Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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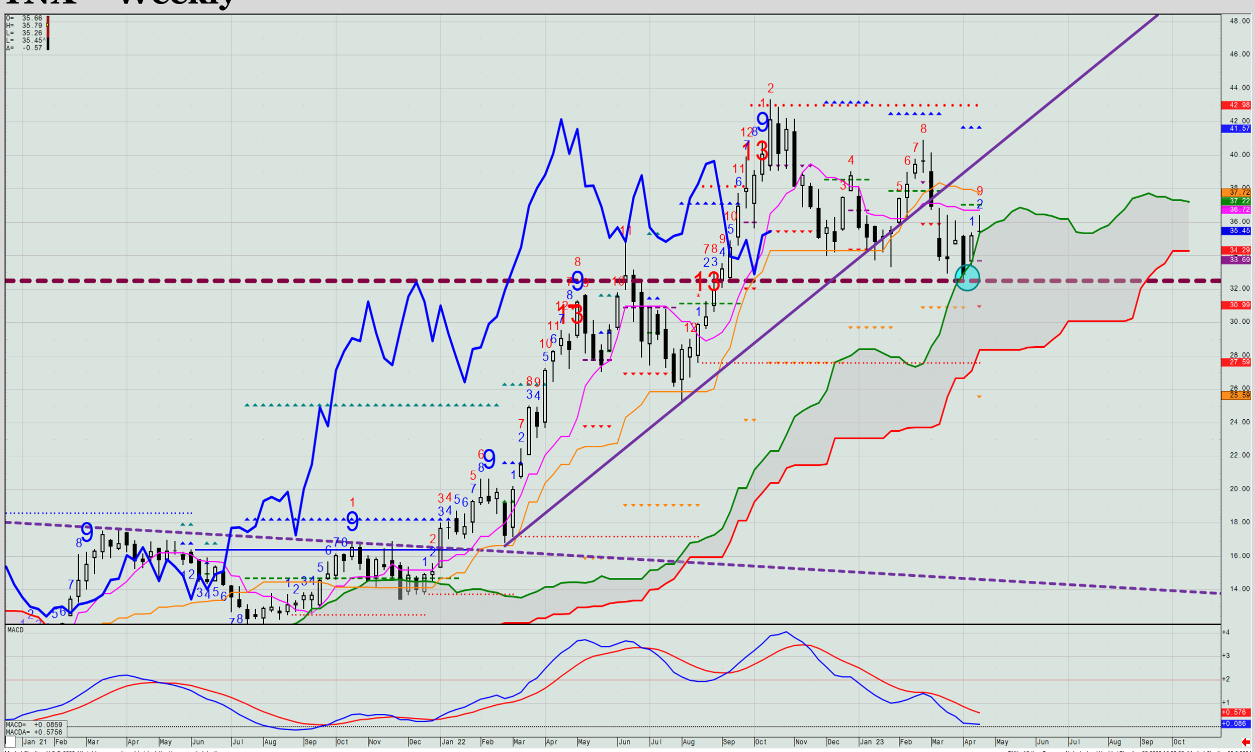
TACTICAL TRADER REPORT

The Macro Picture

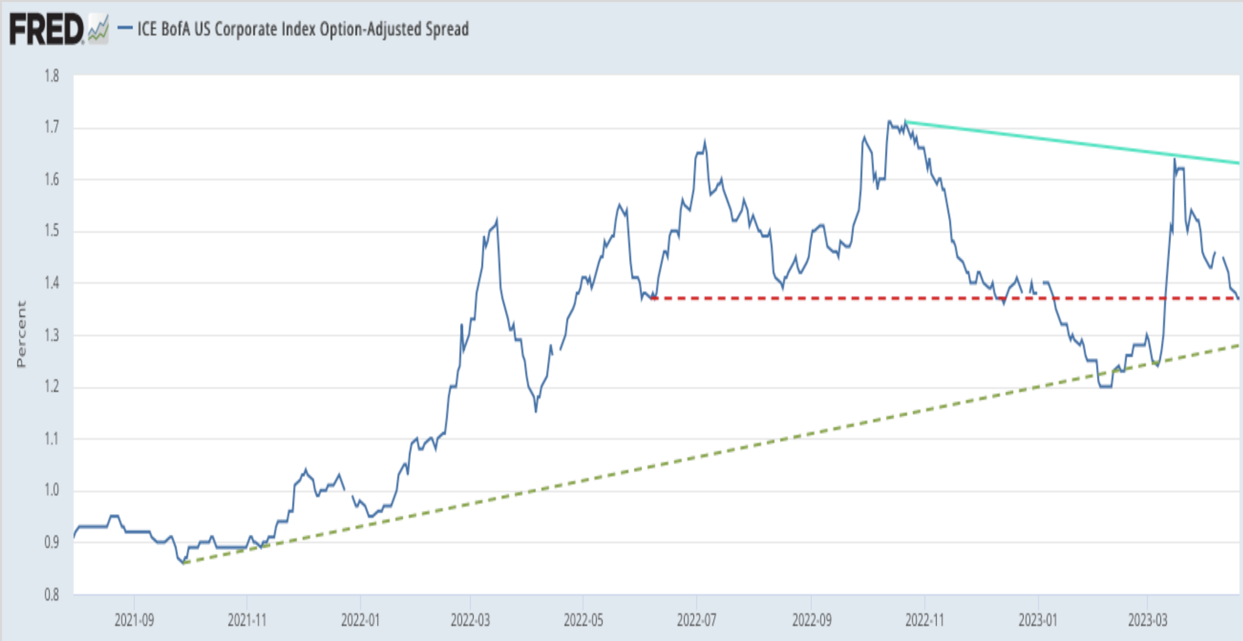
Like our country itself, investors are fairly split down the middle as to which way stocks will next move. Yesterday's Beige Book economic survey showed lending and demand for loans have declined since the recent SVB blowup, while borrowing standards have tightened. Neither is particularly bullish. There's a strong likelihood that the Fed will raise rates by another 25 bps. in May, and many are suspecting that a May hike may be the last one for a while.

