with my looking for a bounce from the 102 to 100.5 zone to first test near 104.5.(which was the top of the weekly cloud level last week). I've taken half the trading profits on this upmove, and raised sell-stop on the balance to consecutive daily closes beneath 103.56. I do not expect any further dollar rally to exceed 107-108 level.

DXY – Weekly



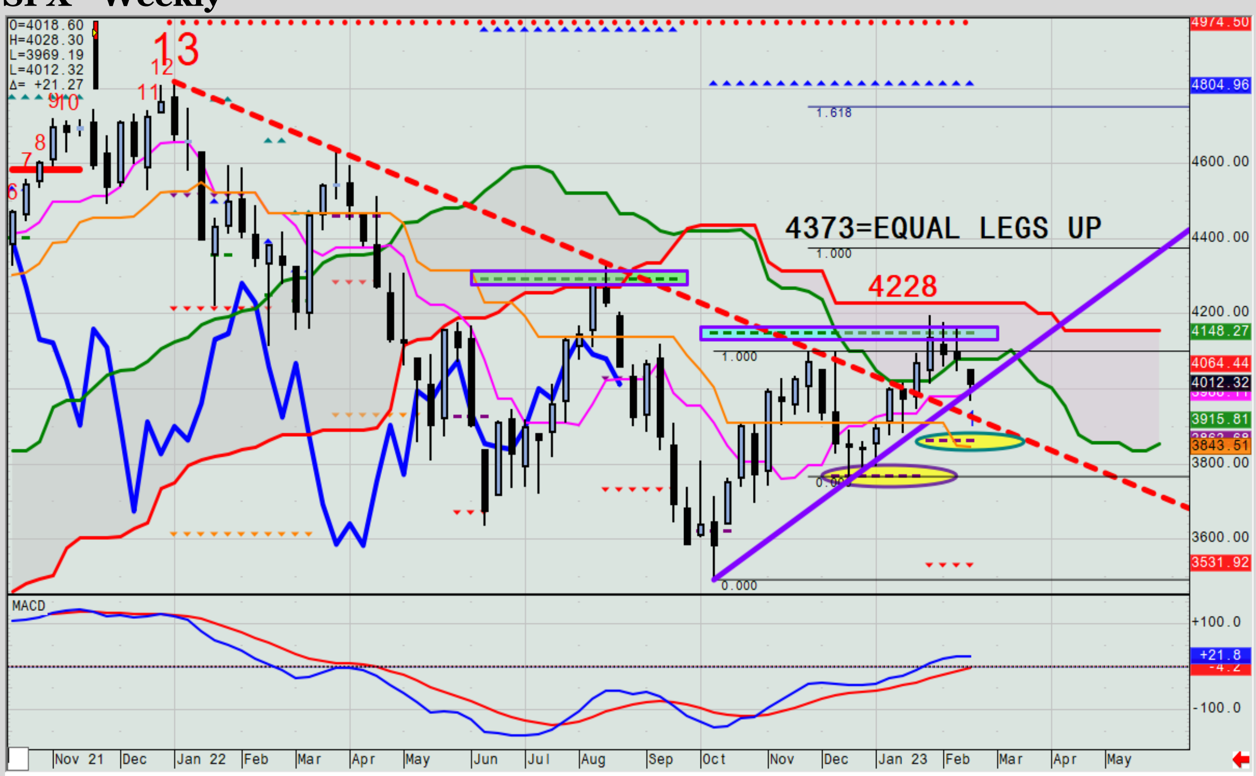
Gold remains under pressure as the dollar holds onto gains. It is in an area I am very willing to put on long exposure for the bigger picture, and I personally do add to my own GLD holdings on this pullback.

COMEX Gold – Active Daily Continuation



The SPX has traded down almost a full 5% off the 2023 closing high, which as you know, was my call from several weeks ago. For all practical purposes, my comments on the likely top happening around that 4150 area was the peak of the move. It's now nearer support levels (making for the "easy" money having already been made on the bearish move), but I could potentially see this test near the 3850 level (which would be almost an 8% loss from that peak closing price).

