Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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May 19, 2023

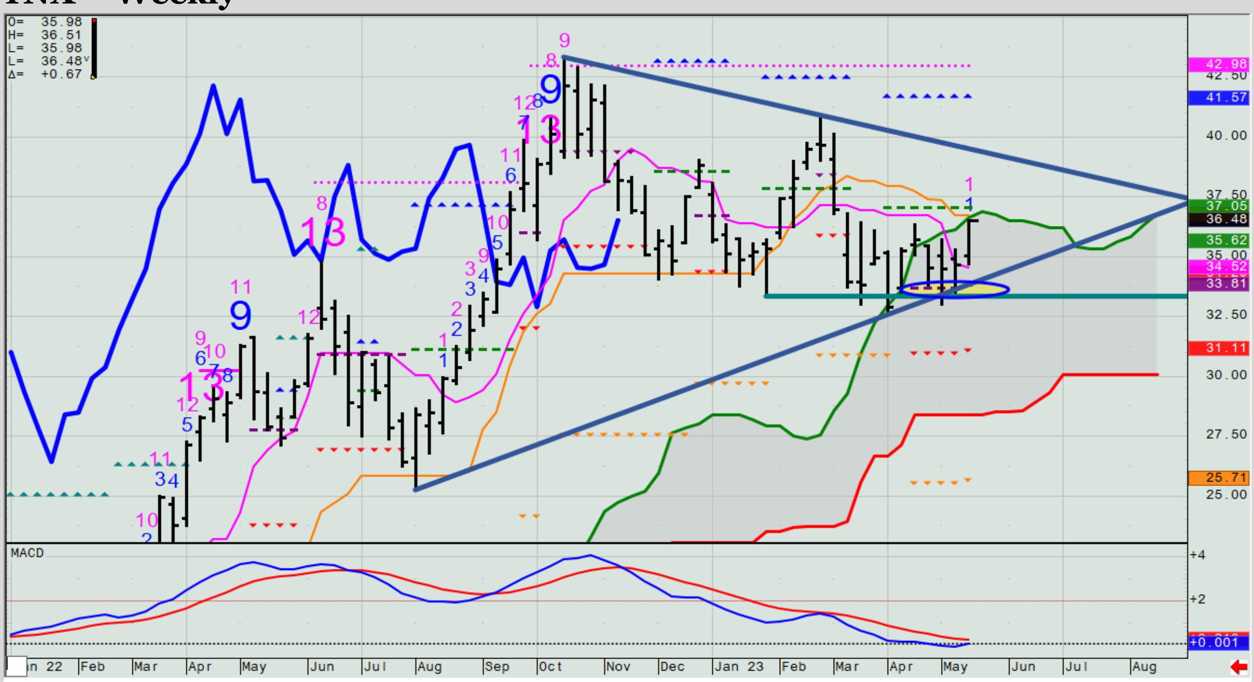
TACTICAL TRADER REPORT

The Macro Picture

The stock market has become a see-saw daily event – one moment selling off on dashed hopes of a debt ceiling agreement being made – and the next a surge higher on investors hearing that talks are progressing. The net affect has actually been more up then down, and yesterday's gain helped bring the SPX to its best close of the year. This equity upmove is also surprisingly happening while the dollar and rates are heading higher.

UST 10-yr yields – via the TNX chart – held support against its bearish Propulsion Momentum level at 33.78 (i.e., 3.378%) the past three weeks and then lifted off this week to have just exceeded last month's high and now approaching the weekly cloud top, Base Line, and bullish Propulsion Momentum level in the 3.67% to 3.70% area.

TNX – Weekly

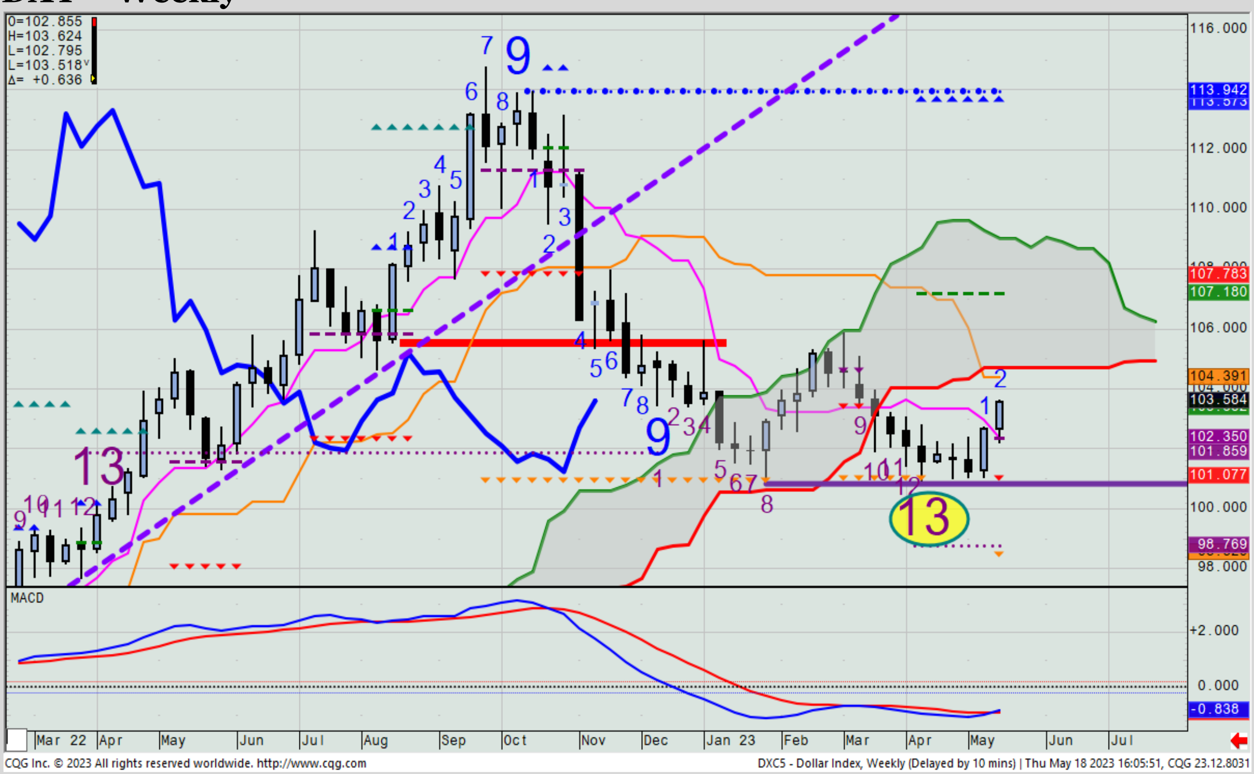


The overall picture still finds the TNX in a triangular pattern, and right now, it's in the middle of the range. Those trying to play this game by thinking they can out-guess the Fed are likely playing a losing game.