As I told you they likely would, rates have bounced in the past few weeks right from support from the weekly cloud top, moving from as low as 3.25% to a high this week at 3.64%. As long as Friday closes stay above 3.37%, I'd not be looking for them to materially decline.

TNX – Weekly

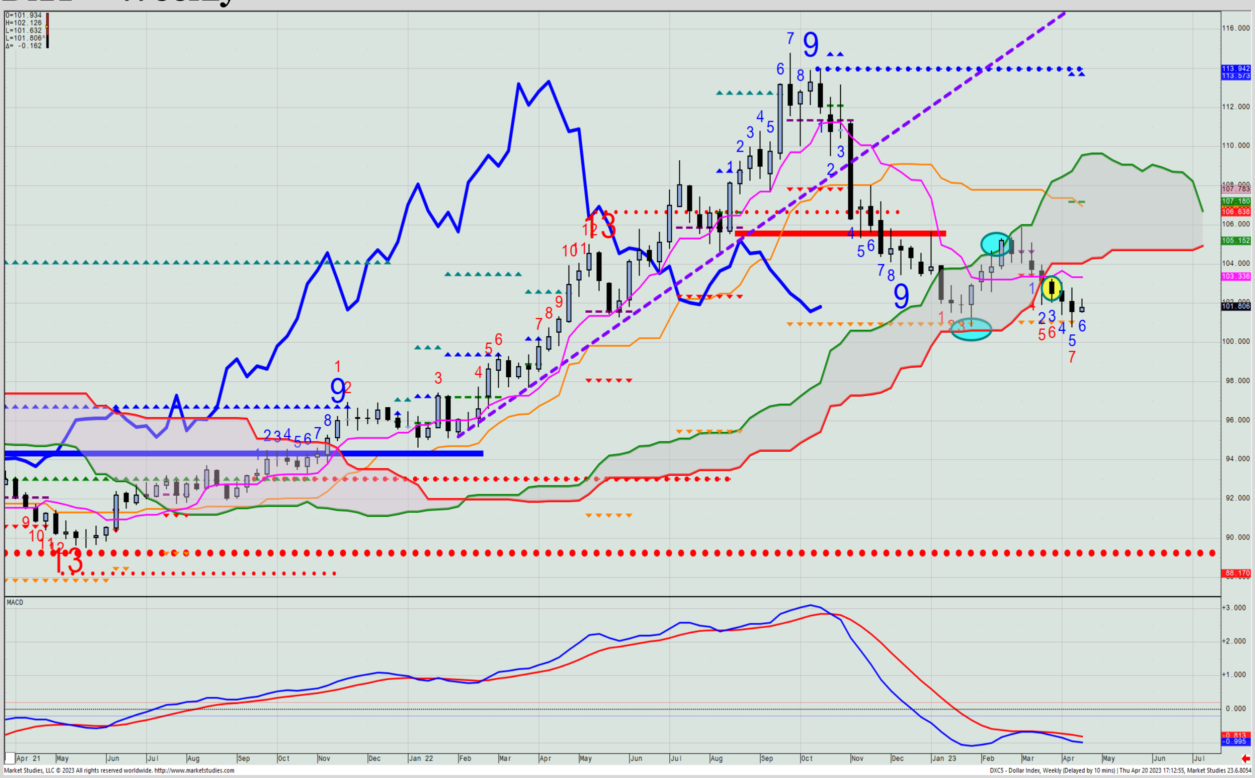


Like the VIX, credit spreads aren't showing any real expected turmoil going forward, after they shot higher from the SVB affair. Despite that, I'm inclined to think that our preferred spread chart again bounces from this general area and widens out over time to take out the 2022 high of 1.71% later this quarter (or possibly next quarter).



