Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com

April 28, 2023

TACTICAL TRADER REPORT

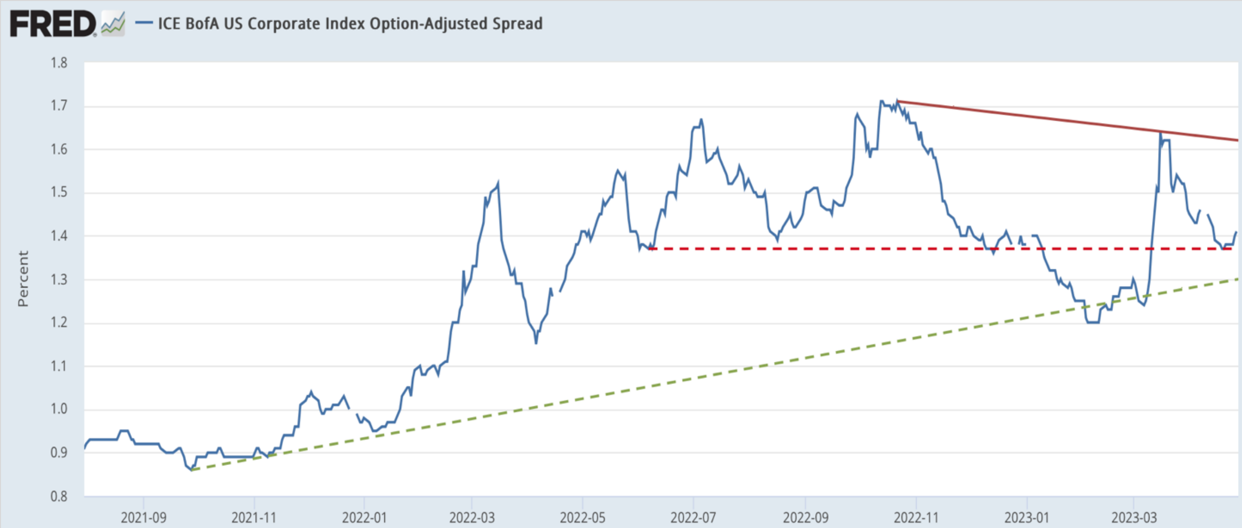
The Macro Picture

This has been a massive week for earnings reports, with over a full third of the SPX companies having given us numbers this week. An early down week turned around with yesterday's large gain, and the SPX finds itself coming into today at 41XX – just about where it closed last week. The market is certainly again near its key resistance at SPX 4148/4155, and a surge today above the latter (the more so the more meaningful) is likely going to force several shorts to cover.

UST 10-yr. yields have been up/down/up this week, and I can make a case that they are close to making a more lasting directional move. Notice they bottomed this week right at 3.37% -- the bearish Propulsion Momentum level. That's mildly bullish for rates. The question going forward is whether they can hurdle the top of the cloud and Conversion and Base Lines going forward.

