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

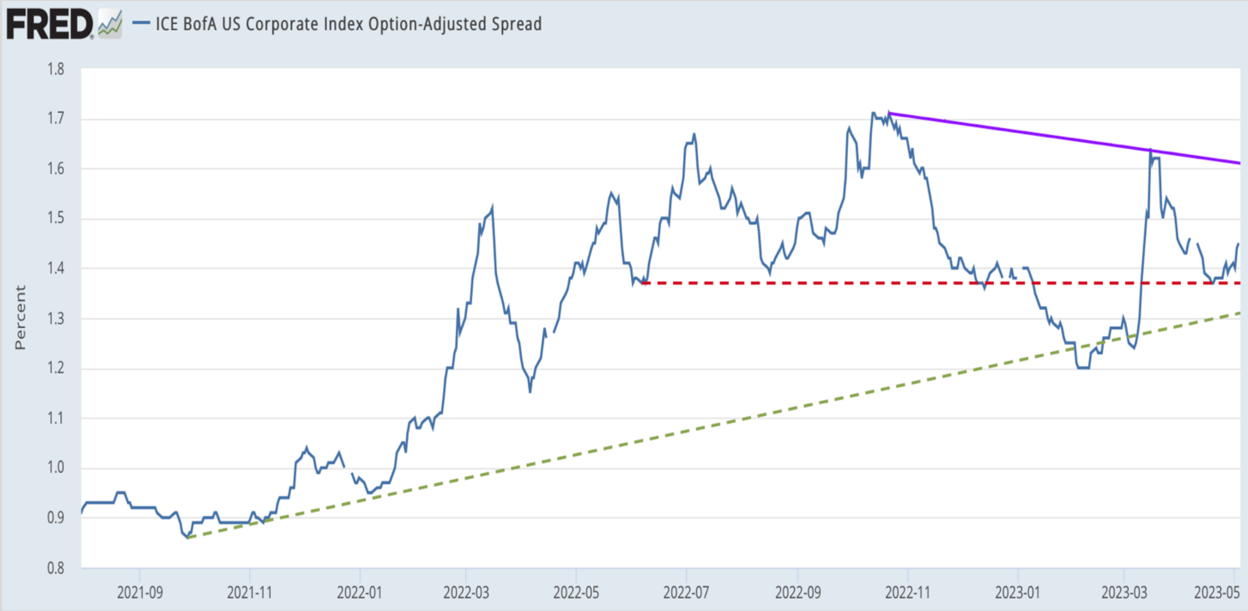
Combine the newest regional banking woes to again whack that group, along with Fed Chair Powell's comments yesterday that were not taking bullishly, and the overall top of the trading range in the SPX 4150 zone continues to be the area that bulls just can't hurdle to change the bigger picture. And as I've said in the past, as well as a recent video I shared with you, keep doing what's working until it doesn't. And for now, one still need play defensively in that area until it proves itself otherwise.

One major change in the macro market environ in the past week is that UST 10-yr. yields have come off to be in close proximity to the 2023 lows. This buying of bonds is likely coming via a "flight to safety" than it is that investors are thinking that the economy is just fine. The Fed may be getting closer to a pause in raising rates, but there is no reason to actually think that they are remotely near cutting them. They will be very "data dependent" going forward. It's going to come down to the job numbers coming out today, upcoming monthly inflation numbers, and I suspect where the market is a month from now.

Meanwhile, potential downside targets for the UST benchmark 10-yr. yields are at 3.10/3.09 percent, and then 2.84 to 2.76 percent.