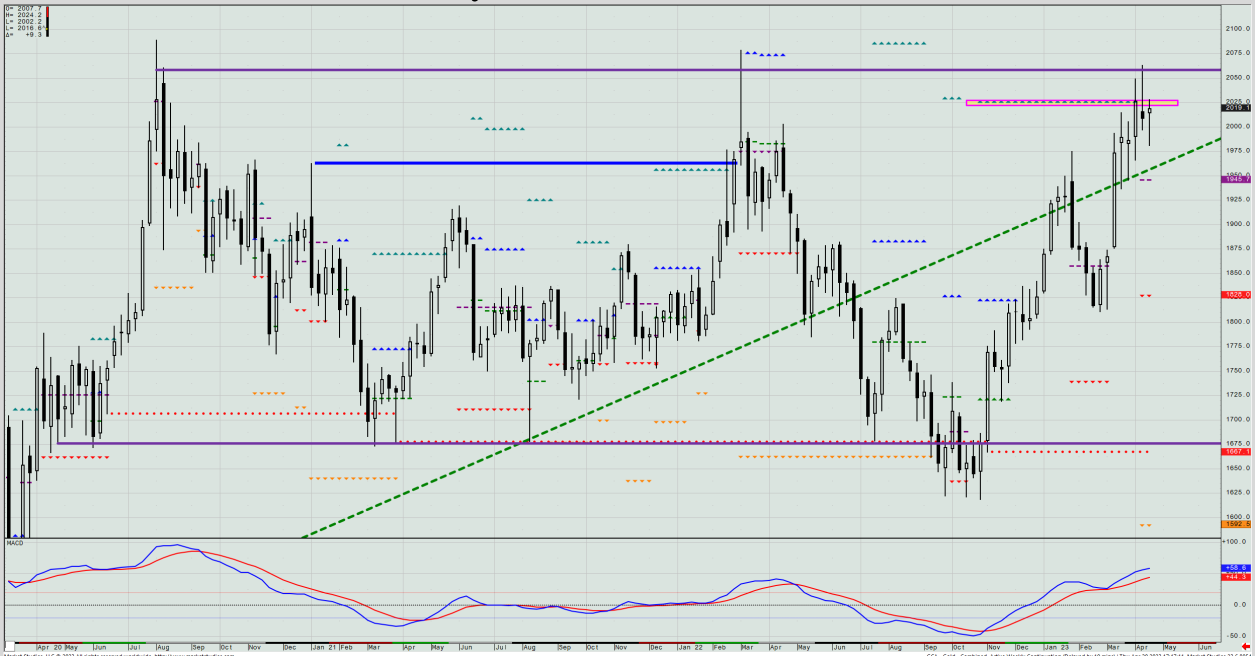
The US Dollar Index broke its weekly cloud bottom four weeks ago, and recently posted new 2023 lows. My bearish bias remains in place. Although I certainly don't know if it will occur, but in 3 more weeks we could see a full Setup -9 count, and that could accompany a Sequential -12 of -13 reading, too. So, I'll keep of my view that the dollar weakens until then.

DXY – Weekly



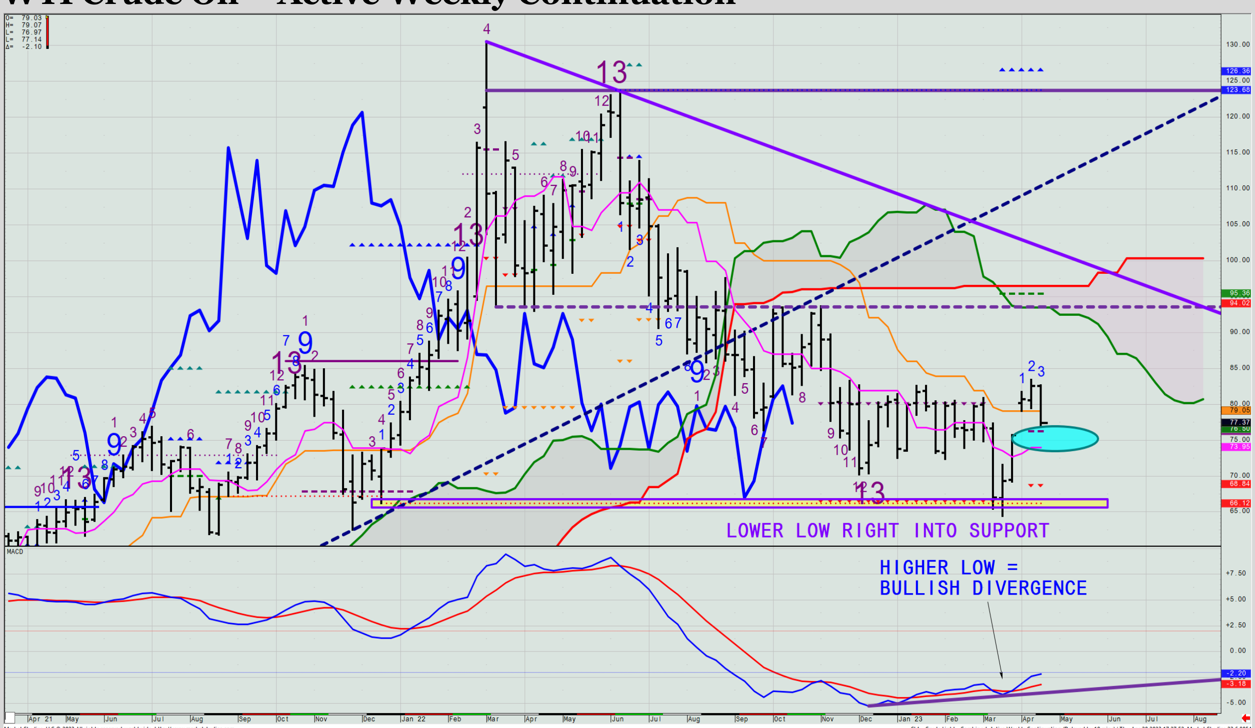
Gold has held against the $2024 weekly Propulsion Full Exhaustion level three weeks in row. Getting Friday closes above there ups the odds that we'll see new highs. Longer-term upside targets include $2140 and $2662. Bulls want to see the $1946 level hold on Friday closes going forward.