The ICE BofA Corporate Index OAS (i.e., my preferred credit spread) is at the same 1.49% than it was at a week ago. I'm still in the camp that this spread will take out last year's high of 1.71%.

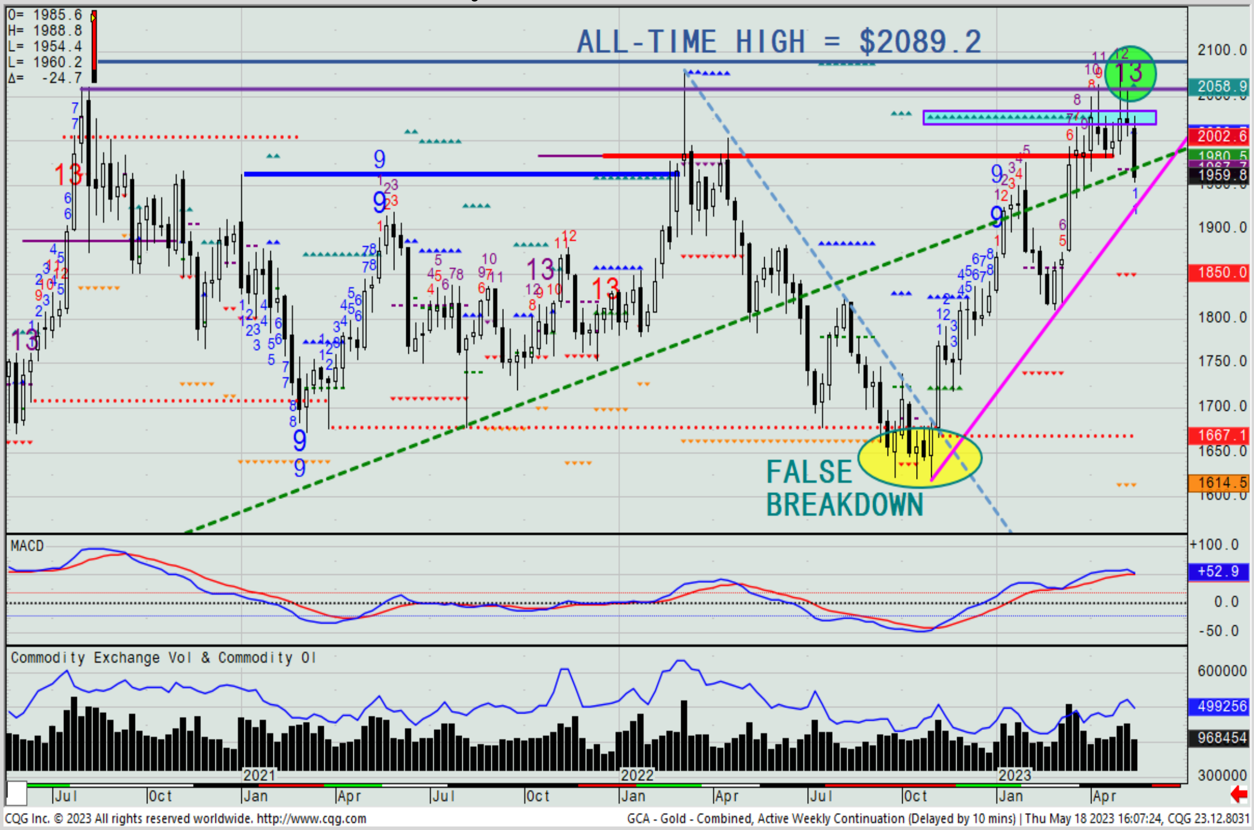
The US Dollar Index has rallied on cue, just as we bet it would in last week's new ETF play (which was to get short the inverse dollar index ETF (UDN). The DXY chart looks like it can head to 104.40/104.70 (i.e., its Base Line/Cloud bottom). Generally, a strong dollar has not been friendly to seeing stock market strength.