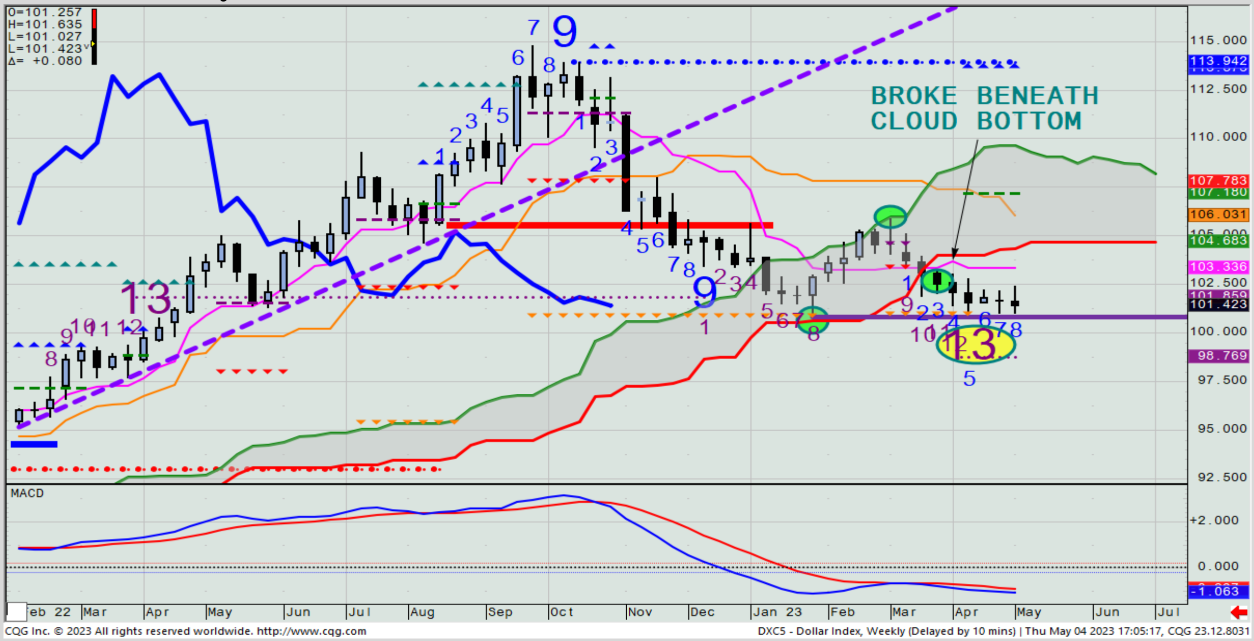
TNX – Weekly

I have been steadfast that I believed credit spreads would widen from the recent pullback and that the ICE BofA Corporate Index OAS (1.45% as of yesterday) we watch will widen out over time to take out the 2022 high of 1.71% later this quarter (or possibly next quarter). As recent as last week I wrote, “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.)”. Well, the newest cockroach regional banks are here and scampering about to survive, and more of them will not likely be around in a few weeks and months.



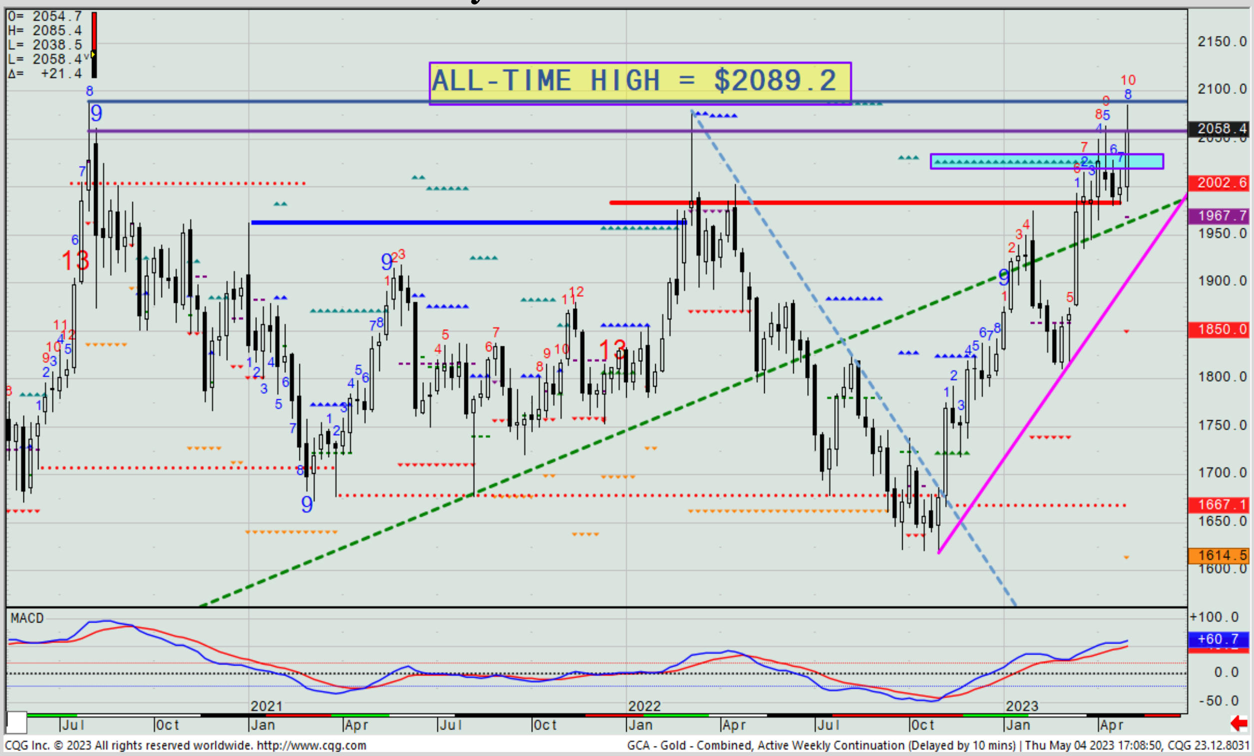
The US Dollar Index broke its weekly cloud bottom six weeks ago, and then also posted a minor new 2023 low. My bearish bias remains in place. Although I certainly don’t know if it will occur, but next week we could see a completed Setup -9 count, and that with the already existing Aggressive Sequential -13 reading could give the dollar a bounce. A lot of what happens going forward is dependent upon which way rates go, but investors are already betting that they come down – despite the Fed not giving any reason to really think that is the case.

