Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

Stocks remain under pressure with rates near their highest level of the move, and despite oil having sold off $10 from its recent high at $95 in just six days, investors have become far more cognizant that their spending power is greatly reduced, and confidence is falling quickly (including towards the government's ability to be the dependable backstop that America was built on). It certainly makes anyone stop and think about what the future look likes – both near-term but also down the road. (Frankly, it's kind of' scary where things are going, and I have to think that Russia and China couldn't be happier to see the growing mess that's happening within our own borders.)

At the top of the list of what is most affecting our stock market is the US interest rate market. From the short to the long end of the curve, the inverted yield curve and significantly higher rate environment that still exists – fueled initially by a dutifully bound Fed to fight what was out of control inflation – is now steamrolling on its own to not only have buried bond holders, but what will also pan out to also materially hurt corporate profits (and then related the trickle-down effect on employees and future hiring/retention plans).

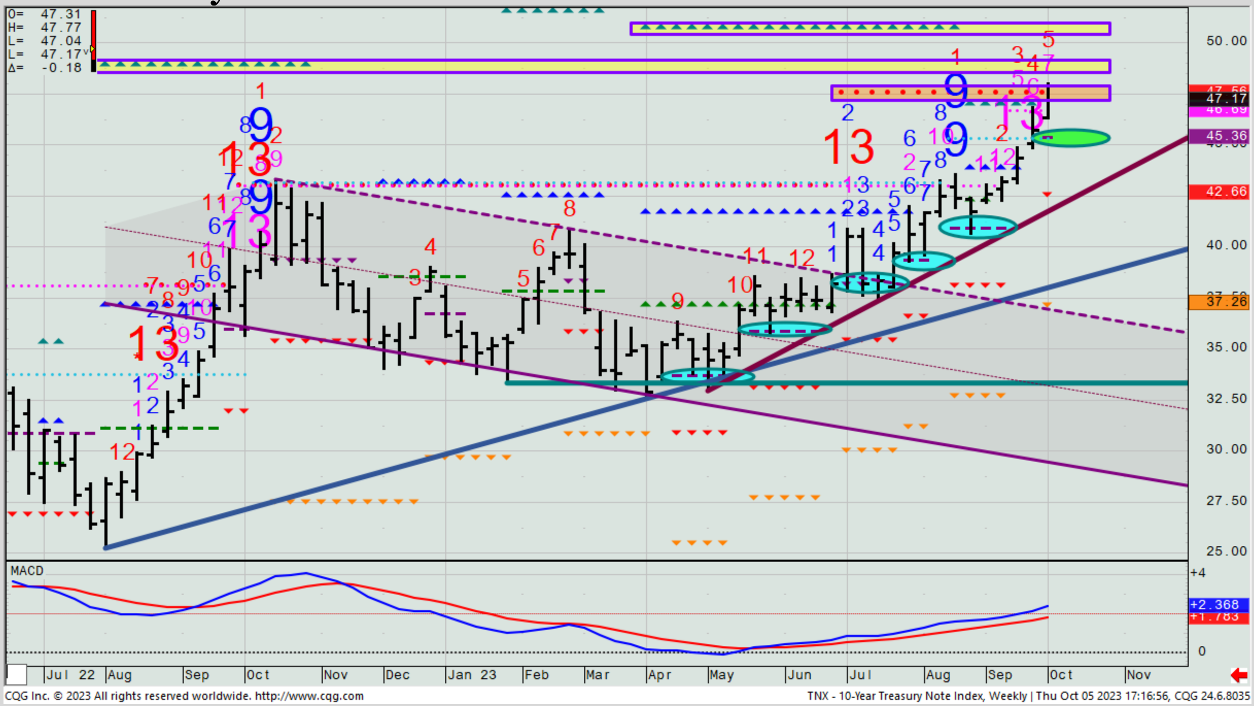
Here's what I'm seeing from the major markets that impact stocks:

BONDS: UST 10-yr. rates reached as high as 4.80% earlier this week, but backed off to close yesterday at 4.72%. (I bought 10-yr futures for the fund I trade for when rates were at 4.77%, so I have a small profit for now, and am looking for them to potentially play with both unfilled gaps shown on the below chart, where I aim to cover the position.)