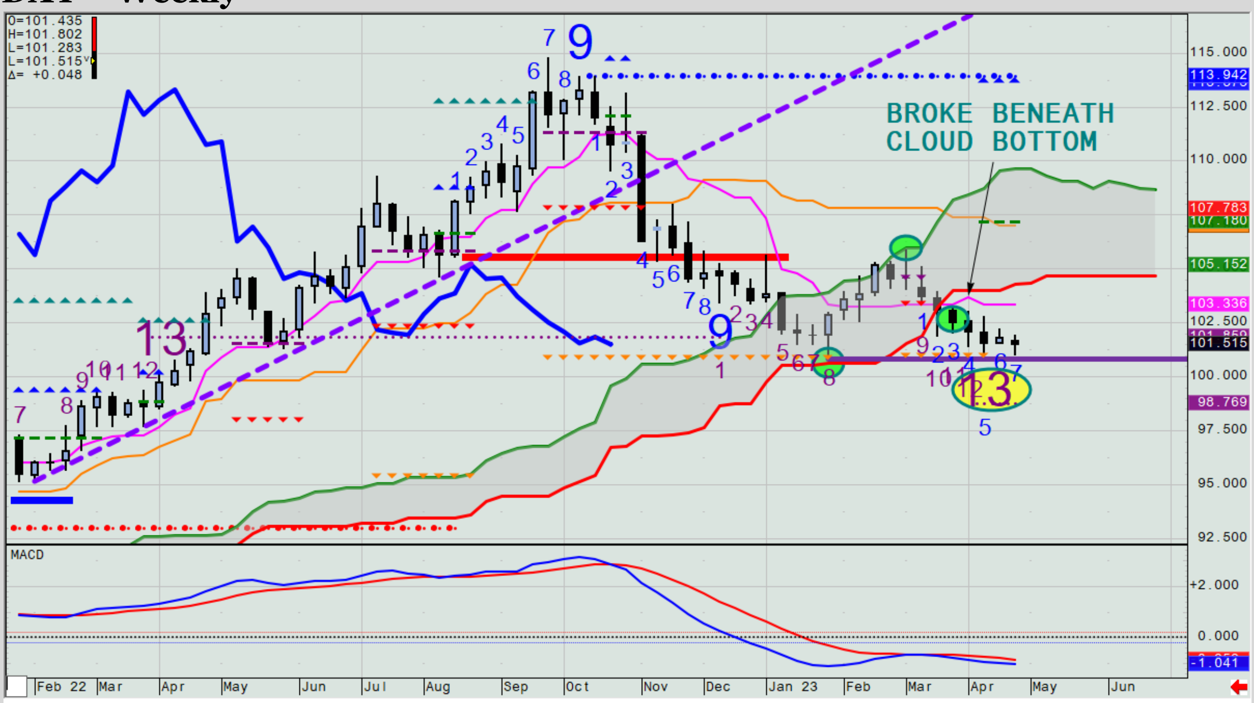
TNX – Weekly

Credit spreads aren't showing any real expected concerns going forward, and after they rallied from the SVB affair mess, they've pulled back to and are potentially starting another bounce from a prior support level at 1.37%. 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). That will likely only happen if another banking cockroach shows up, or some other type stress in the system arises. (I tend to think that's what's gonna happen.)



The US Dollar Index broke its weekly cloud bottom five weeks ago, and recently posted a minor new 2023 low. My bearish bias remains in place. Although I certainly don't know if it will occur, but in 2 more weeks we could see a full Setup -9 count, and that could accompany the Aggressive Sequential -13 reading that was recently marked. So, I'll keep of my view that the dollar weakens until then.

