Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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July 14, 2023

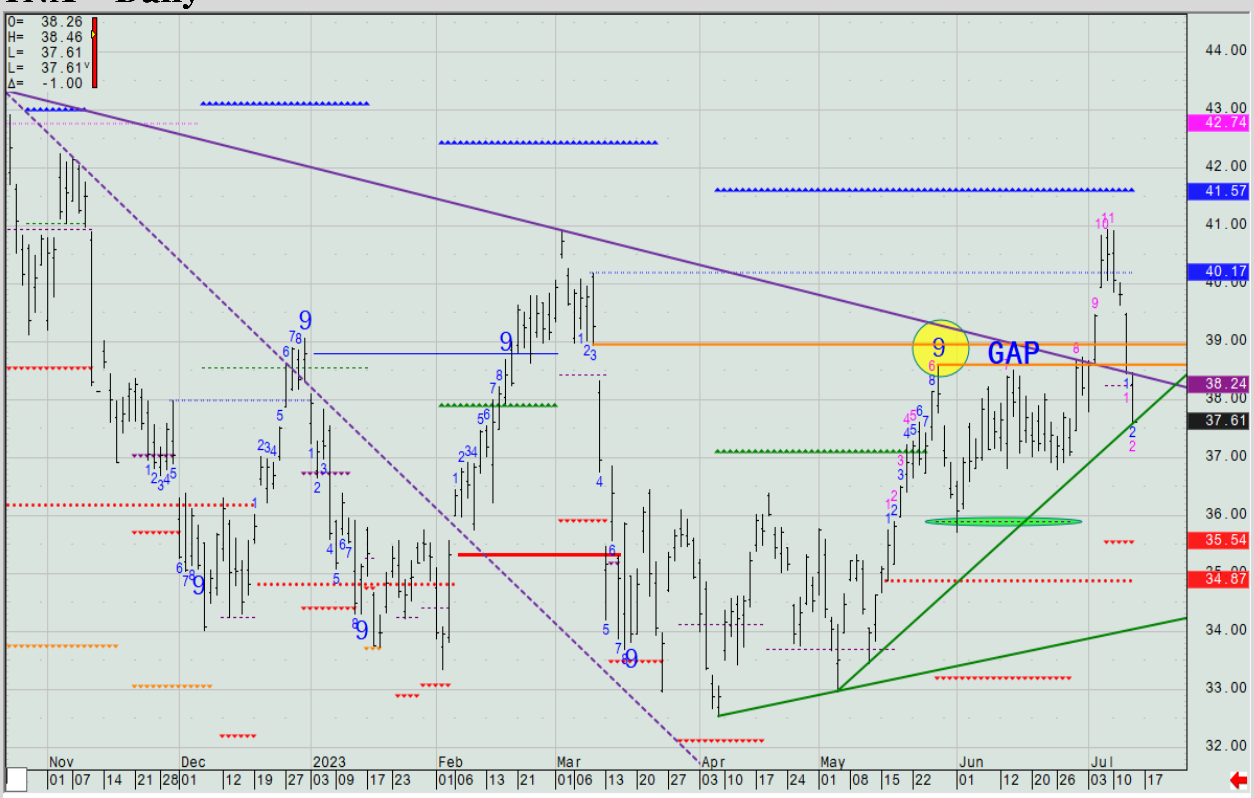
TACTICAL TRADER REPORT

The Macro Picture

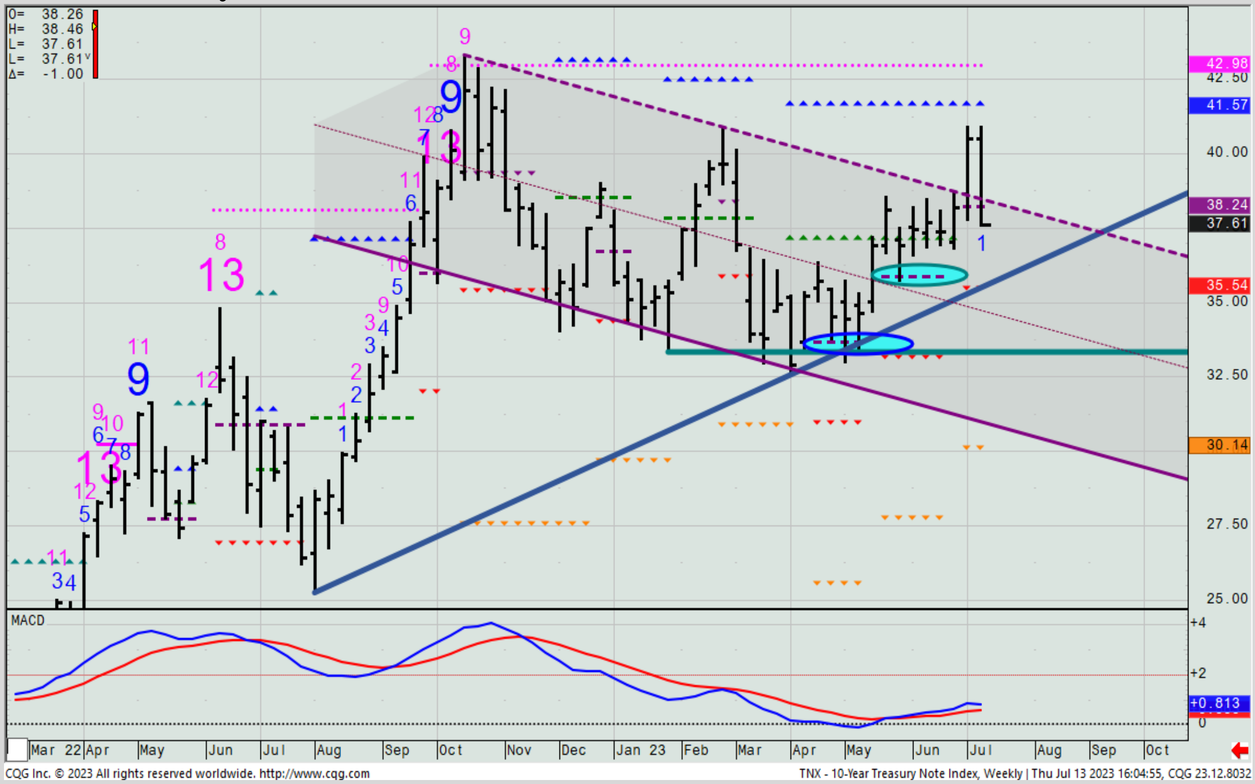
Bulls got all the good news they were hoping for this week, with both CPI and PPI figures coming in better (i.e., "colder") than expected, and being the major impetus for stock indexes to post their best levels of the recovery since last Fall's lows. As I've said since the SPX broke above 4155, there is no more reason to be bearish the market – the only real question then became if you wanted to be in the neutral camp, or be outright bullish. (To date, the latter was the better choice.)

