Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

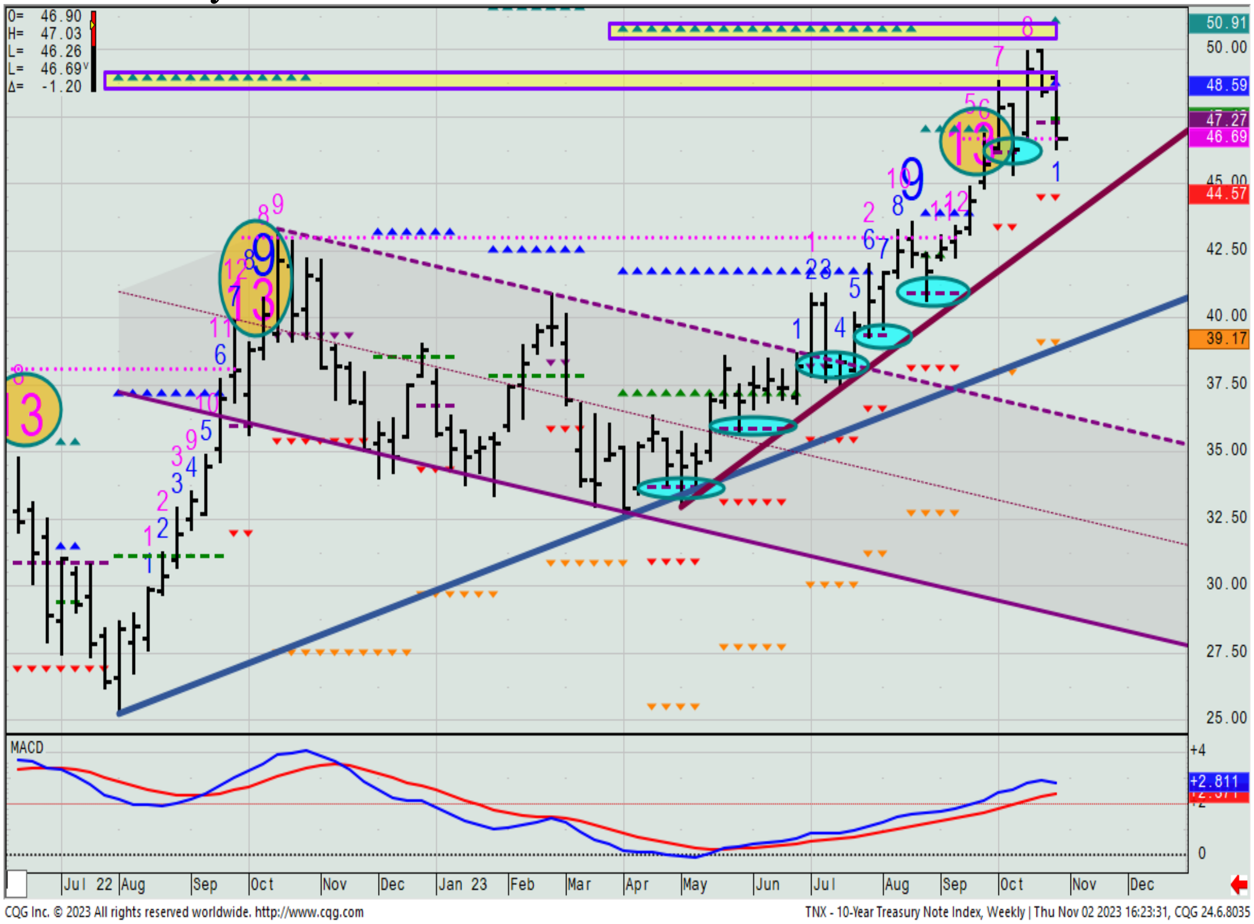
Bond yields twice hit a high of 5% and have pulled back, with much of the decline fueled by Wednesday's Fed statement that the FOMC is done raising rates for now, but they also left the door open for further hikes if future data suggests it's needed. This came on what was already a decent rally from last SPX low – a level that I have previously identified as support to those of you who are also my Daily Tip Sheet subscribers. (In fact, in Monday morning's report and associated webinar, I said that Friday's low was likely a good trading low, being that SPX 4100 was where we found the weekly TDST support line and also precisely two TD Trend Factors down from the '23 high. In addition, I said that the Daily Sentiment Index – my favorite investor poll for over 30 years – showed that only 10% of futures traders were bullish S&P futures after last Friday's decline, and by chance, last Friday also marked a daily Setup -9 count. I concluded that those 4 unrelated indicators lining up all at the same time likely marked where a solid trading bounce would occur from. That has borne out with four significant up days in a row, into yesterday's high some 200+ points above Friday's low (i.e., 5.26%).