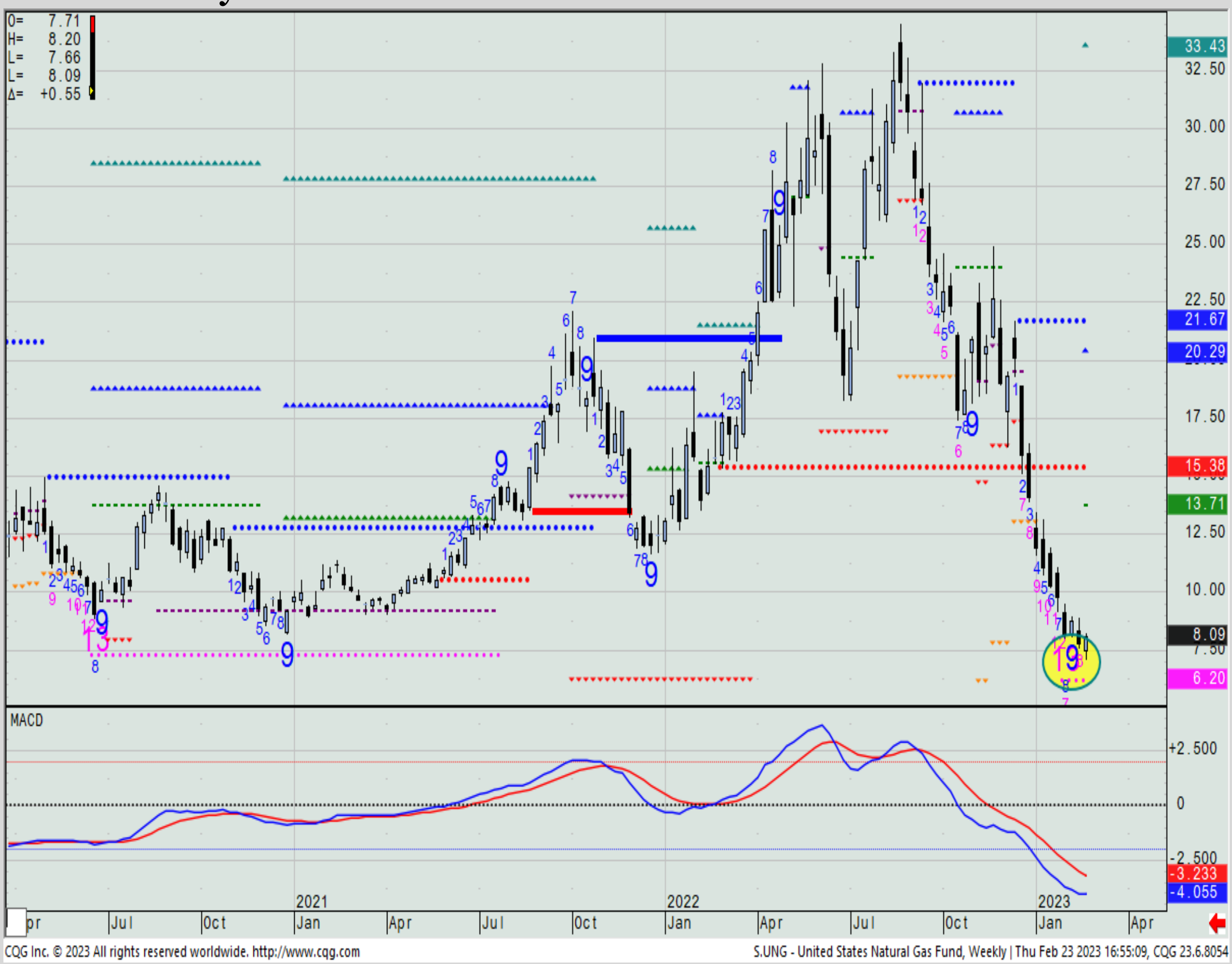
SPX - Weekly



New ETF Trade Idea

Natural gas futures are at the lowest level in two years, and to me, it presents a buying opportunity such that we can buy the associated ETF (the US Natural Gas Fund (**UNG**) and hold it for many months (or longer), ultimately looking for UNG to double in the next year or two.