DXY – Weekly



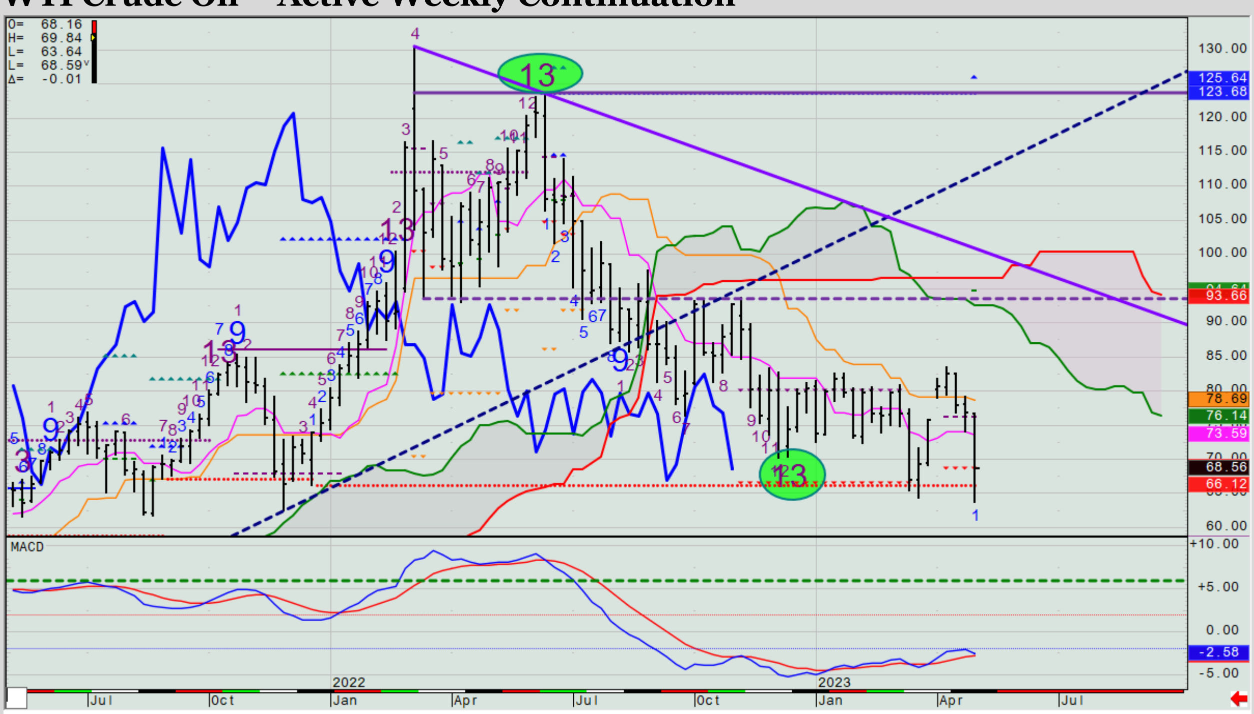
Gold finally has been able to get above the $2024 level that has halted its rallies based upon Friday closes, and yesterday got to within $4 from all-time highs. Medium- to longer-term upside targets include $2140 and $2662. Bulls want to see the $19467 level hold on Friday closes going forward.

COMEX Gold – Active Weekly Continuation



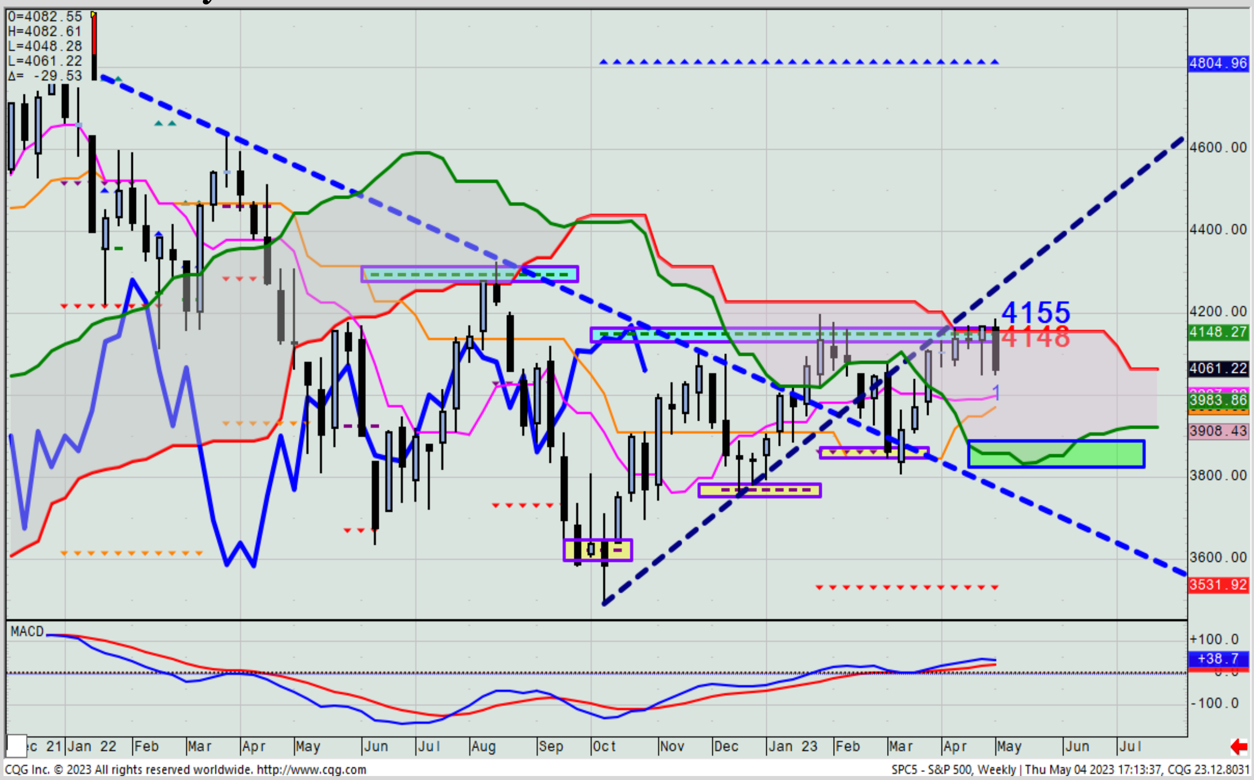
WTI Crude Oil fell sharply this past week, and I was completely wrong in leaning bullishly at the low-$70s. With it again testing near the earlier 2023 lows, it is suggesting that funds are pricing in a dramatic economic slowdown coming, including a decent tail-off in the demand for oil.

