Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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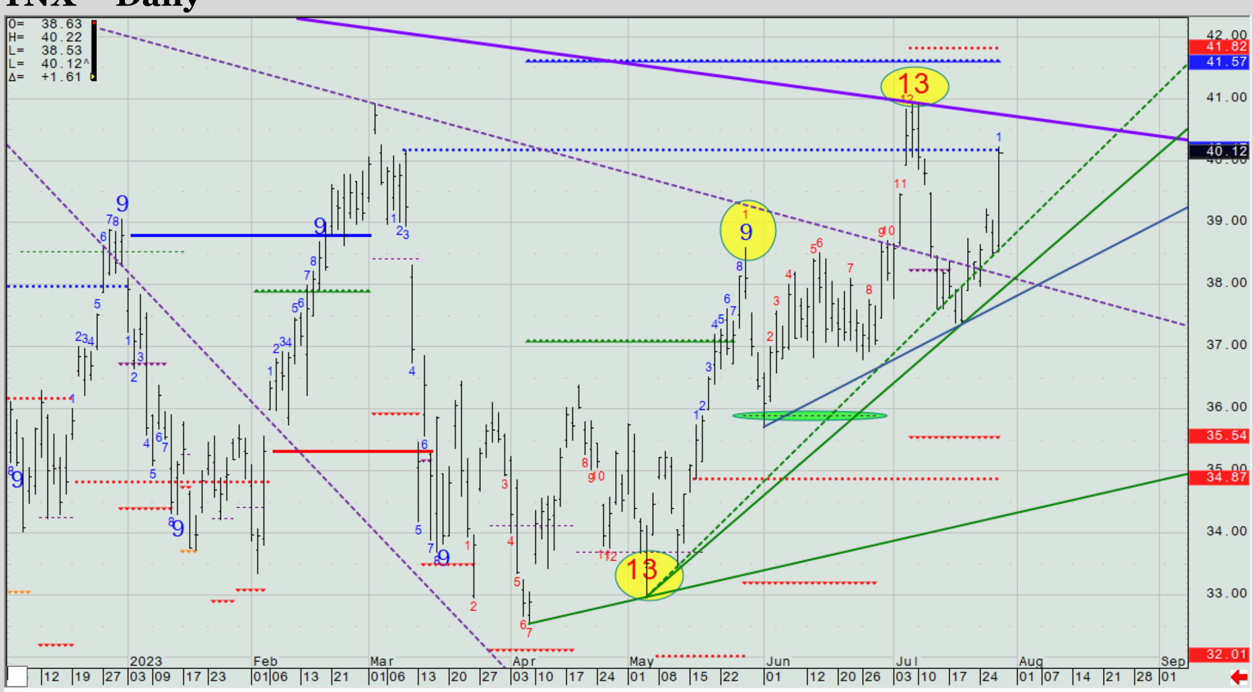
TACTICAL TRADER REPORT

<u>The Macro Picture</u>
Investors continue to get news they like – whether it's the Fed hinting that they might possibly be done raising rates or earnings reports/guidance that keep this rally alive and kicking. Whatever it is, this market continues to post the best levels of the year and of the post-October '22 upmove, and now the SPX is within ~ 5% of all-time highs. This is not what I would have guessed months ago is where the market would have been in mid-summer, and it has travelled – almost without a hiccup – virtually straight higher since the Feb. selloff into the March bottom.

Valuations are getting extended, yet that doesn't seem to be enough to discourage the almost daily buying that keeps tacking on gains for the broad indexes. (Well, until, perhaps, yesterday. See more on this on pgs. 4 & 5.) The AI rally continues pulling the large cap market-weighted indexes upward, and these names may still be able to keep the SPX and NDX doing better than their respective equal-weight indexes – despite the broadening out of the rally.

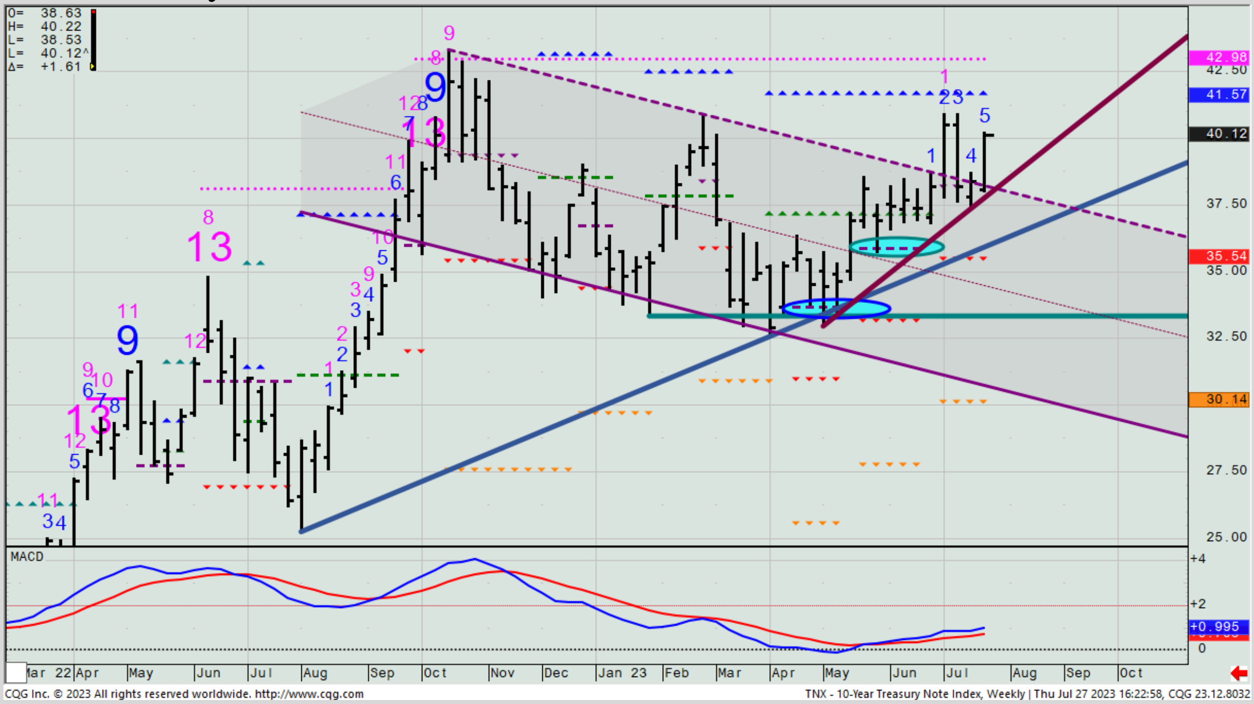
<u>BONDS:</u> Higher rates should help slow the real growthier part of the market, and the bigger picture in the bond market is getting clearer that rates should still move higher. Yesterday, the UST 10-yr. moved precisely to its daily TDST Line at 4.02%.

