Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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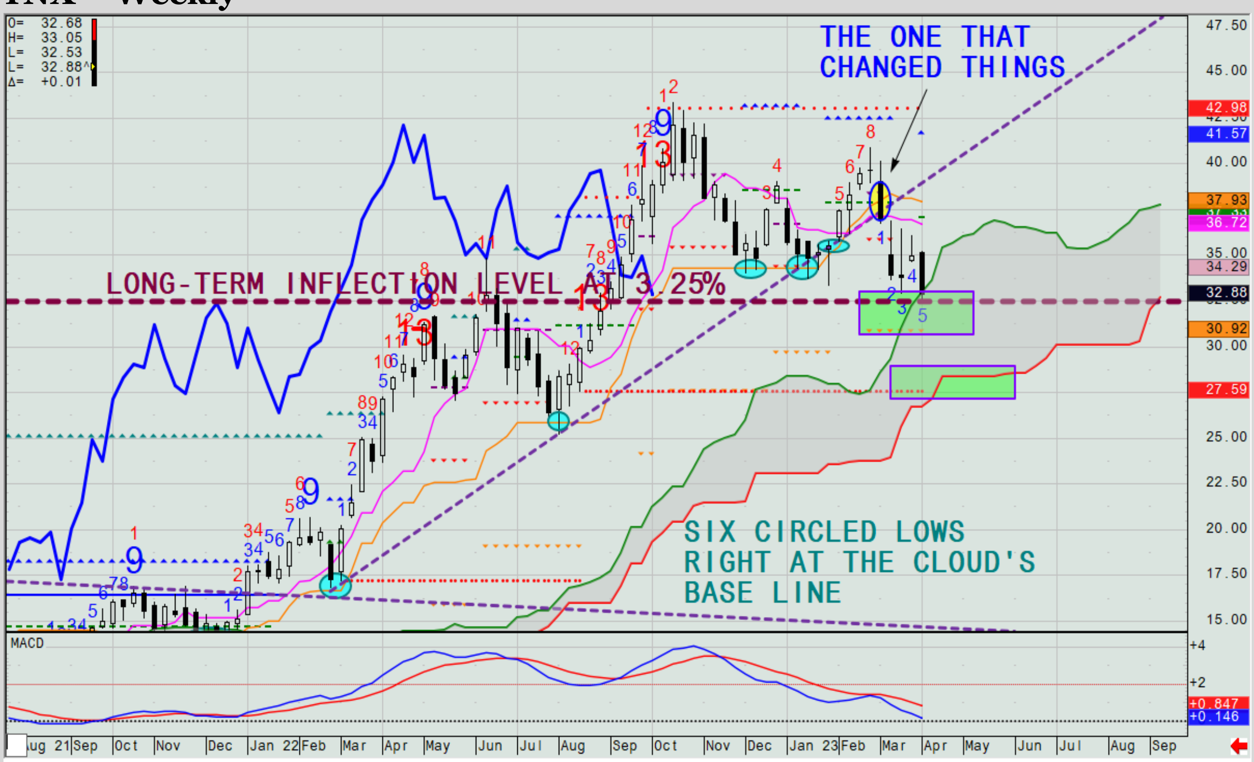
TACTICAL TRADER REPORT

The Macro Picture

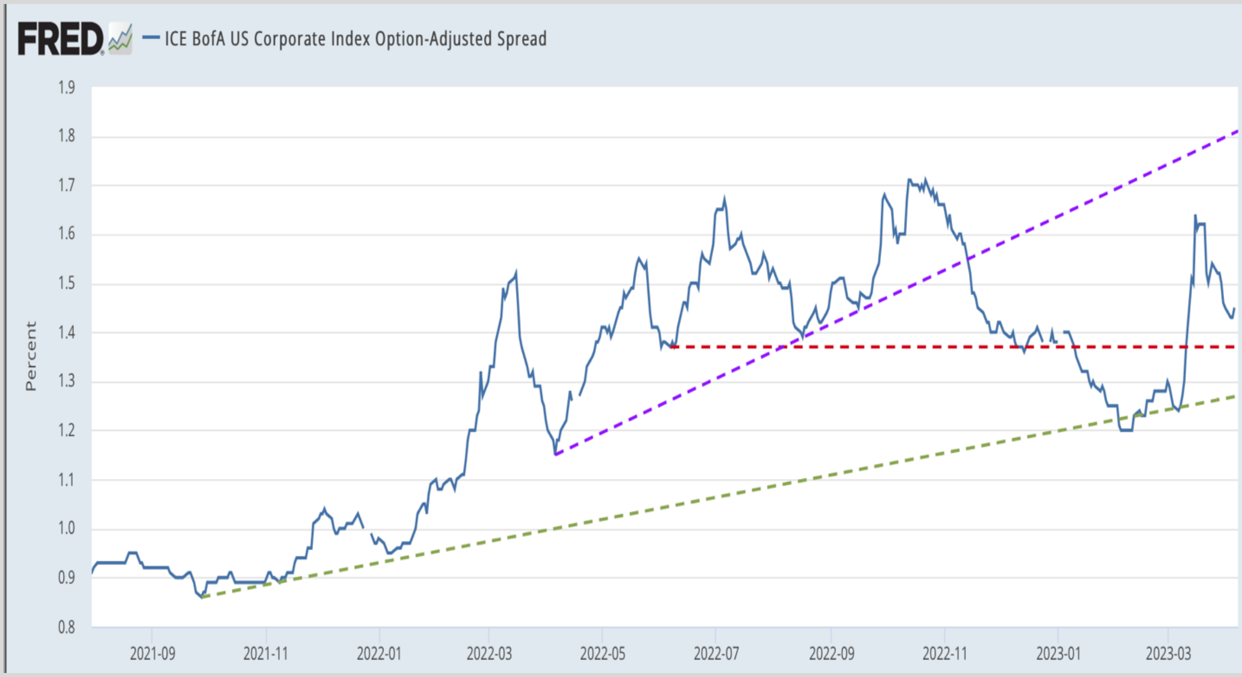
When you look things over, you see that the past week has not been a very eventful one for stock holders, as the SPX is still struggling to materially progress above the 4100 level. Tech has underperformed in April (as I suggested it would in my latest 7:11 Report), and those subscribers have seen the newest changes I've made to the seven of eleven sectors that we're now holding in the portfolio). Healthcare is starting to look interesting, too, after several months of dismal relative performance.

