Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

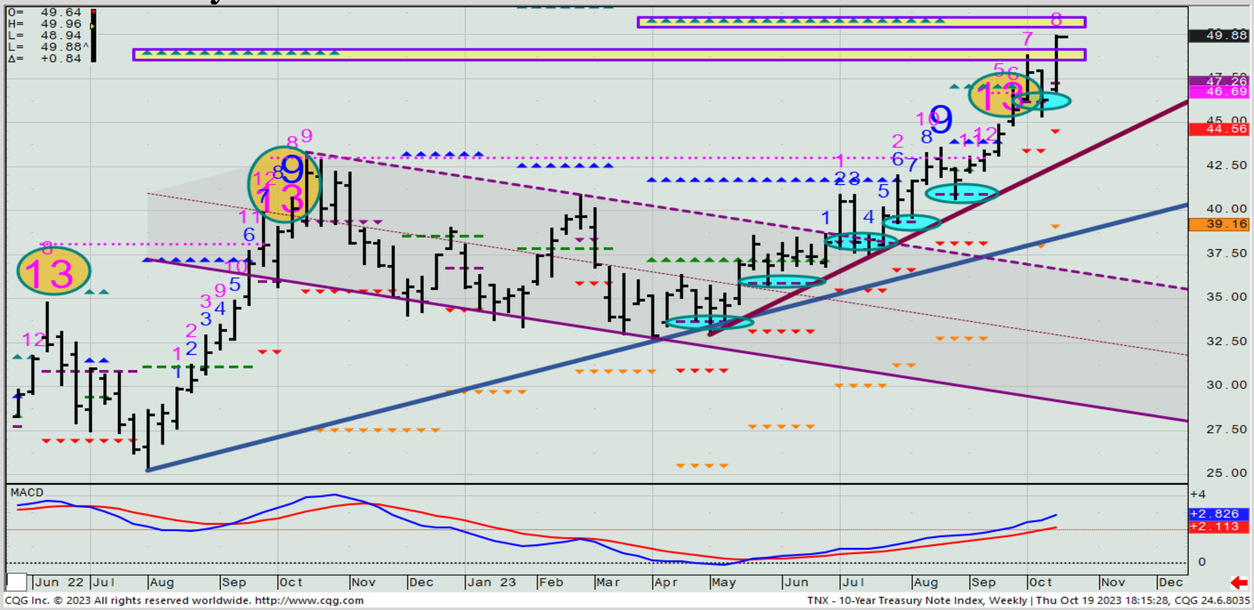
Bond yields have pushed to new secular highs and levels not seen since 2007. The cost of financing purchases and aw well as issuing debt has skyrocketed, and 30-yr. conventional mortgages just hit 8% -- a level not seen since 2000. And yet, with that overhanging the market – along with a very unstable international political situation that is only getting worse, the equity markets surprisingly hang in there. Well, at least the large cap index ones do. (I can't say the same for the "average" stock, which is barely up on the year.)

The SPX and QQQ both held key weekly bearish Propulsion Momentum levels on the recent lows, and in my eyes, so long as they do, then I have to give the edge to the bulls as far as these two major large cap indexes go. Which also means that you can't necessarily expect the same returns in being long individual stocks as you can being in the SPY or QQQ, either. Remember that when/if you put new capital to work.