WTI Crude Oil – Active Weekly Continuation



The SPX, SPY, and S&P futures all closed above their weekly cloud highs last week, but have clearly failed to follow-through to give us both the "qualified and confirmed" proper breakout to turn the weekly bullish Propulsion Momentum level and breach of the cloud top into an actual bullish signal.

SPX - Weekly



As is often the case of a failed breakout or breakdown, there is a usual fairly quick move in the opposite direction, and right now, the SPX is not acting any differently than "the norm". The mid-4100 area again curbed the rally, and then sellers got more reason to play bearishly as the banking crisis again reared its ugly face this week. I am in favor of leaning on rallies at SPX 4090 – 4130, now looking for upped odds of seeing a move down to near the bottom of the weekly cloud around the 3850 area.

In a nutshell, the newest regional banking woes along with an uptick in credit spreads and a failure to breakout upside in the SPX makes me think another tactical downmove has already started.

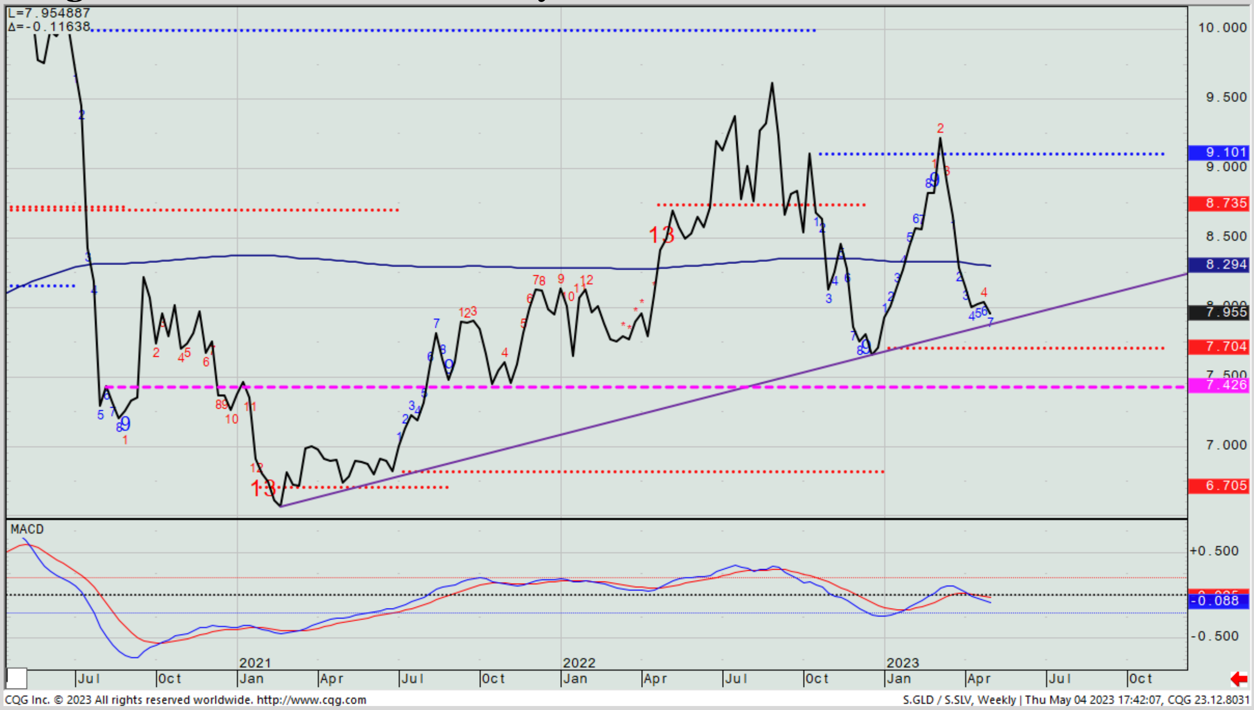
New ETF Trade Idea

With gold right at all-time highs, and silver just north of half its all-time high, I'm more friendly to the former than the latter. Then add into the equation that if the economy slows at all, gold should be a better hedge than silver, as silver is a more industrial-used metal and more subject to an economic slowdown than is gold.