TNX – Daily

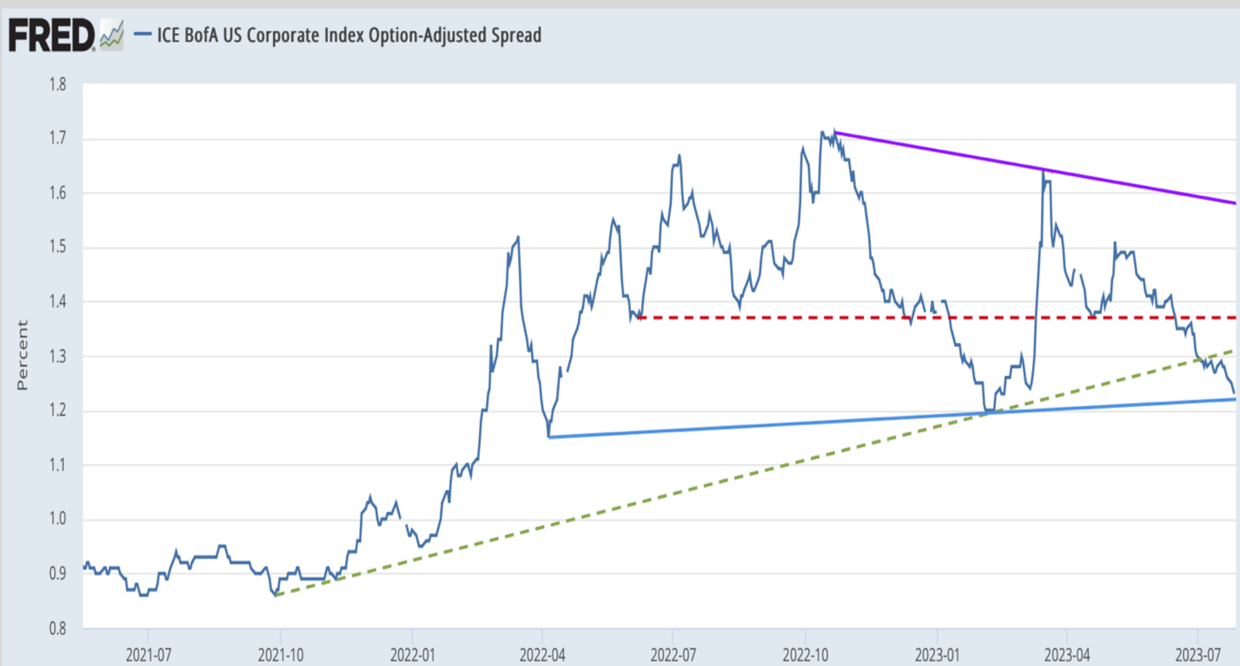


But it is the look of the weekly chart that makes me think that rates should generally be heading higher over the next month to minimally mark a Setup +9 count. (Highlighted colored rate levels on the righthand price scale are important targets.)