UNG – Weekly



A few weeks ago, we saw a weekly Combo -13 count, followed by a Setup -9 count. Though the low made on this move is the lowest low ever traded since this ETF started trading in 2008, I am willing to take my chances to scale into this idea and hold it for as long as it needs to take to materially recover. Natural gas is used throughout the US in most homes, and given the devastating decline it has had in the past 6 months, I think of it as a "deep value stock" (despite it not being a corporate security), and one that will pay off holding over time.

As such, let's buy a 50% stake in it now, and I'd scale down bid every 20 cents or so to accumulate the other 50% if we saw further declines. This is a trade I suspect we'll have on for a long time, so I'll watch for upside levels as possible trading exits, but my goal is to hold this for prices into the mid-teens. I am not putting a sell-stop on this (a huge rarity for me), but the lower it would go the more willing I will be to buy more.

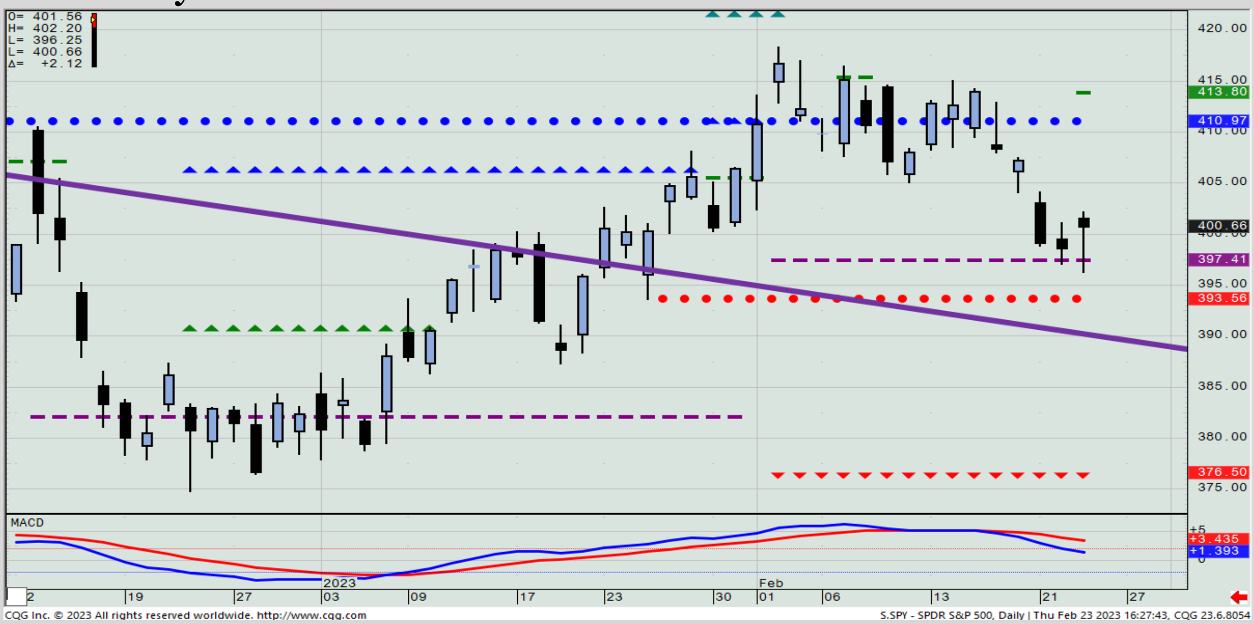
If this idea does not sit well with you, I get it. You can always opt to not take the trade or come up with your own risk level.

Other Open Recommendations and Positions

Short SPY

Last week's trade was to short the SPY on Friday. We'll take an average fill price at $405.78 (the midpoint of the day). I was looking for a test of $400 to as low as $385. With the SPY having traded this week down to as low as $396.25 yesterday, we can cover one half today and let the rest go. But do lower your buy-stop on the balance to no higher than your breakeven entry level.