The chart on page 5, which is one of **Long Gold (GLD) vs. Short Silver (SLV)**, shows the recent gold underperformance close to trendline support and a TDST support line (the dotted horizontal blue line). As such, I want to scale into being long gold vs. short silver in the next two weeks, **buying a half-position today of long GLD vs. short SLV, and another half next Friday of that same pair trade next Friday.** I'll target a move back up to the top end of the range, and we'll risk down to consecutive lower Friday closes beneath an old breakout level of a 7.426 ratio.

Remember, when putting on a pair trade, you are buying equal dollars' worth of GLD then you are selling of SLV.

Long GLD vs. Short SLV – Weekly

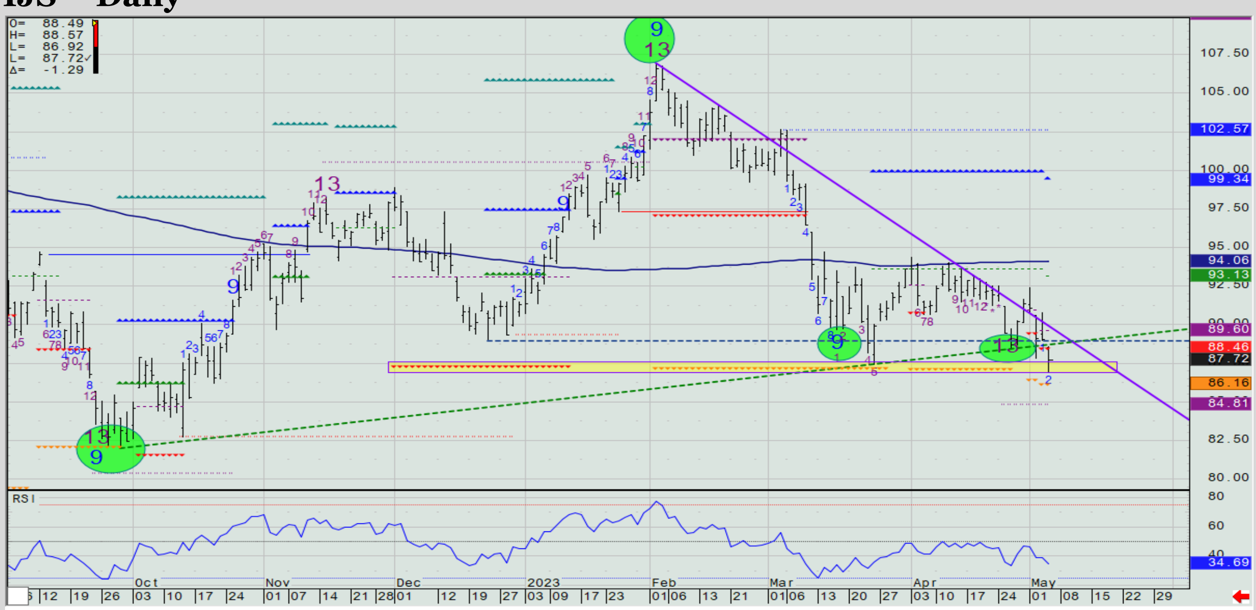


Other Open Recommendations and Positions

Long IJS

Last week we bought this small cap value ETF (avg. entry at $90.83) from its chart's likelihood for a bounce and breakout above its downtrend line (which did occur last Friday), but then the new banking issues came to light early this week and this turned around and faded to new lows. Our sell-stop is on a closing break of its bearish Propulsion Exhaustion level at $87.11.