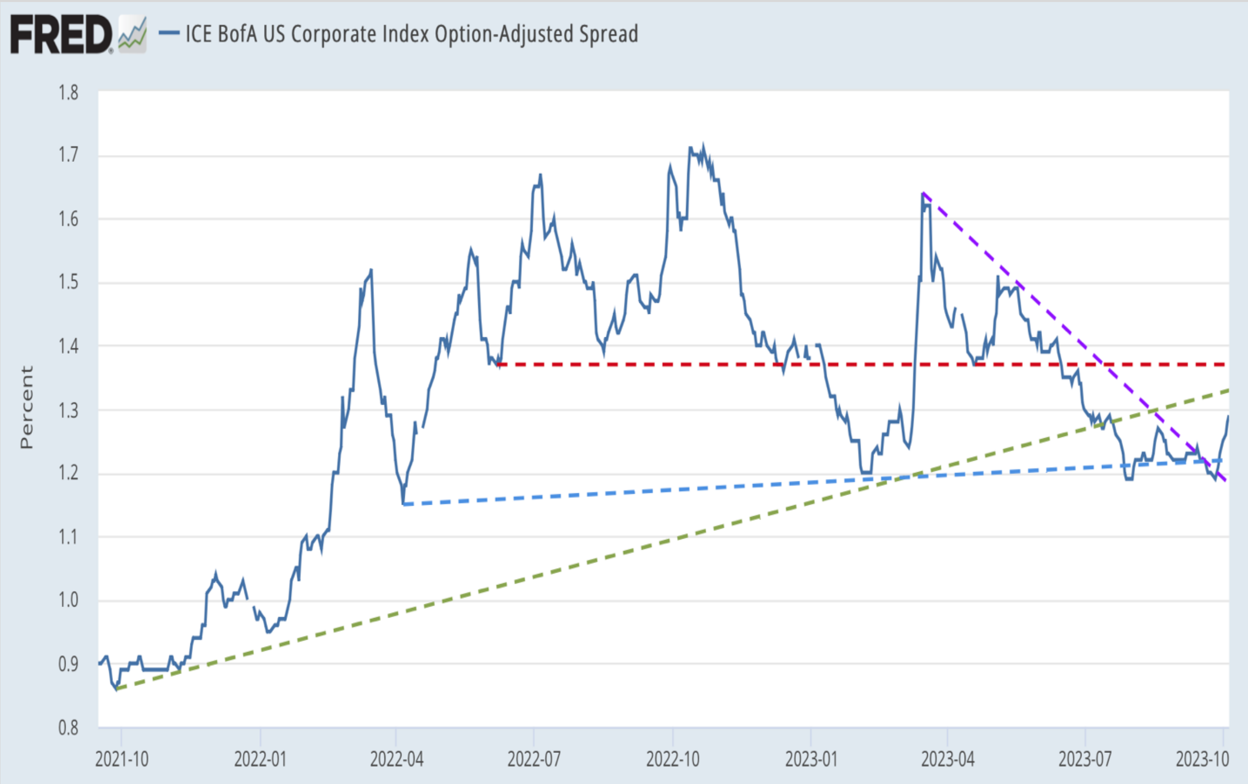
TNX - Daily

The newest weekly bearish Propulsion Momentum level is now at 4.536%. Perhaps we see that tested before we reach the bigger upside Propulsion targets of 4.88% and 5.06%. But I'm thinking that those upside targets may not be met – or at least not shortly – as now a full 90% of bond futures players are bearish bonds.

TNX - Weekly

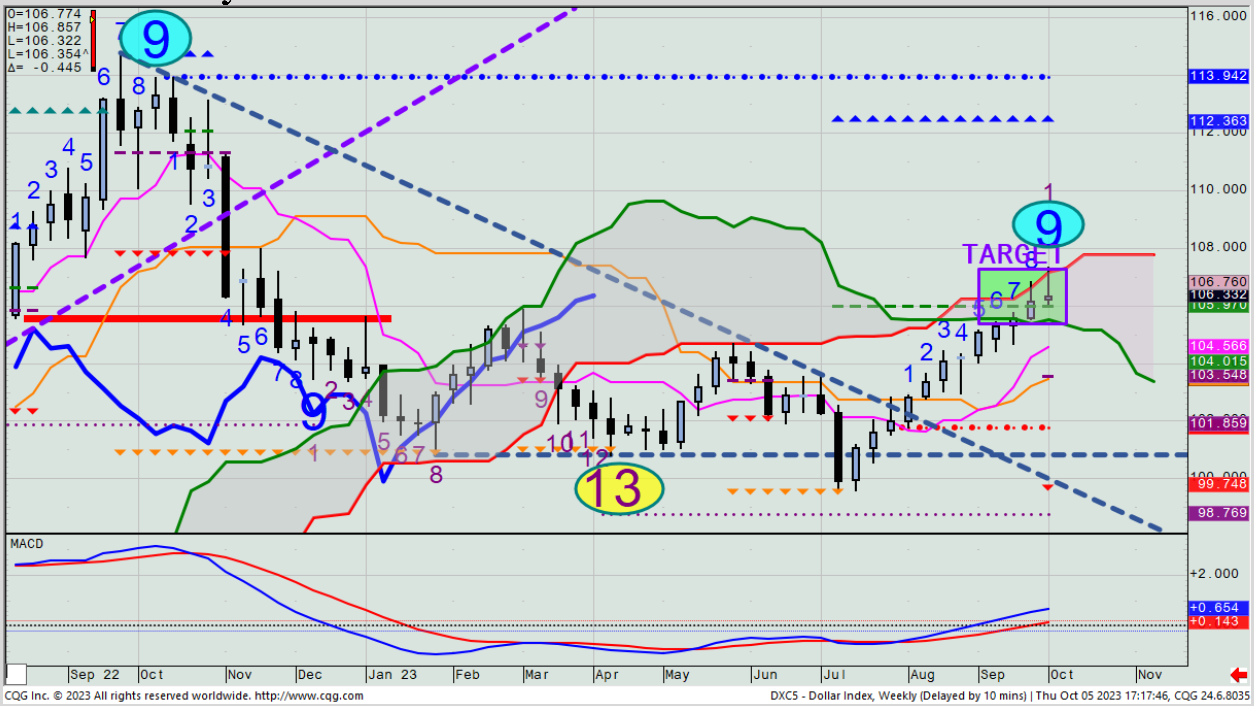


The ICE BofA Corporate Index OAS (i.e., my preferred credit spread to watch) fell in early August to new '23 lows to 1.19% and has now rallied to 1.29%. I have my institutional clients long the spread from 1.21%, and this is looking as if it can go re-test the breakdown level near 1.37% (i.e., the horizontal dashed dark-red line).