DXY – Weekly



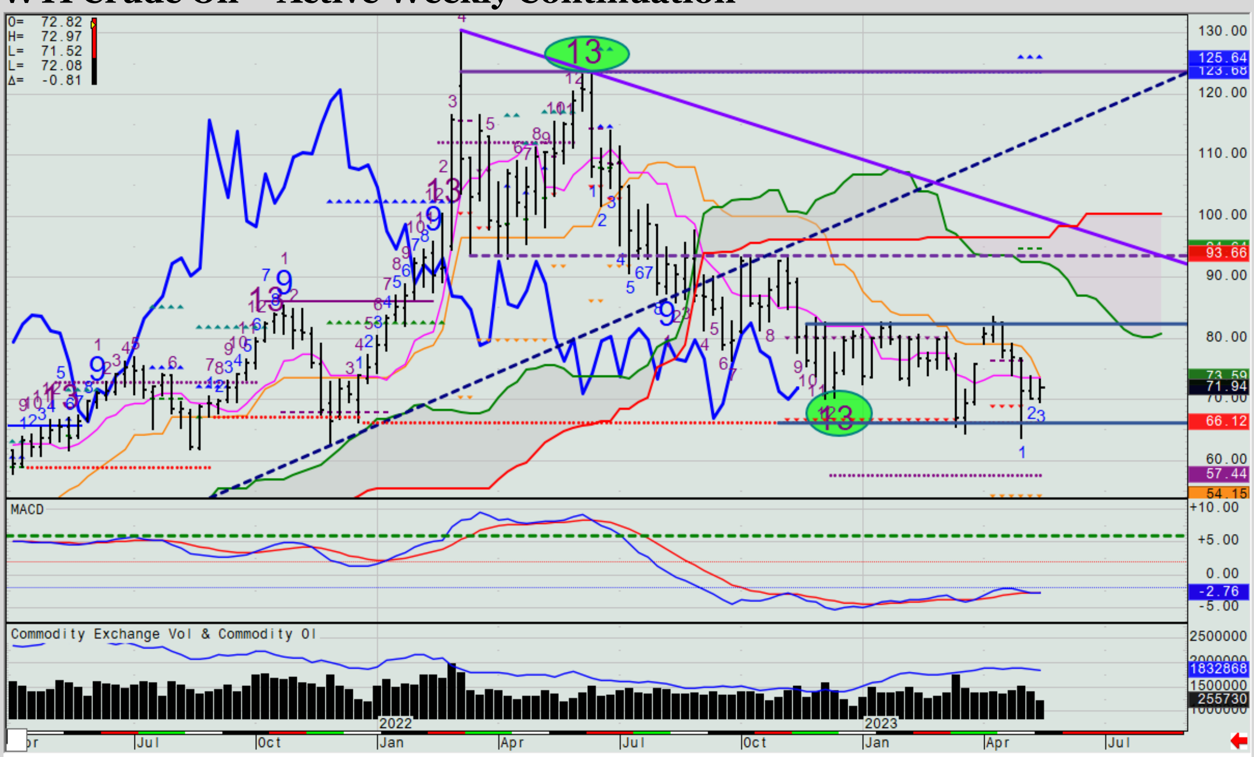
Gold 's inability to really progress past the $2024 Propulsion Full Exhaustion level led to what is one of its worst weeks in a while. Bulls want to see the $1968 bearish Propulsion Momentum level hold as support on Friday closes. Medium- to longer-term upside targets include $2140 and $2662, but the current dollar rally could push off the timing of achieving those targets. Look back a few years and gold just hit its top of range level and fell from it.

COMEX Gold – Active Weekly Continuation



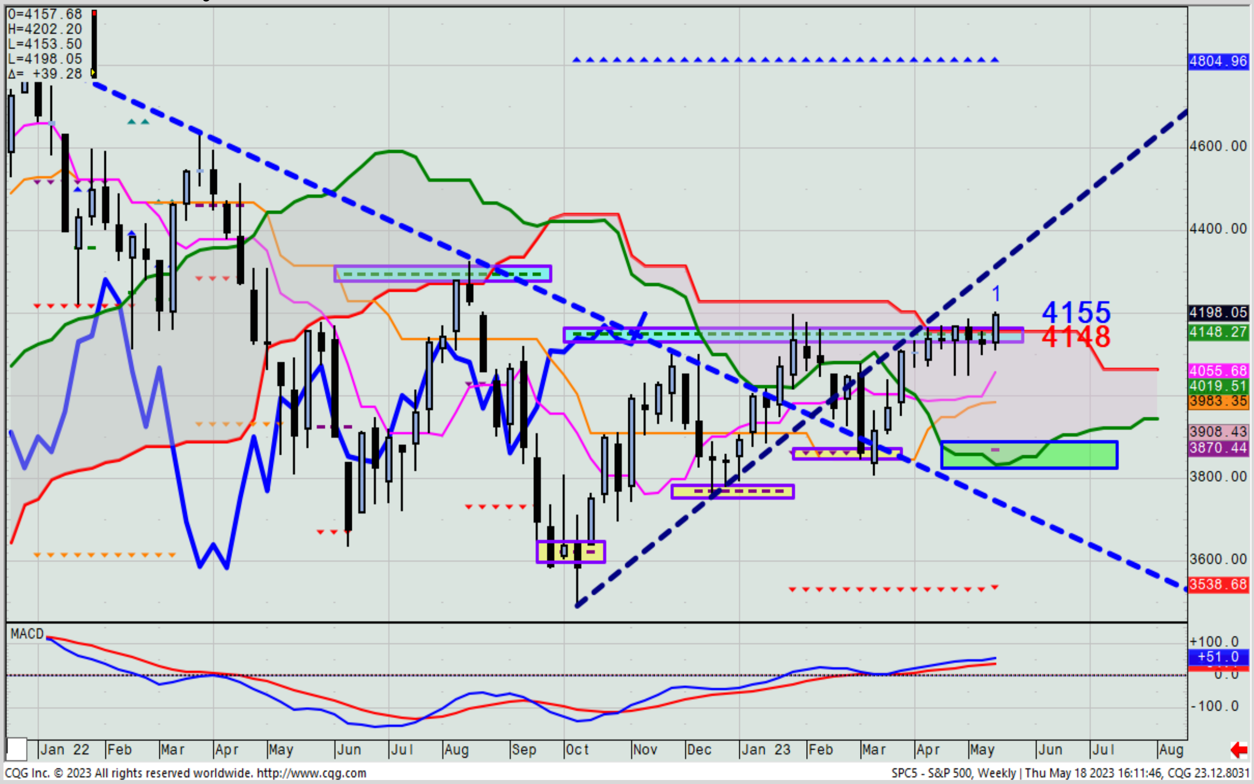
Nothing new in WTI Crude Oil: it remains in a trading range.