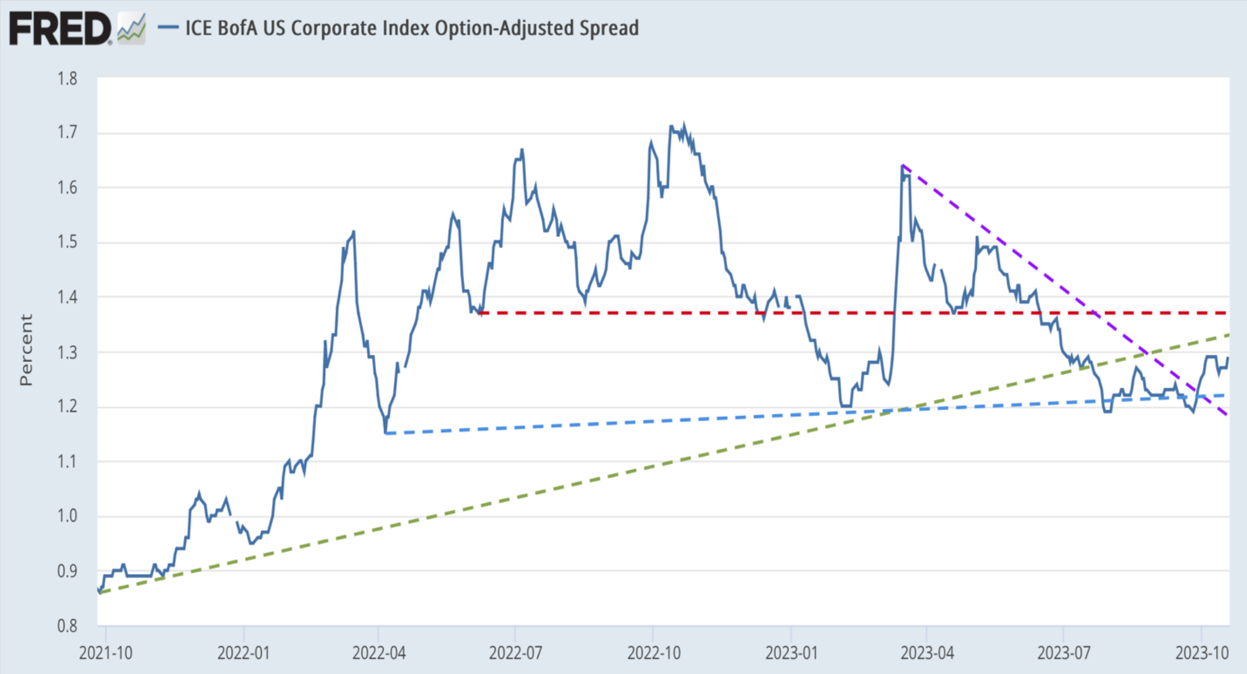
Let's take a look at the key macro markets that heavily influence the US equity markets:

BONDS: UST 10-yr. rates reached as high as 4.996% yesterday before pulling back a bit into the close. (I guess nobody wanted to 5%, yet.) As per the weekly TNX chart, the bearish Propulsion Momentum levels have been golden indicators of where pullbacks will bottom. The newest one has now moved up to 4.726%. So long as that level holds on Friday closes, it's still a bear market for bonds.