TNX - Weekly

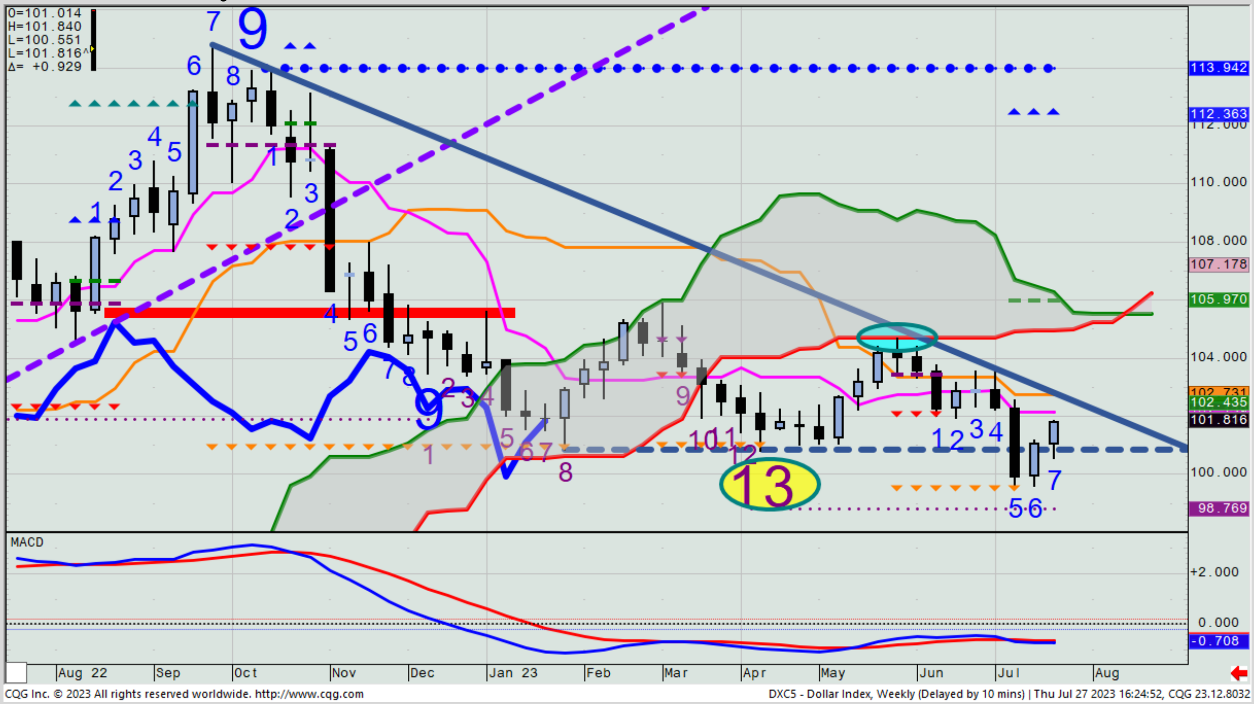


The ICE BofA Corporate Index OAS (i.e., my preferred credit spread to watch) fell to new '23 lows to 1.23% -- right on the uptrend line from the Spring '22 low. That now makes for all-important support from here down to 1.04% -- where this spread broke out from in early '22. At this point, I wouldn't now play for this to narrow further.



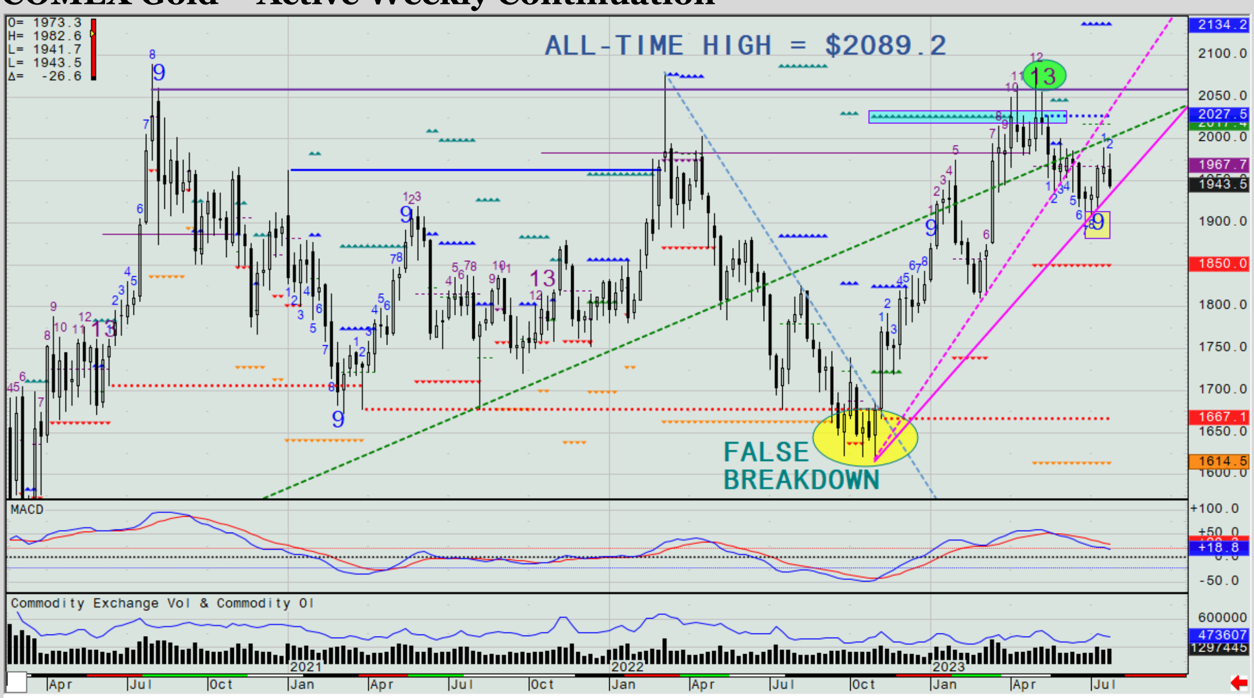
CURRENCIES: The US Dollar Index broke structural support a few weeks back, but it has so far been a one-week event only, that also stopped right at its weekly bearish Propulsion Full Exhaustion level at 99.60. The Street's strategists have turned bearish on the dollar, but to me, price hasn't borne that call out. (See chart on top of page 3.)