WTI Crude Oil – Active Weekly Continuation



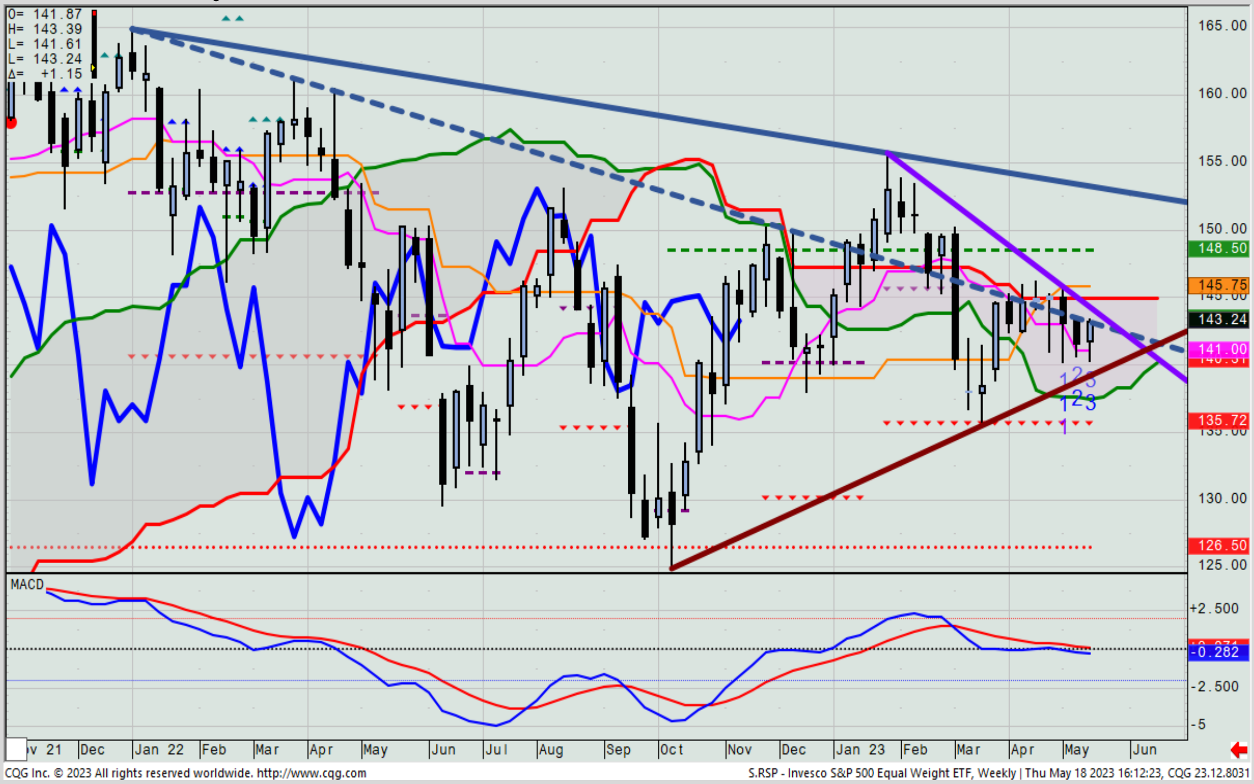
The SPX continues to get goosed higher by big cap tech's runup on what's now the AI-related rally. A close today above 4155 ups the odds for some follow-through to next go after the unfilled gap from 4203 to 4219 (for starters).

SPX - Weekly



Meanwhile, the average S&P 500 stock (not looked at in a cap-weighted way), continues to show far greater weakness than the SPX looks.

RSP – Weekly



Keep in mind that over the next three weeks we have the debt ceiling issue to be revolved, and we get another FOMC rate announcement. Despite the strength we've seen in stocks, not a single chart we've looked at in this issue is in the midst of a clear, definitive medium-term trend.

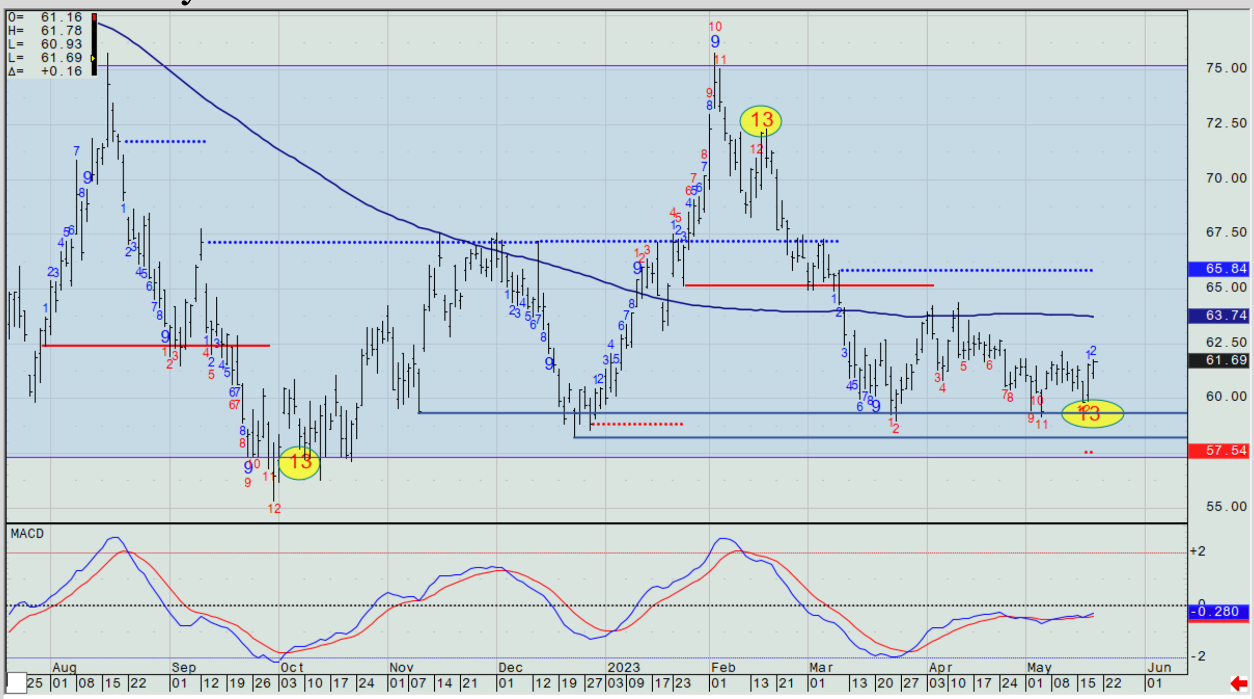
New ETF Trade Idea

When we think of the equity market "retail" space, we don't necessarily think of all of the following names that make up the top 10 holdings of **the SPDR S&P Retail ETF (XRT)**.

Name	Symbol	% Assets
Ollie's Bargain Outlet Holdings Inc	OLLI	1.56%
Amazon.com Inc	AMZN	1.49%
GameStop Corp Class A	GME	1.44%
O'Reilly Automotive Inc	ORLY	1.44%
Grocery Outlet Holding Corp	GO	1.43%
eBay Inc	EBAY	1.42%
Walmart Inc	WMT	1.42%
CarMax Inc	KMX	1.41%
AutoZone Inc	AZO	1.41%
Dollar Tree Inc	DLTR	1.41%

That being said, price is near the lower end of its bigger trading range, and earlier this week marked a daily Sequential -13 signal – the first one made since it posted one right by the October '22 low. As such, let's look to get long one-half unit now, and another half closer to $58 if the opportunity comes over the next month or two.