COMEX Gold – Active Weekly Continuation



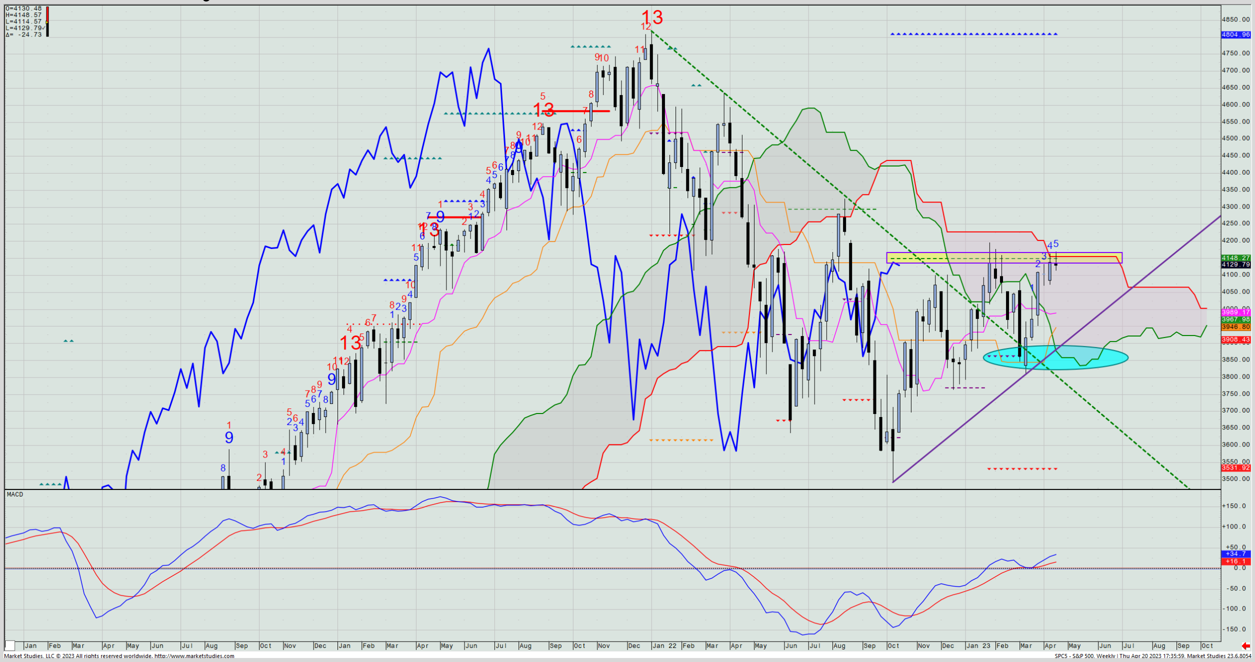
WTI Crude Oil sharply rallied on the OPEC production cut news two weeks ago. Much of those gains have disappeared this week. If the market is going to hold up, we need see the highlighted ellipse area hold on this pullback. (That area is

WTI Crude Oil – Active Weekly Continuation



The SPX remains in its trading range, bounded by 3864 and 4148/4155. It continues to fail against that upper level, and the longer it takes for us to see Friday closes above 4155, the higher the odds get that a move back down to the lower end occurs. An upside breakout would make me cover tactical bearish bets, but I'd not be convinced that the bigger picture chance for a few hundred-point decline would not still be in the cards, as I still believe that earnings numbers will need be taken down, and with that, stock prices will likely follow.