Last week I showed you the upside breakout of the flag pattern in UST 10yr. yields. To me, that pattern still remains a viable one IF we don't see multiple daily closes back beneath the 3.82% level. We see the peak of the move was made on a daily Sequential +13 signal, and then the subsequent pullback to yesterday's close at 3.76%. If rates can get back above and stay above the bearish Propulsion Momentum level at 3.82%, then we can still see a move back above the recent high and a potential challenge of last year's high at 4.33%. If not, rates likely fall next to 3.55%.

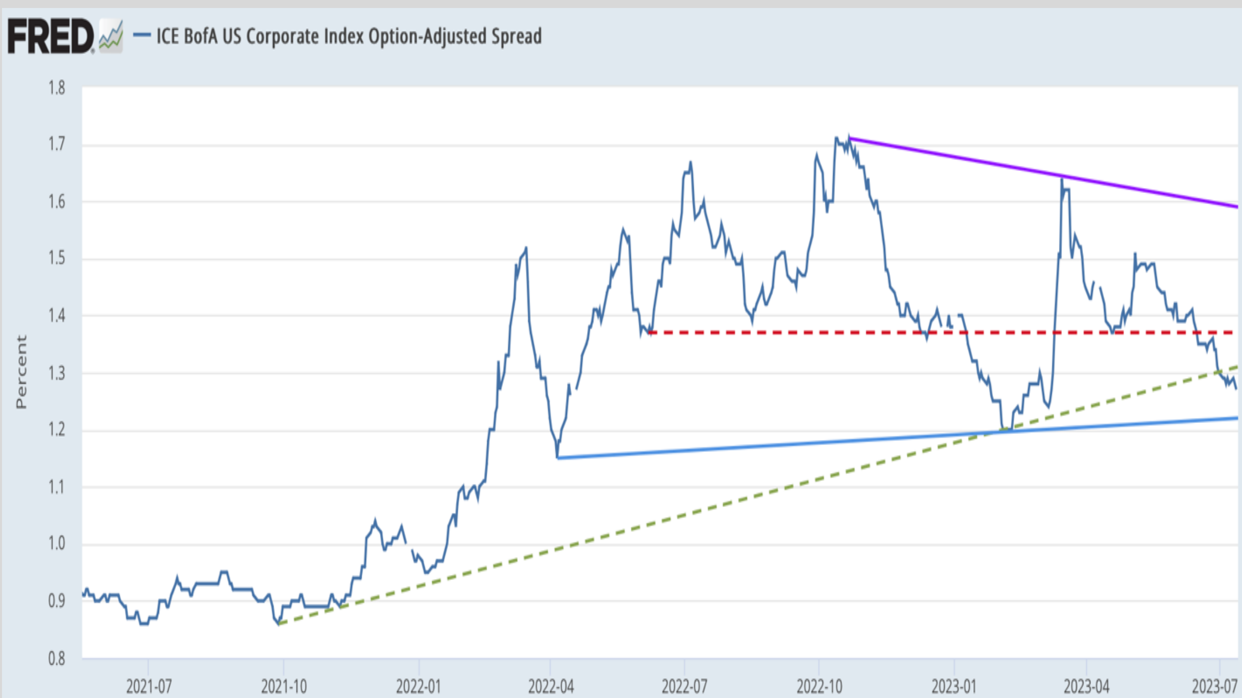
TNX – Daily



TNX – Weekly

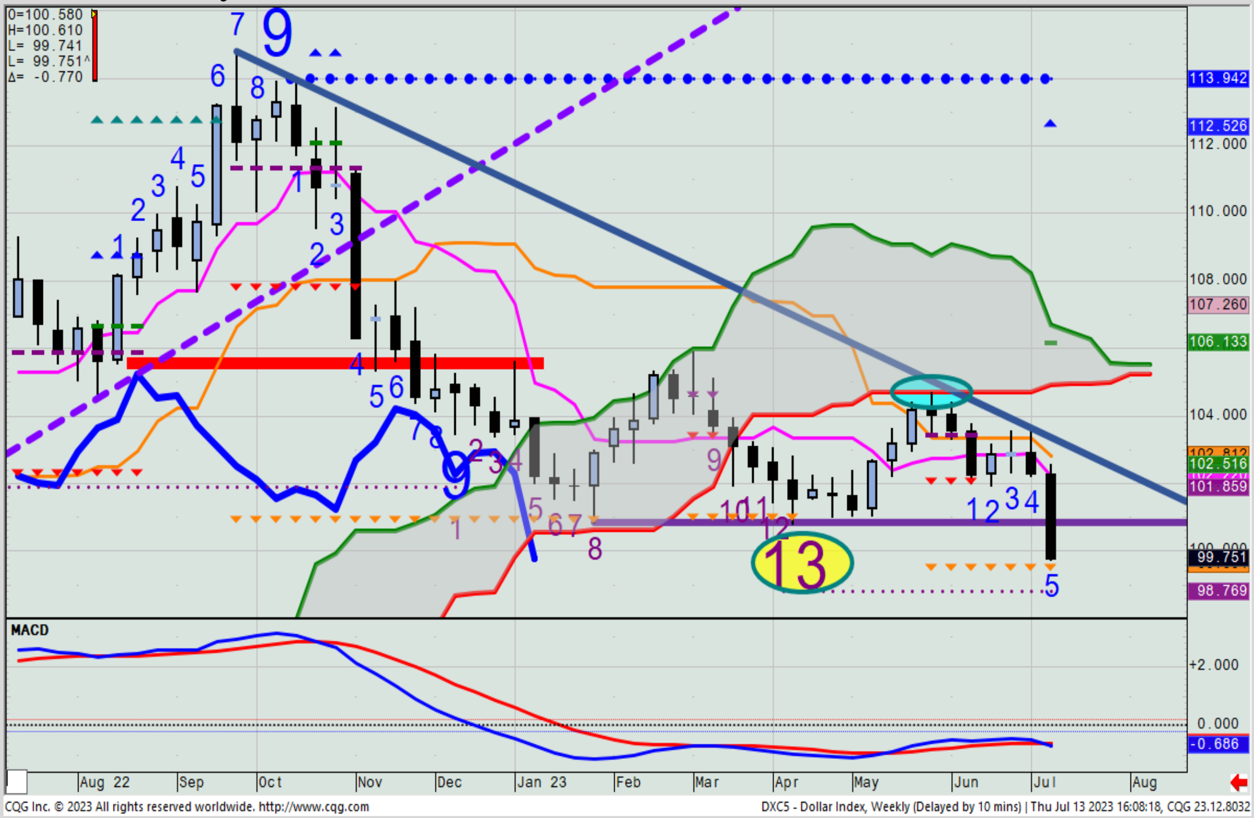


The ICE BofA Corporate Index OAS (i.e., my preferred credit spread to watch) has fallen to 1.27%. It's tucked beneath its major uptrend line from the secular low, but still above the trendline from Spring '22.