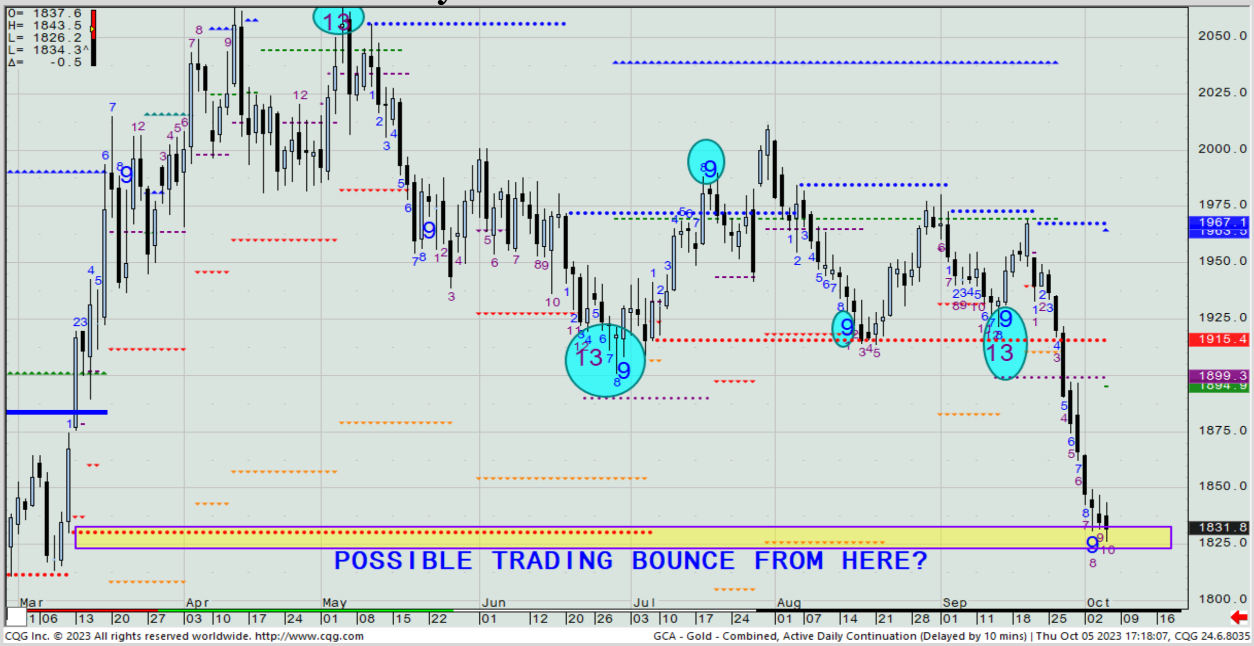
CURRENCIES: After recently hitting the 105.97 target I made one week after the July low was made, I'm looking for this to potentially put in a trading top as it's now on a weekly Setup +9 and has already touched its weekly cloud top. I am certainly not first getting long now.

DXY – Weekly

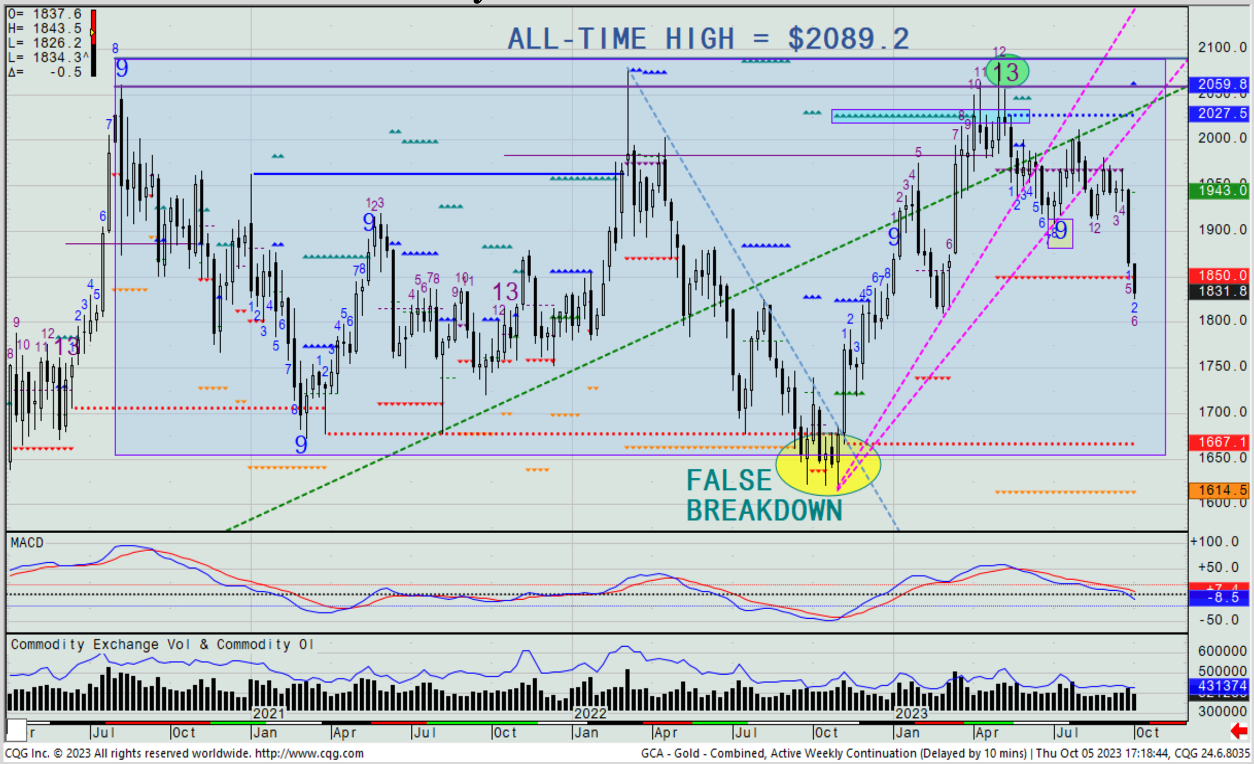


COMMODITIES: Gold broke down on the latest dollar surge, and actually broke beneath the $1850 level from the weekly chart that I had previously said needed to hold. When I looked more closely at the chart picture, I came up with a reason to buy gold at $1830 (and I did so in the fund I trade for). I'll give it a little room to play with from there, but with my thought that the dollar may shortly peak, I was willing to take the chance to put this counter-trend trade on to maybe capture a $50 bounce. The bigger picture is still in a multi-year wide trading range.