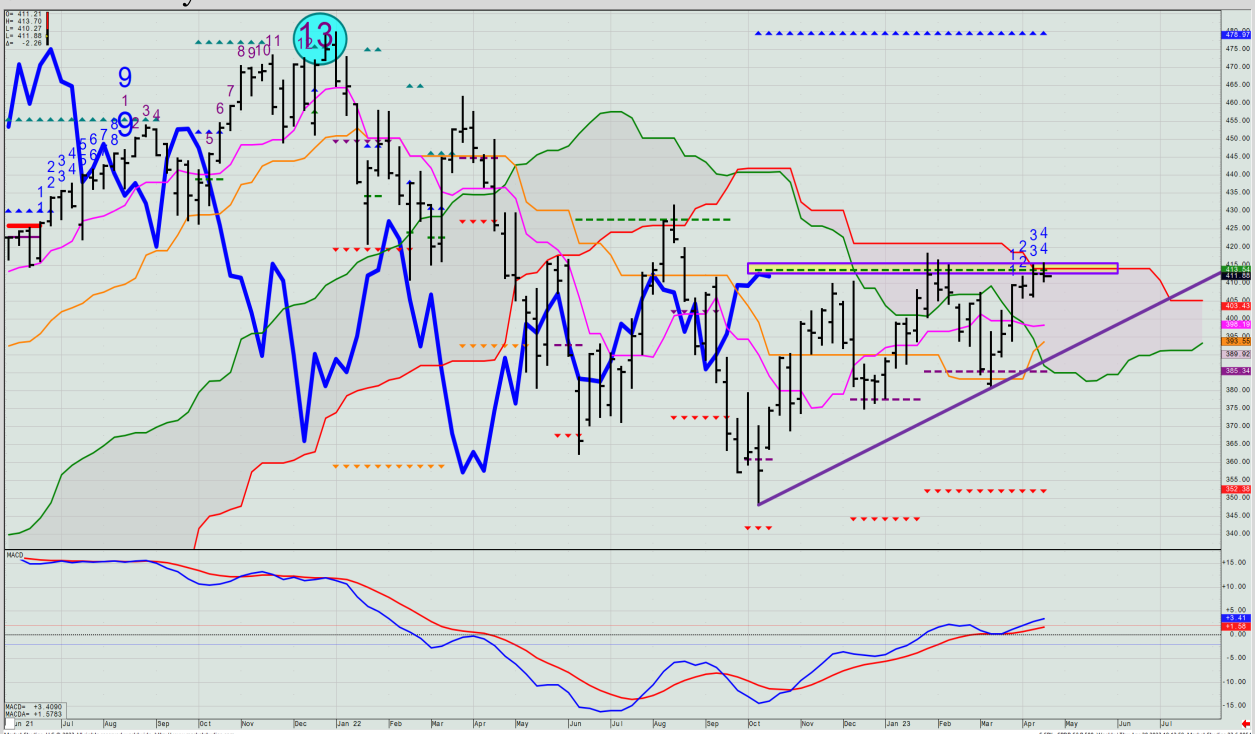
SPX - Weekly



New ETF Trade Idea

This idea is pretty plain and simple: We'll get short the SPY until we get a Friday close or two above the top of its weekly cloud (You can use the actual SPX level of 4155 or the SPY's level of $414.05, and preferably both need to hurdle their respective levels to stop us out). We'll play for a down move at least to its uptrend line from the October low. (For those of you who can't short a stock, you can get long the inverse ETF, **SH**, and play it off of the SPX and/or SPY chart levels.)

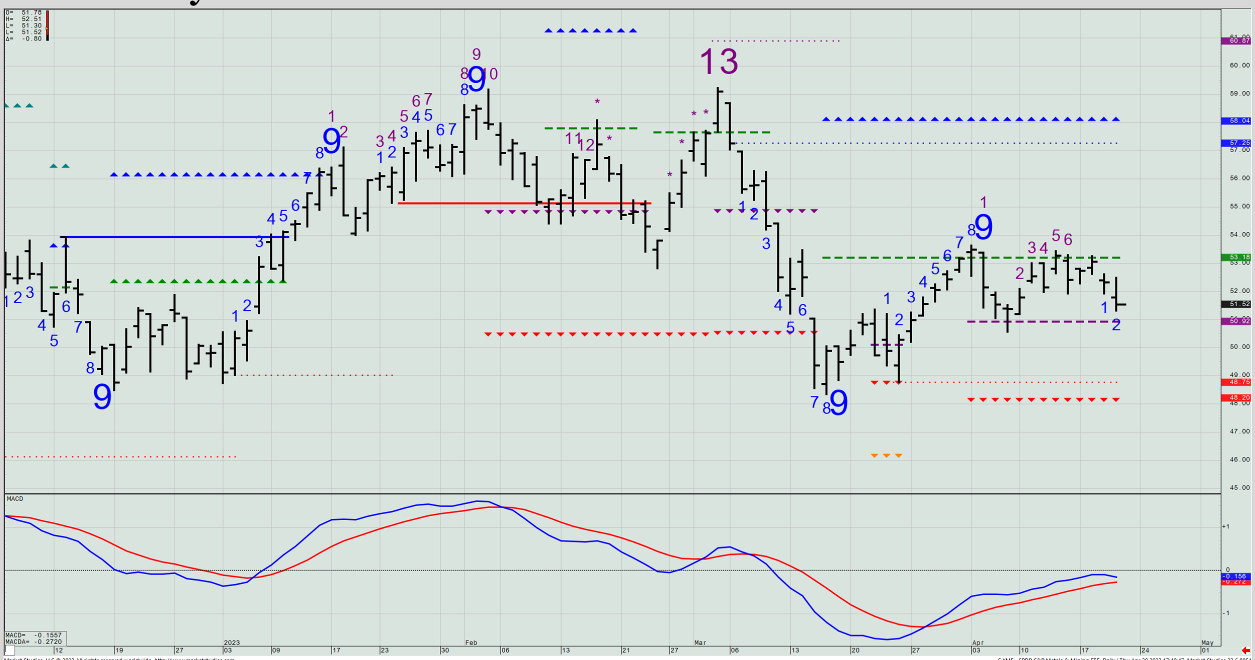
SPY – Weekly



Other Open Recommendations and Positions

Long XME
We went long one unit last Friday (avg. entry price of $52.61). I think this should shortly head to the upper-$50s, with an initial target of $57.04 to $58.22, where we'll take half of our long off. Our sell-stop will be *consecutive* daily closes beneath that important $50.92 level.