Though not a significant new low to the move, UST 10-yr. yields marked their lowest print of the year, with the benchmark rate getting as low as 3.25% yesterday. These yields are now into the weekly chart support zone defined by the cloud top (3.30%) down to the bearish Propulsion Full Exhaustion level (3.09%). I've highlighted the two main support zones in green rectangles.

TNX – Weekly

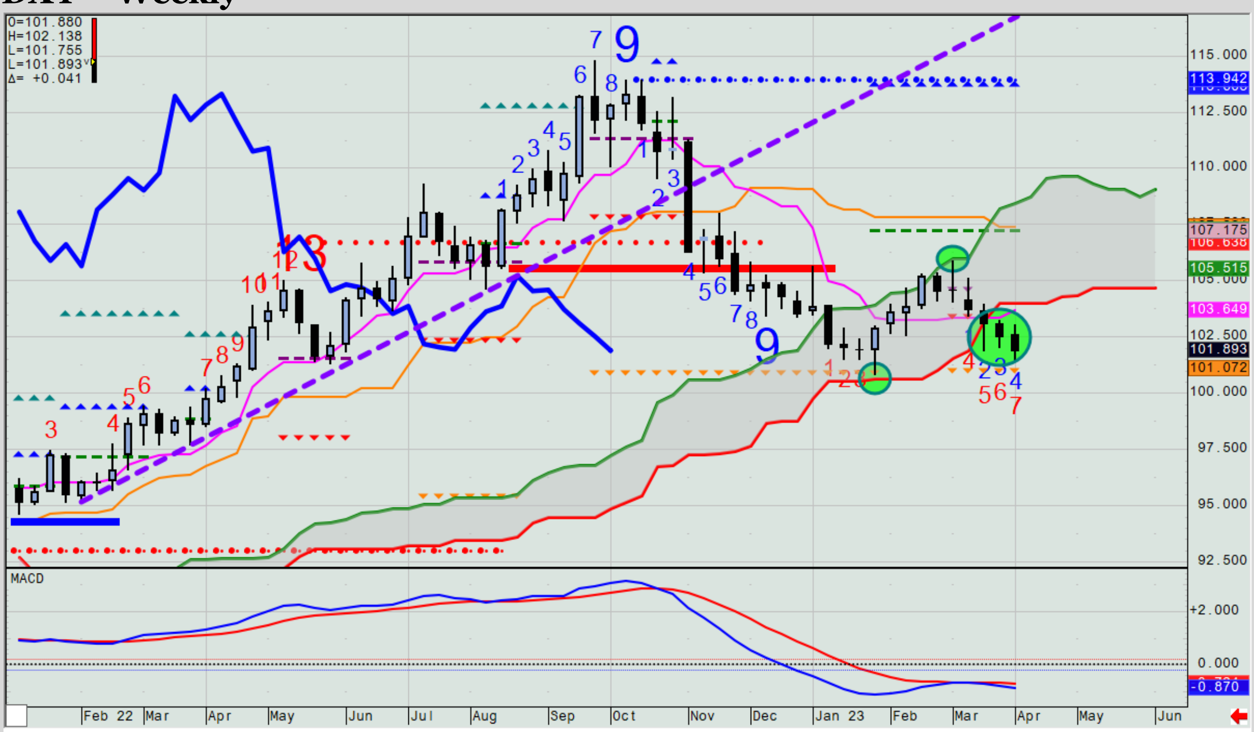


Our preferred credit spread to watch bounced from a test of its major uptrend line at 1.2% to a recent high of 1.64%. It's pulled back over the past week to as low as 1.43% and was at 1.45% as of Wednesday (the last data point we have available until about 9am this morning). I'm inclined to think that bounces from this area (down to 1.37%) and widens out over time to make a new 2023 high later this quarter.