COMEX Gold – Active Daily Continuation

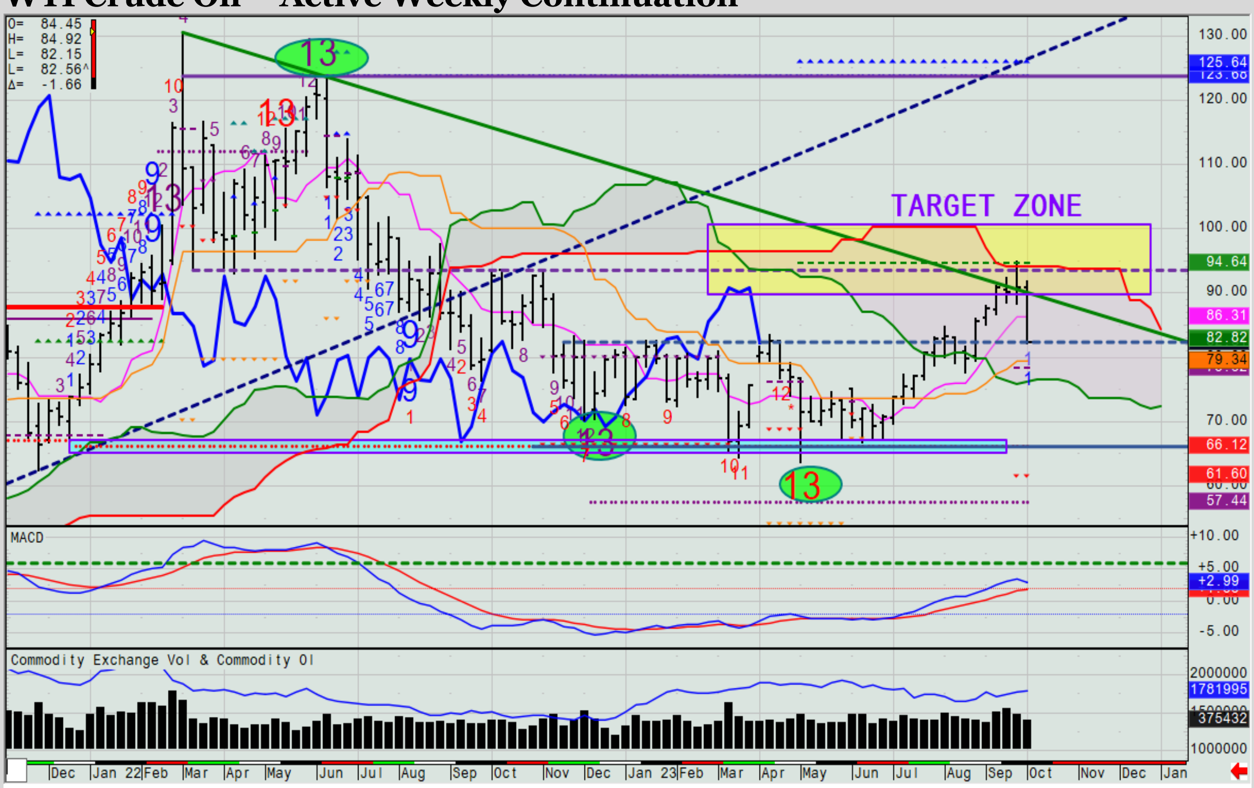


COMEX Gold – Active Weekly Continuation



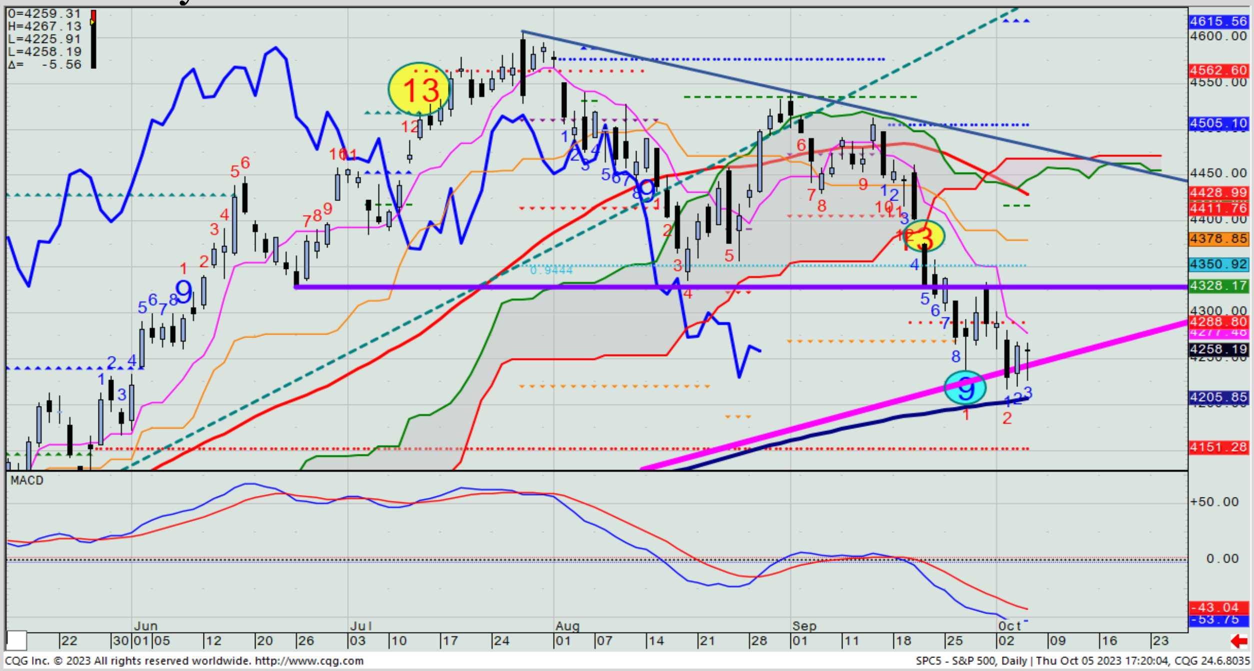
WTI oil fell like a rock this past week from the $95 level, right from the target zone I laid out. (Unfortunately, I missed my order to go short at $95.50 for the fund I trade for.) Price is now falling back towards the area it broke out from, so I may shortly be looking to find a place to put on a tactical long. (Hopefully, we see some reprieve at the gas station for the $10 decline in price, but I've noticed for years that gas stations are quick to raise prices when oil rallies, and slow to lower them when it pulls back.)

