Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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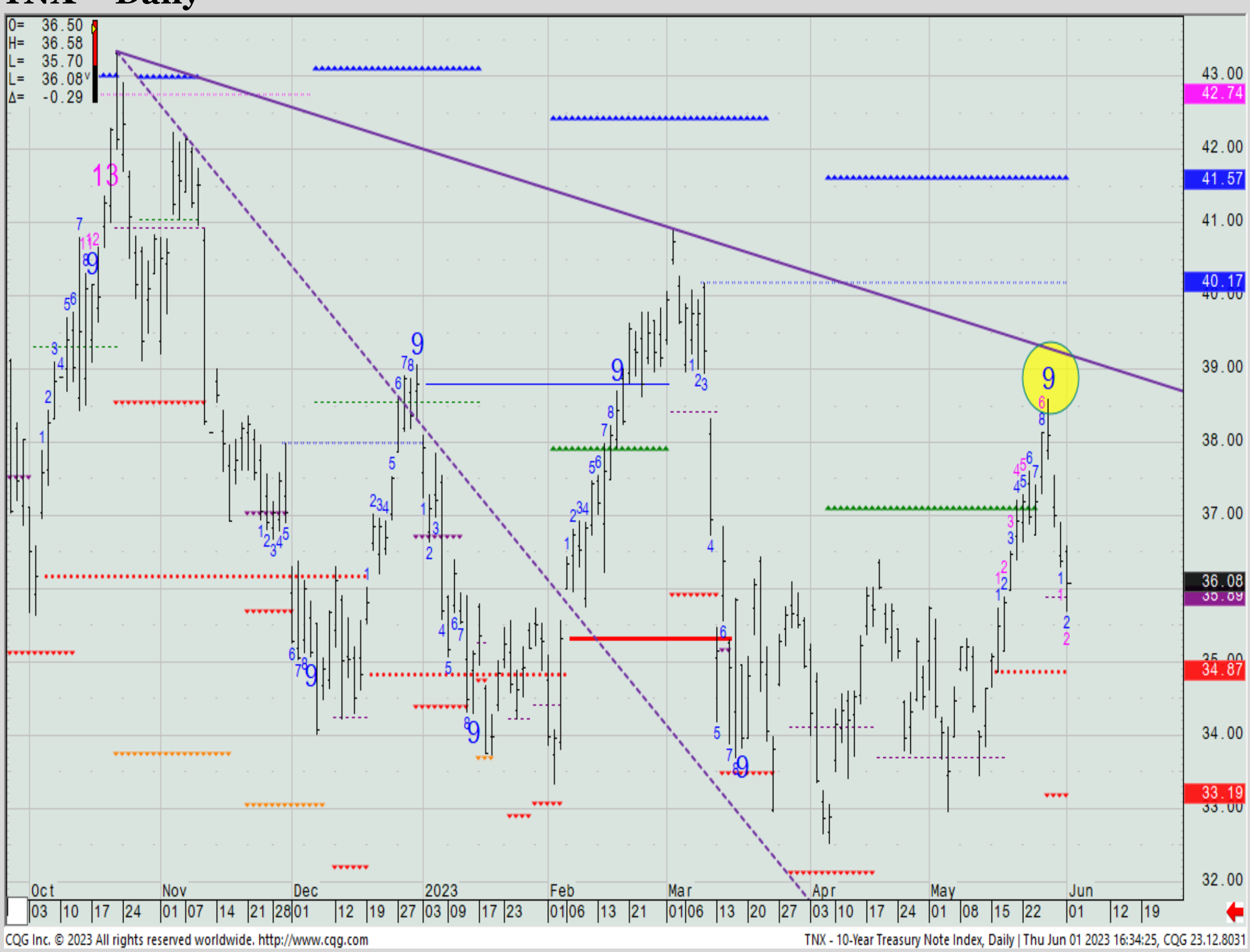
TACTICAL TRADER REPORT

The Macro Picture

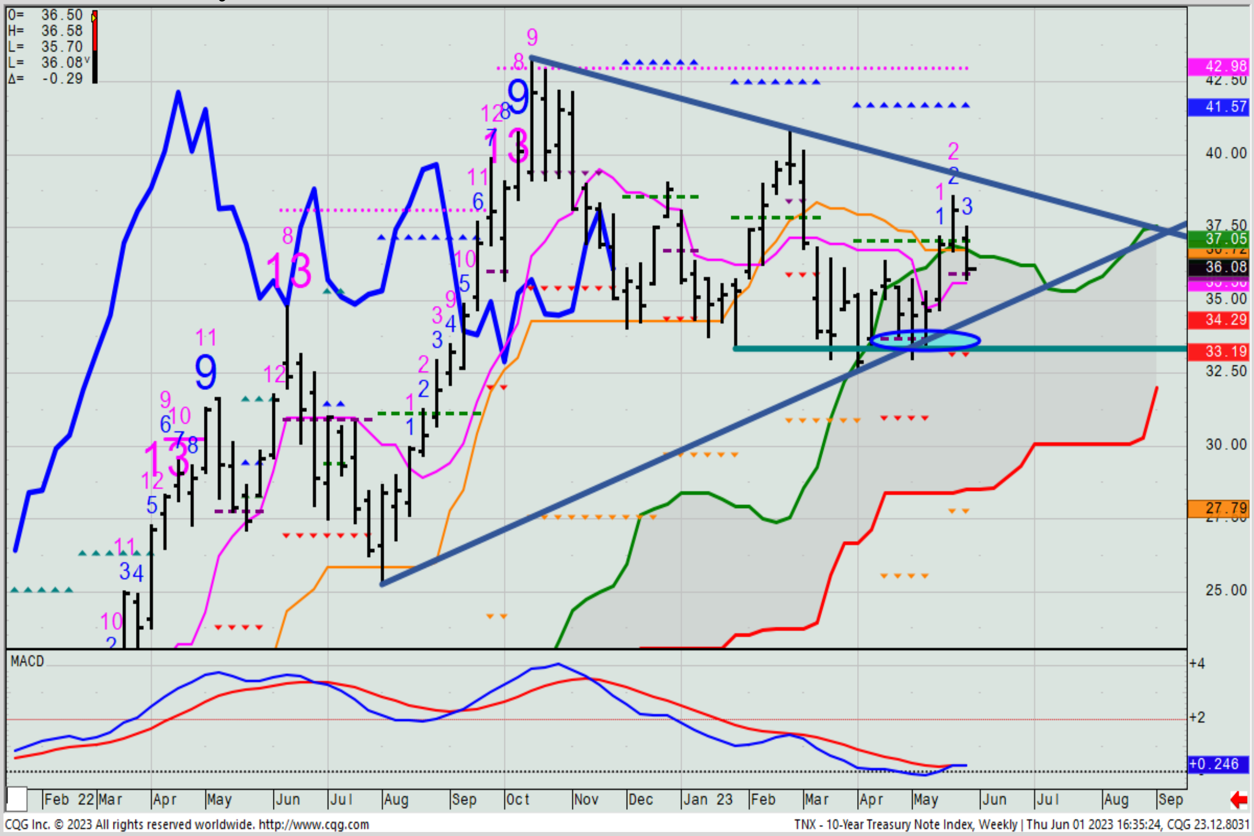
This past week has seen not only seen a bipartisan proposed debt-ceiling bill agreed upon to present to congress, but the House giving it a thumbs up. Over the weekend, the Senate will now have to agree to the terms in order to stave off a default on our debt – something rather unthinkable an event to possibly occur. This coming week, we'll get an FOMC rate decision, with investors currently betting on a rate-hike pause this month, but another hike likely coming in July.