XME – Daily

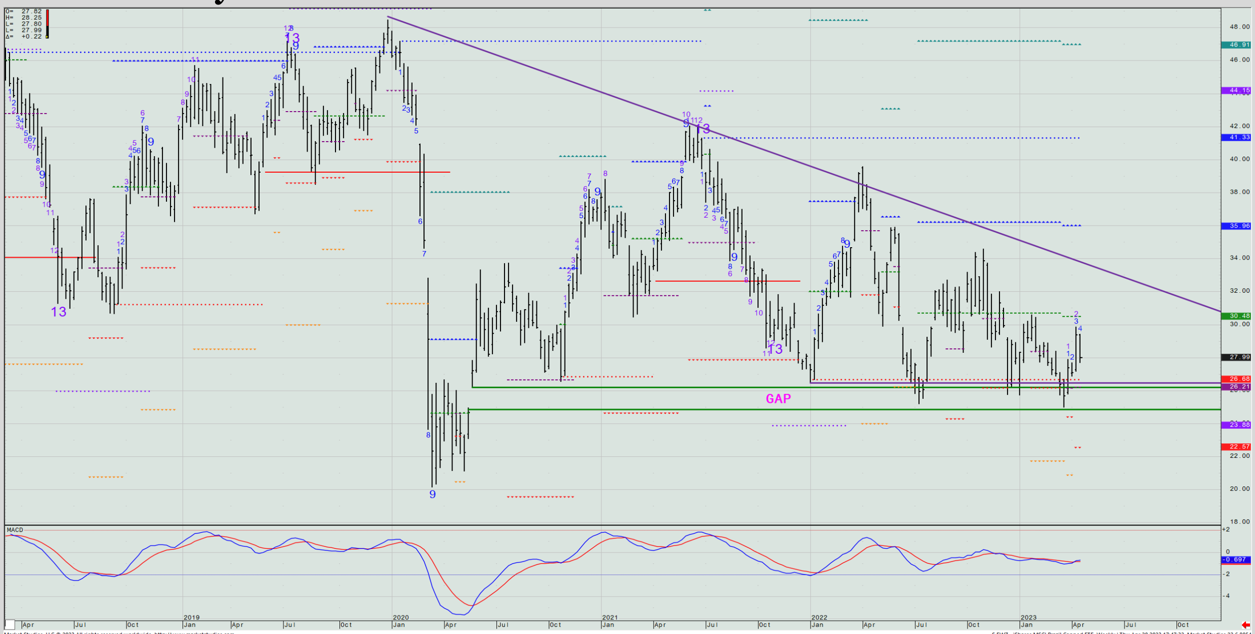


Long XLV vs. Short XLK
Two Mondays ago, we put on this new pair trade, looking for Health Care to outperform Info Technology going forward. We entered this at a ratio of 0.8956. We'll play for a rally up to the highlighted Fibo Box in yellow. We'll stop ourselves out on consecutive weekly closes beneath a ratio of 0.8573 (the recent low close).

Long XLV vs. Short XLK – Weekly

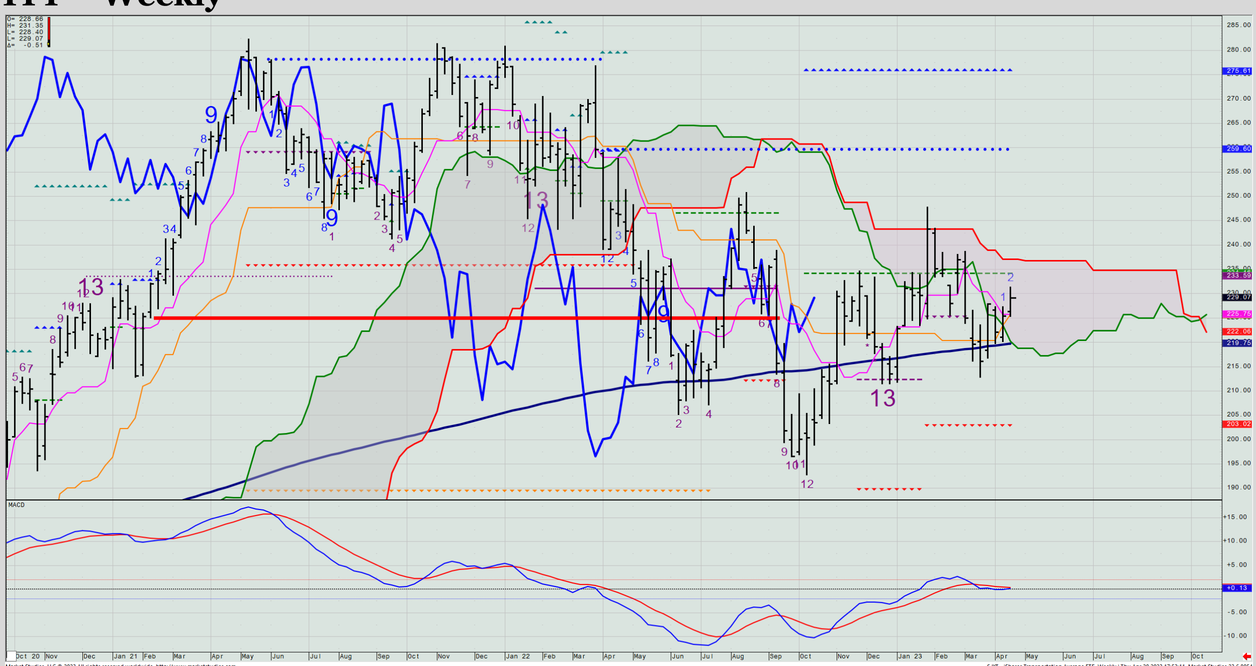
Long EWZ
Three weeks ago, we went long (avg. entry at $27.18), looking for the highlighted strong support zone to continue holding. My stated target is well higher (i.e., near $36), but I can adjust that as needed as it is over a 30% higher target. Last week I raise our sell-stop to no lower than the breakeven entry level.

EWZ - Weekly



Short IYT
Four 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 was to exit on any Friday close that killed the down Setup count (by closing above the close from four weeks prior). That happened last Friday, so we were stopped out at $235.37. We lost 8.2% on this trade.