XRT – Daily



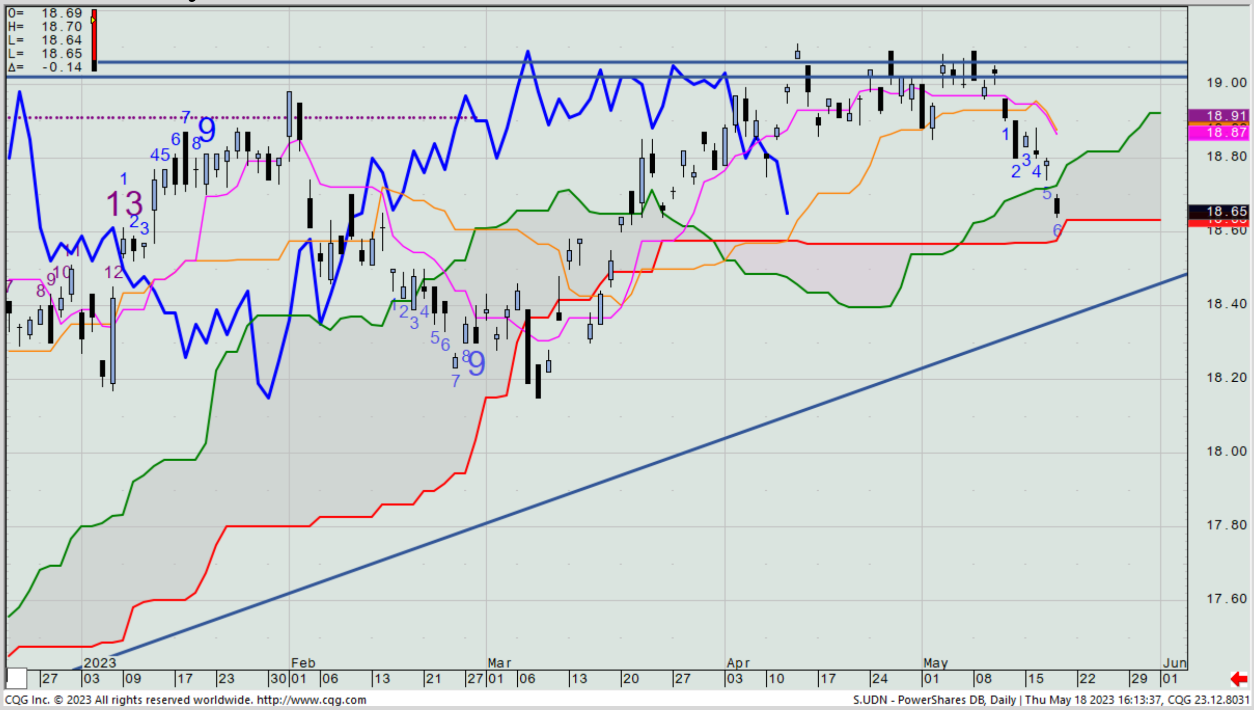
We'll look for an upmove to reach the $64 to $66 zone. To manage risk, we'll need stop this out on closes beneath $56.28.

Other Open Recommendations and Positions

Short UDN

Last week we shorted two units (average entry at $18.95) of this inverse Dollar Index ETF – our way of playing that the dollar would rally. It closed on Thursday at $18.65, and is now nearing its first support level. Let's cover half between $18.63 to $18.57 anytime today or next week. Lower your buy-stop to your breakeven entry price.

UDN – Daily



Long GLD vs. Short SLV

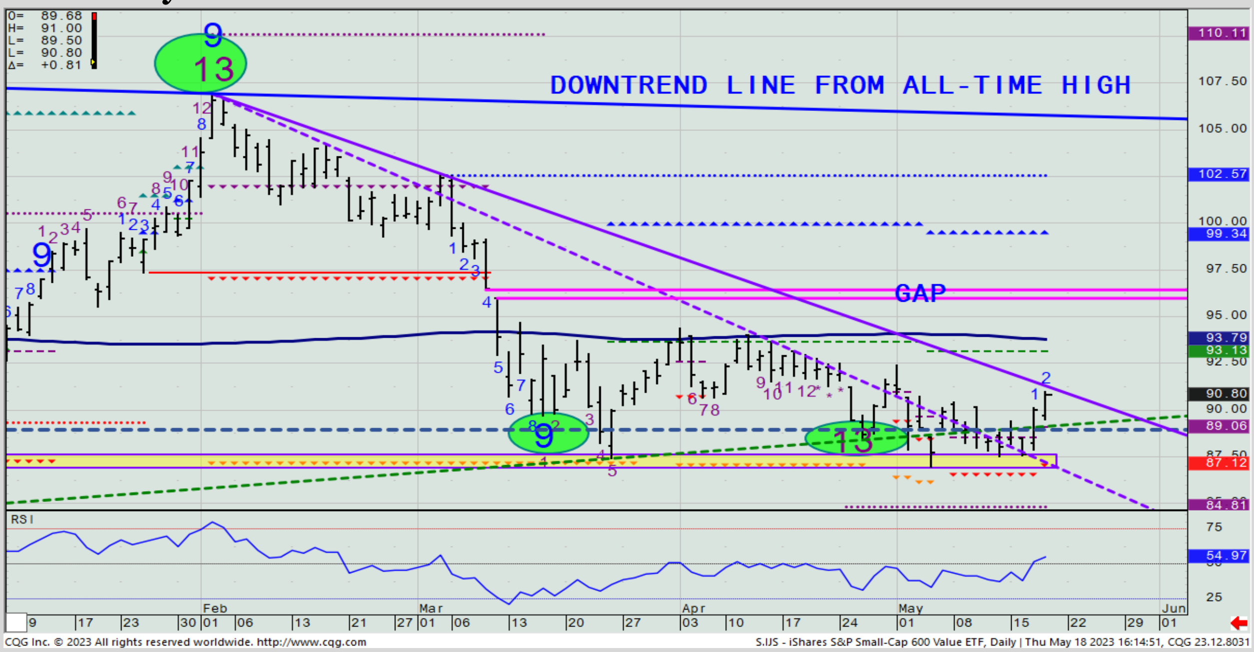
Two weeks ago, we entered a half-sized position of this pair trade (average entry at 7.98) – and the lowest daily close of the move – with me looking for gold to outperform silver going forward. We'll take half of the position off now, and I am targeting a move to the top end of the range near 9.0 to 9.5 to take the balance off. Raise your sell-stop to consecutive daily closes < 8.165.