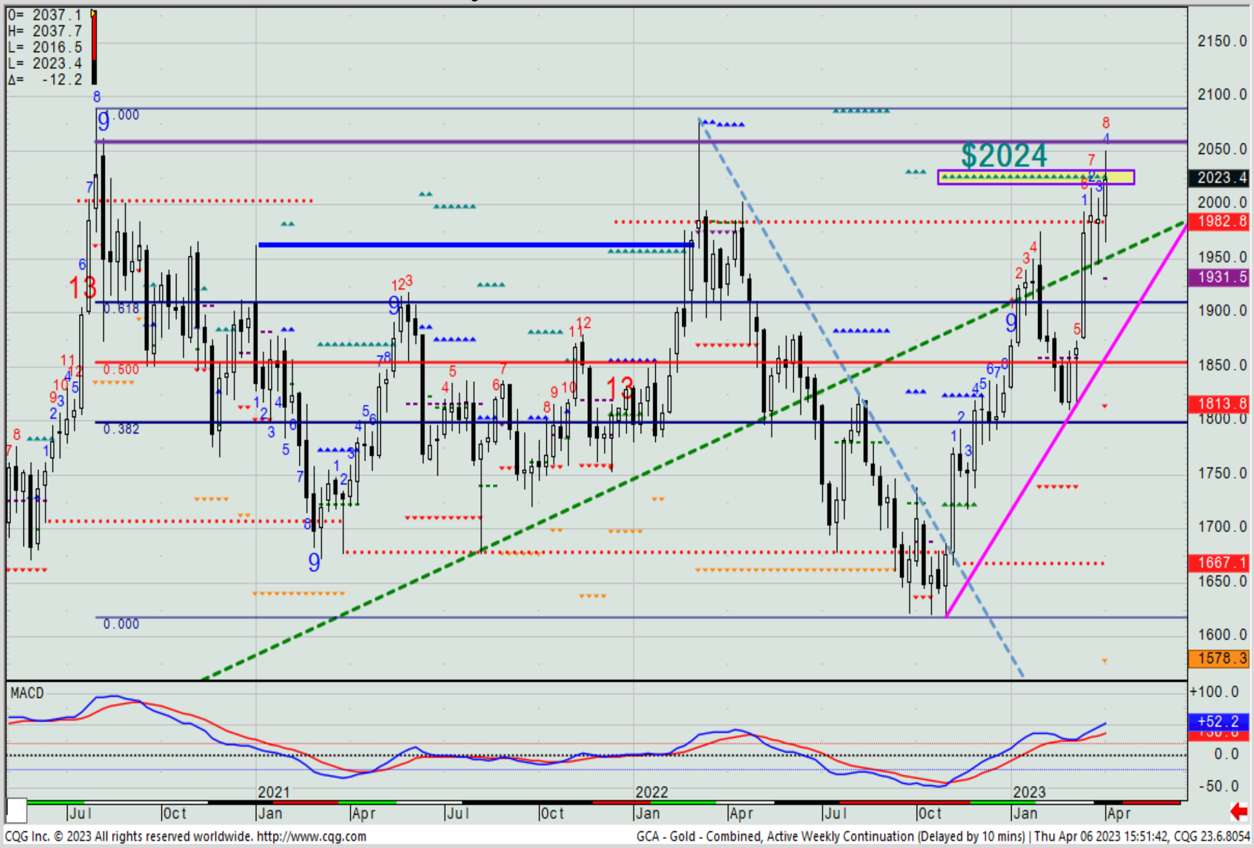
The US Dollar Index broke its weekly cloud bottom two weeks ago, and is now testing the area of the 2023 lows (100.82). My bearish bias remains in place. Although I certainly don't know if it will occur, but in 5 more weeks we could see a full Setup -9 count, and that could accompany a Sequential -12 of -13 reading, too. So, for now, I'll keep on the side that the dollar weakens.