The recent UST 10-yr. rate rally came to a screeching halt on the daily Setup +9 count early this week. The bigger picture remains in its triangle pattern, with the downtrend line value at 3.91% next week, and the uptrend line at 3.45%.

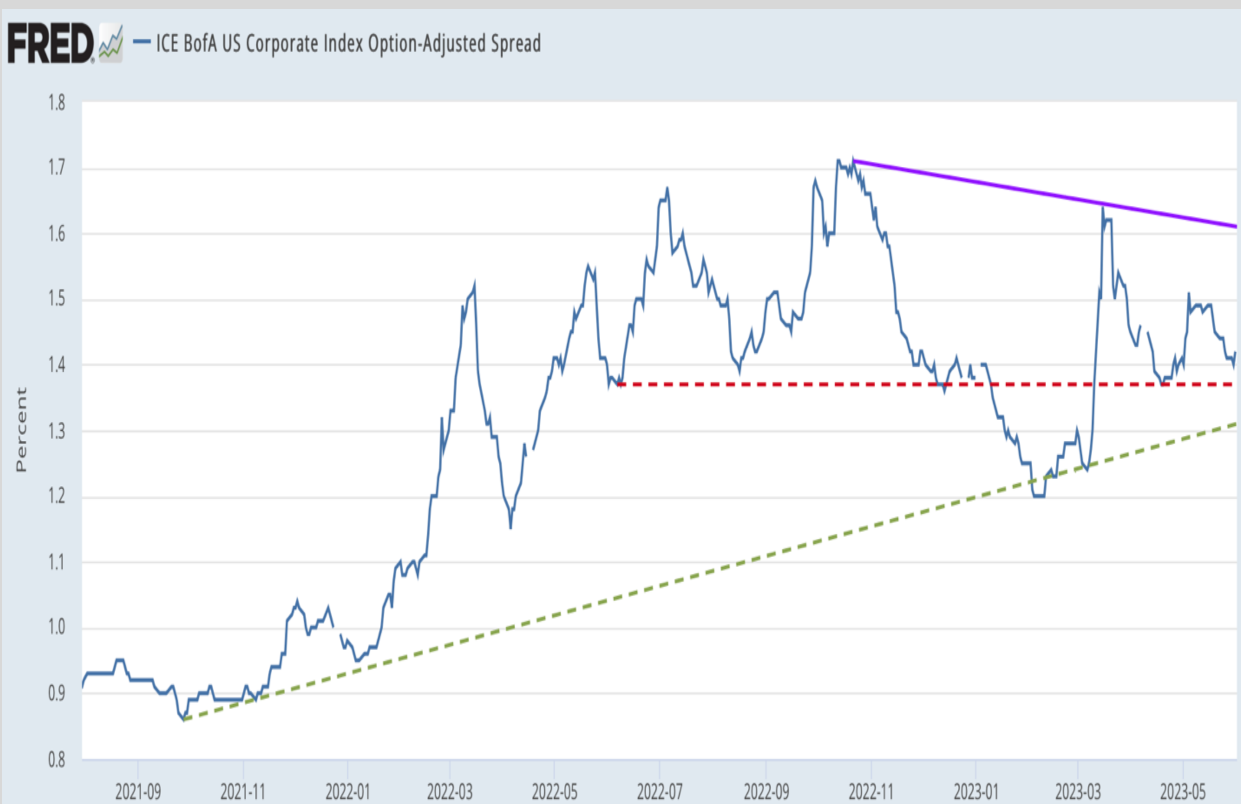
TNX – Daily



TNX – Weekly

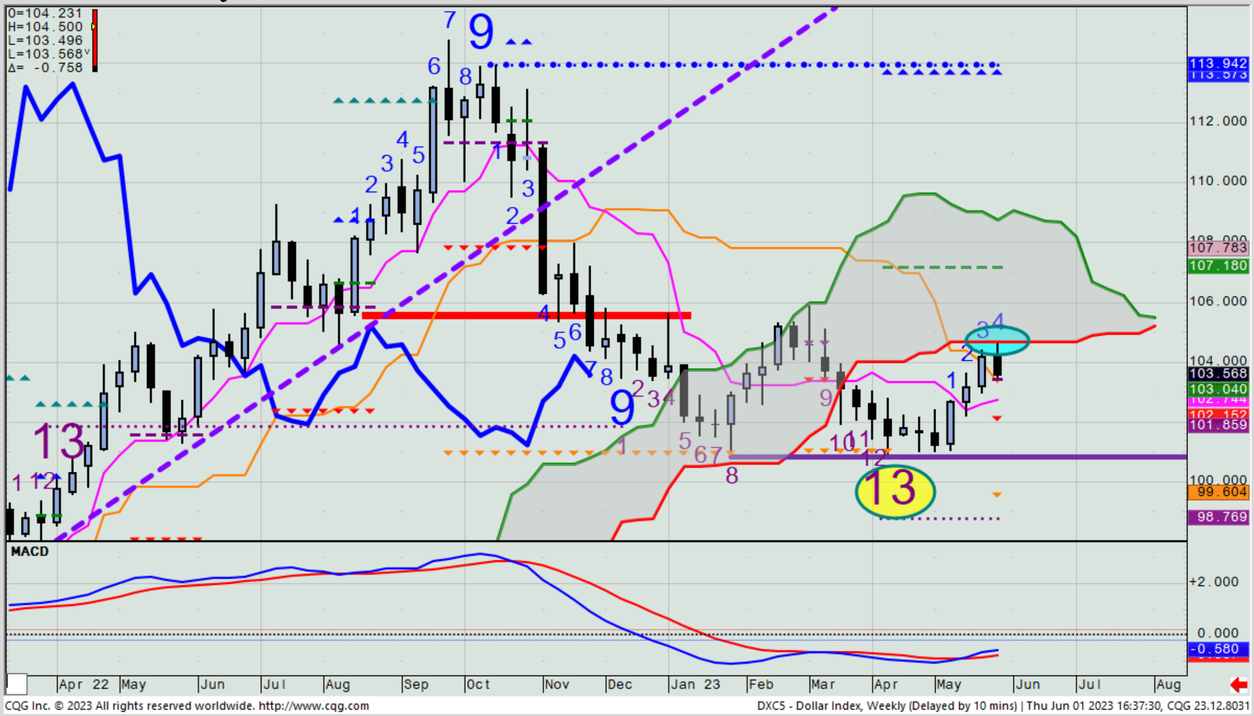


The ICE BofA Corporate Index OAS (i.e., my preferred credit spread) is at 1.42%. I'm still in the camp that this spread will take out last year's high of 1.71%, but last week I had my institutional clients take off 1/3 of the widening trade I had gotten them into at an average of 1.32.%.