DXY – Weekly

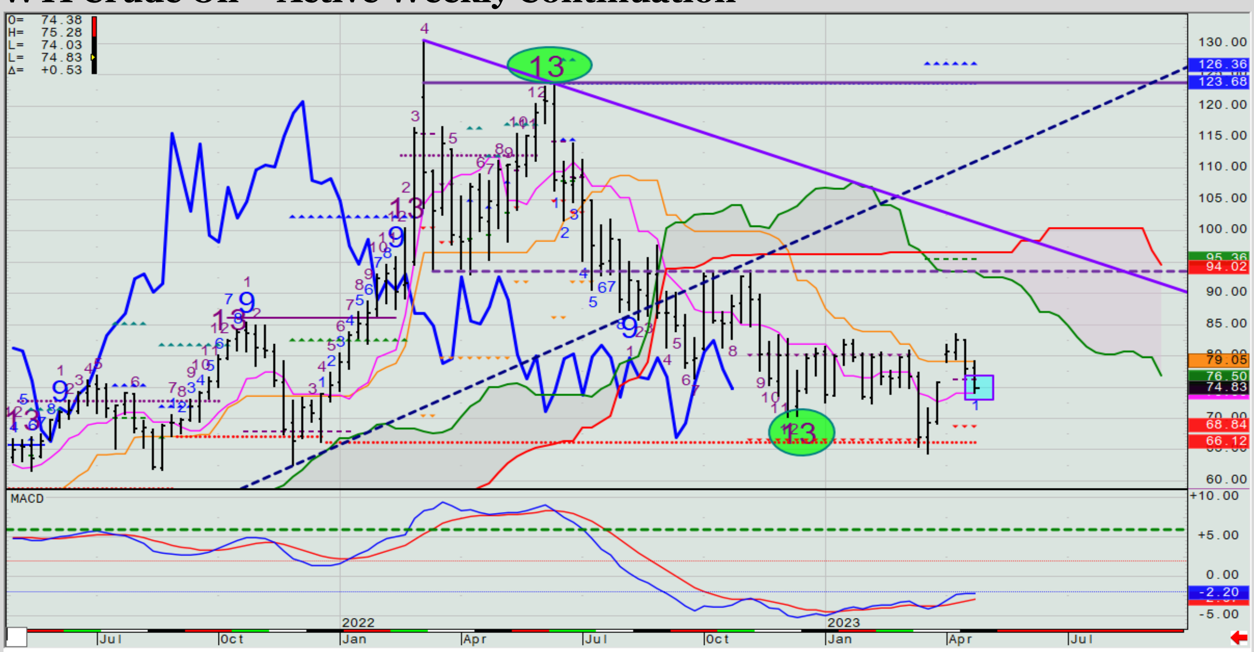


Gold has held against the $2024 weekly Propulsion Full Exhaustion level four weeks in row. Getting Friday closes above there ups the odds that we'll see new highs. Longer-term upside targets include $2140 and $2662. Bulls want to see the $1946 level hold on Friday closes going forward. I've had my institutional clients sell half of our long position at an average price of just beneath $2000. I'll put that half back on if this breaks out above $2024 on a Friday close.

COMEX Gold – Active Weekly Continuation

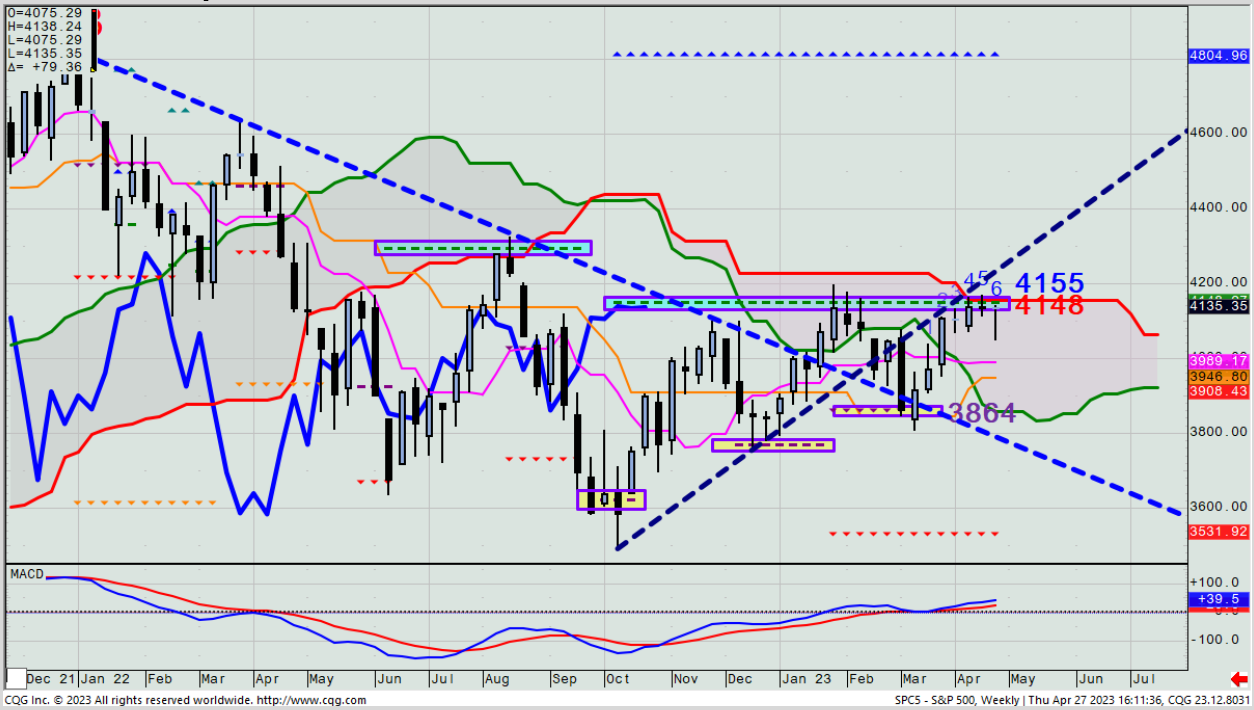
WTI Crude Oil sharply rallied on the OPEC production cut news three weeks ago and then gave back all of it since then. However, there is some support down here (see blue rectangle), and I'm apt to be a buyer into the highlighted zone (which would also translate to buying some energy-related stocks/ETFs, now, too).

WTI Crude Oil – Active Weekly Continuation



The SPX remains in its bigger trading range, bounded by 3864 and 4148/4155. But with yesterday's ~2% gain, it's right back up to being just a hair away from closing above there today, wish would then likely force some of the short base to get out next week – most especially if it gaps higher Monday on the open/trades above this week's high sometime next week/closes higher next Friday than today. Then the 4203-4219 becomes an immediate target, and it opens the door for the conversation to turn towards the likelihood of testing last August's high of 4325.