TNX - Weekly

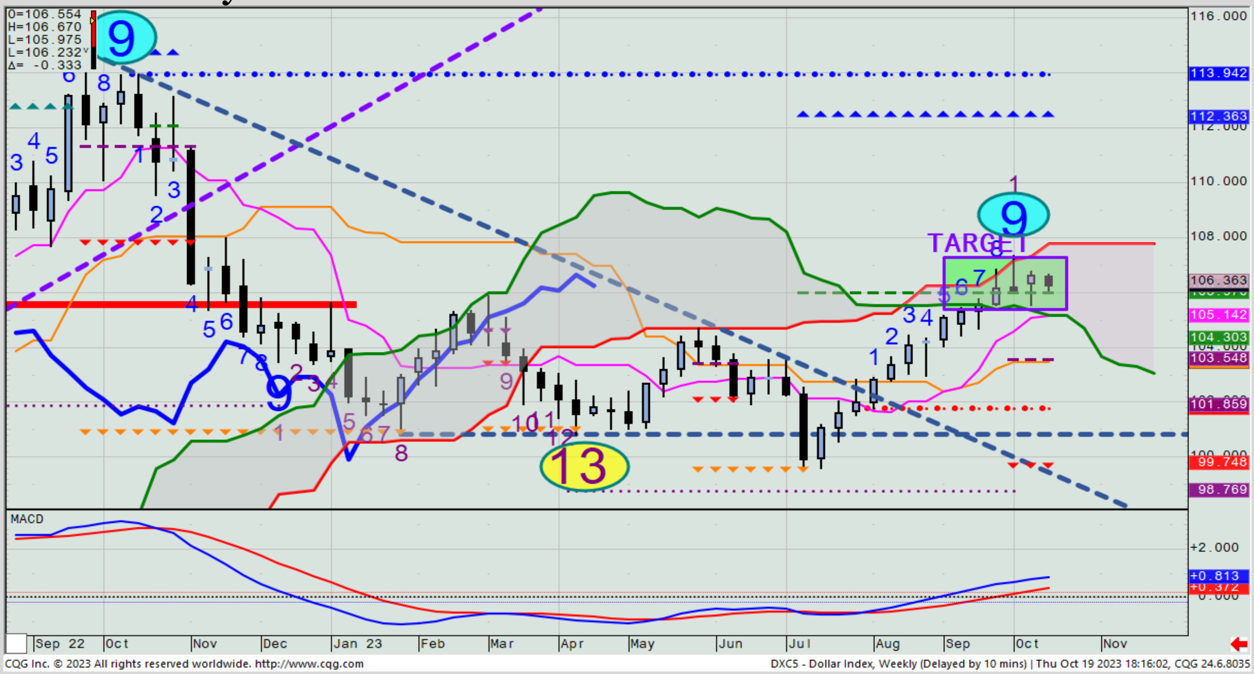


The ICE BofA Corporate Index OAS (i.e., my preferred credit spread to watch) fell in early August to new '23 lows to 1.19% and is now at 1.29%. I have my institutional clients long the spread from 1.21%, and I'm looking for them to take some off in the low-1.3% area. I then will have the flexibility to play with the balance.



CURRENCIES: After recently hitting the 105.97 target I made one week after the July low was made, I'm now looking for this to potentially put in a trading top anywhere in the 107 to 109 range. Last week's almost $100 rally in gold was on the belief that the dollar has seen the bulk of its upmove.