DXY – Weekly



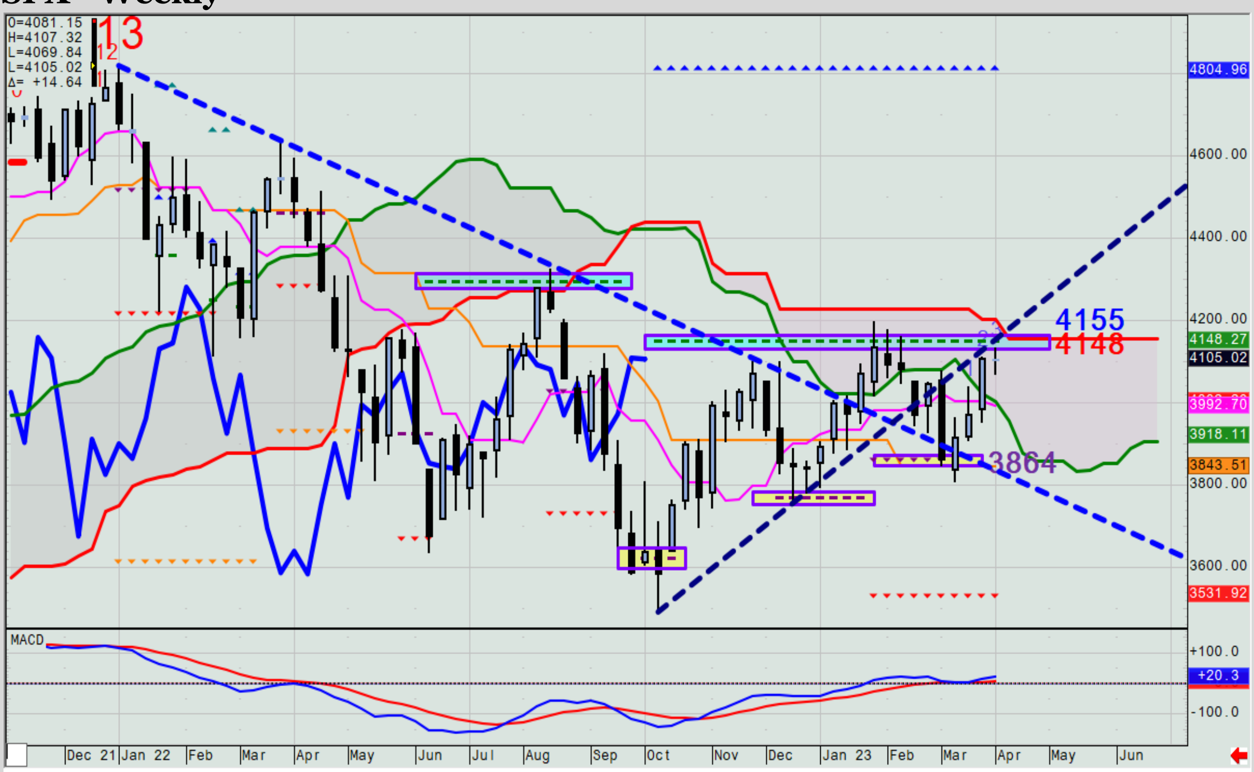
Gold had a very solid up week, pushing to as high as $2050/oz., and as I've previously said, I do expect to see new all-time highs this year. It is still near a multi-month upside target at $2024. (See chart on top of page 3.)

COMEX Gold – Active Weekly Continuation



The SPX remains in its trading range, bounded by 3864 and 4148. I was tactically bullish from the non-breakdown beneath that former level a few weeks back, but have been reducing long exposure over the past week as we approach some more major resistance from 4148 to 4215.