Long GLD vs. Short SLV – Daily

Long IJS

Three weeks ago, 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, but then the new banking issues came to light and this turned around to fade to new lows. We'll raise our sell-stop to a close under Wednesday's low of $87.59.

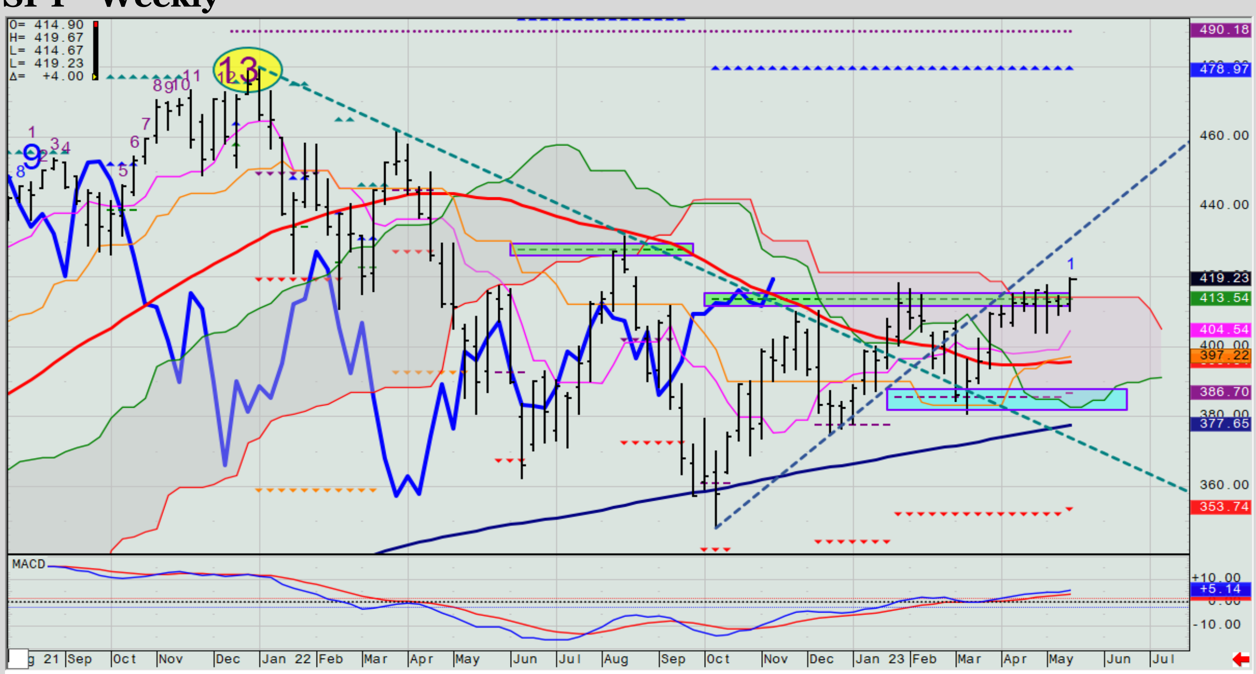
IJS – Daily



Short SPY

Four 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 three Fridays ago, so you may or may not have exited. I clearly want to be in this idea, basis my above market comments. So, if you did stop yourself out, we'll cover today on the upside breakout that has now occurred.

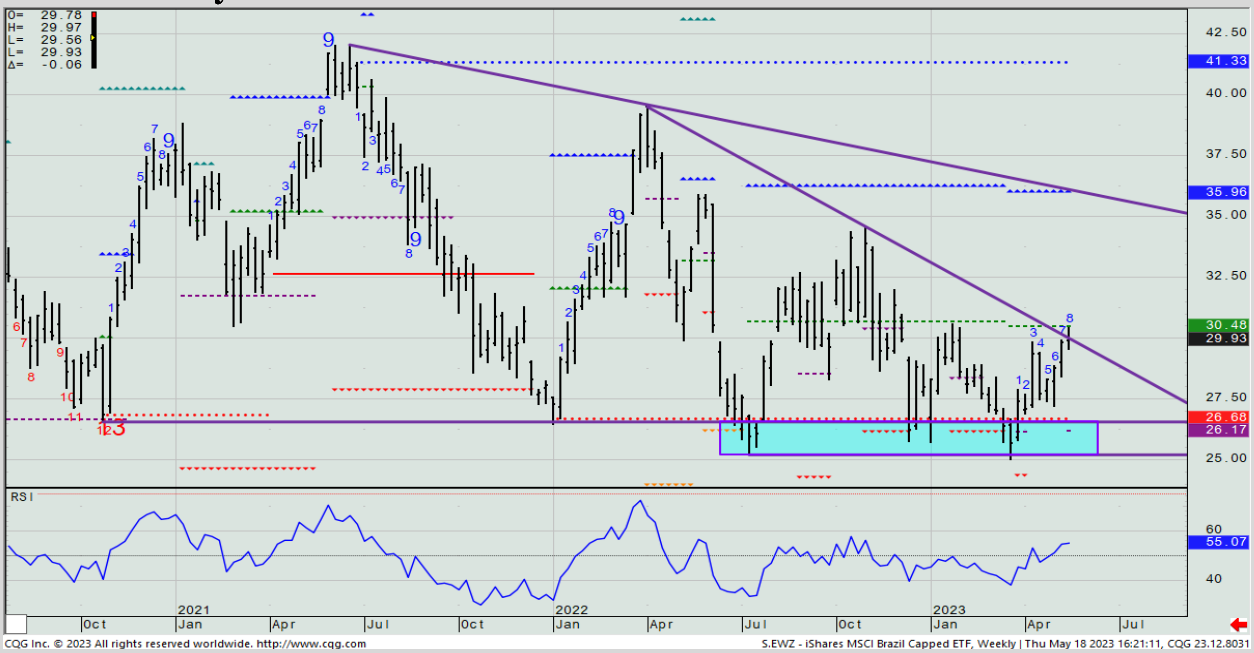
SPY - Weekly



Long EWZ

Seven weeks ago, we went long (avg. entry at $27.18), looking for the highlighted strong support zone to continue holding. I've previously raised our sell-stop to no lower than the breakeven entry level. Last week I recommended selling half anytime that we saw a move up to the $30 to $30.50 area. We got that this week with a high of $30.43, so we've now sold half.