The US Dollar Index has just broken structural support, with both price and the cloud's Lagging Line now beneath both of their respective cloud bottoms. Though the weekly bearish Propulsion Full Exhaustion level is at 99.60 and the -13's Risk level at 98.77, this structural shift away from what has been a long-winded bull market is potentially significant. (See chart on top of page 3.)

DXY – Weekly

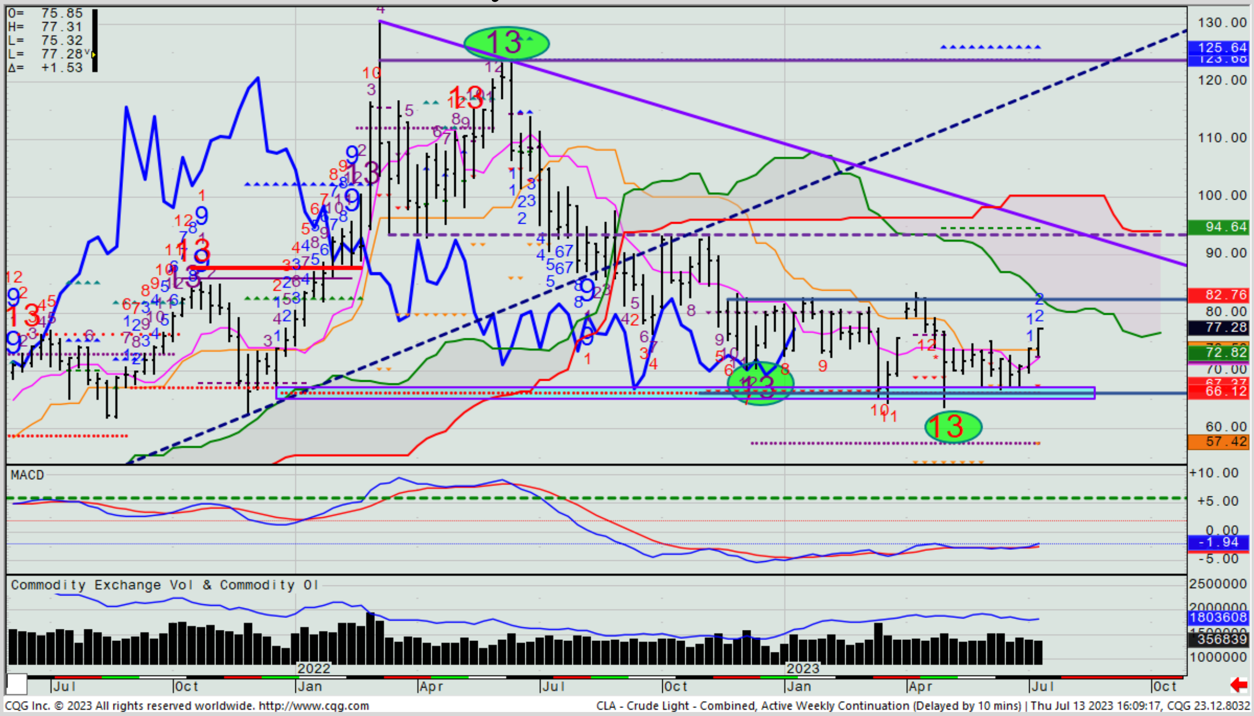


Gold previously broke beneath its uptrend line, but this week marked a Setup -9 count, and with the dollar having shifted from its bullish stance, it's not a bad time to consider adding to long-term holdings.

COMEX Gold – Active Weekly Continuation

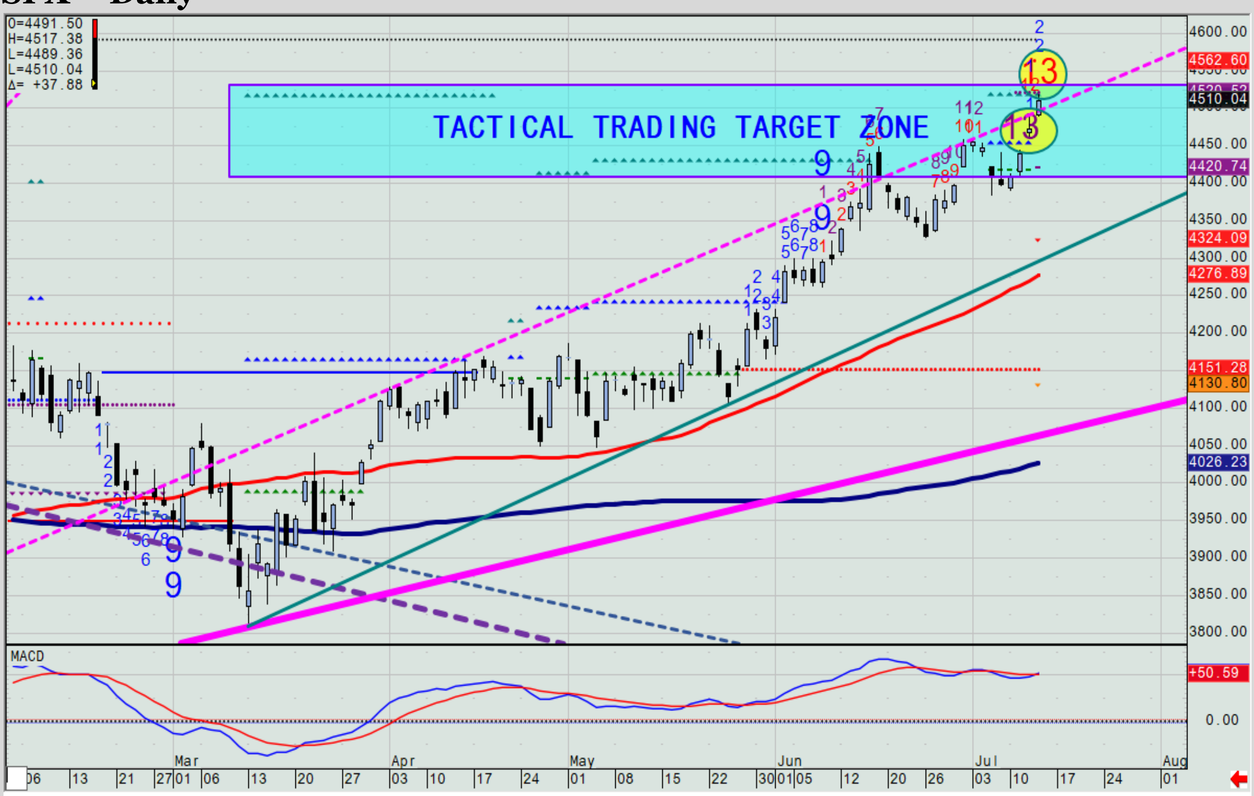
WTI crude oil always held its key support in the $66/$67 area. I look for it to move to near $80 to test the cloud bottom.