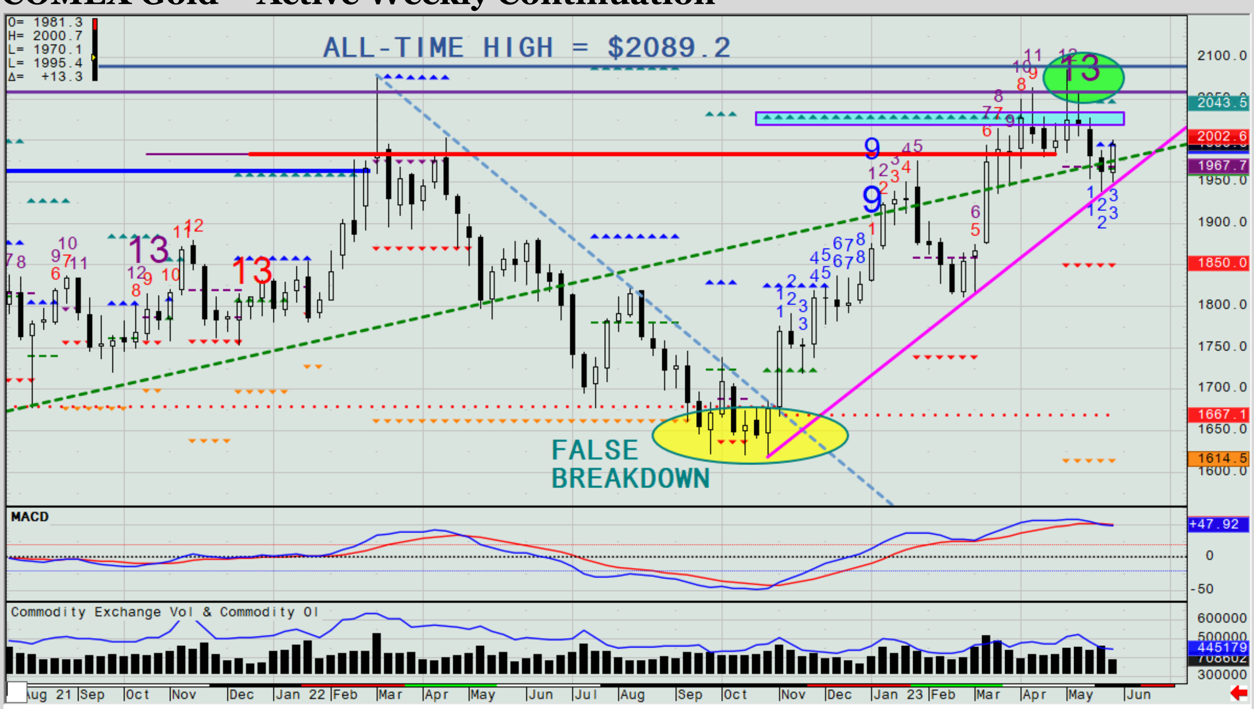
The US Dollar Index continued to rally and reached my main target at the cloud bottom of 104.70. No surprise it's currently pulling back from there.

DXY – Weekly



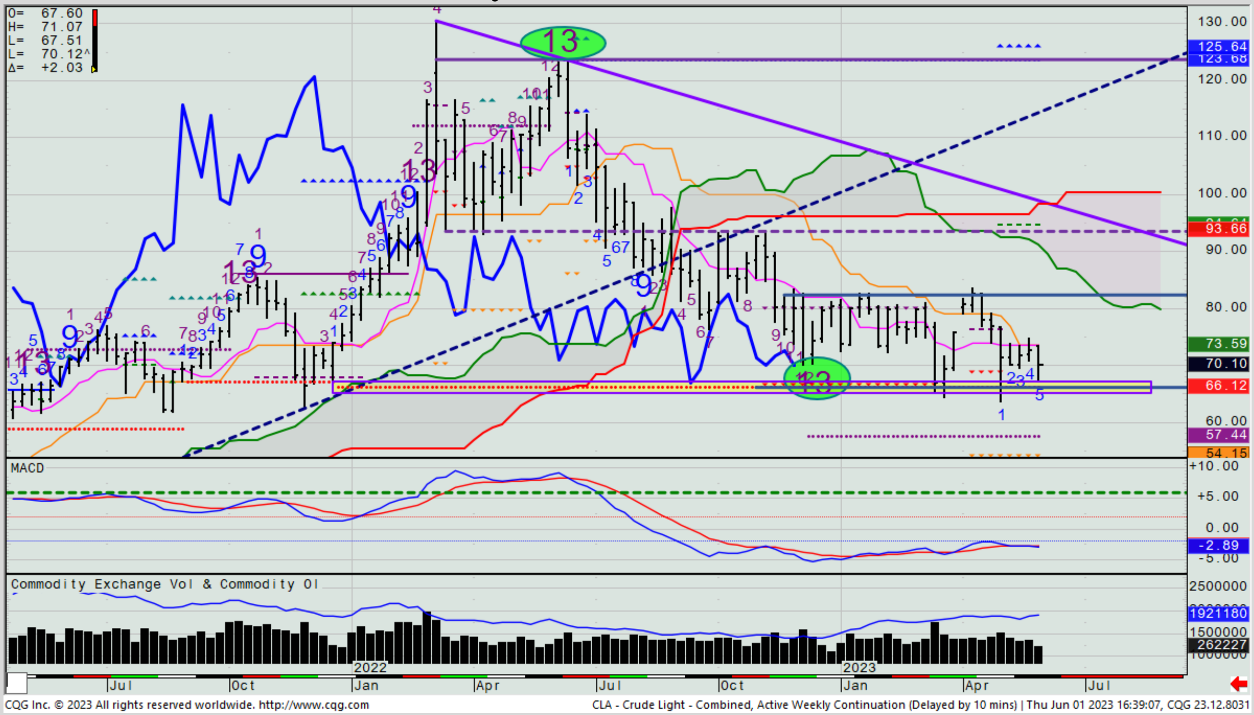
Gold declined right to its uptrend line, and I had institutional clients buy more there. Medium- to longer-term upside targets include $2140 and $2662. However, I'd lighten exposure if we see last week's low breached.