WTI Crude Oil – Active Weekly Continuation



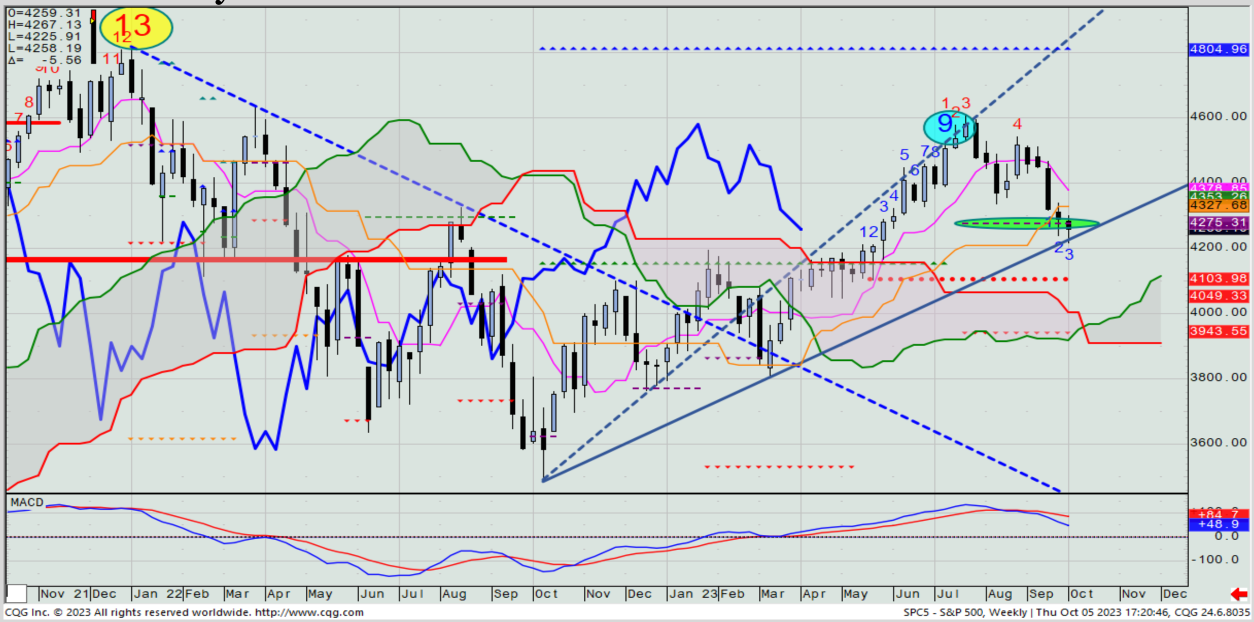
EQUITY INDEXES: The SPX has seen its daily chart turn structurally negative, as its cloud model's Lagging Line has joined current price action to both be beneath their respective cloud bottoms. In this time frame, it's a negative development, and suggests you want to be a seller of rallies.

SPX – Daily



The weekly chart is still in striking distance of the 4275 bearish Propulsion Momentum level, and although beneath it, the move this week is "disqualified" (because last Friday was a down close relative to the prior week's close). However, a couple of Friday closes beneath the weekly Base Line would be another negative development for this time frame's structure, suggesting a further move down first to where the Lagging Line hits its cloud top, and then to where price would hit its cloud. Non cloud-wise, a further decline should get to 4100/3950 zone, as those are respective TDST line and Propulsion Full Exhaustion levels. If we see a rally, look for the weekly Conversion Line to be potential resistance.