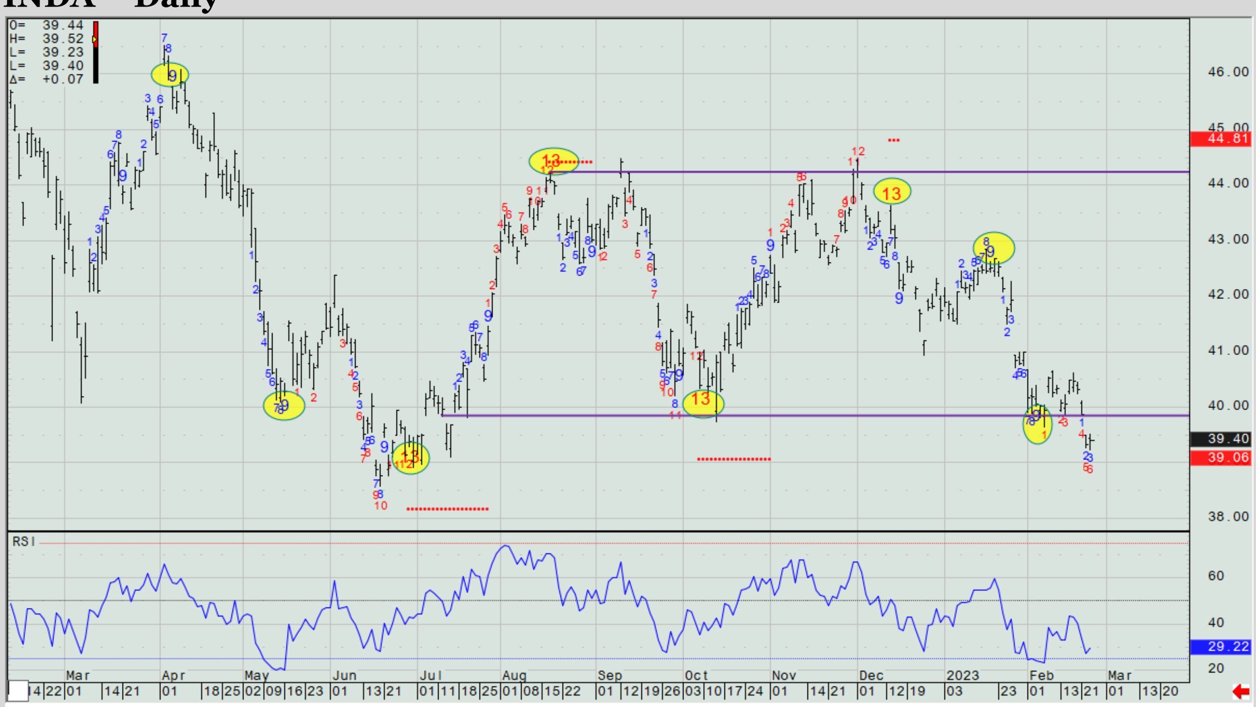
SPY – Daily



Long INDA

Two weeks ago, we got long INDA, looking to put on bullish exposure near the low end of its trading range. Our sell-stop is on a new closing low under $38.77 – the lowest closing low of 2022.