SPX - Weekly

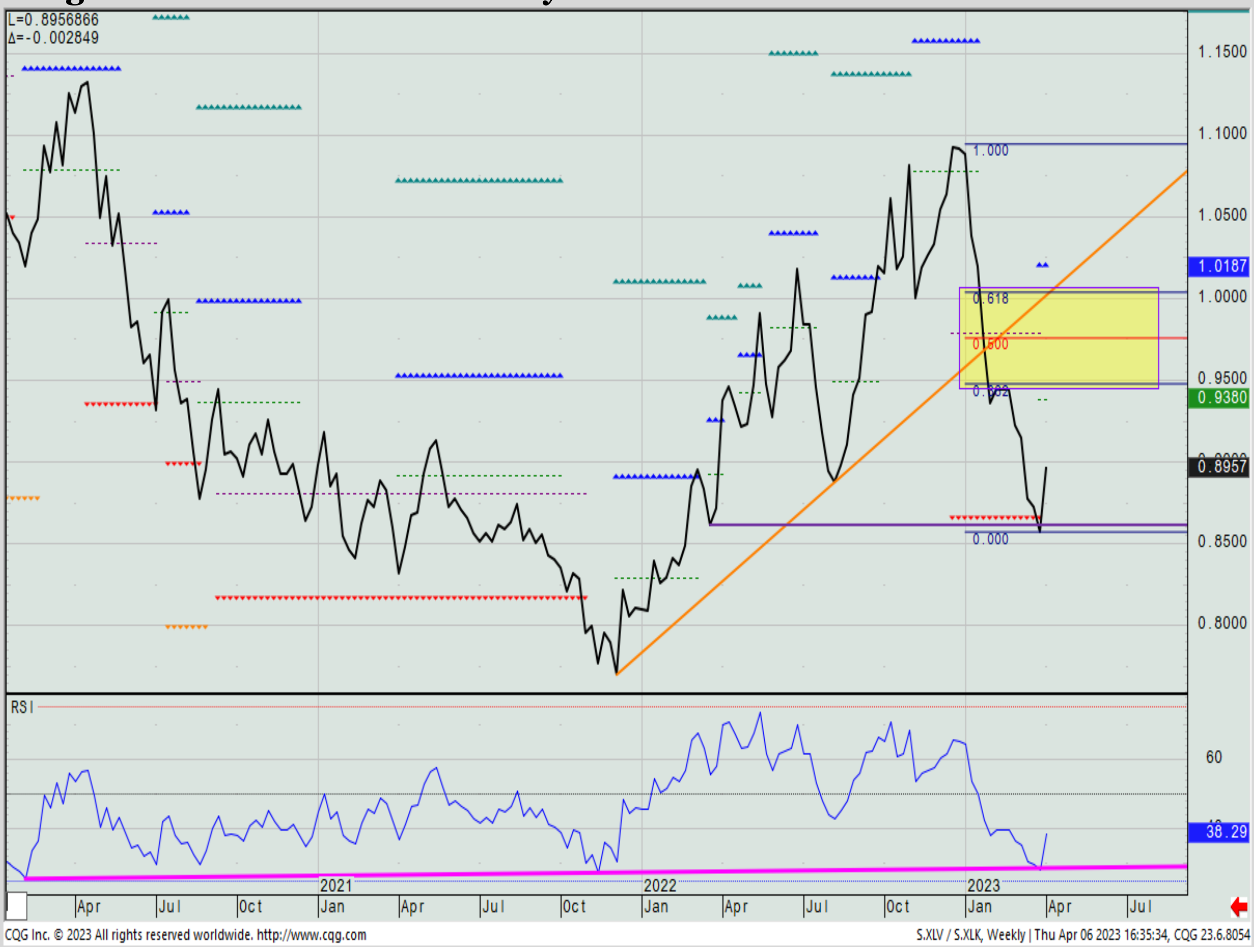


Given the choice of being a bigger picture bull or bear, I lean more towards the likelihood that the index trades down to potentially test last year's lows (~600 pts. lower) than I do to think that it tests last year's highs (~700 pts higher). Of course, 2023 may do neither. So far, that's been the smarter bet than being in either the mega bulls' or bears' camps.

New ETF Trade Idea

While Technology (XLK) rocked this year vs. the SPX, HealthCare (XLV) has continued its give back of what was a major outperformance for most of last year. However, right now I think that XLV is tired and that XLV will bounce from its very oversold level (both in relative terms to the SPX). Thus, I think now is a good time to consider putting on a pair trade of going long XLV and shorting XLK against it. We'll play for a rally up to the highlighted Fibo Box in yellow. We'll stop ourselves out on consecutive weekly closes beneath a ratio of 0.8573 (the recent low close).

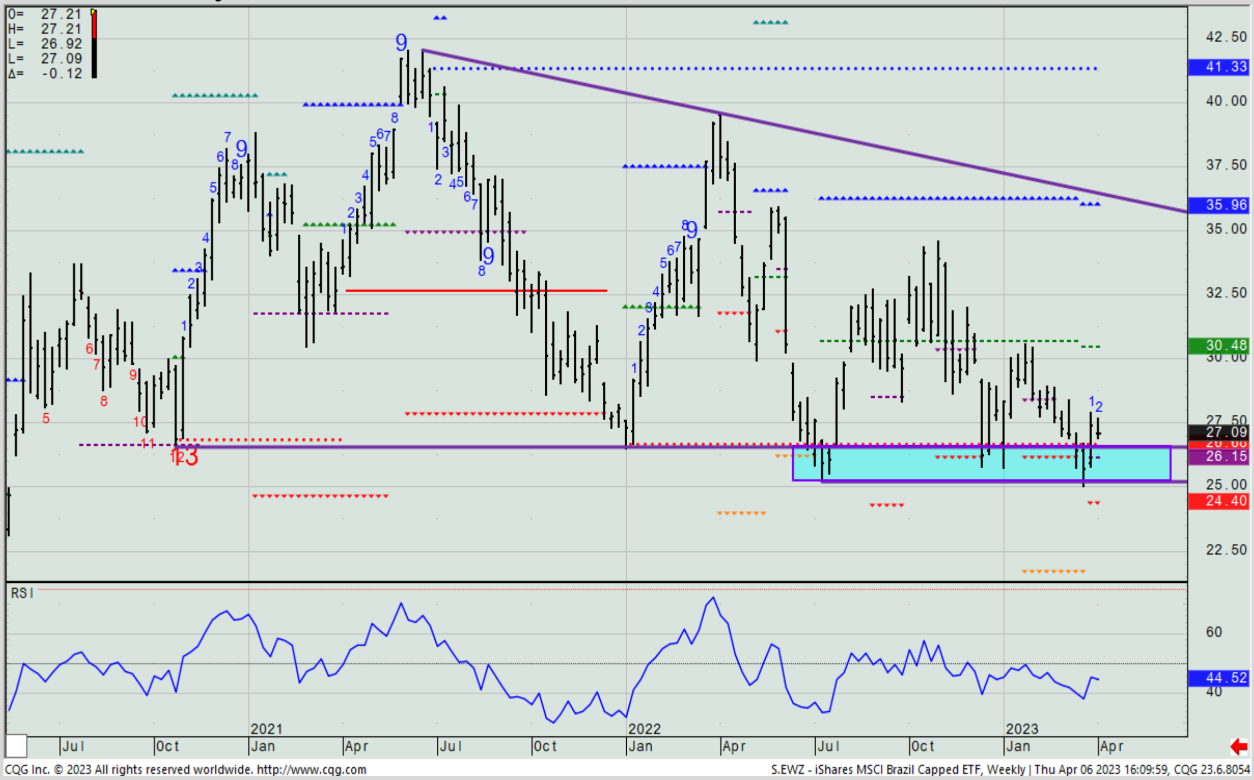
Long XLV vs. Short XLK – Weekly



Other Open Recommendations and Positions

Long EWZ
Last Friday we went long (avg. entry at $27.18), looking for the highlighted strong support zone to continue holding. My stated target is well higher (i.e., near $36), but I can adjust that as needed as it is over a 30% higher target. More importantly, we'll stop ourselves out on a Friday close beneath the double-bottom at $25.00.