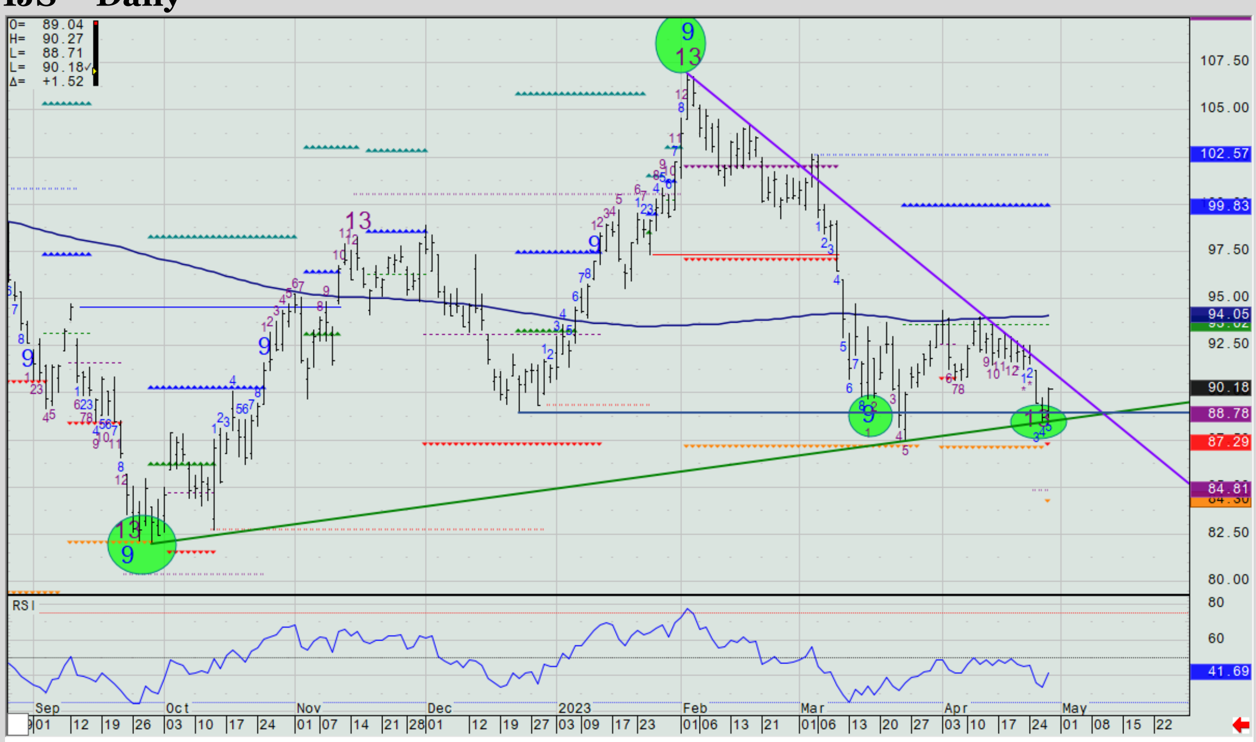
SPX - Weekly



New ETF Trade Idea

If we look at this year, we've seen large cap outperform small cap and growth outperform value. That makes the small cap value the lousiest of them all. Which is why I like that the chart of the **S&P Small Cap Value ETF (IJS)** – one that probably few are looking at, sets itself up with a triple-bottom that just held its uptrend line and got a daily -13 signal at roughly the same level as the Setup -9 was that led to the -13. (You got all that?)