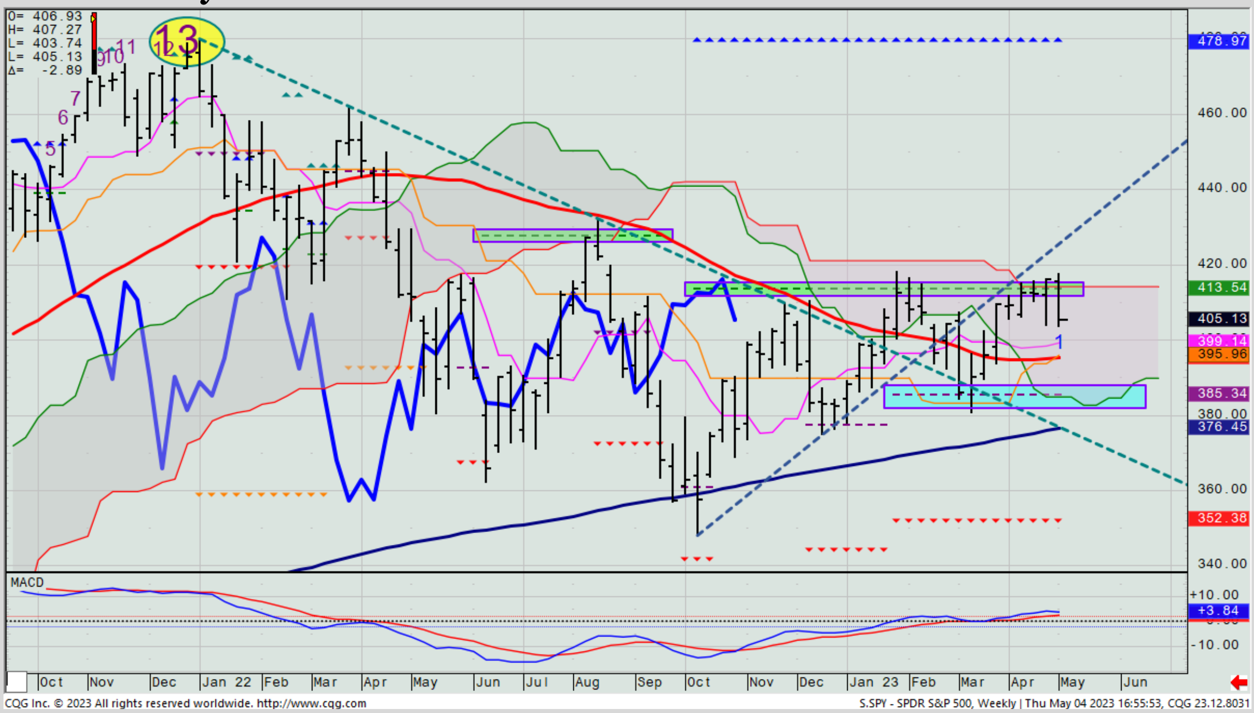
IJS – Daily



Short SPY

Two weeks ago, our 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 certainly got one close above those levels last Friday, so you may or may not have covered. I clearly want to be in this idea, basis my comments on page 4. So, if you did stop yourself out, consider heeding to my thoughts to look to again put it on.