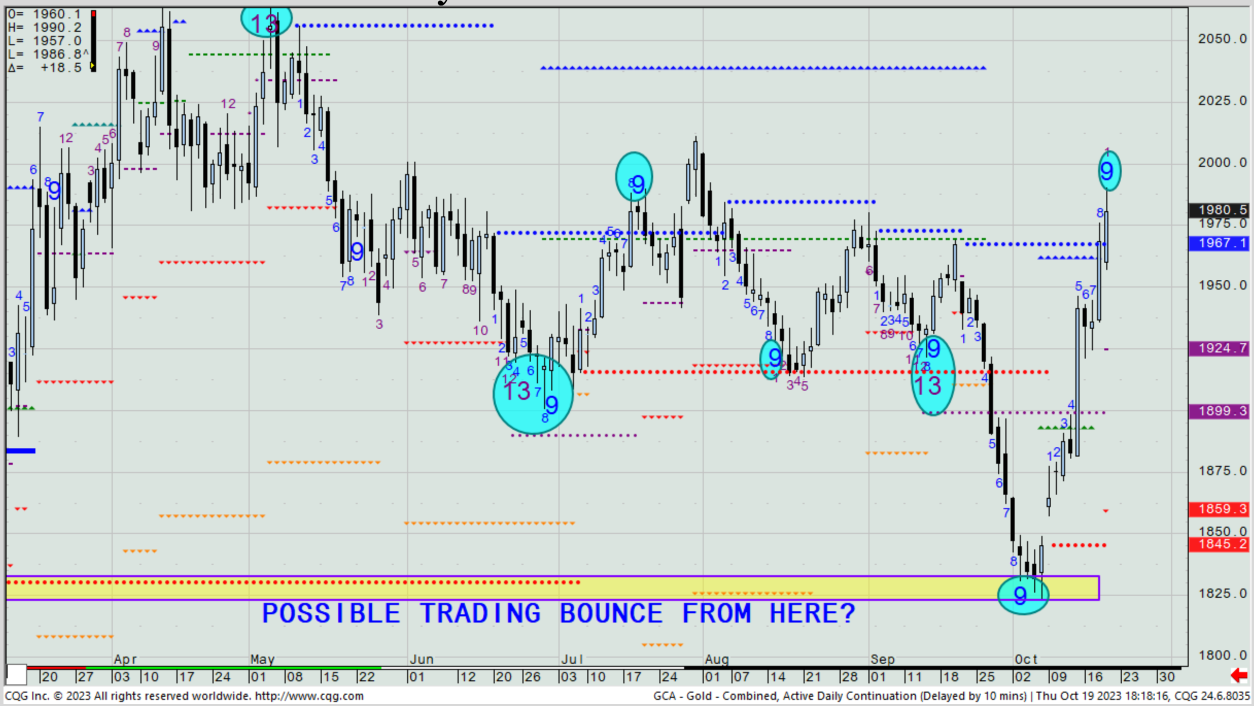
DXY – Weekly



COMMODITIES: When I recently went long gold at $1830 in the fund I trade for, I put the trade on with the intent of taking out no more than $60, and actually exited at

$1885 – never seeing the likelihood for it to power through resistance a little higher than there to this week reach the mid-$1970s. (I've now shorted it at $1974 on Wednesday, again looking for about a $50-$60 trade.) Its bigger picture remains in a large trading range of some $400 over the past few years.

COMEX Gold – Active Daily Continuation



WTI Oil certainly has a psychological bid to it, given what's going on in the Mideast and the upped potential for supply shortages, especially if Iran gets involved in the war. For now, the cloud is acting as support, and I can tell you that many traders who would normally be looking for rallies to short into are far more hesitant to do so.

WTI Crude Oil – Active Weekly Continuation

History tells us that crude can jump $10+ in a day when something goes whacky in the political world, and buy stops would be runover before you'd ever have a chance of getting out where you thought you might. Over the next several months, I could make the case that we could see oil go as high as $100/bbl.

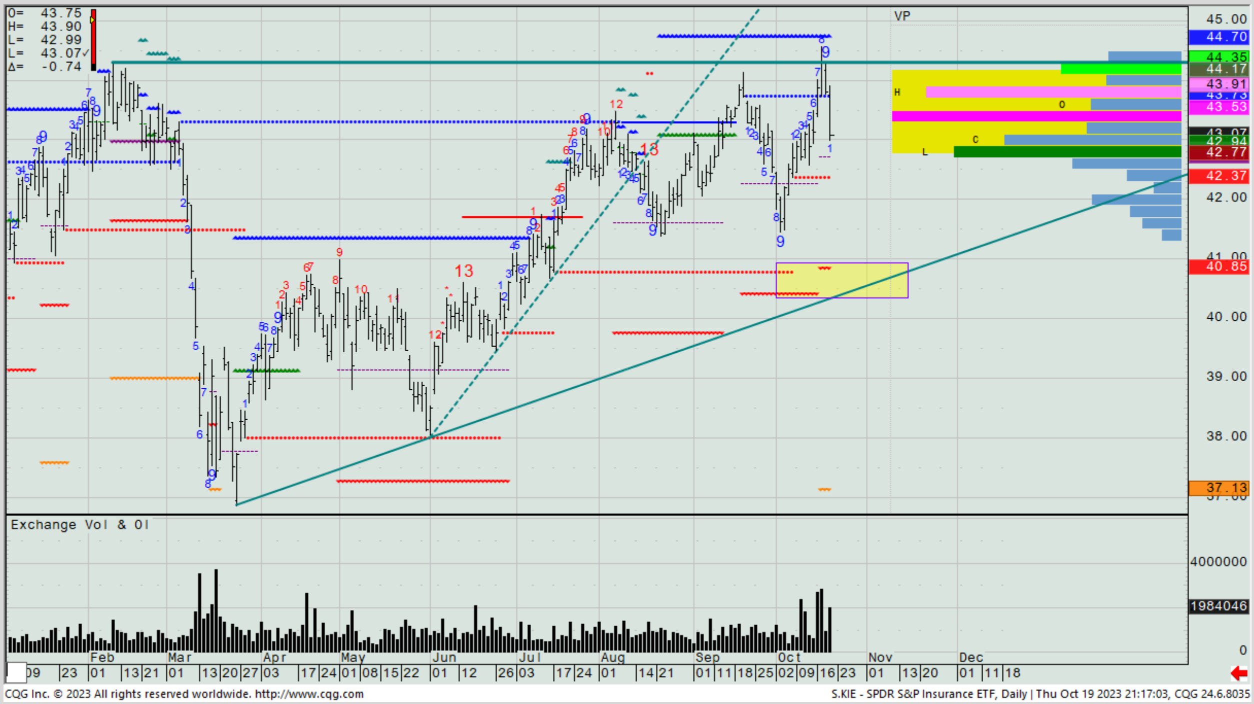
EQUITY INDEXES: Thursday's housing data was lousy, but traders were enthused about Fed Chairman Powell saying that interest rate rises were done for the foreseeable future. (Investors made that come about, by selling down the bond market so much that Powell didn't need to still lift rates; the market did it for him.) SPX 4350 to 4400 remains near-term resistance, with support around that all-important 4275 area. If the market materially breaks under the latter, then look for a move to ~4100.