DXY – Weekly



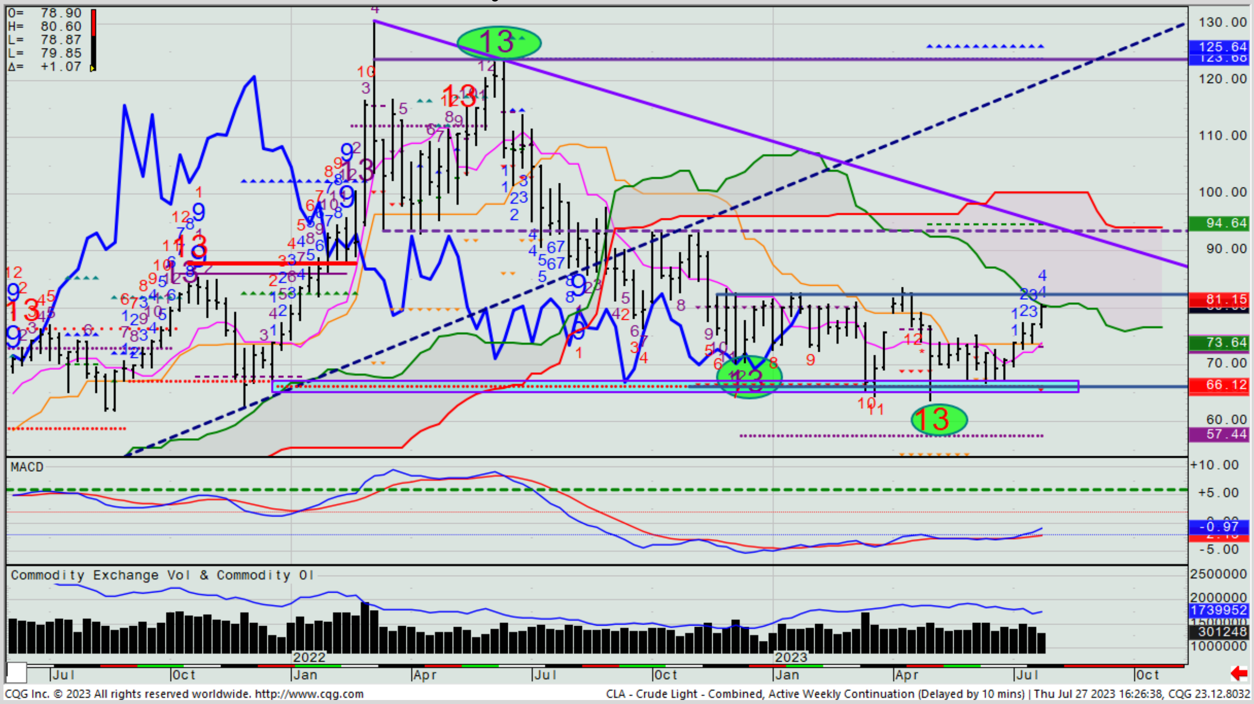
COMMODITIES: I'm still a believer that gold belongs in everyone's portfolio, and have recently said that buying off of the weekly Setup -9 count was a good time to add to those holdings. In general, I see trading resistance from $2017 to $2029. Bulls need to see $1850 hold on all pullbacks. If it doesn't, it probably means that the dollar rallied and caught many leaning the wrong way.

COMEX Gold – Active Weekly Continuation



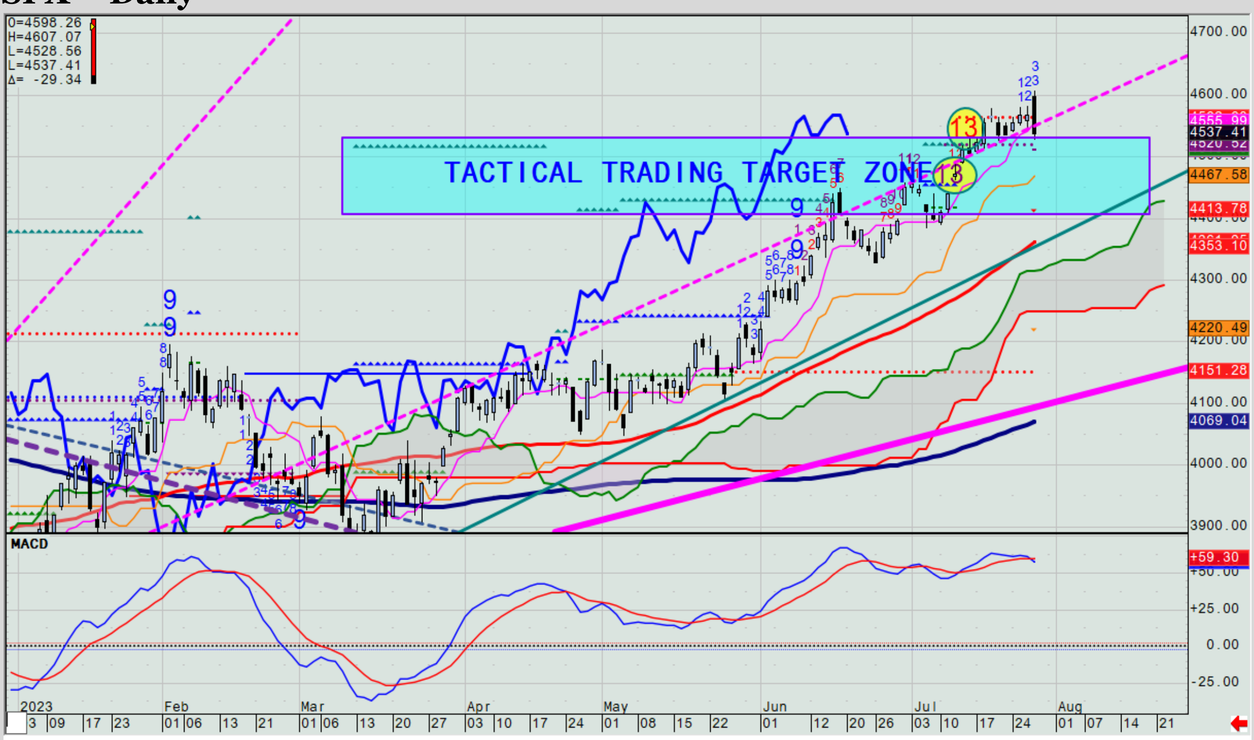
WTI crude oil finally got to my $80 target. It doesn't have to stop there, but this is the area that the weekly cloud bottom is located, so I expect to see some resistance around this level. More importantly, though, is that the $66 level previously held as support on multiple attempts to break beneath it. $66 remains hugely important support.