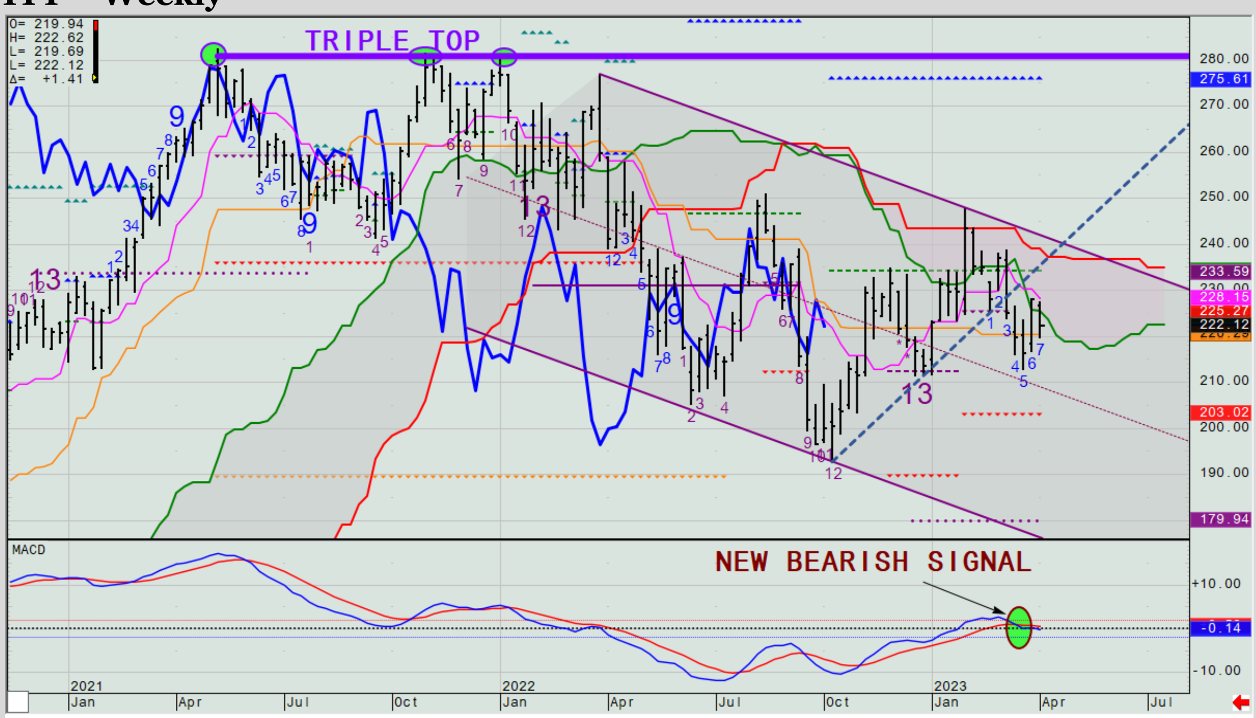
EWZ - Weekly



Short IYT

Two weeks ago, I looked to play a continuation of the downward weekly Setup count, by shorting a 50% position at $214.96 and then another 50% at $220.29. Our buy stop is to exit on any Friday close that kills the down Setup count (by closing above the close from four weeks prior). As we have a big jobs number out this morning, but the NYSE is closed to act on it, should futures trade strongly higher today, then we'll exit this idea on Monday next week, not waiting for next Friday's close.