SPX – Daily

SPX – Weekly

New ETF Trade Idea

One of the best subsectors in the Financial sector has been the insurance names. Yet the **SPDR S&P Insurance ETF (KIE)** just topped right where it did back in early-February. With yesterday closing beneath its 30-day Point of Control ($43.53), let's use any rally from $43.30 to $44 (the latter being just above the 2nd Point of Control) to short one unit. We'll have two downside targets: We'll cover half near $42.37 (the most recent daily TDST line, and half into the highlighted bright green rectangle zone from ~$41 to $40.25. Our buy-stop will be on consecutive closes north of $44.70.



Other Open Recommendations and Positions

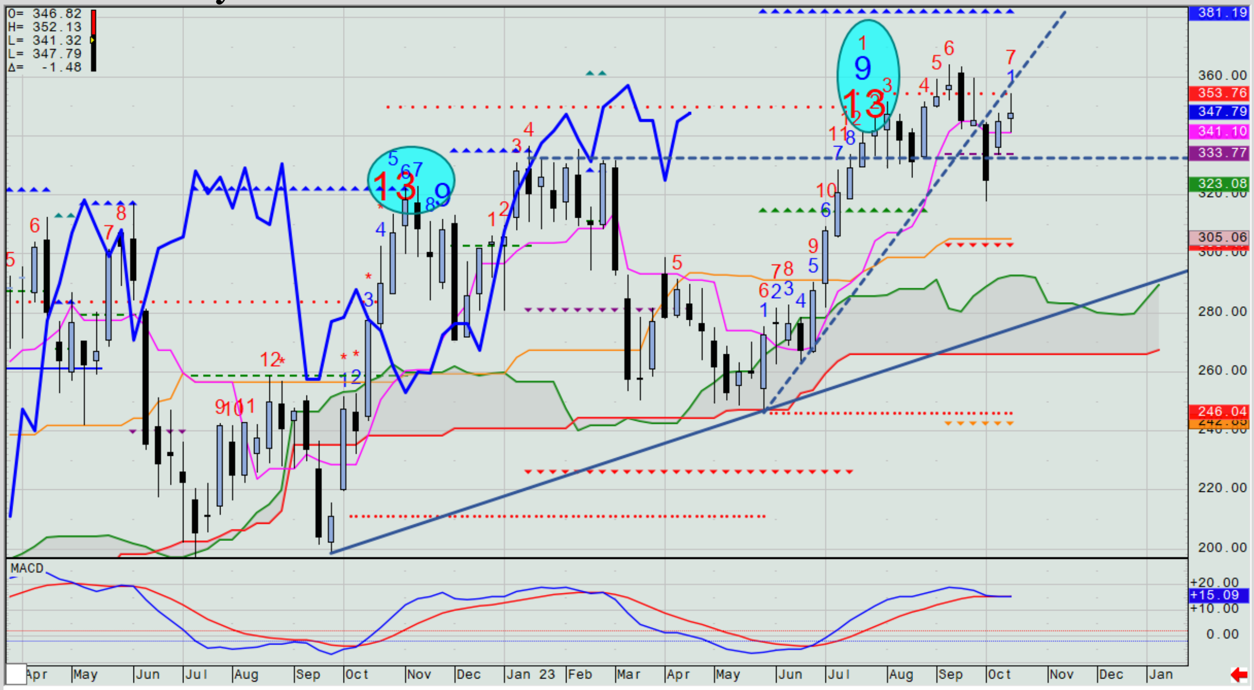
Long SKYY

Last Friday my trade was to get long SKYY from $76.68 to $76.05, with a target of $79.44 to $81.67, and a sell-stop to exit on consecutive daily closes beneath $76.05. Thus, the average long was at $76.67. Wednesday and Thursday both closed under $76.05, so we are stopped out for a loss of 1.05% (the best types of losses to take, as in small ones).