WTI Crude Oil – Active Weekly Continuation

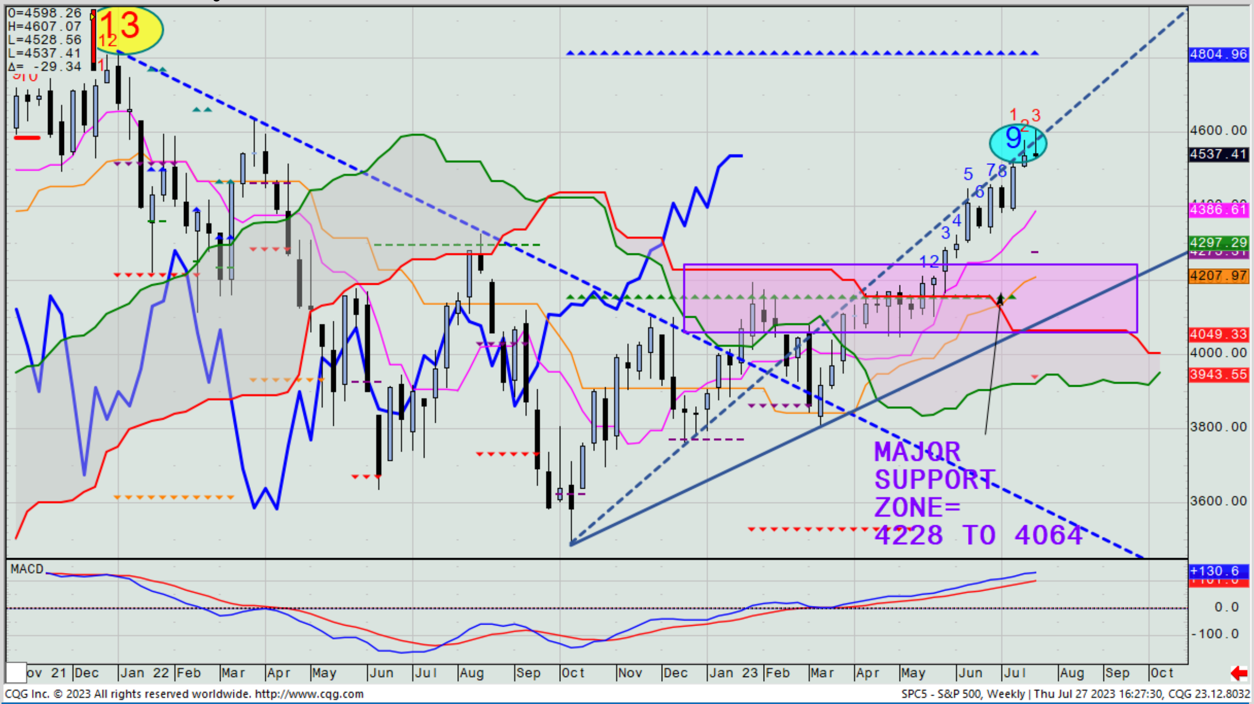


EQUITY INDEXES: As mentioned earlier, the SPX has continually made new recovery highs, and yet interestingly, its associated Daily Sentiment Index has not. It peaked on June 15th at 91% bulls, and going into yesterday, it was only at 79% bulls – despite the SPX making new highs. I'd label this as a sentiment chart's negative divergence reading, and given yesterday's complete turnaround after gapping well higher and then closing well lower, we might finally have a trading top in place. I told you that I sold out of a bunch of SPYs at $450.25 two weeks ago, and I have not yet replaced them.