SPX – Weekly

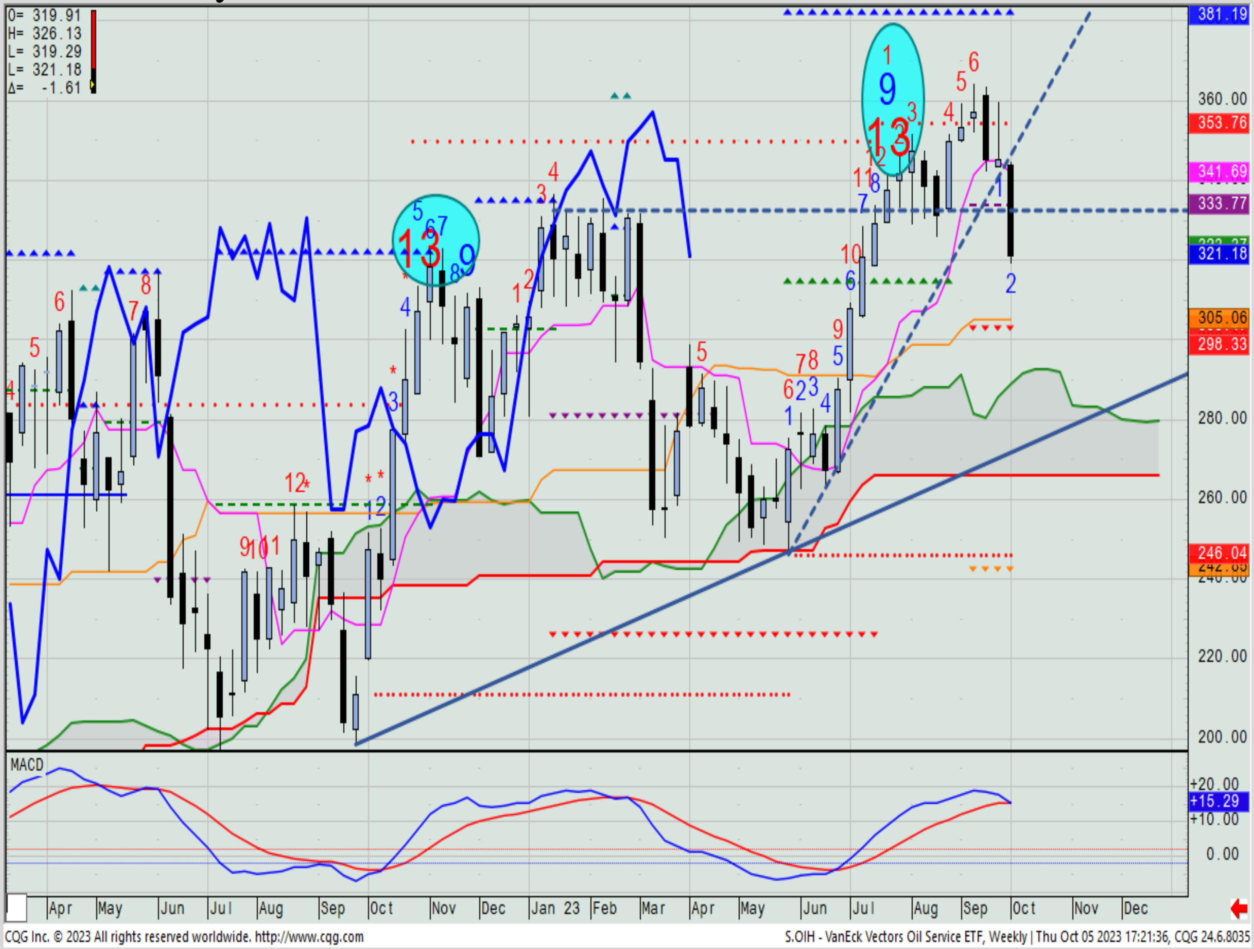


As I've previously mentioned, those who follow Elliott Wave patterns have turned very bearish, with Wave 3 or Wave C downside targets at 3270 or 2471 (the former being equal legs down from the all-time high, and the latter being 1.618x the first leg down from all-time highs to the October '22 low). Those are mega-bearish "disaster economy"-type targets.

New ETF Trade Idea

For those of you who subscribe to my Daily Tip Sheet and watch the included weekly macro outlook webinars, you know that I have suggested reducing oil-related equity names for the past month or more. When I look at the weekly VanEck Oil Services ETF (OIH), we see a upside breakout that looks like it might very well have been a false one.

OIH – Weekly



As such, let's look to get short a rally back up to the $333 to $348 range (yes, it's a large range, but this thing moves), scaling in every $3 or so to get up to a one-unit short). I'll initially target a move down to $303, where we'll cover 2/3 of the short. Our buy-stop is a Friday close or two above $354.

Other Open Recommendations and Positions

Long EMLC

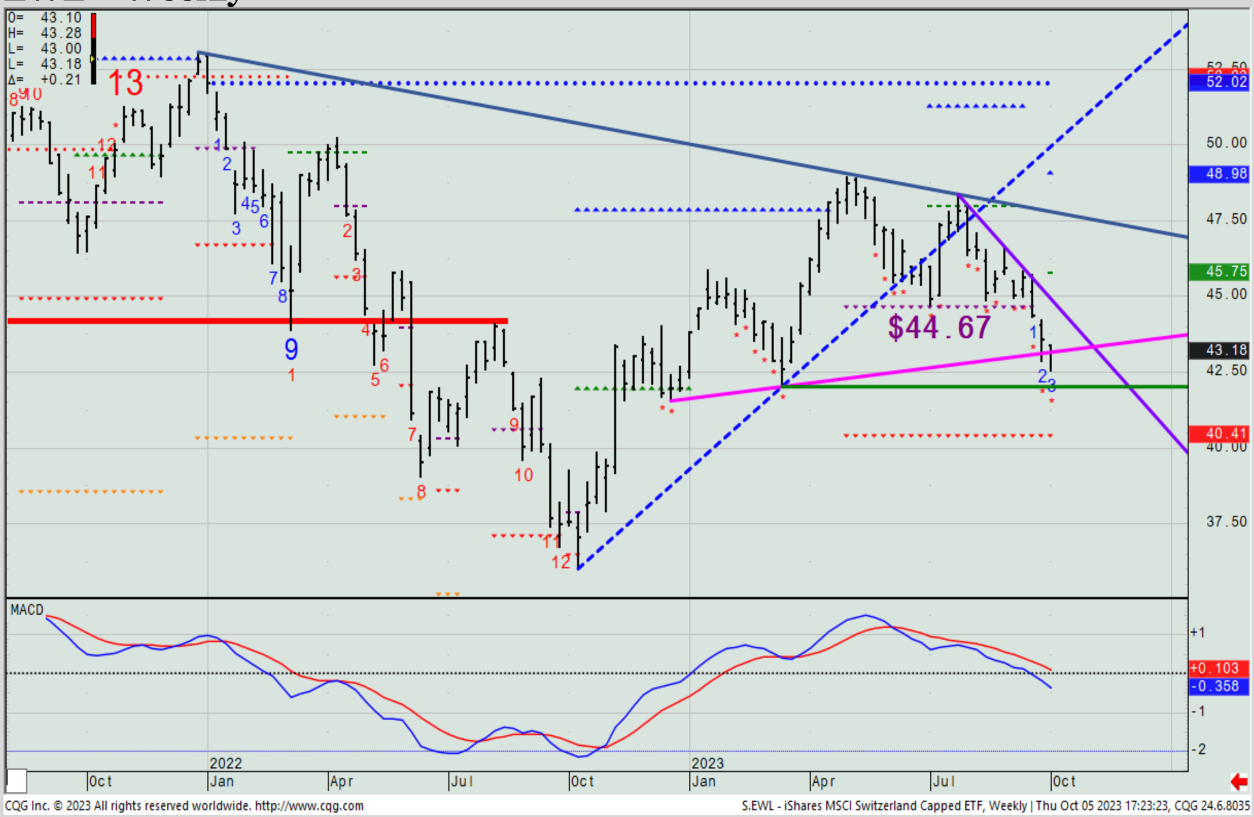
Last Friday my trade idea was to get long this week at $23.39 to $23.25 if the opportunity presented itself, which it has with a low at $23.13. Our target is the $24.85 area, with a sell-stop on a Friday (or consecutive ones) beneath the "Magnet Price" of $22.53. (See chart on top of page 7.)