IJS – Daily



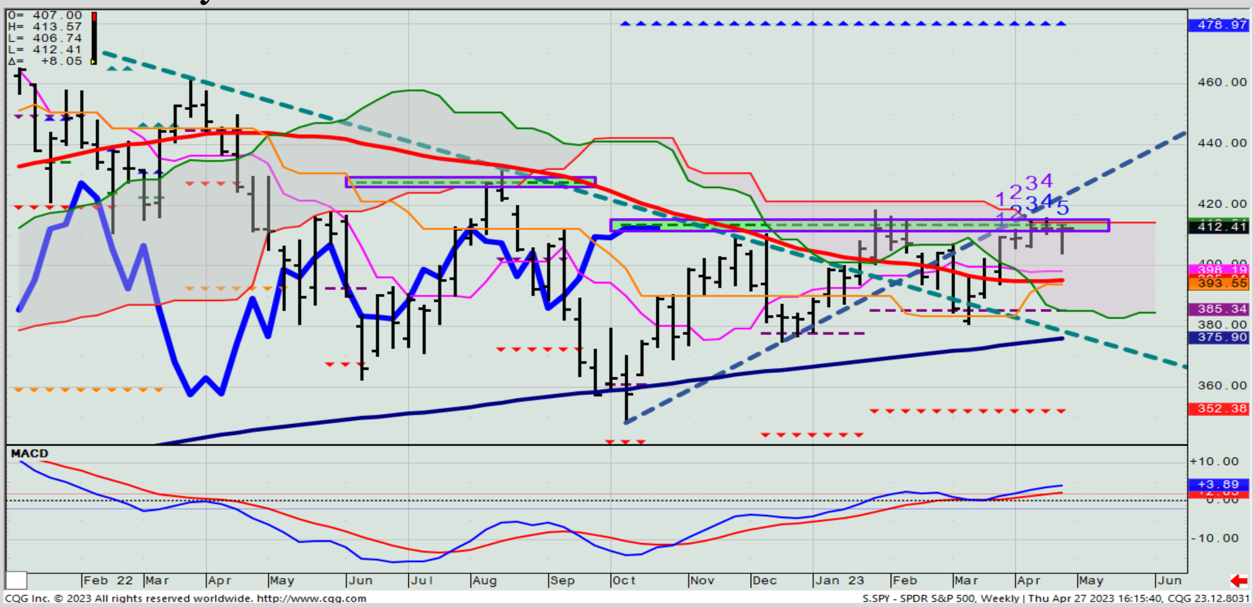
As such, I want to buy a full unit of the **IJS** now. I am looking for the purple-colored downtrend line to more likely get exceeded (to lead to a further rally) than I am looking for this to trade down beneath the bearish Propulsion Full Exhaustion level of $87.11. I'll initially target a move to $94.50/$95.50.

Other Open Recommendations and Positions

Short SPY

Last week's play was to short the SPY (avg. entry price of $411.43), looking for a move to test its uptrend line and being diligent about stopping ourselves out on a Friday close (or two – your choice) above SPY $414.05 AND an SPX close above 4155. (We could potentially see that happen today.)

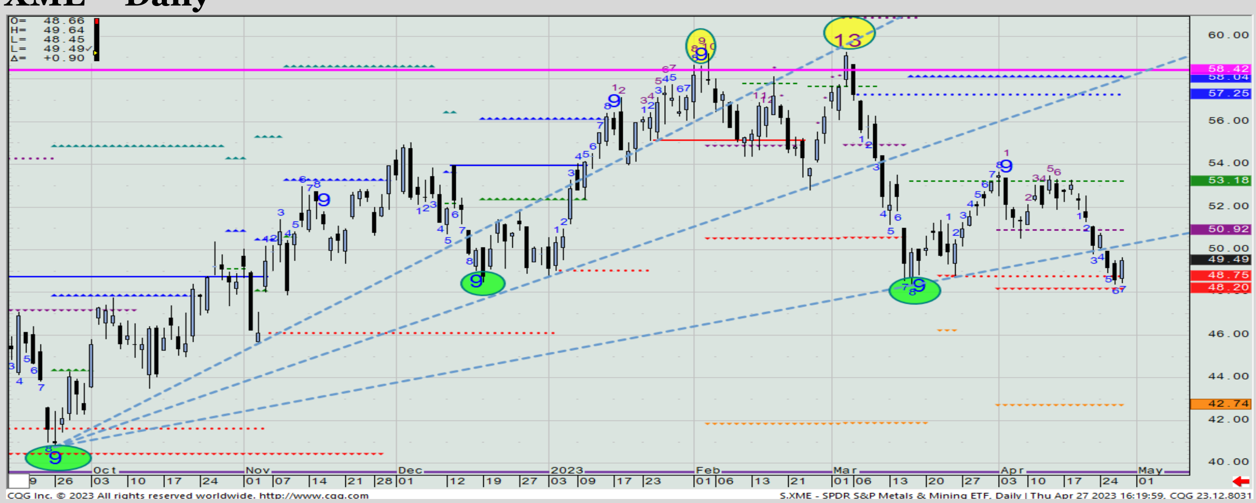
SPY - Weekly



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 was on *consecutive* daily closes beneath the $50.92 level. That second close happened on Monday earlier this week, where we exited at $50.66. We lost 3.7%.