WTI Crude Oil – Active Weekly Continuation

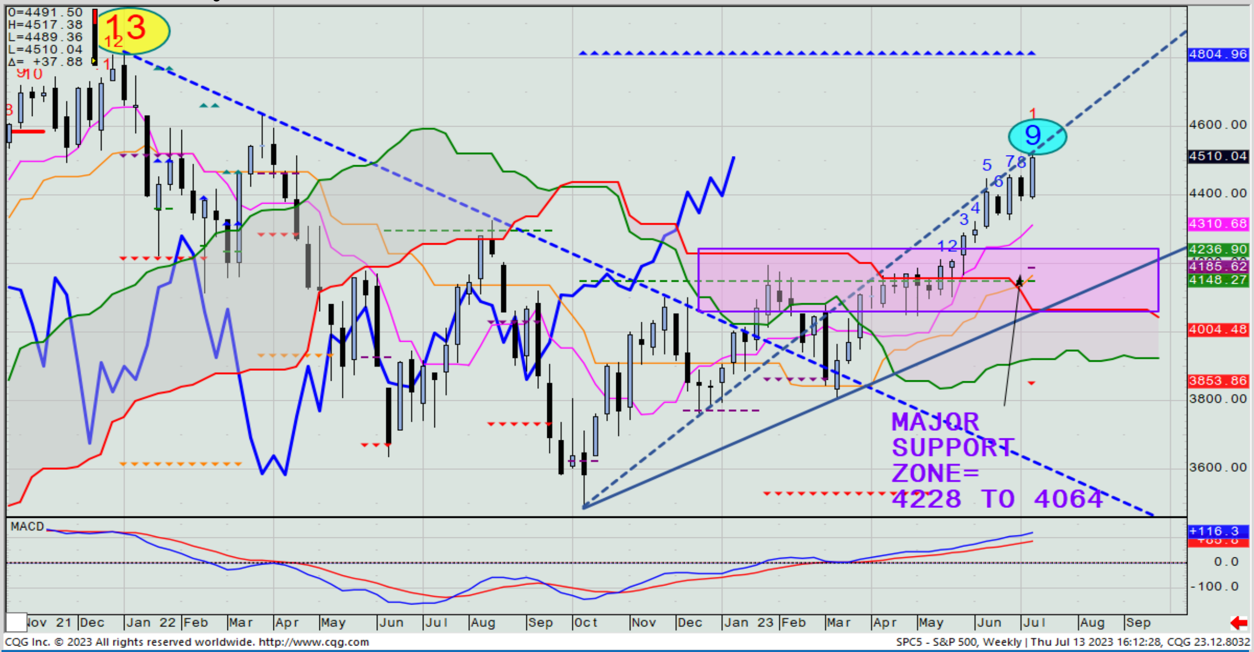


The SPX chart looks great to the average viewer, and is above last August's high and nearing the March '22 highs. However, I see a weekly Setup +9 count; both daily Aggressive and standard Sequential +13 counts, and nearing the top of the trading targets set out at the March '23 low.

SPX – Daily



SPX – Weekly

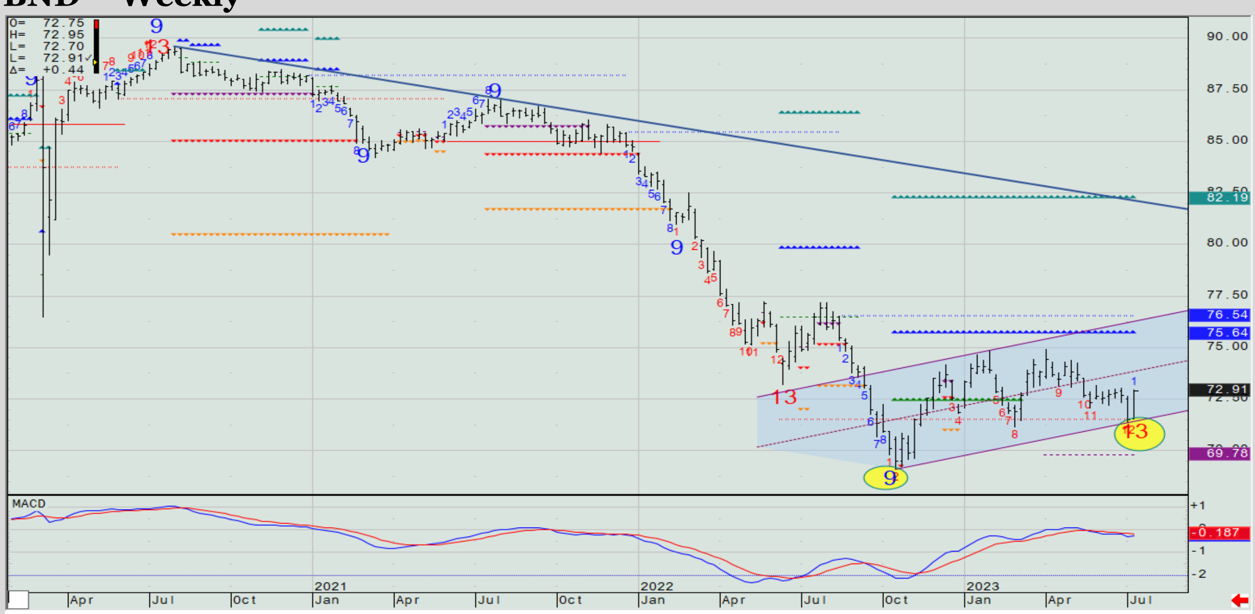


I can tell you that I am now personally selling out of SPYs that I bought last year at $371. I can put them back on, if needed, should this area not hold as resistance. But I do suspect that I will be able to replace these sales at a lower price than I am selling them for now.