SPX – Daily



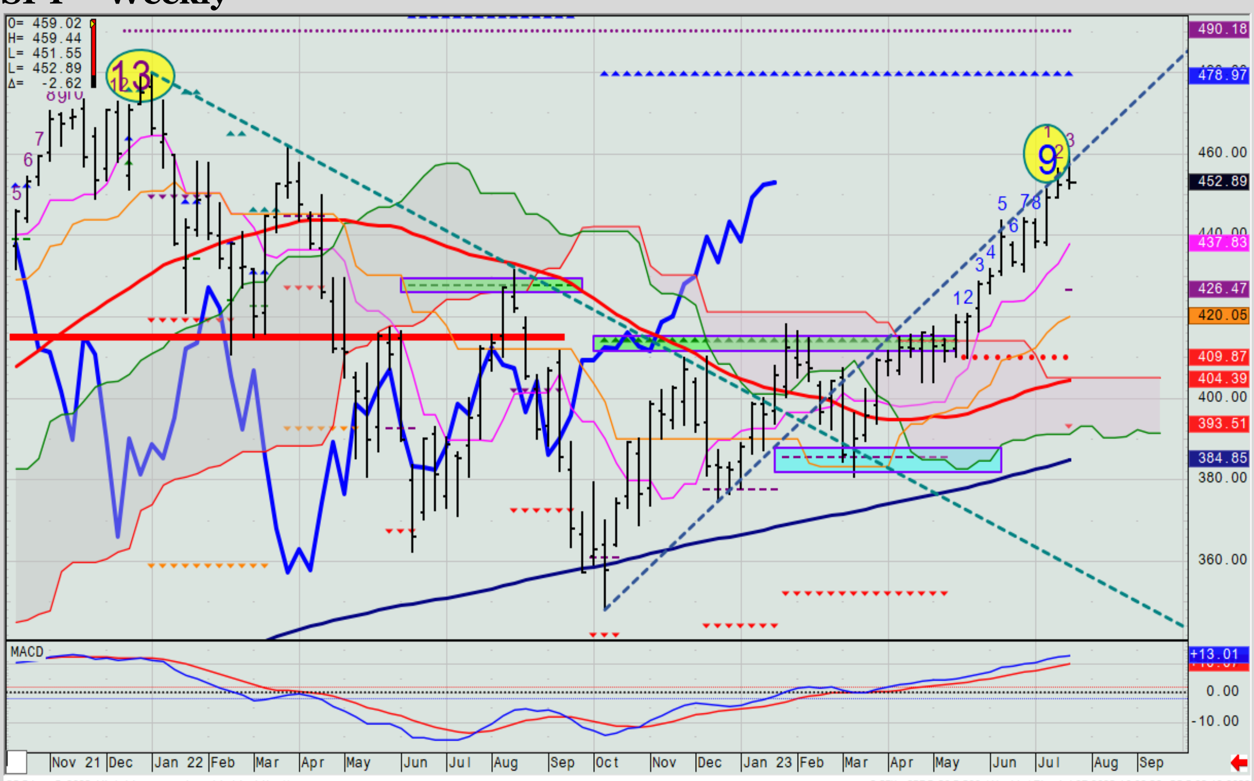
SPX – Weekly



[New ETF Trade Idea](#)

If yesterday's action doesn't speak towards a trading top, I'm not sure what will. As such, let's look to short one unit of SPY today. (You can always do more than one if you want to hedge some of your portfolio.) I'll minimally target a move to the weekly Conversion Line, which was at $437.83 as of yesterday and will be at $442.63 next week (unless we make a new high, in which case you'd be stopped out). Our buy stop is a daily close above yesterday's high of $459.44.

SPY – Weekly



Other Open Recommendations and Positions

Long GLD vs. Short SLV

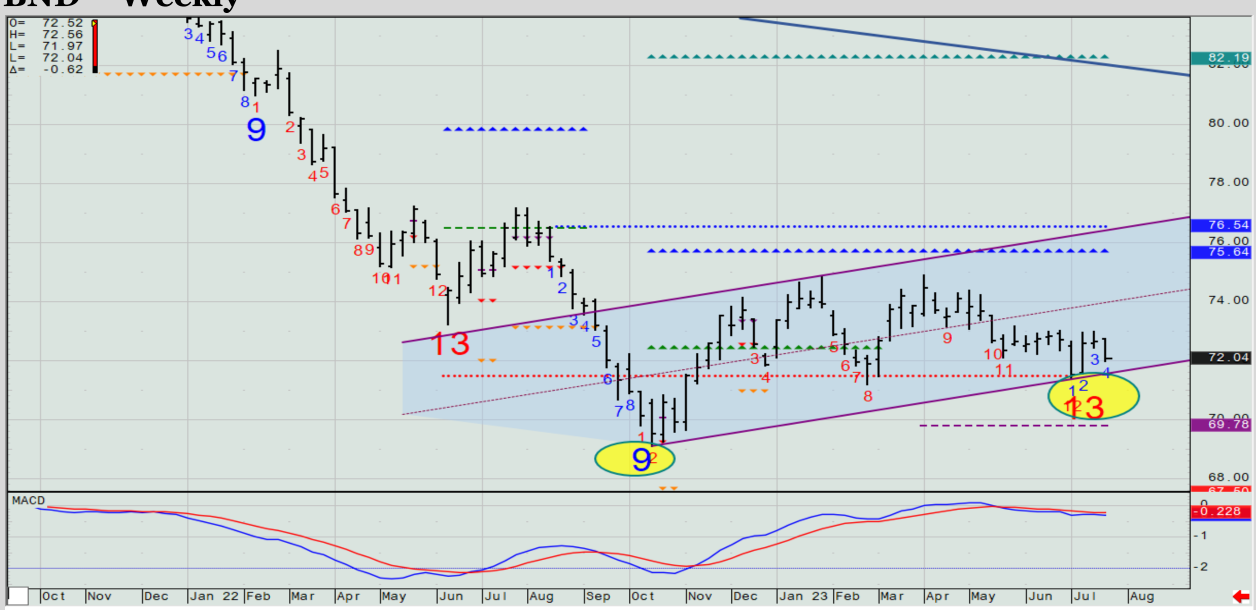
Last Friday we put this spread on (at an avg. ratio of 8.051) – my thinking that gold could again start to outperform silver. We'll target taking half off near a ratio of 8.25, and the other half at the top end of the range (i.e., the upper horizontal purple line) near 8.64. Our sell stop is to exit on consecutive Friday closes beneath 7.91.