EMLC – Weekly

Short EWL

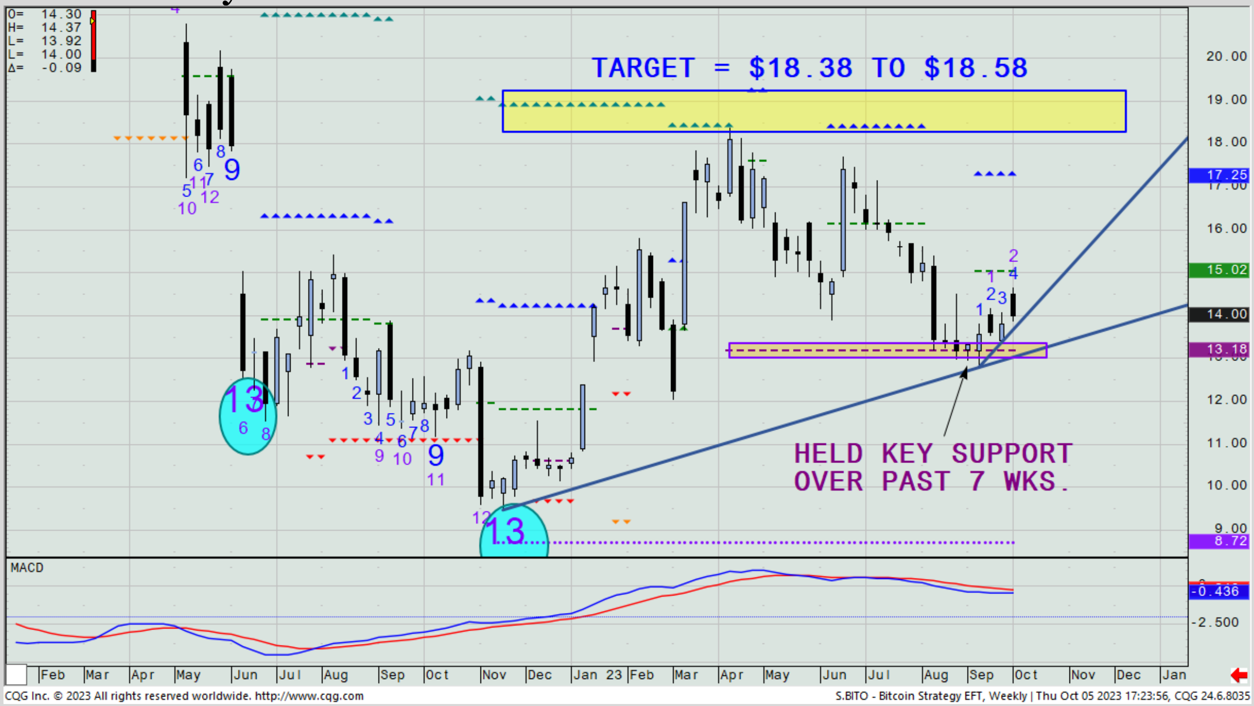
Two weeks ago, we went short a half-unit at $44.33. I'm lowering our buy-stop to exit the short if we see a Friday close above $45.75. We'll target a move to $40.41 +/- 20 cents.