COMEX Gold – Active Weekly Continuation



WTI crude oil remains in a trading range, but I am more apt to be long than not because of the weekly -13 signals. It does need to hold the key support level in the $66/$67 area. If that gives way, I think that odds get upped that we truly are headed for a recession.

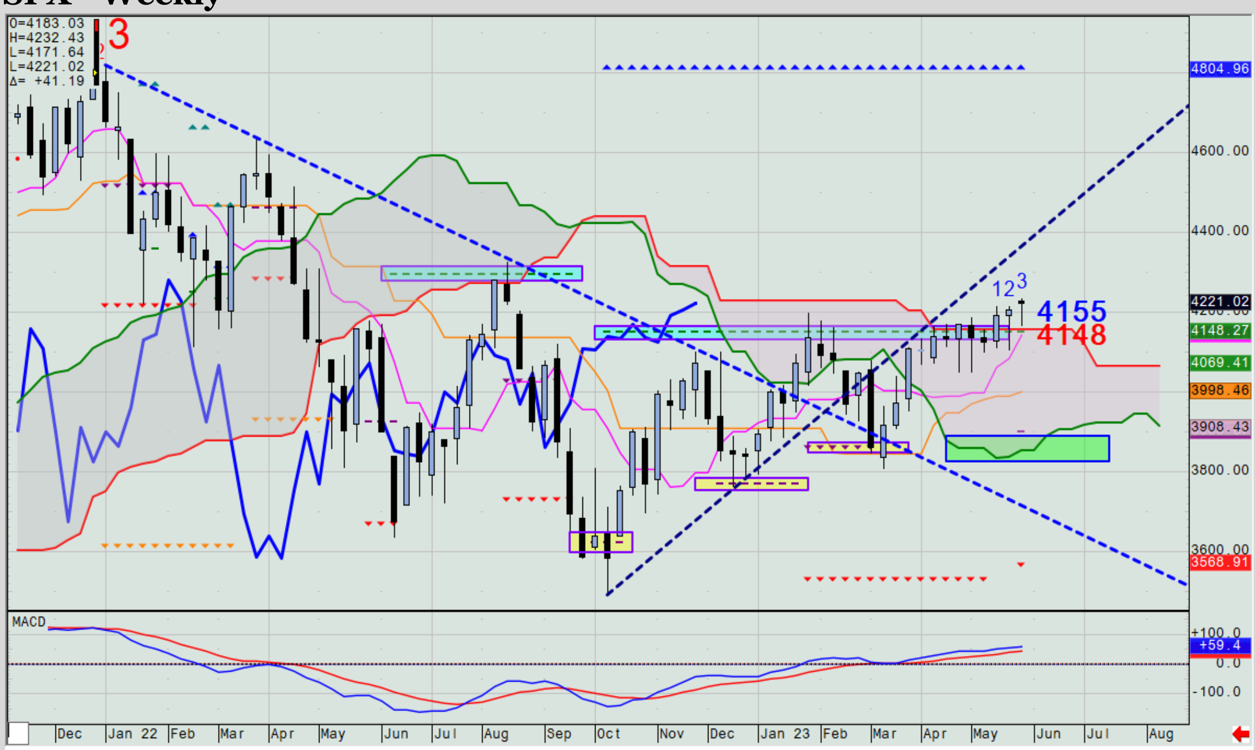
WTI Crude Oil – Active Weekly Continuation



I always refer to the SPX as being "the market", but this year we really have a slew of different major US stock markets, whereby looking at the NDX and Russell 2000 couldn't give more opposing pictures; looking at SPX and RSP (the equal-weighted SPX) or QQQ vs. QQEW give very different pictures. So, it's very likely that most people's portfolios don't have a 2023 return anything close to the SPX's 10% move.

However, as it is the SPX that I track as "the market", we still need to follow what its chart is indicating (despite the fact that the top ten stocks in it represent 30% of its value).

SPX - Weekly



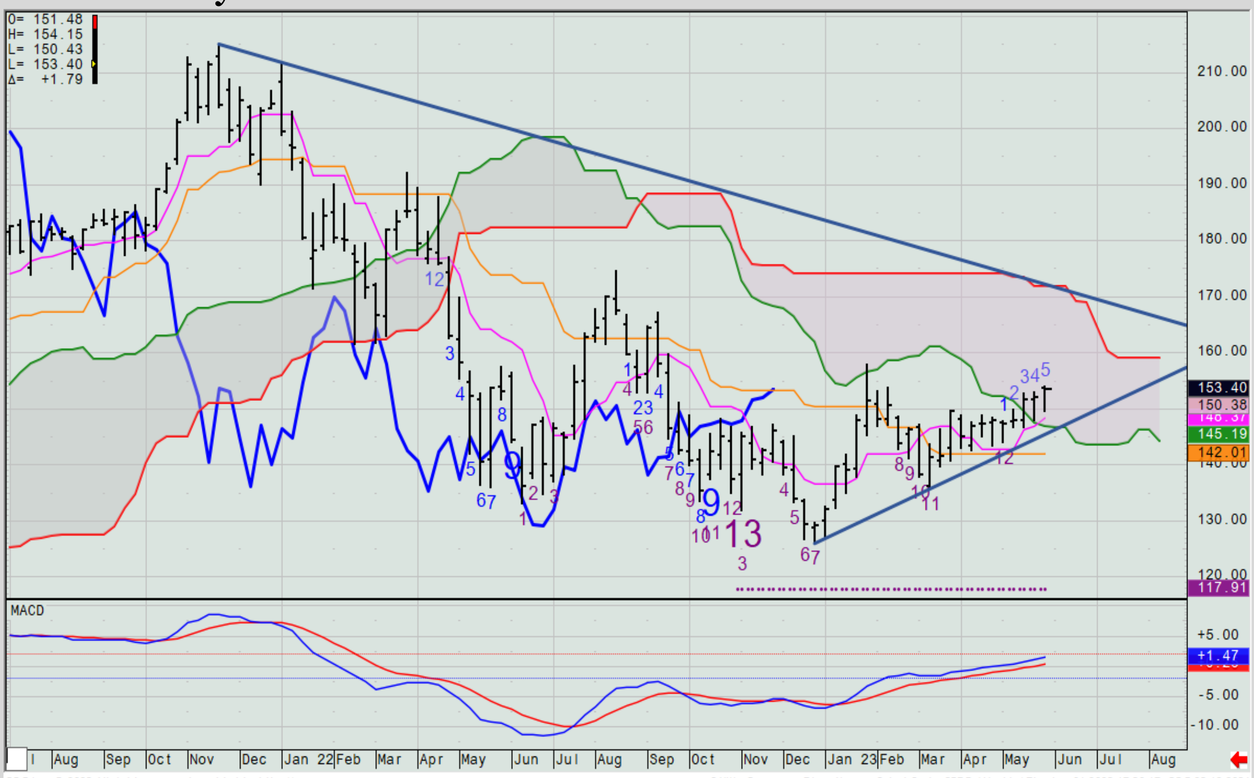
As I've recently said, the clear breakout above the weekly cloud top of 4155 has removed the bearish structural bias that had been in place over the prior year. At the very least, you should be at least neutral the market. If you are still a bear, it's not from the proper reading of the charts.