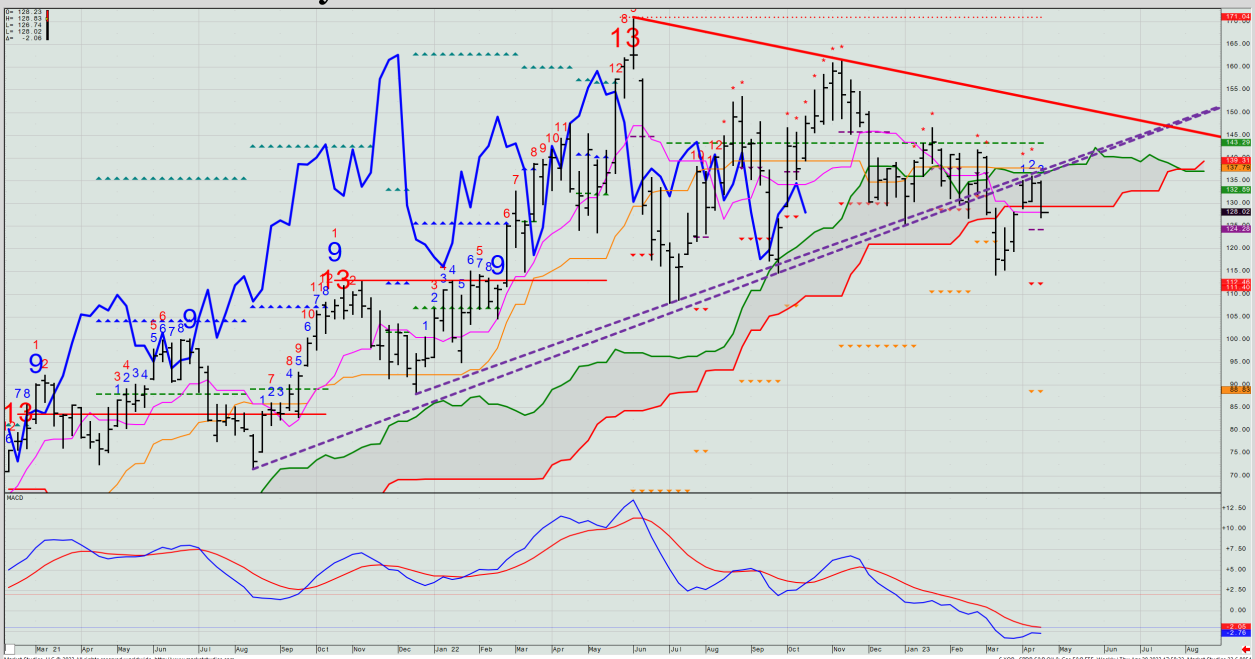
IYT – Weekly



Short XOP

Five 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 from the bullish OPEC news. Last week I altered our buy-stop to exiting on any Friday close above the top of the weekly cloud at $136.71.

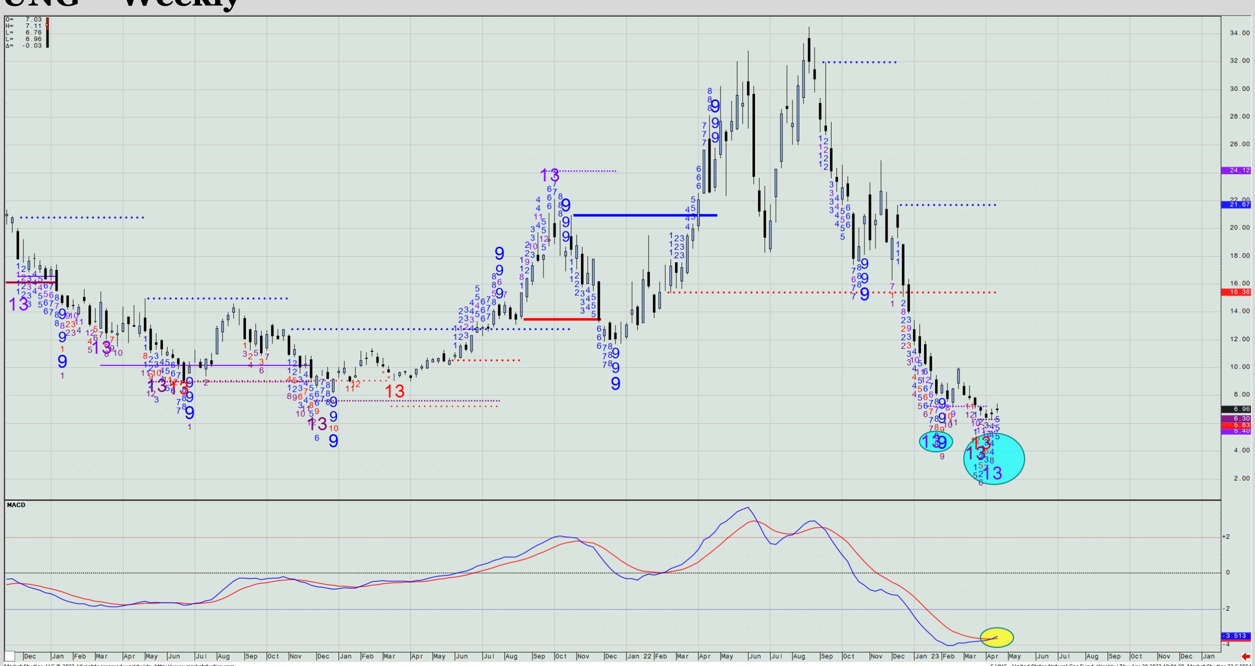
Short XOP – Weekly



Long UNG

Eight 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. Two more weekly -13 signals have come in since.