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

BONDS: UST 10-yr. rates reached 5% and backed off, with several prominent hedge fund managers saying that the 5% level would be the peak, and that global political concerns would create demand for our benchmark bond. The newest bearish Propulsion Momentum level had moved up to 4.726%, and the breach beneath there yesterday is potentially important if today closes beneath there, too. Though last Friday's close was a down close relative to the close two Friday's ago – stopping the breach from being "qualified", it still could open the door for yields to head lower to first test 4.46% (i.e., the bearish Propulsion Exhaustion level). The bigger downside target would be at 3.92%, but that's a long way away for now. Consecutive Friday closes above 5.09% would nullify this potential trading top. (See chart on top of page 2.)

My preferred credit spread widened out to as high as 1.33% last week– hitting the low-1.3% area I had last written to you as my target zone to remove 50% of the long (i.e., widener) trade I had my institutional clients in. I've subsequently raised the sell-stop on the balance to our breakeven entry point of 1.21%. The most recent data point we have on it (there's a one-day lag) is 1.33%, so despite the equity market's bounce, the spread is still rallying. That's indicative that there's still concern in the fixed income market that bigger problems exist. (See the chart on the bottom of page 2.)

TNX - Weekly


O= 46.90
H= 47.03
L= 46.26
L= 46.69
Δ= -1.20
MACD
50.91
50.00
48.59
47.27
46.69
45.00
44.57
42.50
40.00
39.17
37.50
35.00
32.50
30.00
27.50
25.00
+4
+2.811
0
Jul 22 Aug Sep Oct Nov Dec Jan 23 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
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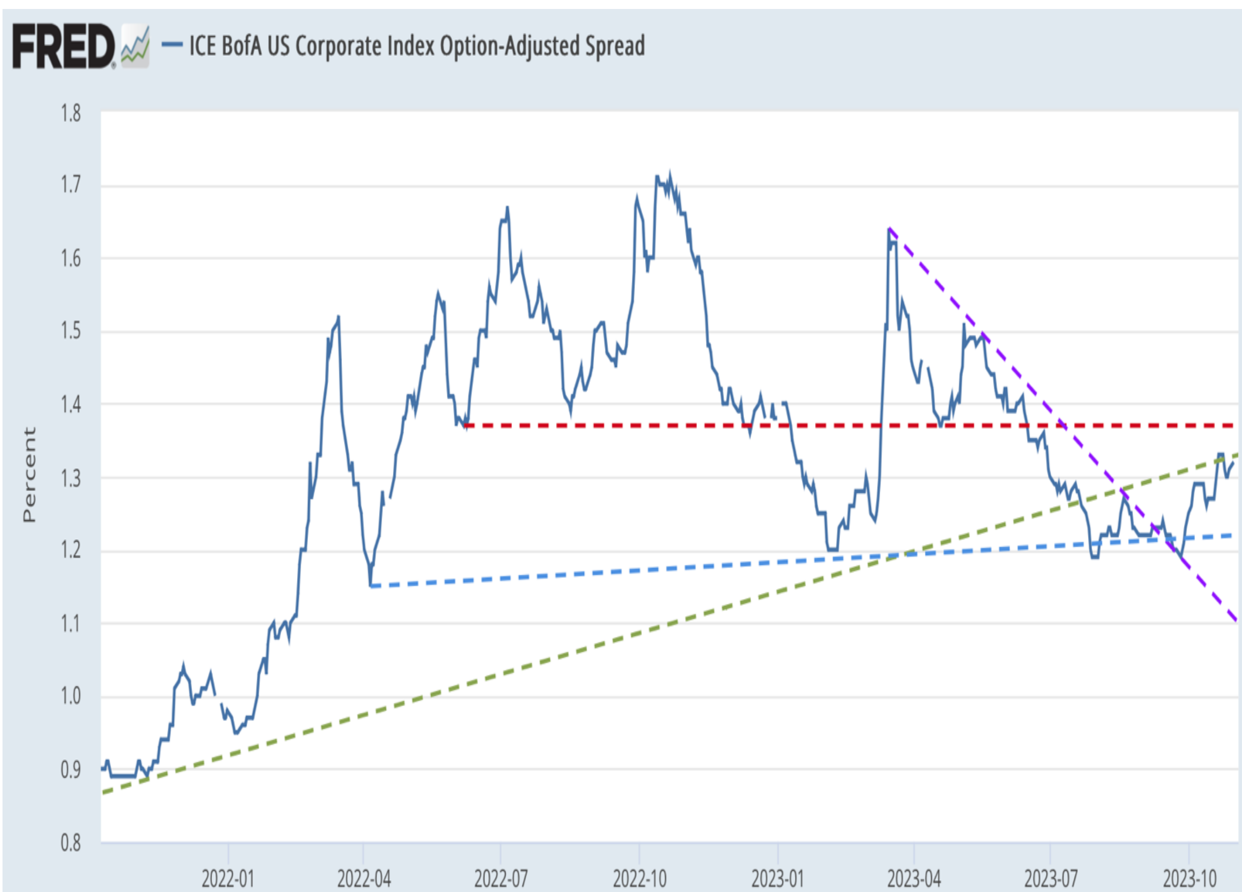
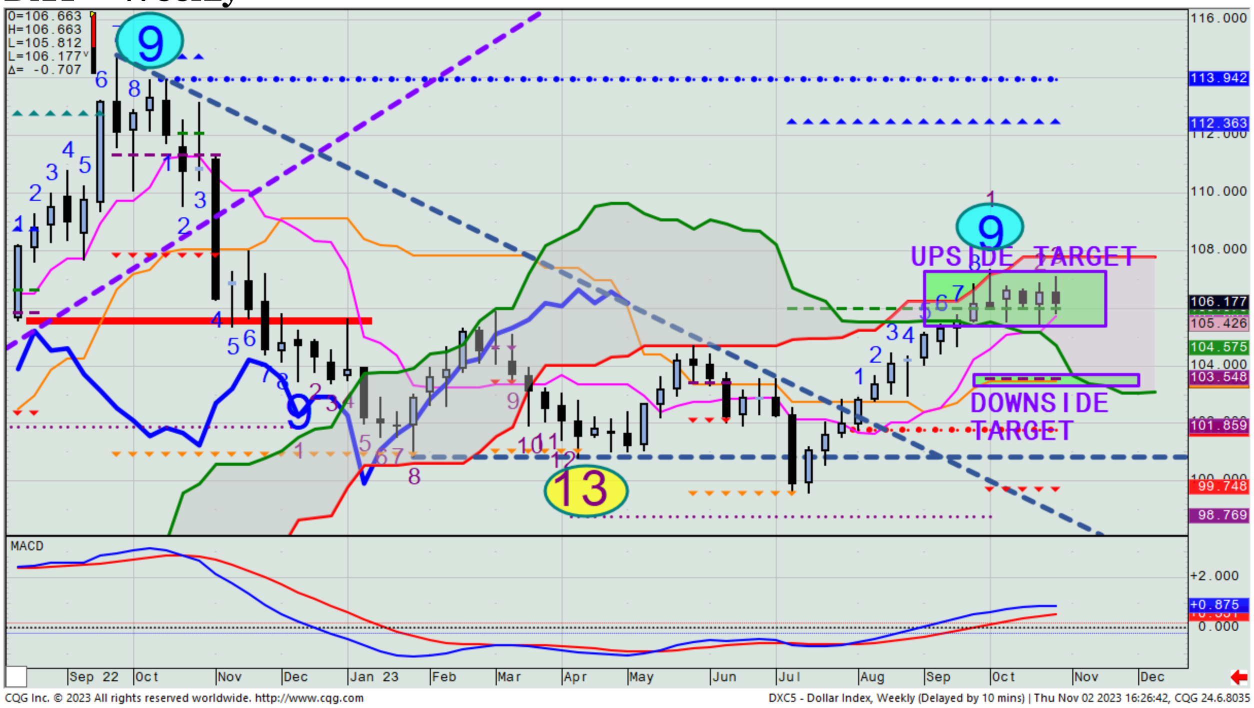
TNX - 10-Year Treasury Note Index, Weekly | Thu Nov 02 2023 16:23:31, CQG 24.6.8035