First support is in the 4155 to ~4100 area. As long as price stays above there, you should be looking at buying stocks into support levels that also have good relative strength in their sector and to the broad market.

New ETF Trade Idea

It's not too often that we've played an outright SPDR macro sector ETF on its own (i.e., not paired against another one), but looking at the SPDR Consumer Discretionary ETF (XLY), to me this makes sense to buy half now and then the other half on a pullback to near its uptrend line (i.e., $145.42 this week, moving up 88 cents per week). We'll play for ETF to rally over the next four weeks to finish out its Setup +9 count a month from now. Our sell-stop is to exit on a Friday close under $142.01 – where the Base Line currently resides.

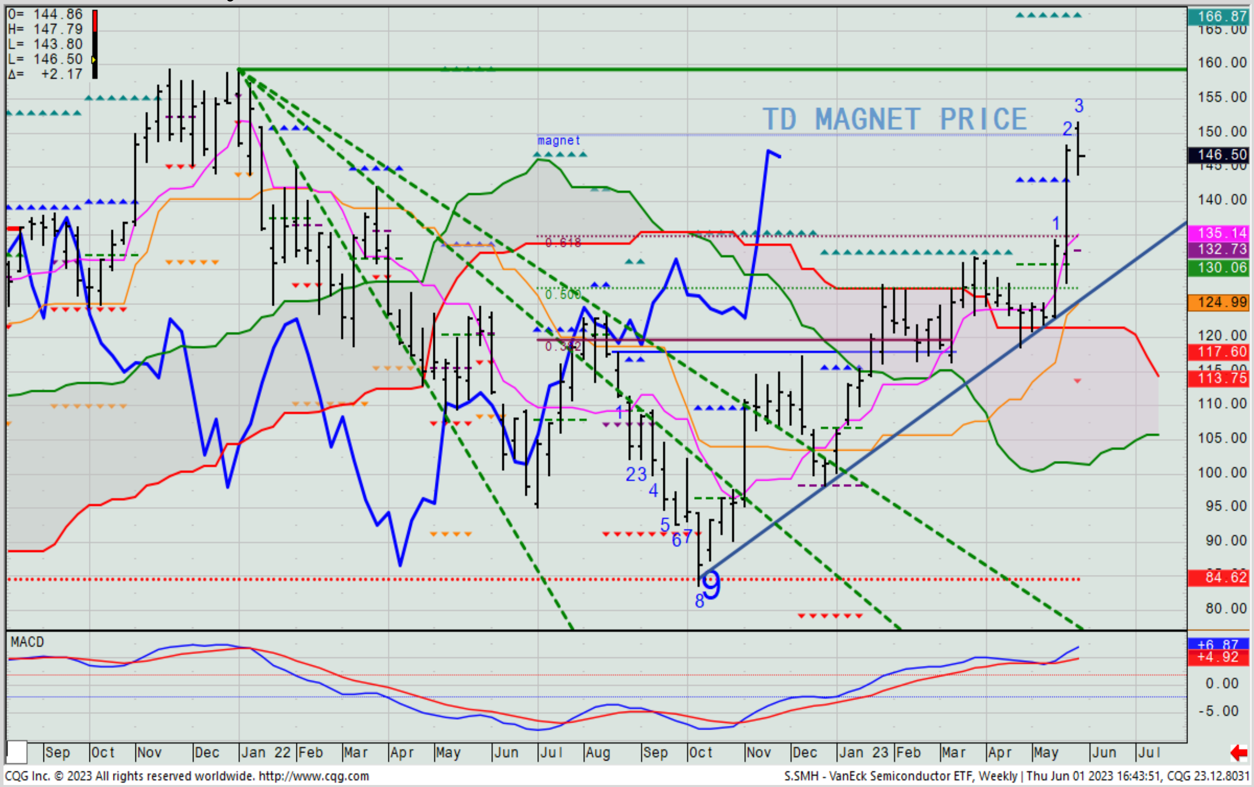
XLY – Weekly



Other Open Recommendations and Positions

Long SMH
Last week I suggested buying a half-sized standard dollar unit of this semiconductor ETF during this week or next on a pullback to the $135.50--$134.50 area. We haven't gotten the chance to yet get in, but let's keep this idea on the books as an open one should the opportunity come. The associated sell-stop is under $122.84. (See chart on top of page 6.)