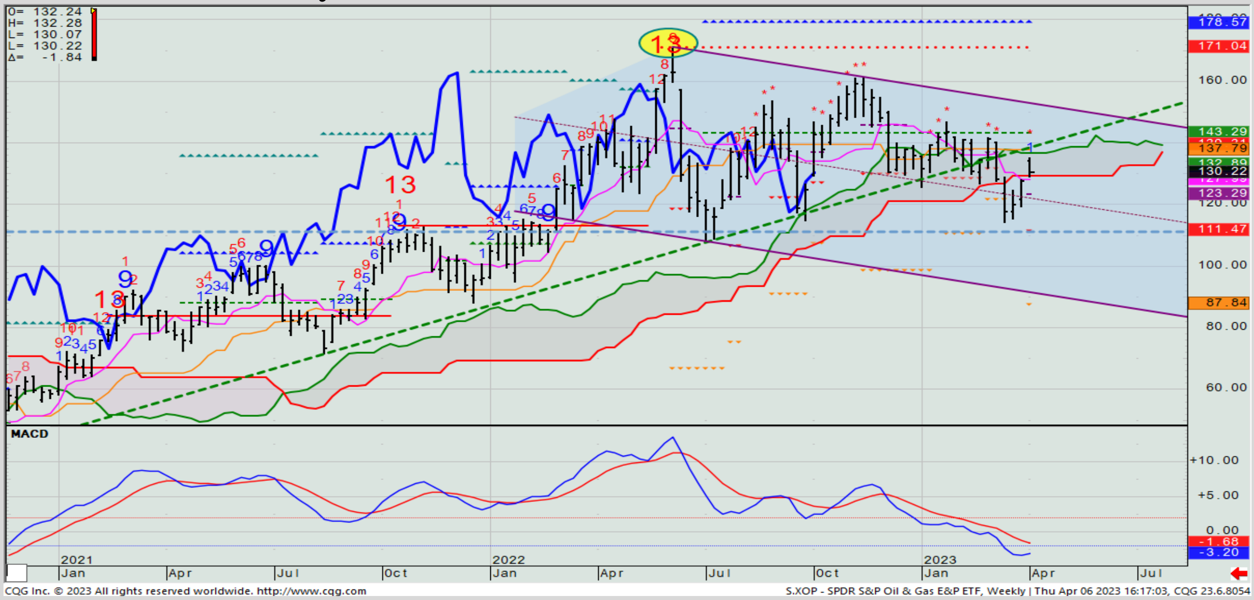
IYT – Weekly



Short XOP

Three weeks ago, my recommendation was to short the XOP on a rally up to the $129 to $129.50 zone, looking for a break of the mid-2022 low to test down to near $100. We got entry this week on a rally from the bullish OPEC news. If we do, we'll stop ourselves out on a single (or two consecutive ones; your choice) Friday close > $143.29 (the bullish Propulsion Momentum level).

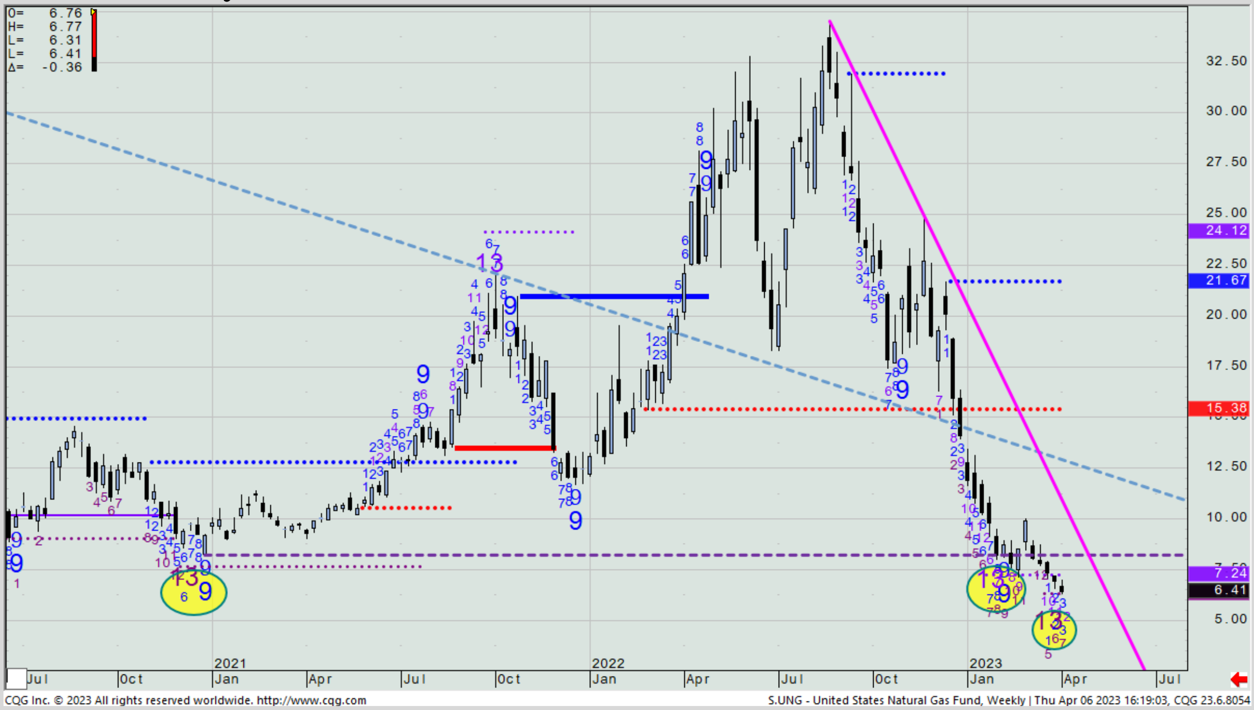
Short XOP – Weekly



Long UNG

Six weeks ago, we bought a one unit position in this natural gas ETF, with us getting in at an avg. price of $8.26. At the time, I suggested this to me more likely an investment than a trade, with our likely holding it for many months if not a year or more, looking for it to ultimately double in price.