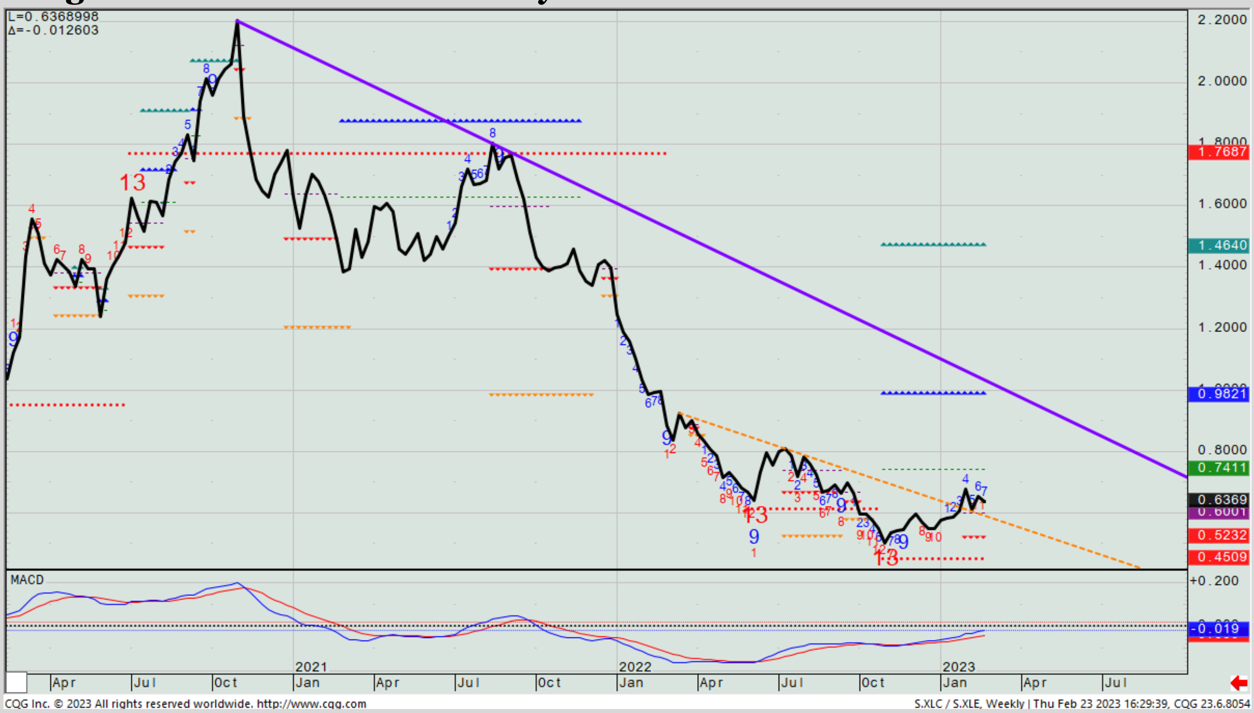
INDA – Daily



Long XLC vs. Short XLE

Three 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

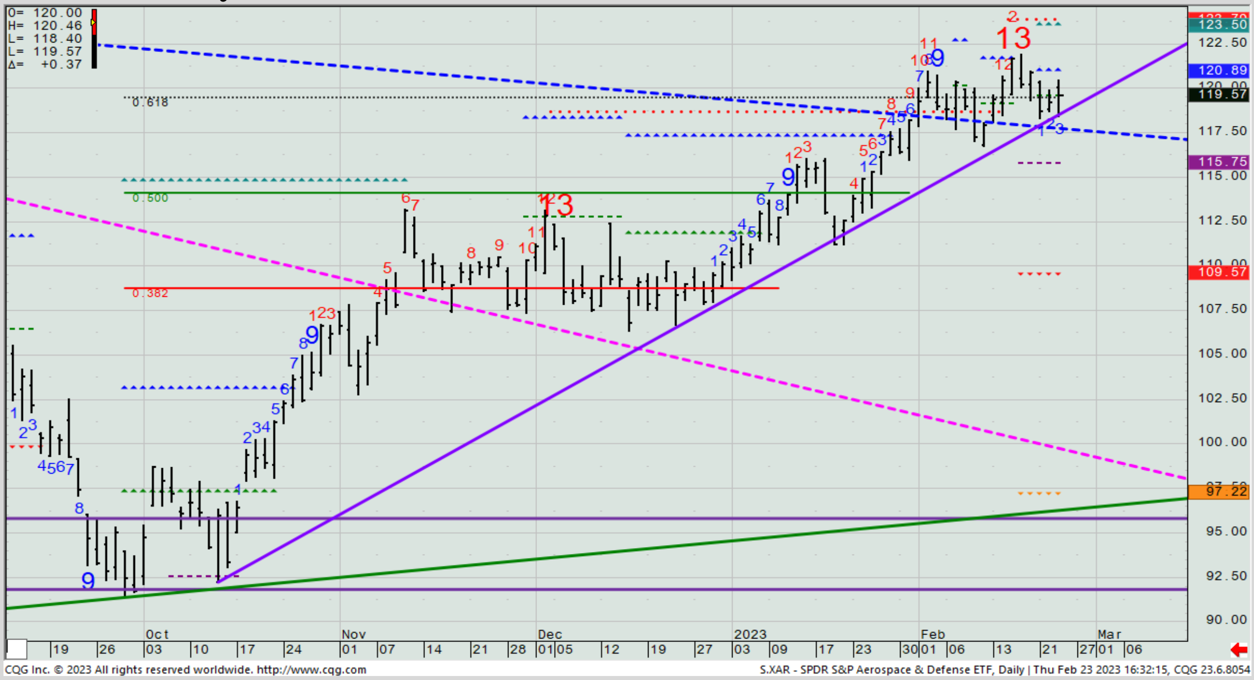
Five weeks ago, we went long this Brazil equity ETF (avg. fill price at $29.19), looking for a move that targets the downtrend line in the $34 to $35 area. We'll keep a tight sell-stop on this to exit on the second consecutive Friday close beneath $28.64.