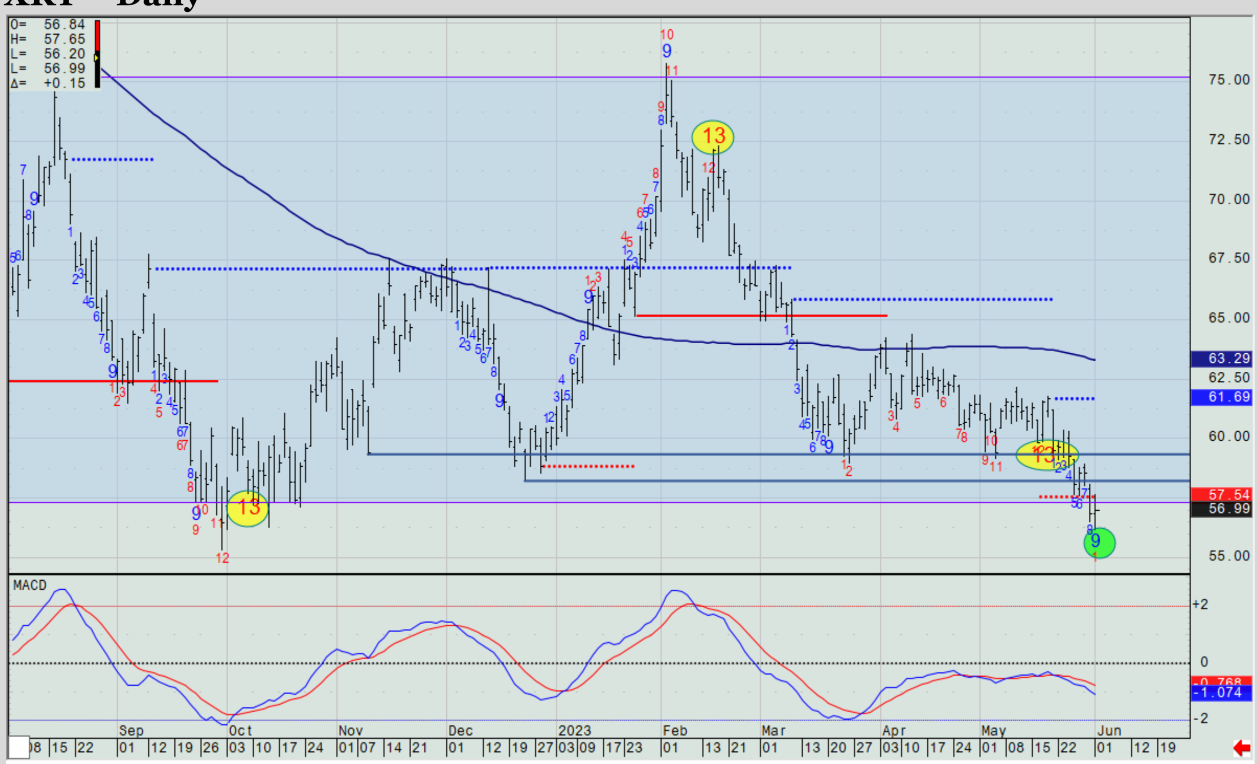
SMH – Weekly



Long XRT

Two Friday's ago, we went long a half position (average price \$60.27) and then the other half earlier this week at \$58, for an average one-unit long position at \$59.14. To manage risk, we'll need stop this out on closes beneath \$56.28. If this can hold in here and recover, the upside can be in the \$65.50 area. (Note that yesterday marked a Setup -9 just above our stop-out level.)

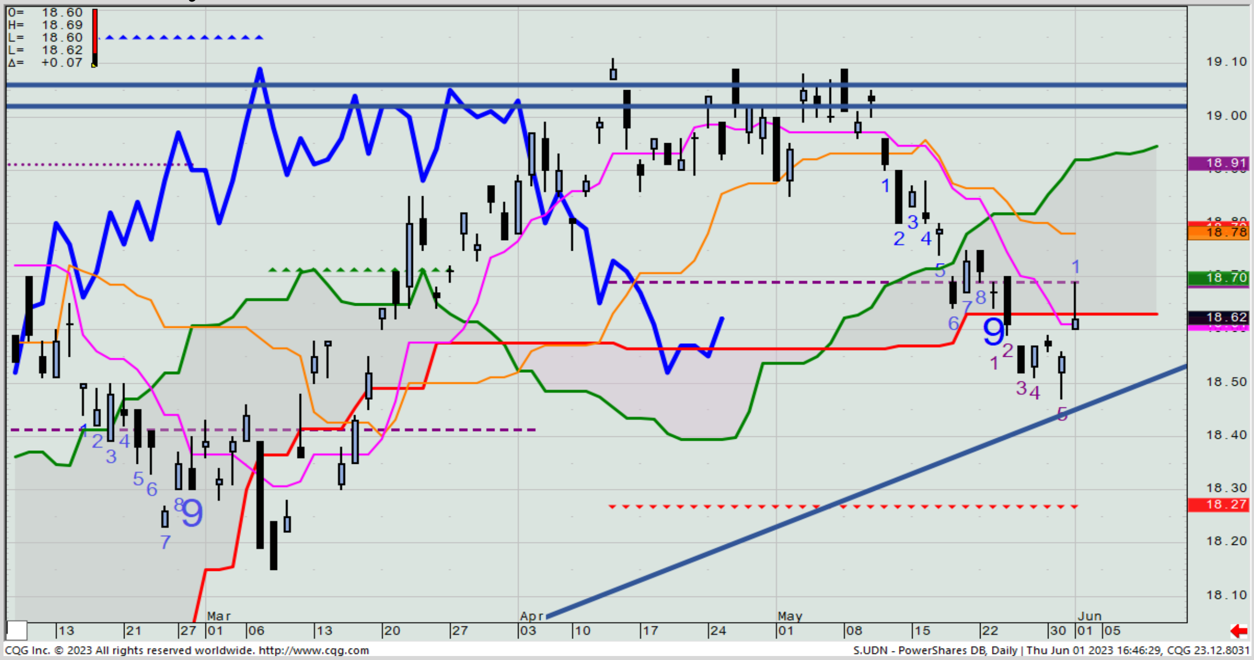
XRT – Daily



Short UDN

Three weeks ago, we shorted two units (average entry at $18.95) of this inverse Dollar Index ETF – my way of playing that the dollar would rally. We already covered half at an avg. exit of $18.60. Our remaining buy-stop to exit is on consecutive daily closes above $18.69, which happened to be yesterday's intra-day high, too.

UDN – Daily



Long GLD vs. Short SLV

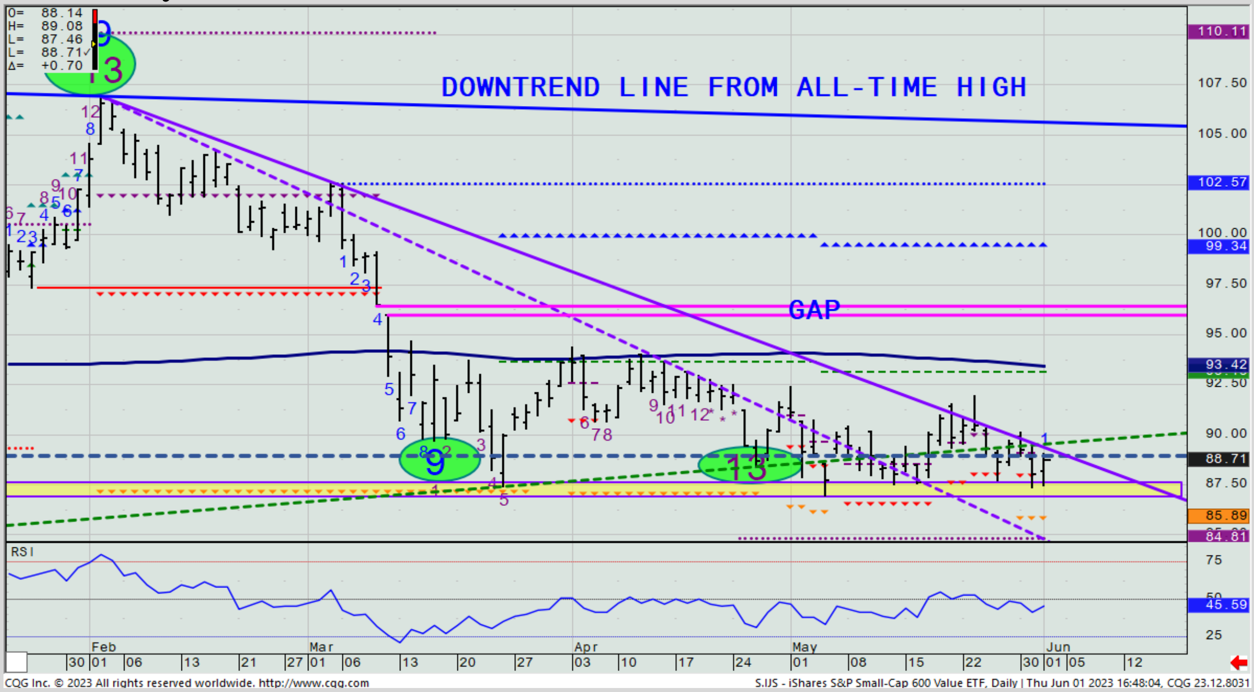
Four weeks ago, we entered a half-sized position of this pair trade (average entry at 7.98) – and the lowest daily close of the move – with me looking for gold to outperform silver going forward. Two weeks ago, I removed half the trade (avg. exit at 8.40). I am targeting a move to the top end of the range near 9.0 to 9.5 to take the balance off. I've already raised the sell-stop to consecutive daily closes < 8.40. (Yesterday was the first one, so we may get knocked out today.)