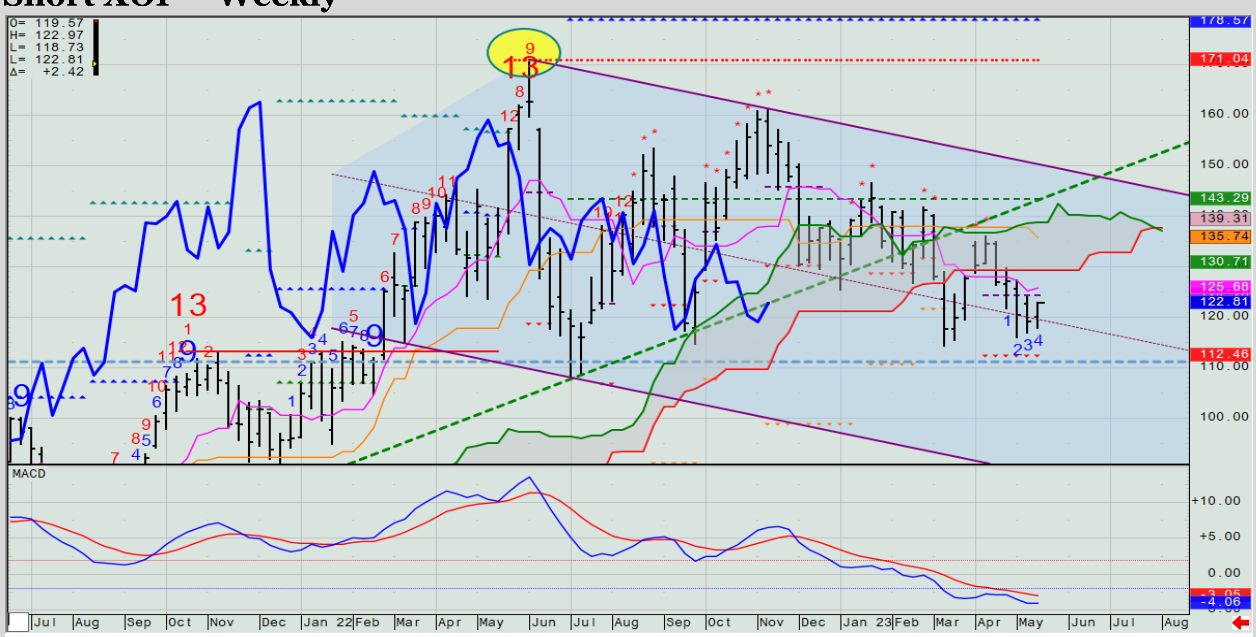
EWZ - Weekly



Short XOP

Nine 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 previously took half the short off at an average price of $125.68, and will now take off another half of what we have on, leaving the final quarter to cover in the $112.50 to $109.50 zone or a buy-stop at your breakeven entry price.

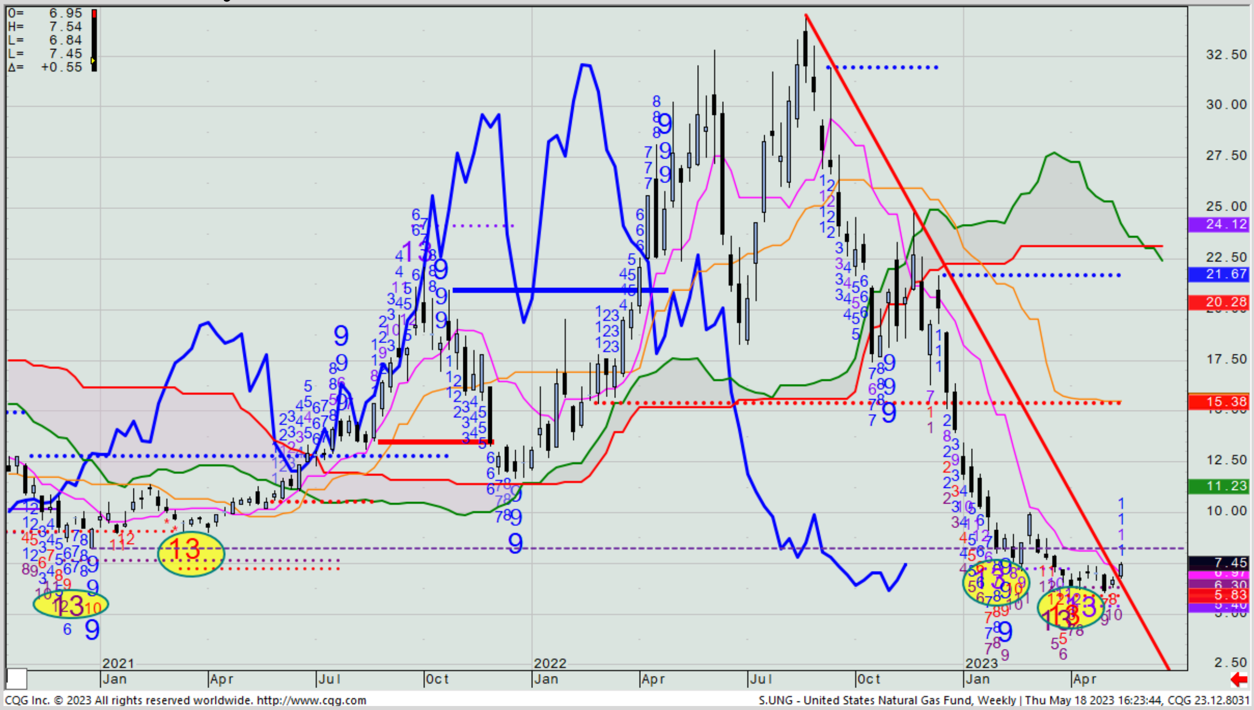
Short XOP – Weekly



Long UNG

Twelve 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, and it looks like this week we have the first of them.