New ETF Trade Idea

I'm really not sure what to make of the bond market, but I can easily find a trade in it by seeing what happened this week in the **Vanguard Total Bond Market ETF (BND)**. It shows a weekly Sequential -13 count against the Risk level ($71.46) of an older -13 signal that remains active. The surge higher suggest bond prices can still move higher, with measurable risk to the downside.

BND – Weekly



As such, let's look to get long one unit today and another one on a pullback to $72.22. to $72.12. We'll target $75.60 to $76.60 to remove half of whatever exposure we have on at the time. Our sell stop is a Friday close beneath $71.35.

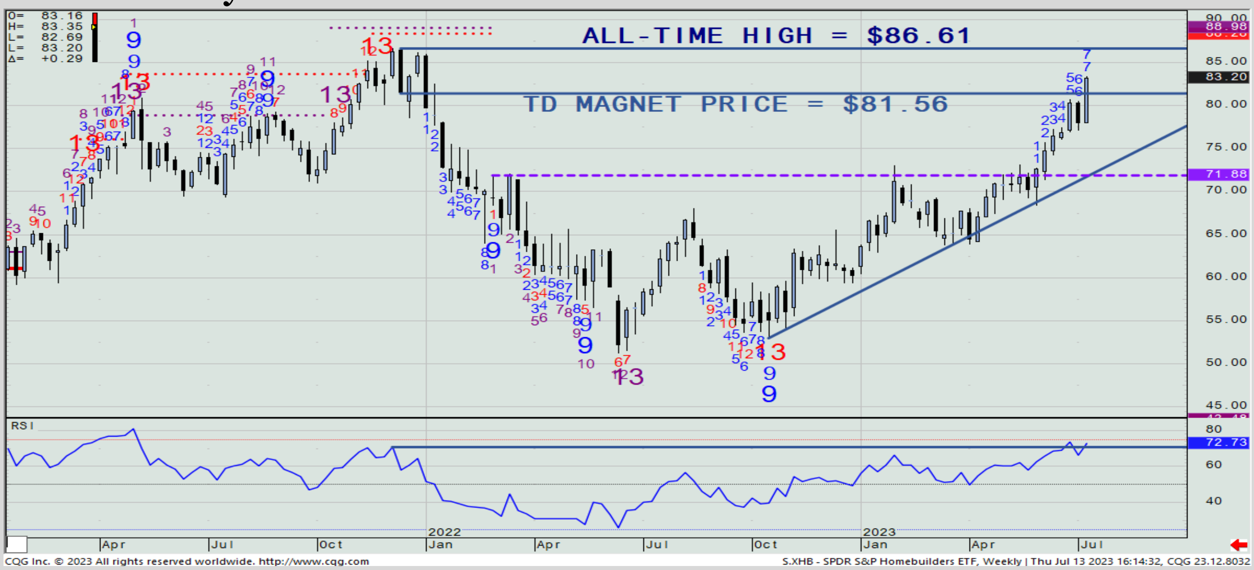
Other Open Recommendations and Positions

Short XHB
Last week's idea was to scale-up short XHB in three parts:

1. Sell 1/3 within 25 cents either side of the $81.56 Magnet Price;
2. Sell 1/3 within 25 cents either side of the $86.61 all-time high;
3. Sell 1/3 on the Friday close of the week that potentially marks a Setup +9 count in three more Fridays (including today).

We now have the first third entered at $81.56, and look to fill out the full position over the next few more. We'll play for a decline to re-test the area of the breakout just shy of $72. We'll determine the buy-stop once we are fully filled, or it moves down before we get all three pieces.

XHB – Weekly



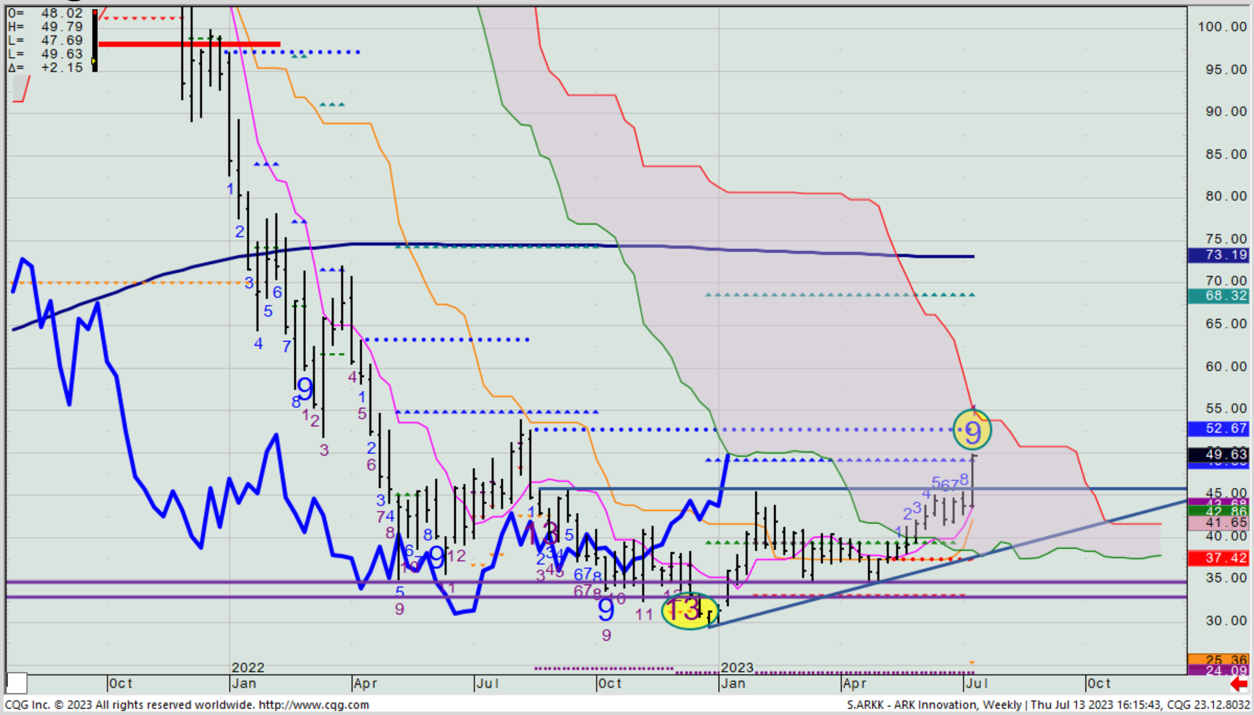
Long XME
Two weeks ago, we got long this metals and mining ETF at an average price of $50.70, looking for a test to the $53.04 to $53.41 highlighted blue rectangle target zone. I'll raise our sell stop to a close beneath $52.25 if we don't get our target price.