EWZ – Weekly

Long XAR

Six 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. We previously took half off at an average price of $ $117.39. The upside target stays in the mid-$120s (say, $124 to $126.) I've already raised the sell-stop now to consecutive daily closes beneath $115.75 or a simple sell-stop at your breakeven entry price.

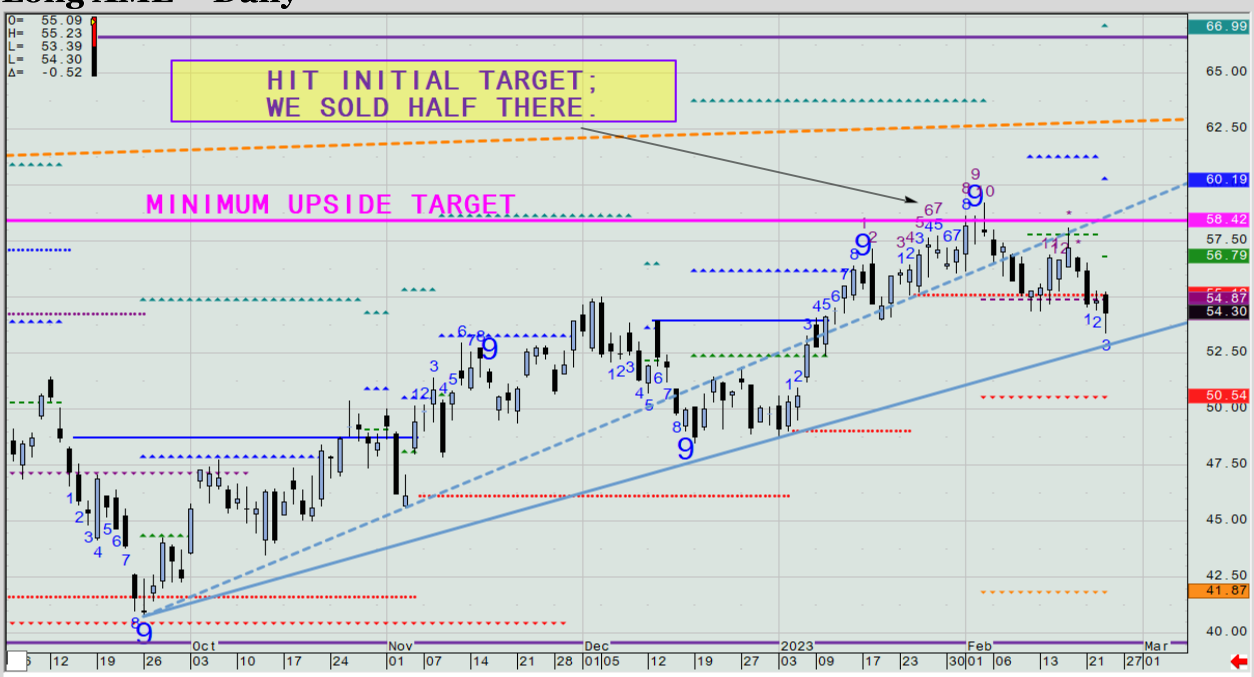
XAR – Weekly



Long XME

Some two months 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.

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.

Disclaimer