SKYY – Daily

Short OIH
We wanted to short a rally back up to the $333 to $348 range, scaling in every $3 or so to get up to a one-unit short). With this week's high at $347, we are in that bearish trade with an avg. short at ~$341. I'm targeting a move down to $306/$303, where we'll cover 2/3 of the short. Our buy-stop is a Friday close or two above $354.

OIH – Weekly



S.OIH - VanEck Vectors Oil Service ETF, Weekly | Thu Oct 19 2023 18:24:29, CQG 24.6.8035

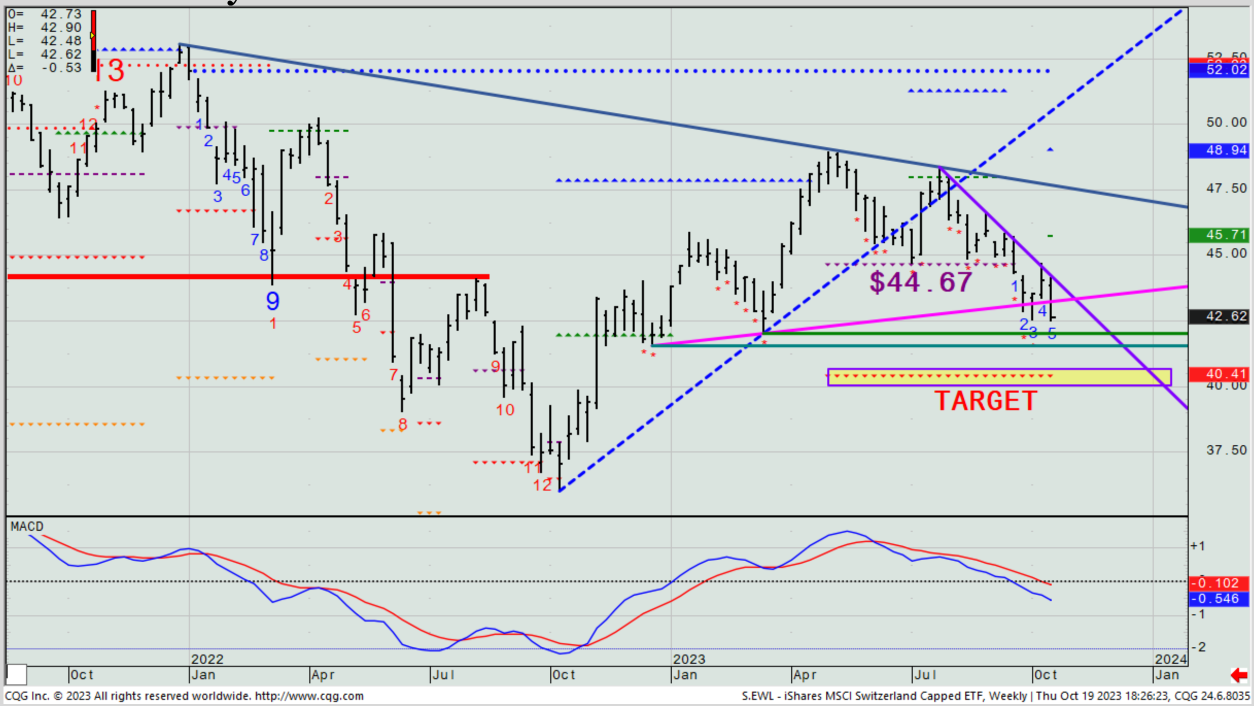
Long EMLC
We recently got long low at $23.13. I have two upside targets: sell half at the unfilled gap of $24.15/.20 and half at is the $24.85 prior breakdown area, I'm changing the sell-stop to be a close today under $23.32 that also opens lower on Monday and trades a nickel lower from that open.