XME – Daily

Long ARKK

Three Fridays ago my idea was to scale-down bid into the previously popular but wrecked ETF that last year fell by as much as 81% from its all-time high. My buying zone was in the $40 to $37.50 zone, but we missed entry on this so I'm going to officially cancel this trade idea.

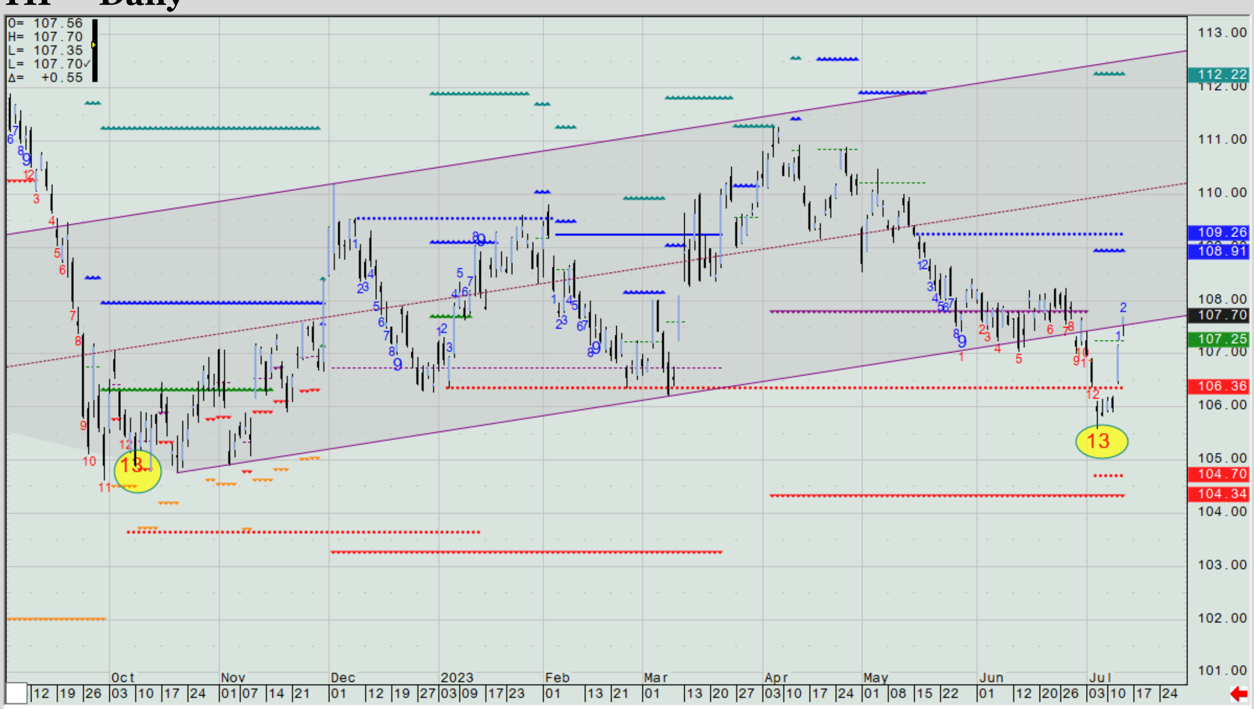
Long ARKK



Long TIP

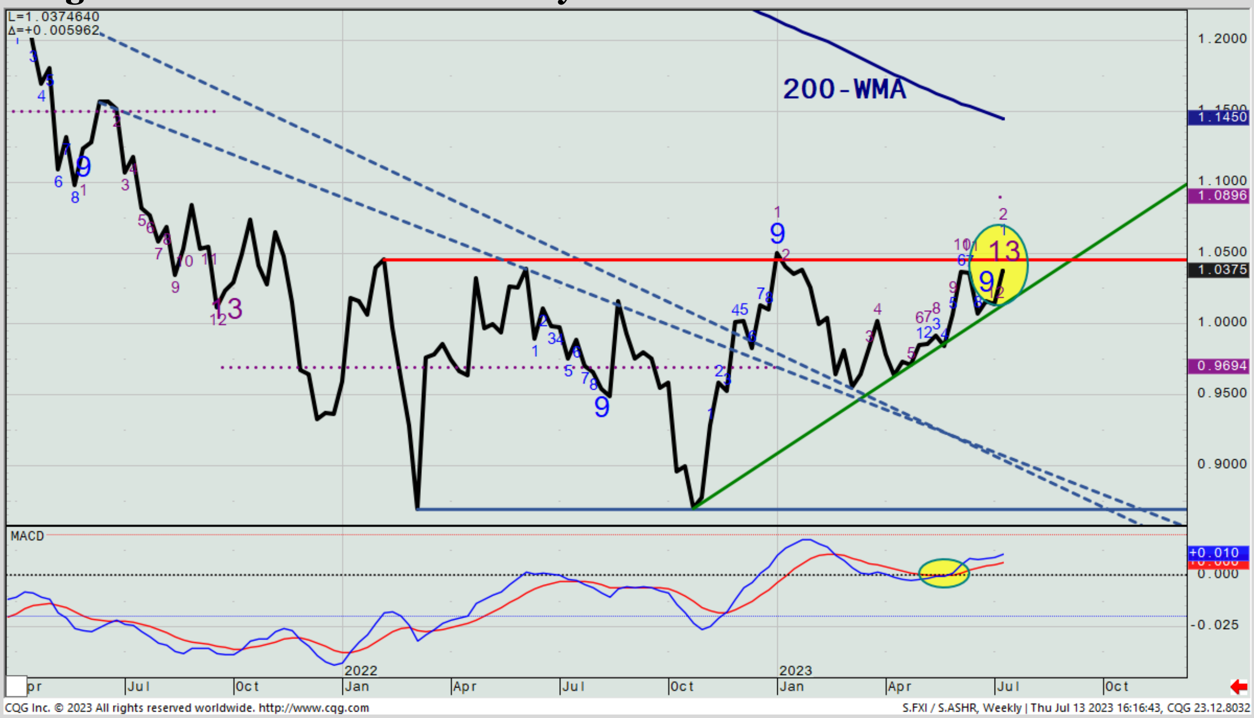
Four weeks ago, we got long two units of TIP at an avg. entry price of $107.65. The sell-stop was a daily close (or two; your choice) under $106.20. Either or happened by last Friday, so we exited near $105.90 for a loss of 3.25% because we had two units on.