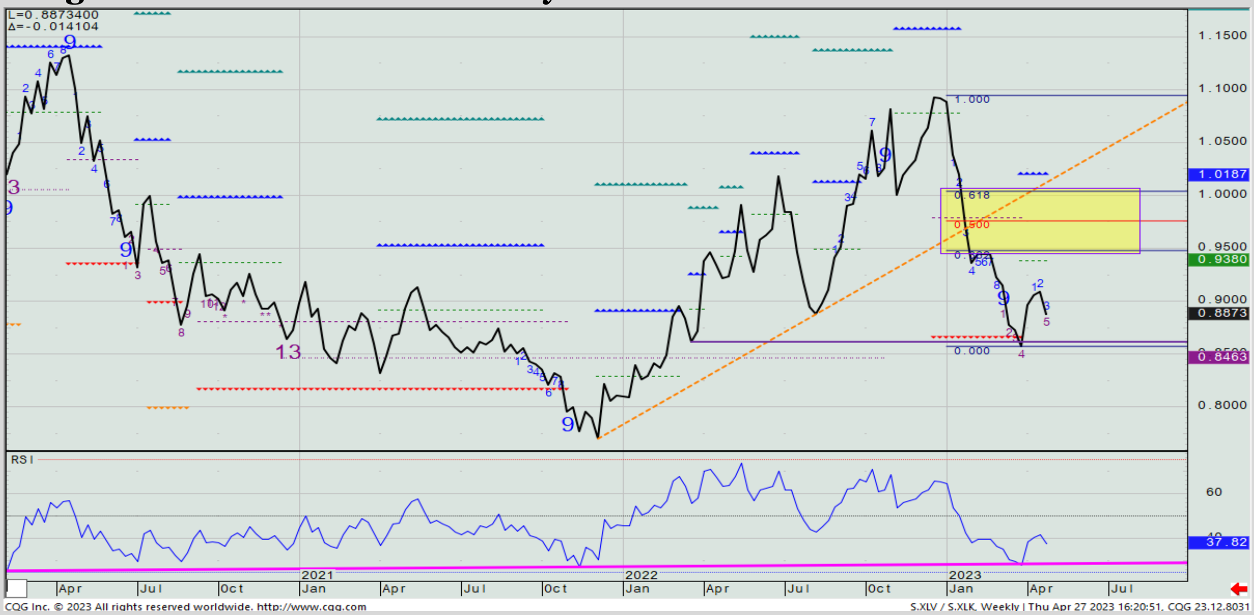
XME – Daily



Long XLV vs. Short XLK

Three 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

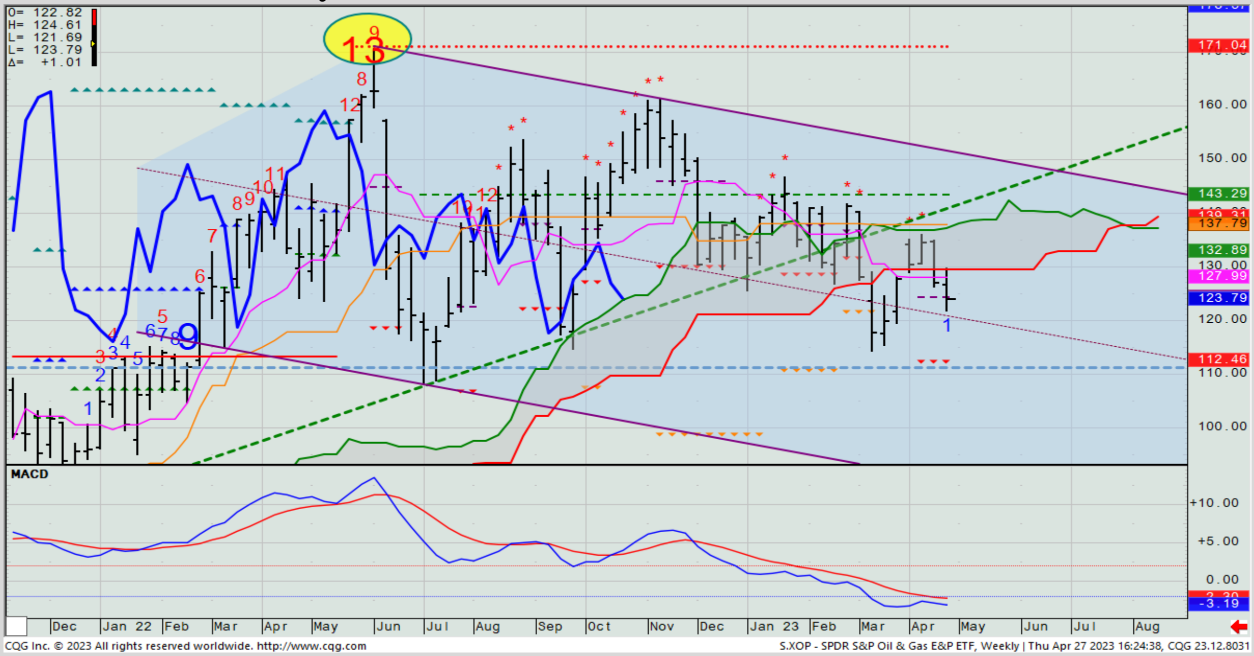
Four weeks ago, we went long (avg. entry at $27.18), looking for the highlighted strong support zone to continue holding. My stated target is well higher (i.e., near $36), but I can adjust that as needed as it is over a 30% higher target. I've previously raised our sell-stop to no lower than the breakeven entry level. We're close to it, so just be mindful of it.