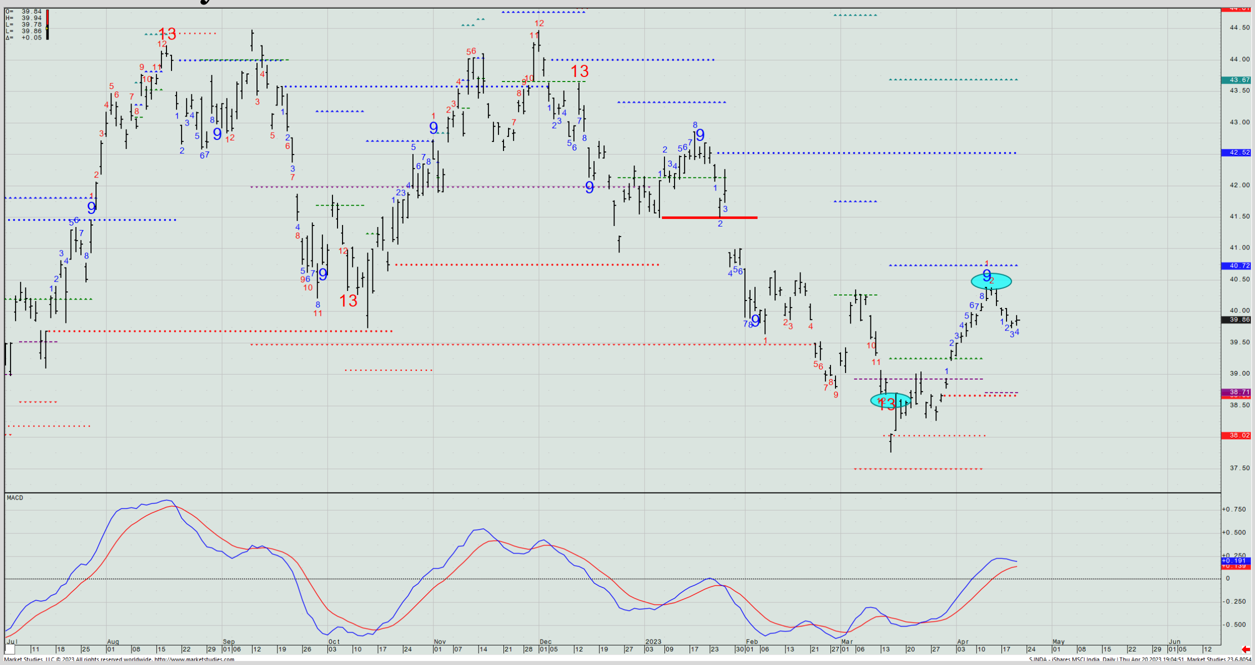
UNG – Weekly



Long INDA

We recently got stopped out of a long position in this name, but five Fridays ago I suggested putting it right 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. We exited half of this trade last Friday at an avg. price of $40.22. We'll stop out the balance on a close (or consecutive daily ones; your choice) under $39.23.

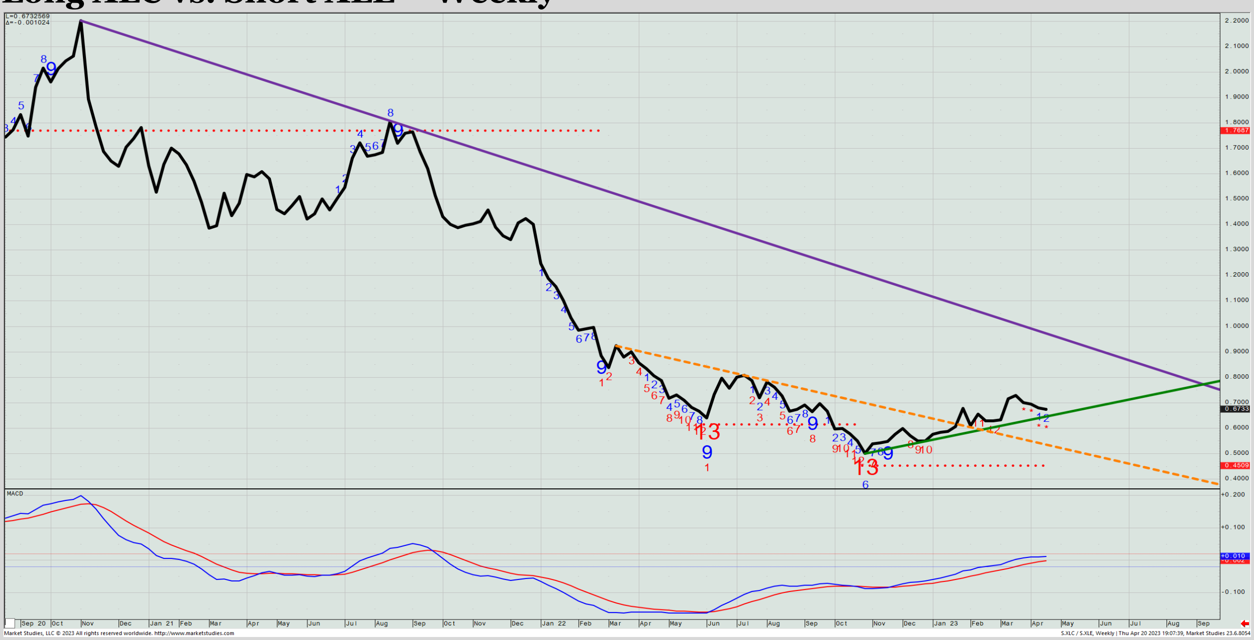
INDA – Daily



Long XLC vs. Short XLE

Eleven 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 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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