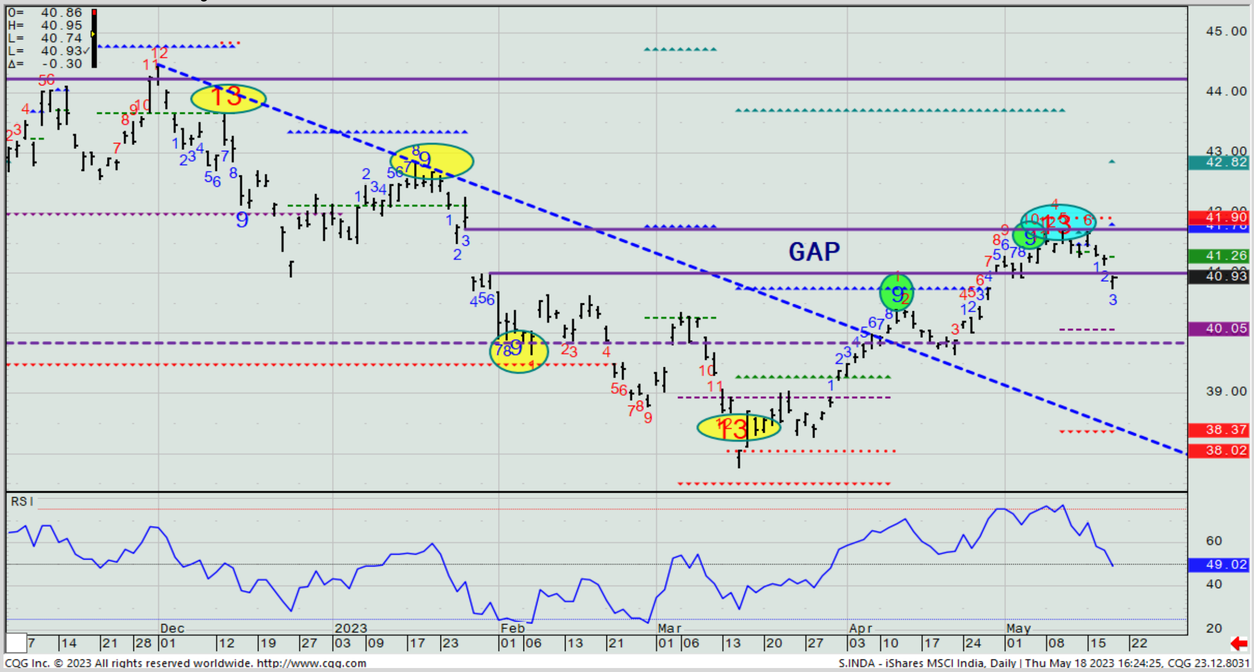
UNG – Weekly



Long INDA

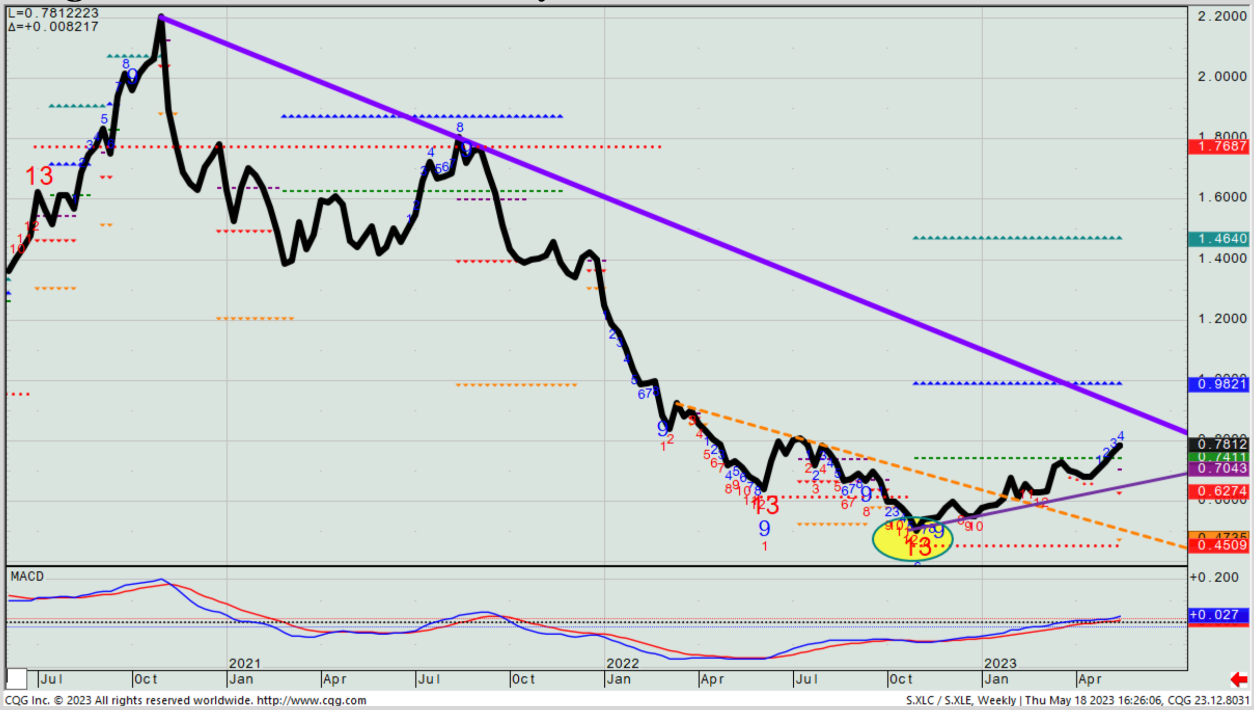
We were long at an avg. entry price was at $38.45. and subsequently sold half at $40.22. We sold the last half last Friday at an average price of $41.36. We made 6.1% on this.

INDA – Daily



Long XLC vs. Short XLE
Fifteen 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. This has again moved up to the best level since we entered. I'm looking for this to potentially move up to near the 0.982 level. Raise your sell-stop to consecutive Friday closes beneath 0.7082.

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