Long GLD vs. Short SLV – Daily

Long IJS

Five 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. Our sell-stop is a close under of $87.59.

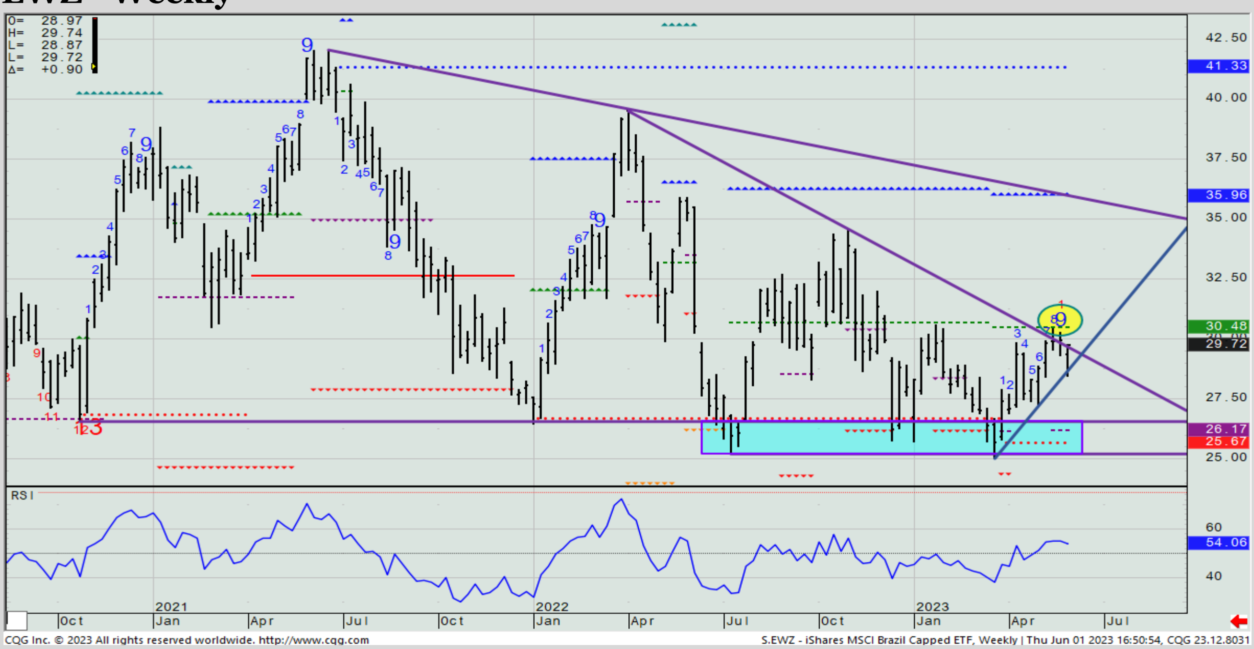
IJS – Daily



Long EWZ

Nine 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. We then sold half at $30.25, and the balance last Friday (at an avg. price of $29.86), giving us a total profit of 10.6%.

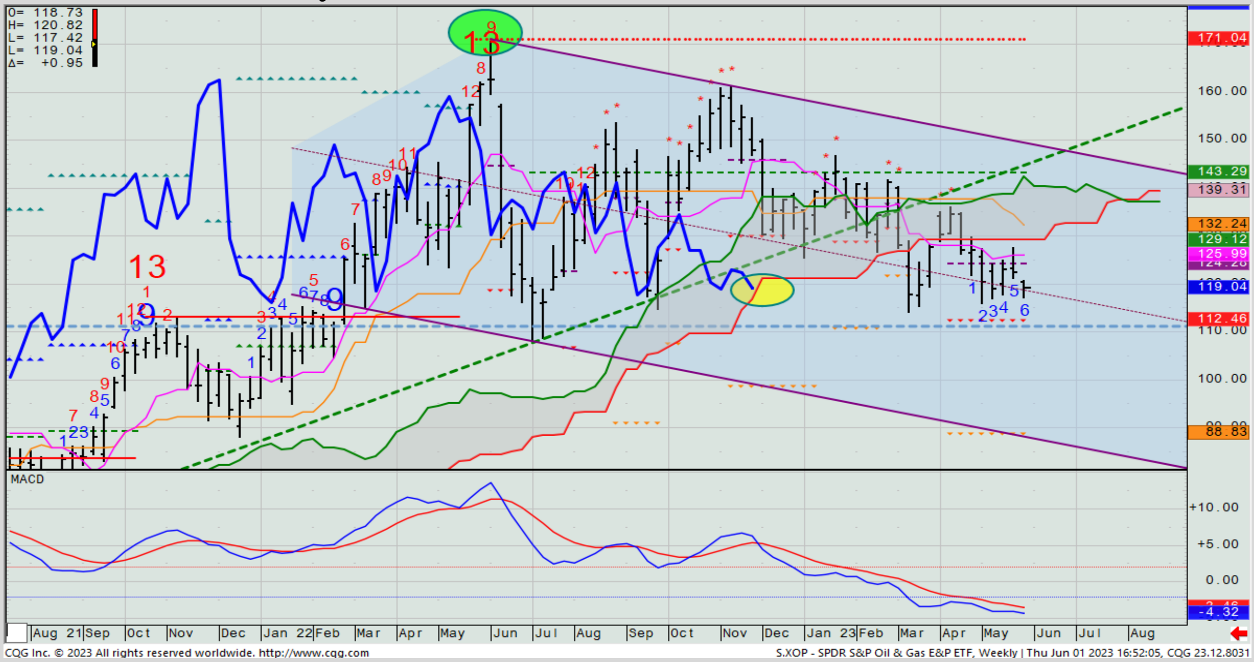
EWZ - Weekly



Short XOP

Eleven 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 a quarter off at an avg. price of $123.60, leaving the final quarter to cover in the $112.50 to $109.50 zone or a buy-stop at your breakeven entry price. (This may come down to whether or not the Lagging Line breaks beneath its cloud. If it does, price should head further downward.)