TIP – Daily



Long FXI vs. Short ASHR
Five weeks ago, we put on a pair trade in these two China equity-related ETFs, filled at an avg. price of a 1.035 ratio. Given the new Sequential +13 (it already marked a recent Setup +9), we'll exit half today. I'll raise the sell-stop on the other half to be a Friday close < 1.0067.

Long FXI vs. Short ASHR – Weekly



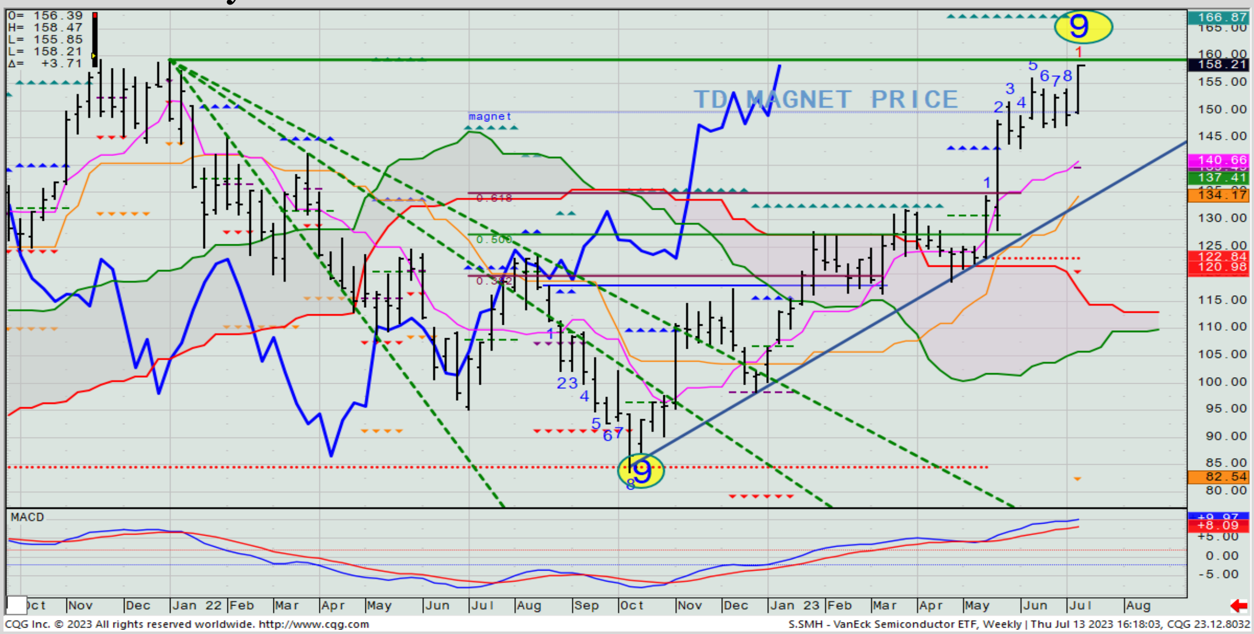
Long XLY
Six Fridays ago, we bought a half-unit of XLY (avg. fill at $156.36.) We previously took half off at an avg. of $169.50, and then the balance on last Friday at an avg. of $169.99, for a full avg. exit of $169.74, giving us an 8.56% gain.

XLY – Weekly

Long SMH

Seven weeks ago, I suggested buying a half-sized standard dollar unit of this semiconductor ETF on a pullback to the $135.50--$134.50 area. I've since adjusted this to an entry level of $138 to $137 should the opportunity arise to buy it there, but will now cancel the idea altogether as the upside target has been reached.

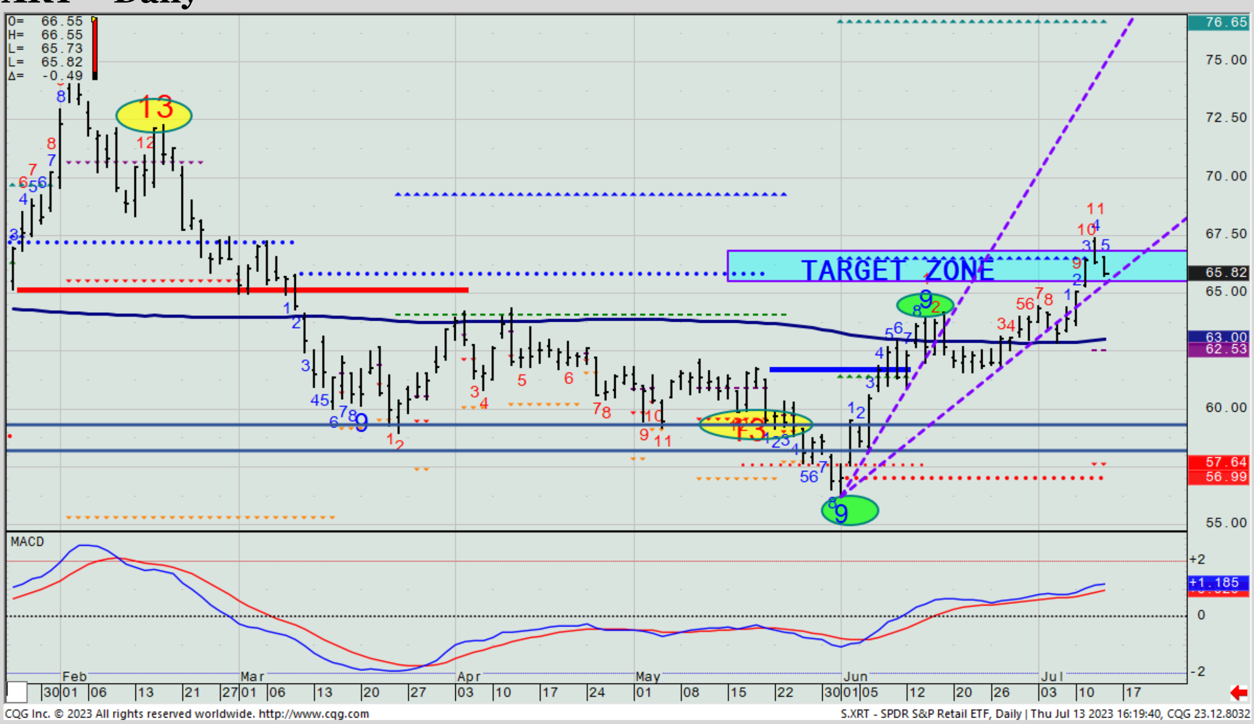
SMH – Weekly



Long XRT

Eight Friday's ago, we went long a half position (average price $60.27) and then the other half three weeks ago (at $58), for an average one-unit long position at $59.14. We've already taken off 1/3 at an avg. price of $63.24, and last Friday removed another third at an avg. price of $63.86. I'll again raise our sell-stop on the remaining 1/3 to a close under $63.26.