EWZ - Weekly

Short XOP

Six 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. I recently changed our buy-stop to exiting on any Friday close above the top of the weekly cloud at $136.71. But I think it makes sense to take half the short off today, given the potential support from the bearish Propulsion Momentum level and the middle of the channel's line.

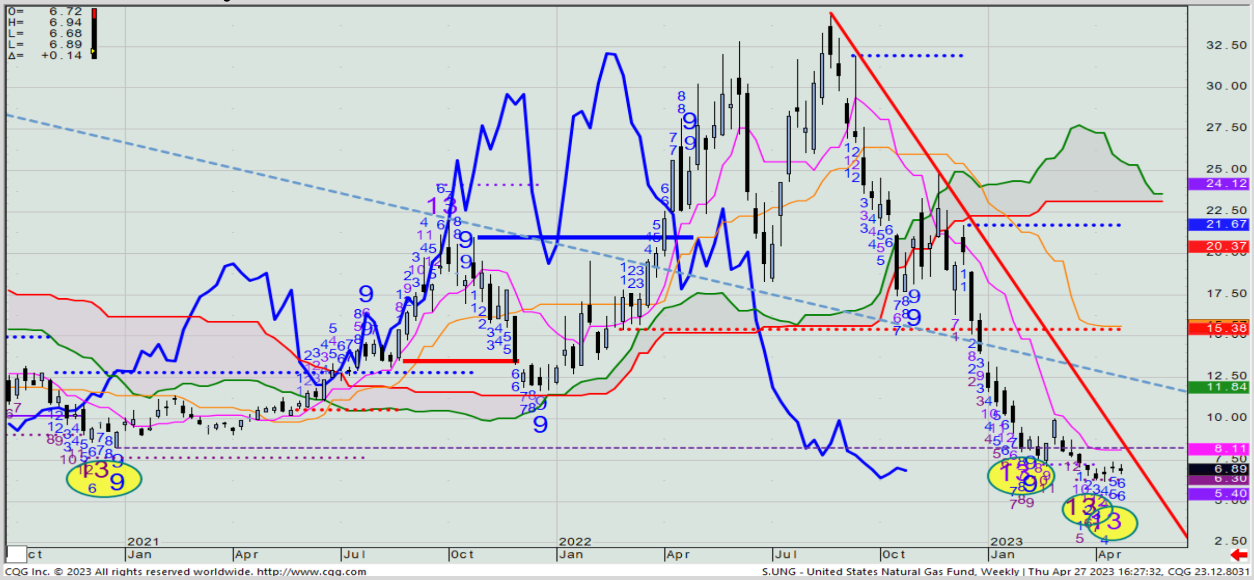
Short XOP – Weekly



Long UNG

Nine 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. Certainly, we'd like to see some weekly closes north of the Conversion Line (currently at $8.11) to increase odds of a better bottom in place.