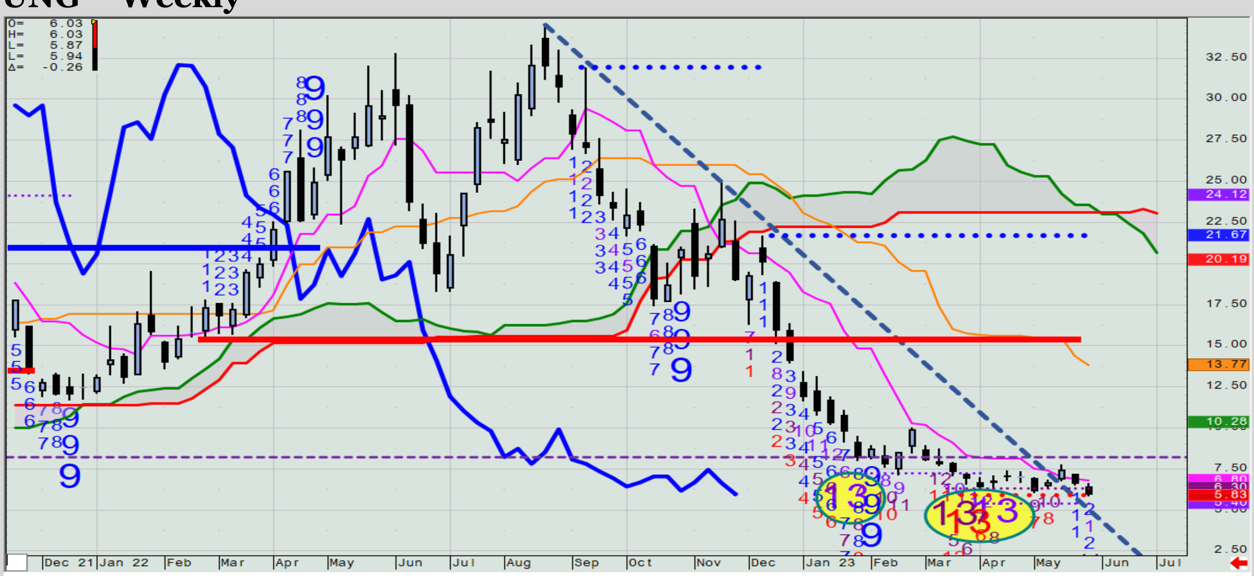
Short XOP – Weekly



Long UNG

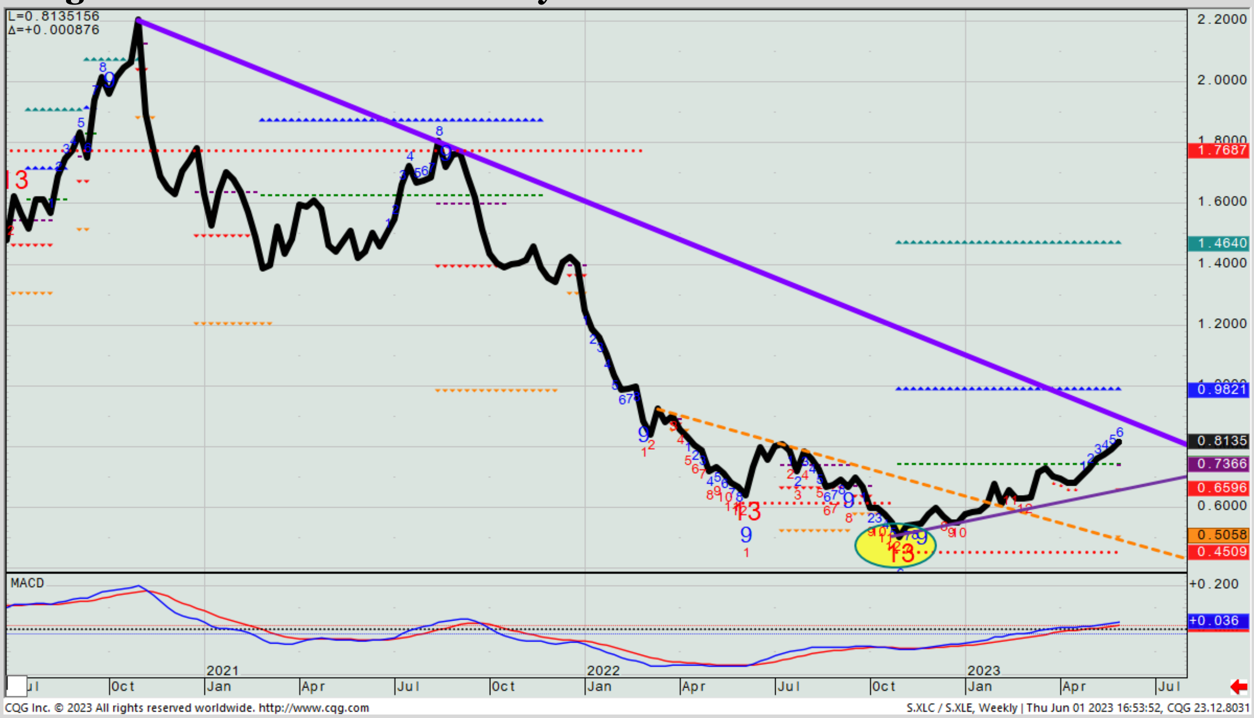
Fourteen weeks ago, we bought a one unit position in this natural gas ETF, with us getting in at an avg. price of $8.26. At the time, I suggested this to me more likely an investment than a trade, with our likely holding it for many months if not a year or more, looking for it to ultimately double in price. Three more weekly -13 signals have come in since. To my displeasure, this continues to hold any attempt of a rally.

UNG – Weekly



Long XLC vs. Short XLE
Seventeen 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. I'll again raise the sell-stop to consecutive Friday closes beneath 0.7281.

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