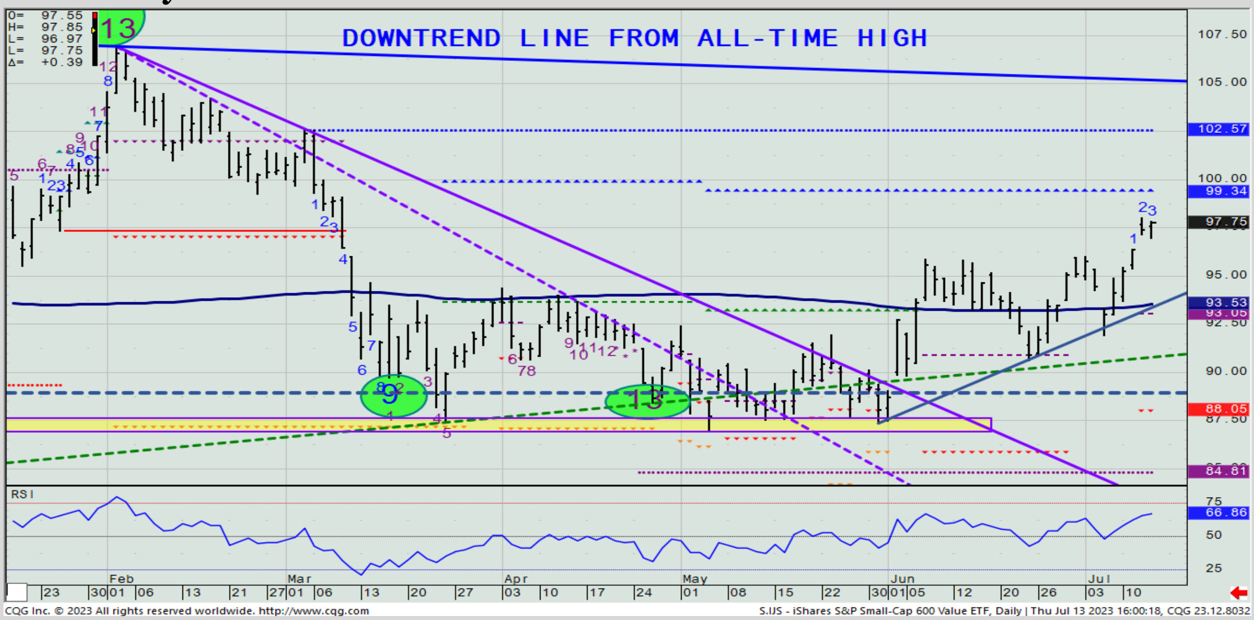
XRT – Daily



Long IJS

Eleven weeks ago, we bought this small cap value ETF (avg. entry at $90.83). We've removed 1/3 at an avg. price of 91.39, and we'll take another 1/3 off today. The sell-stop on the balance is to exit on consecutive daily closes beneath $93.05. I'll now target $102.57 +/- 15 cents to exit the final third.

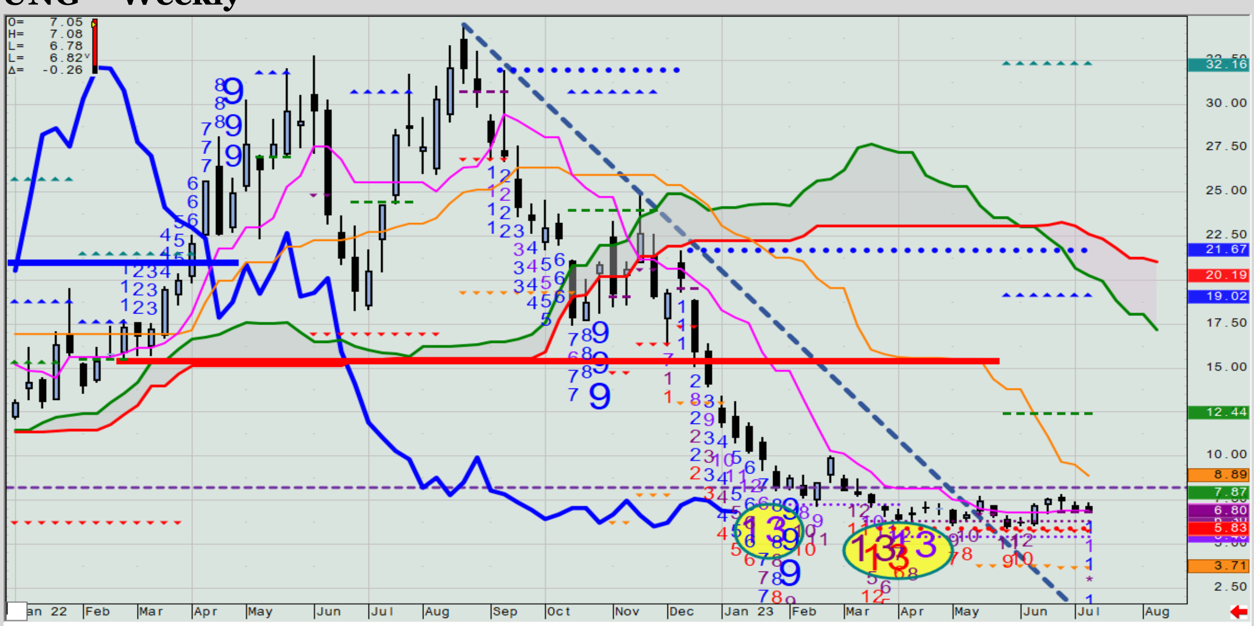
IJS – Daily



Long UNG

Twenty 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. Three more weekly -13 signals have come in since. We finally saw consecutive weekly up closes above the weekly Conversion Line, which I suggested could be the start of some further strength and short-covering. Look for a move in coming weeks to challenge the falling Base Line (in orange), where I'd exit one-third of any longs purchased this year.

UNG – 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.

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