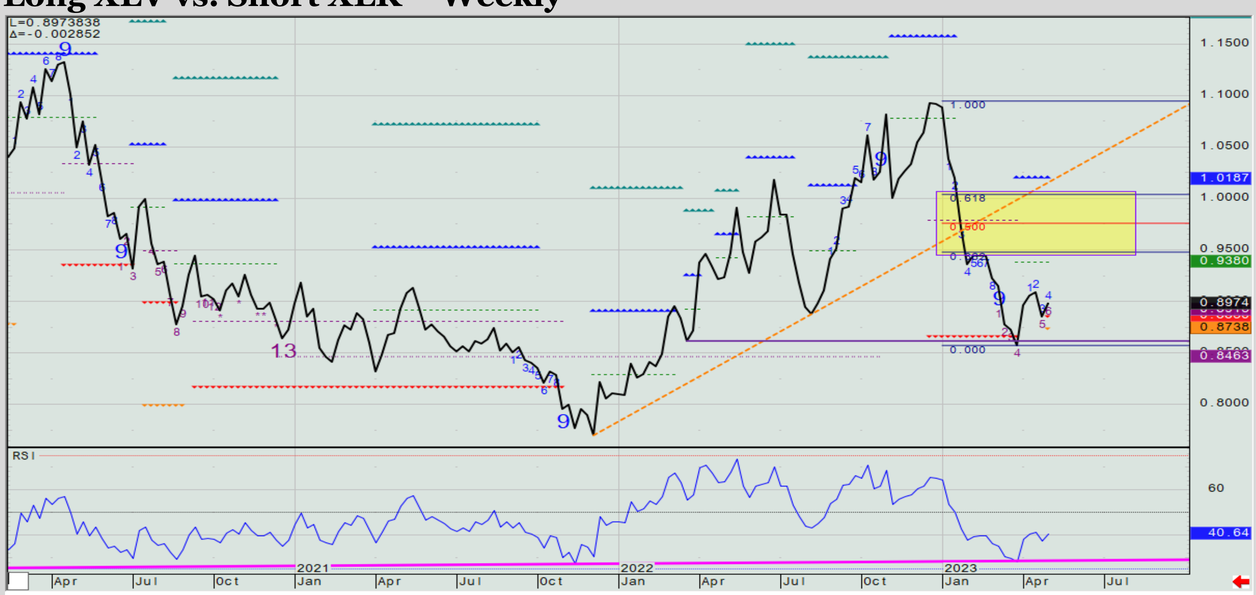
SPY - Weekly



Long XLV vs. Short XLK

Four 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

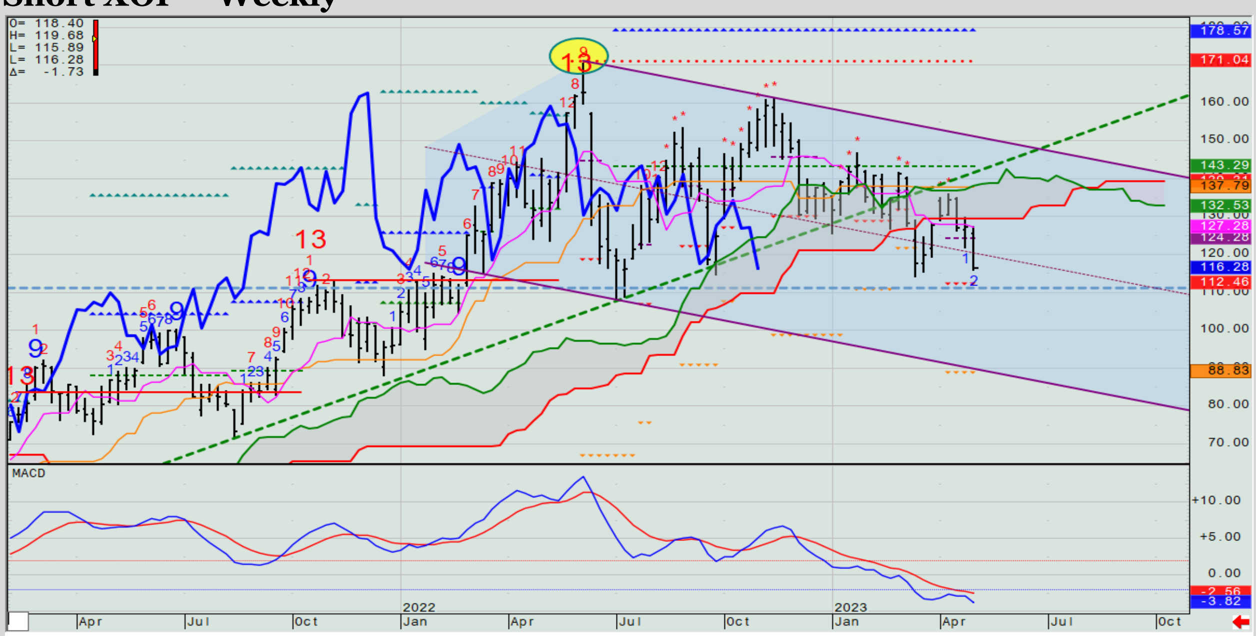
Five weeks ago, we went long (avg. entry at $27.18), looking for the highlighted strong support zone to continue holding. My stated target is well higher (i.e., near $36), but I can adjust that as needed as it is over a 30% higher target. I've previously raised our sell-stop to no lower than the breakeven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

EWZ - Weekly

Short XOP

Seven 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. We took half the short off last Friday at an average price of $125.68, and now have plenty of cushion to play with on the balance of the short. Let's now look to cover half of what we still have on in the $110 to $109 level, and we'll let the balance go for a potential move under $100.

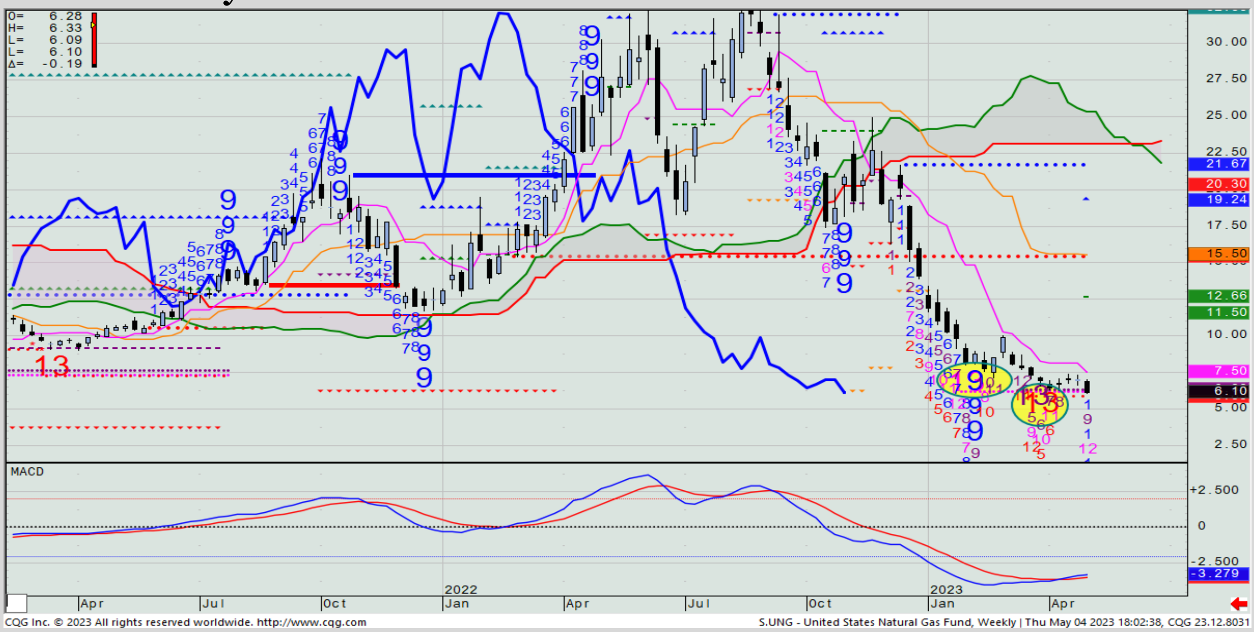
Short XOP – Weekly



Long UNG

Ten 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 which topped a rally attempt the past two weeks in the actual traded commodity.