UNG – Weekly



Long INDA

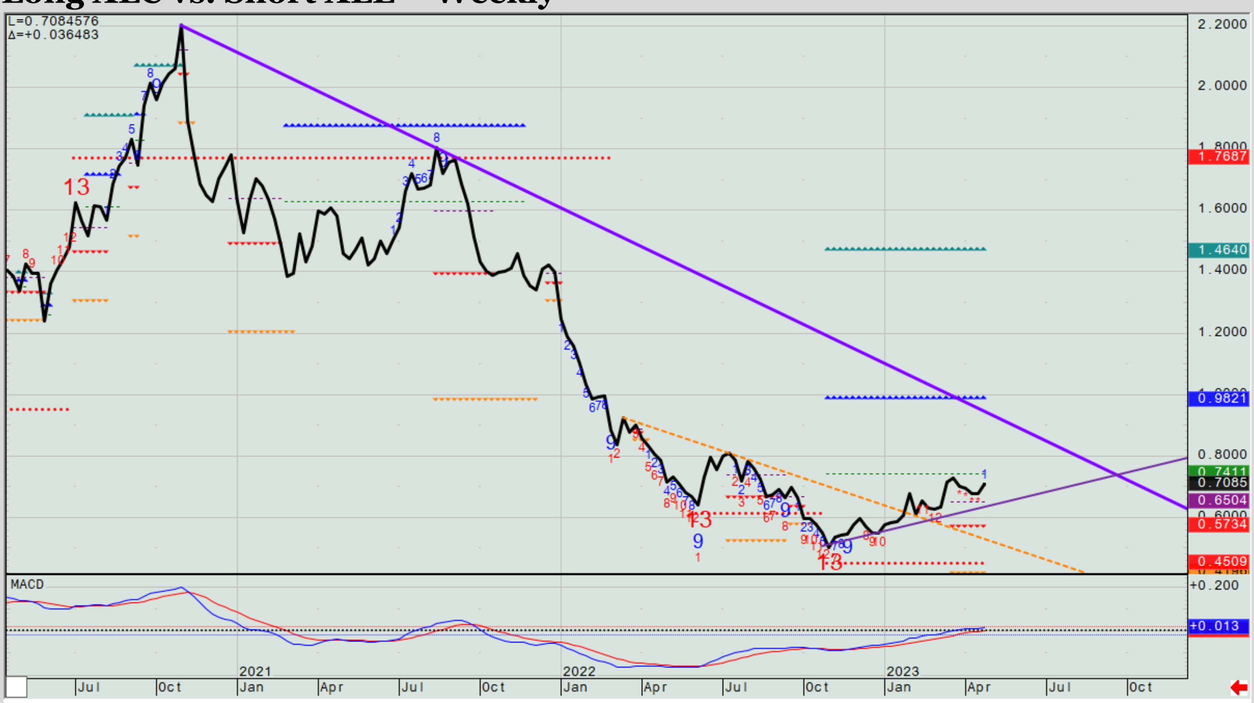
In March we got stopped out of a long position in this name, but I suggested putting it right back on given the new -13 signal that came just after tucking beneath the low from June '22. Our avg. entry price was at $38.45. We've already exited half of this trade at an avg. price of $40.22. We'll stop out the balance on a close (or consecutive daily ones; your choice) under $39.23. (It looks like we survived that sell-stop area with the solid bounce this week to new highs of the move.)

INDA – Daily

Long XLC vs. Short XLE

Twelve 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.

Disclaimer

The user assumes the entire risk of any use made of this information and waves any and all recourse related to the information's performance and returns, and the information contained herein is construed "For Educational Purposes Only" and should not be relied upon for investment decision, and it is generic by nature and is not personalized to the specific financial situation of any individual. BENSIGNOR LLC, its staff, or any other party makes any expressed or implied warranties or representations with respect to this information, or of the software and pricing or other data used in its compilation and production. (Amongst other analytical tools, BENSIGNOR LLC may make use of CQG, Inc., ThinkorSwim, StockCharts.com, and Bloomberg, LP software, among others.) BENSIGNOR LLC hereby expressly disclaims all of the originality, accuracy, completeness and fitness for use of this information. In no event shall BENSIGNOR LLC and any party involved or related in the production and distribution of this information have any liabilities for any direct, indirect, special, punitive, consequential or any other damages, realized or potential, even if notified of such a possibility. Principles of BENSIGNOR LLC may hold long or short positions of securities discussed herein, or of any other securities at any time. The foregoing also applies to any trial subscription.