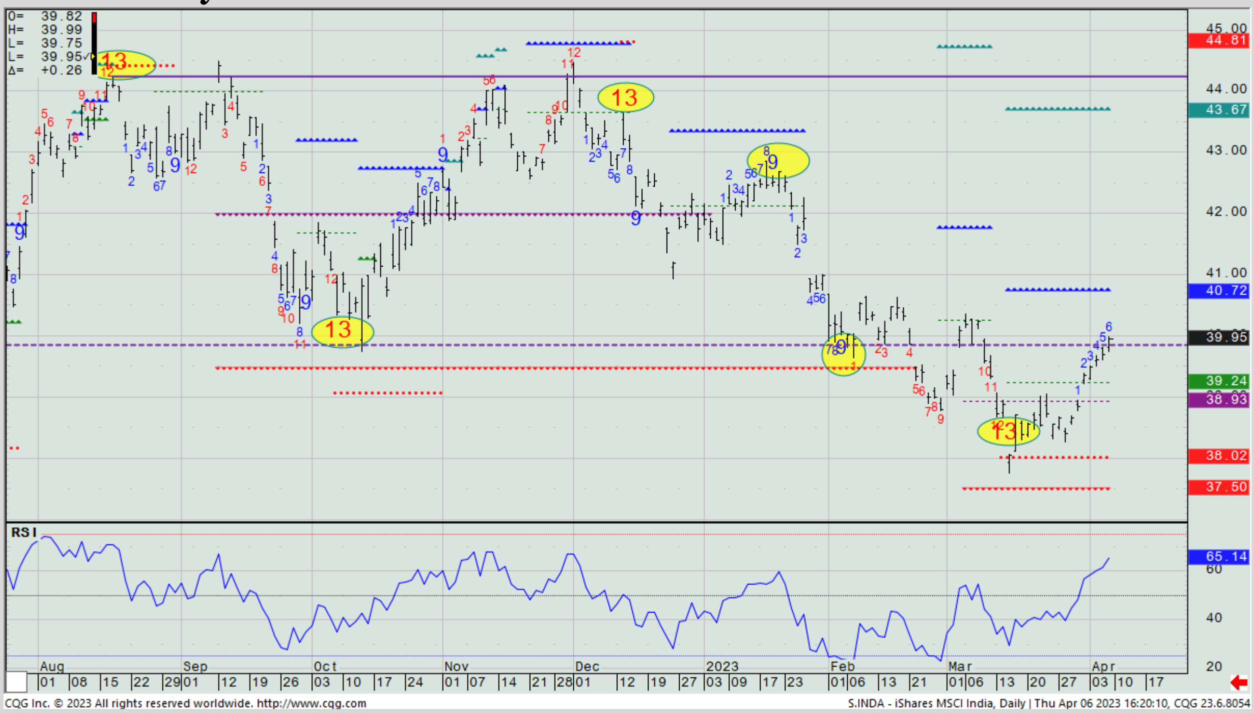
UNG – Weekly



Long INDA

We recently got stopped out of a long position in this name, but three Fridays ago I suggested putting it back on given the new -13 signal that came just after tucking beneath the low from June '22. Our avg. entry price was at \$38.45, and I'll now target \$40.72 +/- 20 cents. We'll stop out on a close (or consecutive daily ones; your choice) under a new raised level of \$38.93.

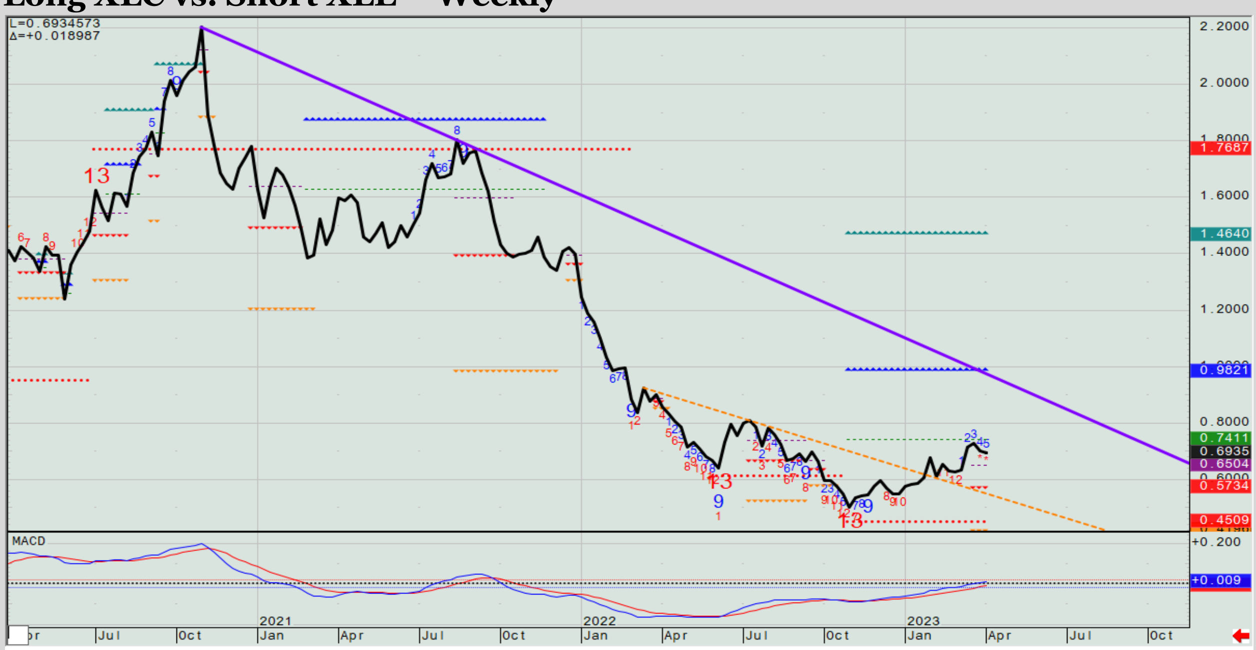
INDA – Daily



Long XLC vs. Short XLE

Nine 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 near the 0.982 level. Our sell-stop to exit is on consecutive Friday closes beneath 0.6503.

Long XLC vs. Short XLE – Weekly



Suggestions and Explanation of Terms

With every major firm brokerage firm having gone to $0 domestic stock/ ETF commissions, you should <u>not be paying anything</u> 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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