EMLC – Weekly

S.EMLC - VanEck VectorsJPMorganEMLocalCurrencyBnd, Weekly | Thu Oct 19 2023 18:24:50, CQG 24.6.8035

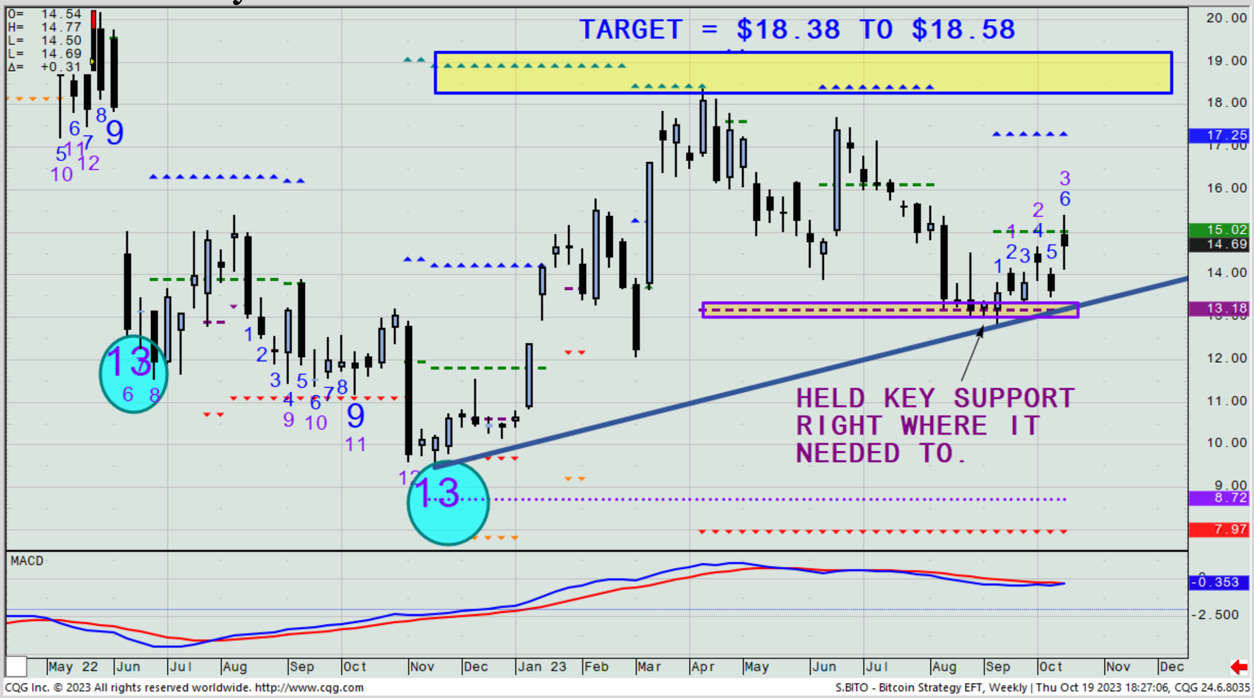
Short EWL
Four weeks ago, we went short a half-unit at $44.33. Our buy-stop to exit the short is if we see a Friday close above $45.75. We'll target a move to $40.41 +/- 20 cents. For now, the downtrend line is holding as resisitance.