Long GLD vs. Short SLV – Daily

Long BND

Two weeks ago, I decided that we should play the potential rally in the bond market, by going long a half-size position in this ETF (our avg. fill last Friday was at $72.70) and to buy the other half between $72.22 and $72.12. I'll target $75.60 to $76.60 to remove half of whatever exposure we have on at the time. Our sell stop on all BND exposure is to exit on a Friday close beneath $71.35.

BND – Weekly



Short XHB

Three weeks ago, my 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 marks a Setup +9 count.

We have the first third filled at $81.56, and today will sell another 1/3 because this has fulfilled #3 above. 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 short pieces executed. (Note this week's Setup +9 count.)

XHB – Weekly

Long FXI vs. Short ASHR

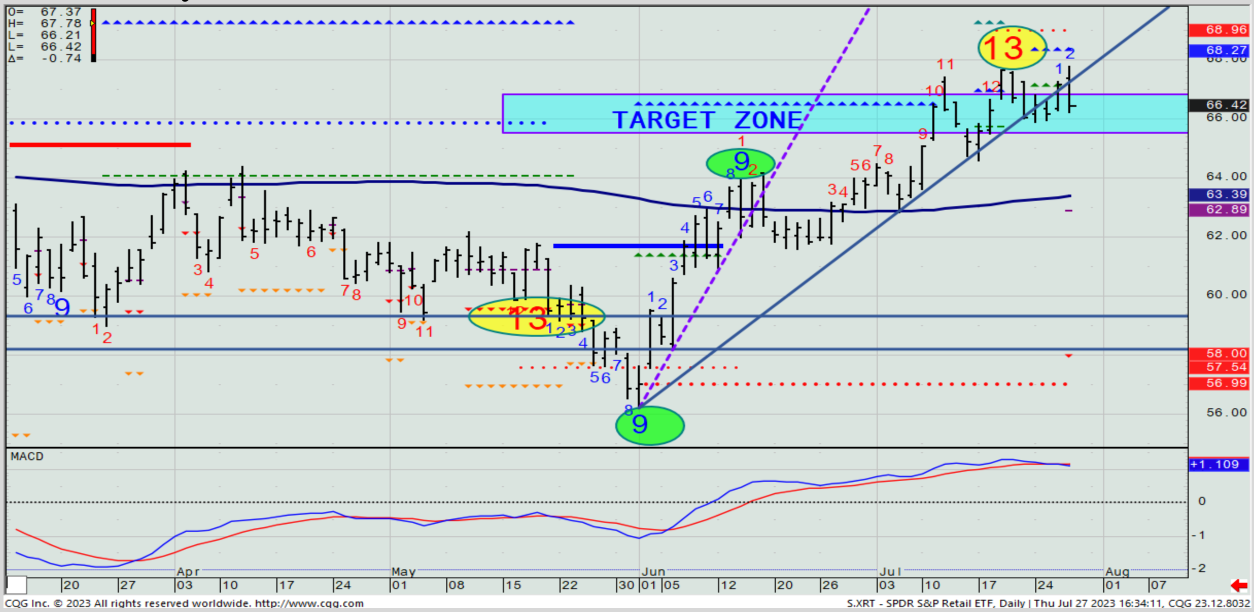
Six weeks ago, we put on a pair trade in these two China equity-related ETFs, filled at an avg. price of a 1.035 ratio. Given the recent Sequential +13 (it already marked a recent Setup +9, too), we've already exited half at an avg. sale of 1.0277. The sell-stop on the other half to be a Friday close < 1.0067. (This looks like it can potentially break out anytime above the red horizontal resistance line at 1.045.)

Long FXI vs. Short ASHR – Weekly

Long XRT

Ten Friday's ago, we went long a half position (average price $60.27) and then the other half four weeks ago (at $58), for an average one-unit long position at $59.14. We've already took the first 1/3 off at an avg. price of $63.24, and the second third at an avg. price of $63.86. We exited the last third last Friday at an avg. price of $66.62, for a total profit of 9.20%.