EWL – Weekly



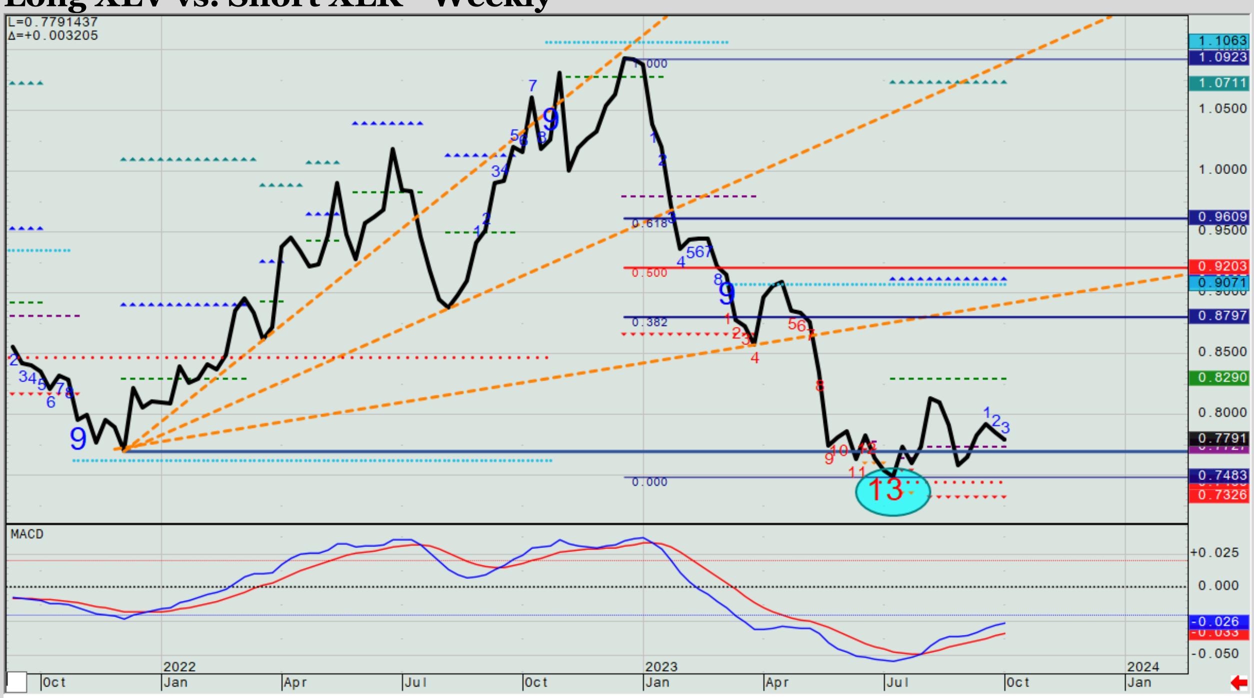
Long BITO
Three Fridays ago, we went long one unit (at avg. price of $13.55) of this Bitcoin-related ETF (that invests in Bitcoin futures) with a target of $18.38 to $18.58. I'm raising the sell-stop to exit if today or next Friday closes beneath the prior Friday's close.

BITO - Weekly



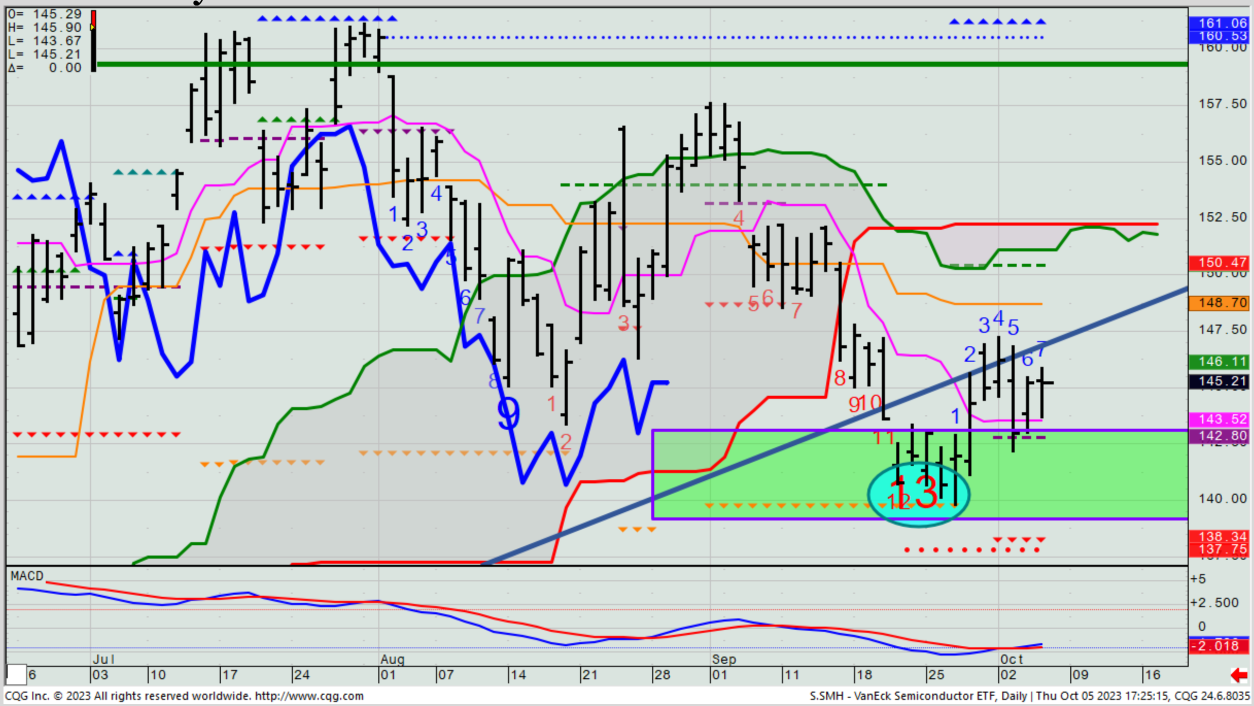
Long XLV vs. Short XLK
Seven weeks ago, my idea was to put this pair trade on of going long Health Care vs. Info Technology. (Average entry price was a ratio of 0.7923.) I'll target a move in the ratio up to a 38% Fibonacci retracement to ~0.8797. Our sell stop will be on a Friday close beneath the current 2023 Friday low close of 0.7483.

Long XLV vs. Short XLK - Weekly



Short SMH
We have been short this semis ETF from an avg. price of $154. We previously covered half at an avg. price of $142.51. Last Friday we exited the balance at an avg. price of $145.70, for a total trade profit of 6.43%.

SMH – Daily



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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