EWL – Weekly



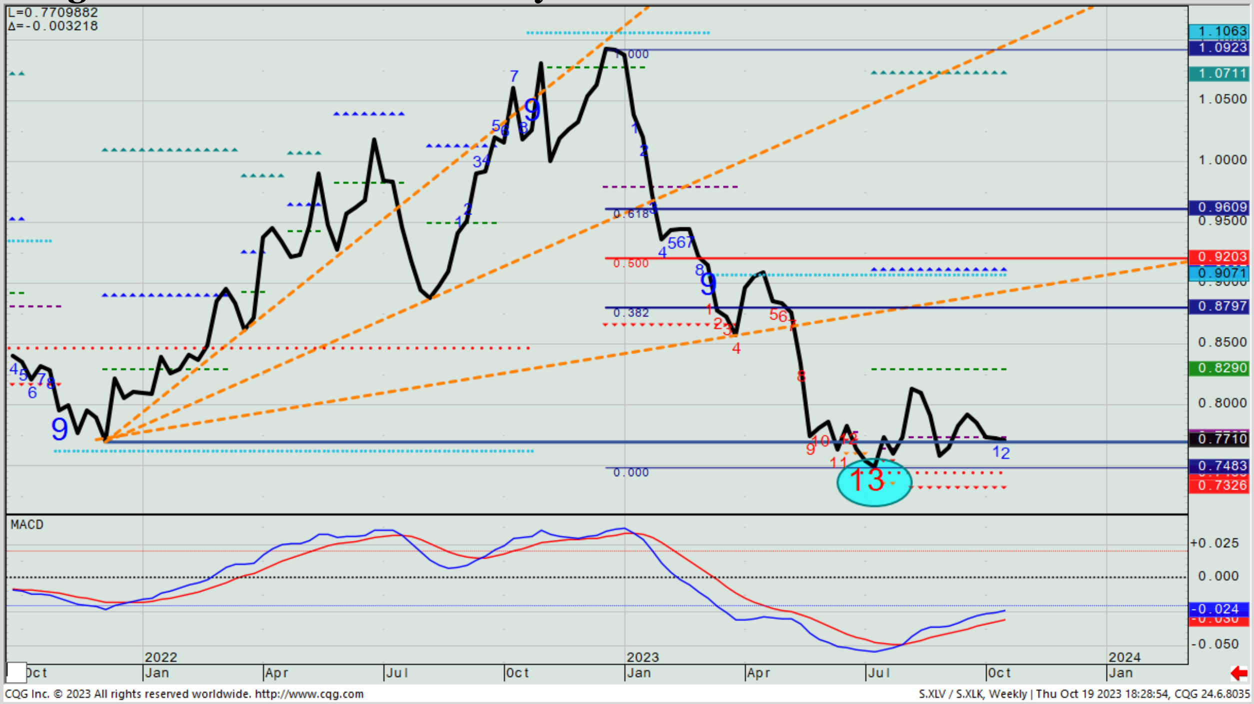
Long BITO
Five Fridays ago, we went long one unit (at avg. price of $13.55) of this Bitcoin-related ETF (that invests in Bitcoin futures) with a target of $18.38 to $18.58. Our sell-stop is on any Friday close that kills this current Setup count higher (i.e., a Friday close beneath the Friday close from four weeks prior). However, if today doesn't close above $15.02, sell one-third of the position on the close.

BITO – Weekly



Long XLV vs. Short XLK
Nine 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



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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