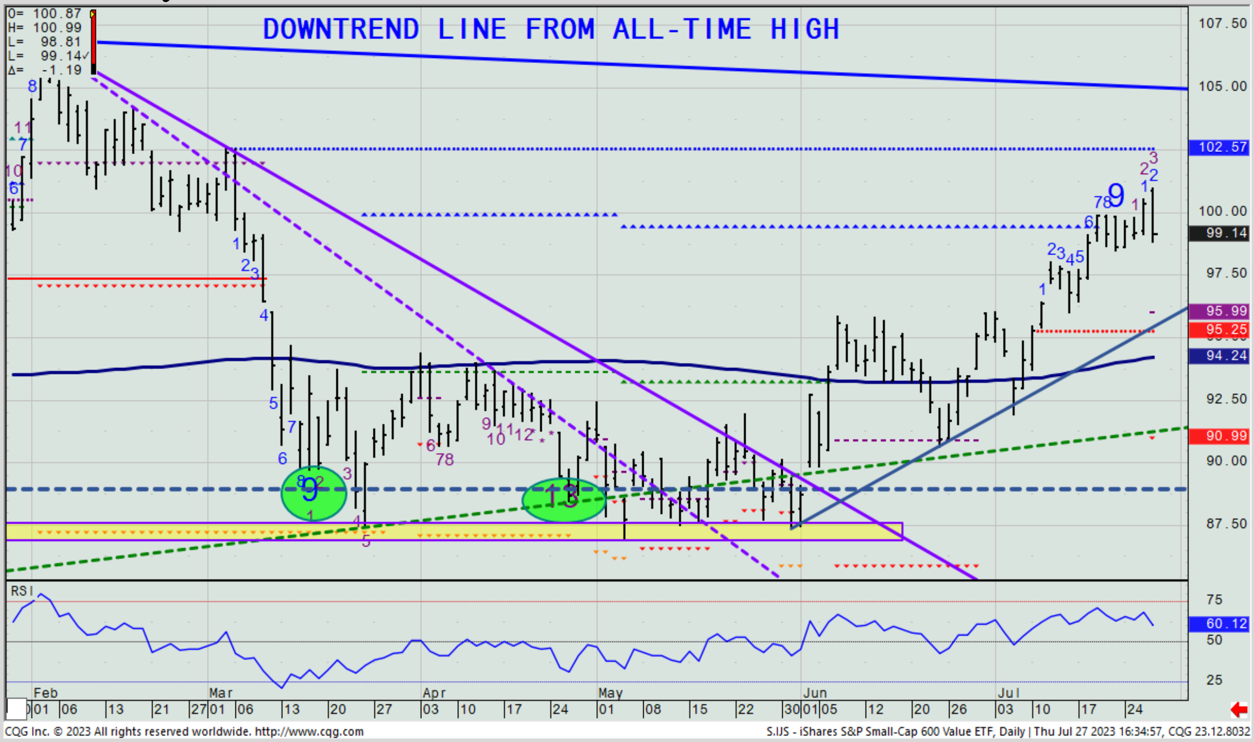
XRT – Daily



Long IJS

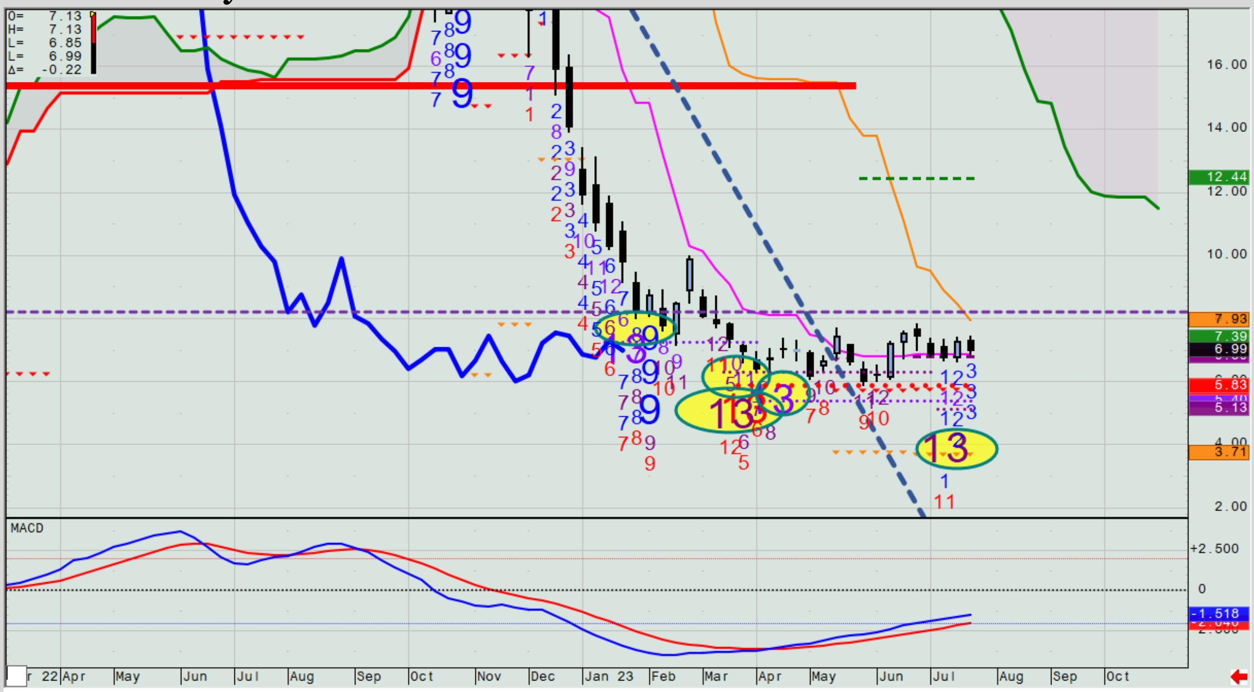
Thirteen weeks ago, we bought this small cap value ETF (avg. entry at $90.83). We removed 1/3 at an avg. price of 91.39, and another third at an avg. of $97.41. I'm raising Our sell-stop on the balance is to exit on a consecutive 60-minute bars that close under 97.86. I'm targeting $102.57 +/- 15 cents to exit the final third.

IJS – Daily



Long UNG
Twenty-two 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. Since then, a fourth weekly -13 signal has come into play. Look for a move in coming weeks to challenge the falling Base Line (in orange, currently at $7.93), where I'd exit half of any longs purchased this year.

UNG – Weekly



S.UNG - United States Natural Gas Fund, Weekly | Thu Jul 27 2023 16:36:29, CQG 23.12.8032

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.

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