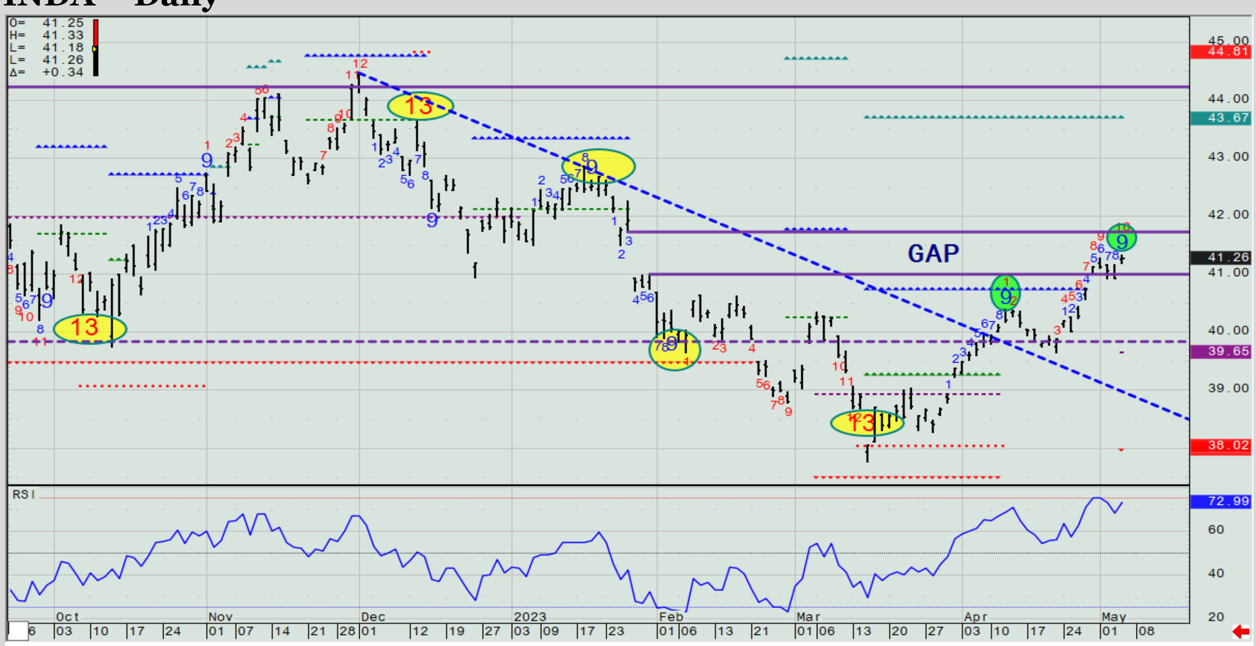
UNG – Weekly



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 again raise our sell-stop the balance on consecutive daily closes < $40.71.

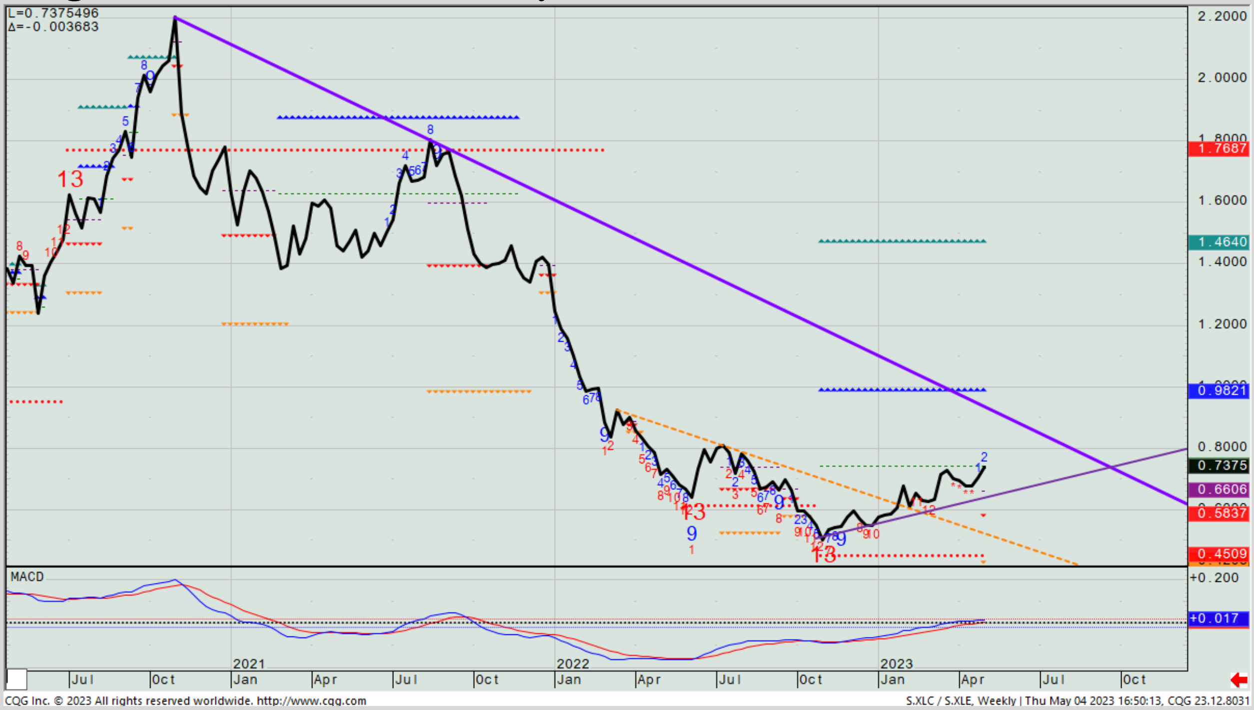
INDA – Daily



Long XLC vs. Short XLE

Thirteen 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.

Disclaimer