FRED
ICE BofA US Corporate Index Option-Adjusted Spread
Percent
1.8
1.7
1.6
1.5
1.4
1.3
1.2
1.1
1.0
0.9
0.8
2022-01
2022-04
2022-07
2022-10
2023-01
2023-04
2023-07
2023-10

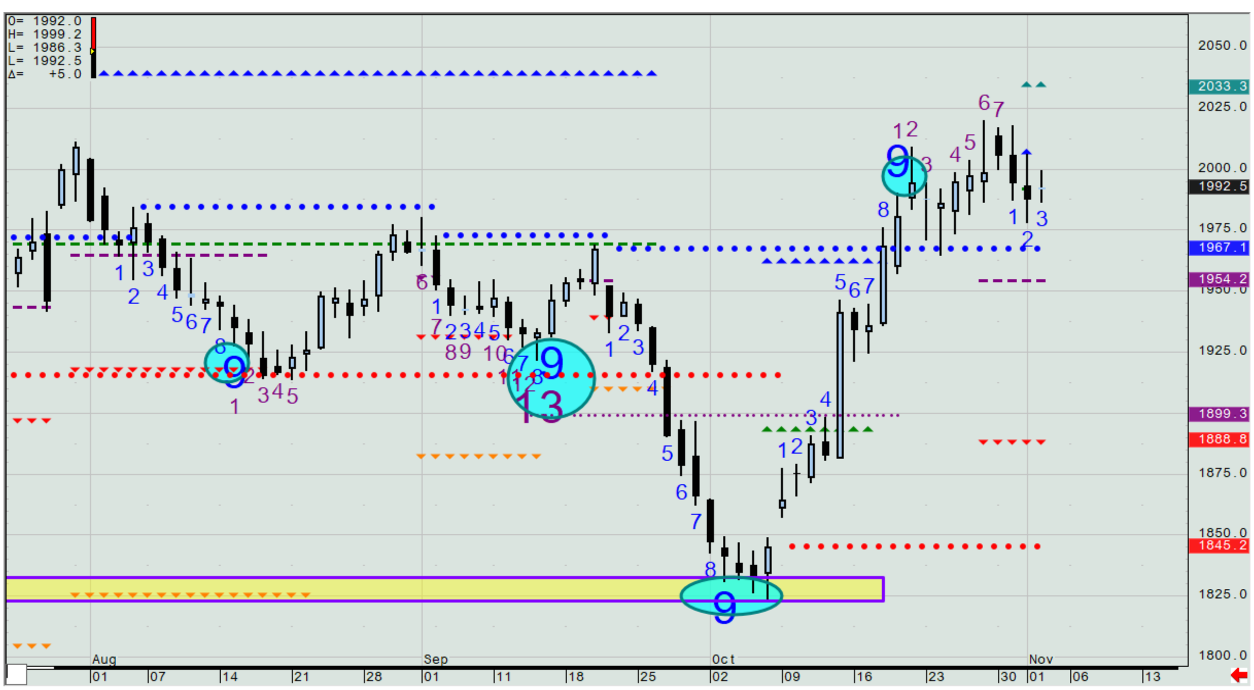
CURRENCIES: I've been looking for the DXY to potentially put in a trading top anywhere in the 107 to 109 range. It continues to trade sideways for the past six weeks, but notice that in the highlighted neon green rectangle there are three unrelated indicators that lie within. That would be my target on a downside break.

DXY – Weekly

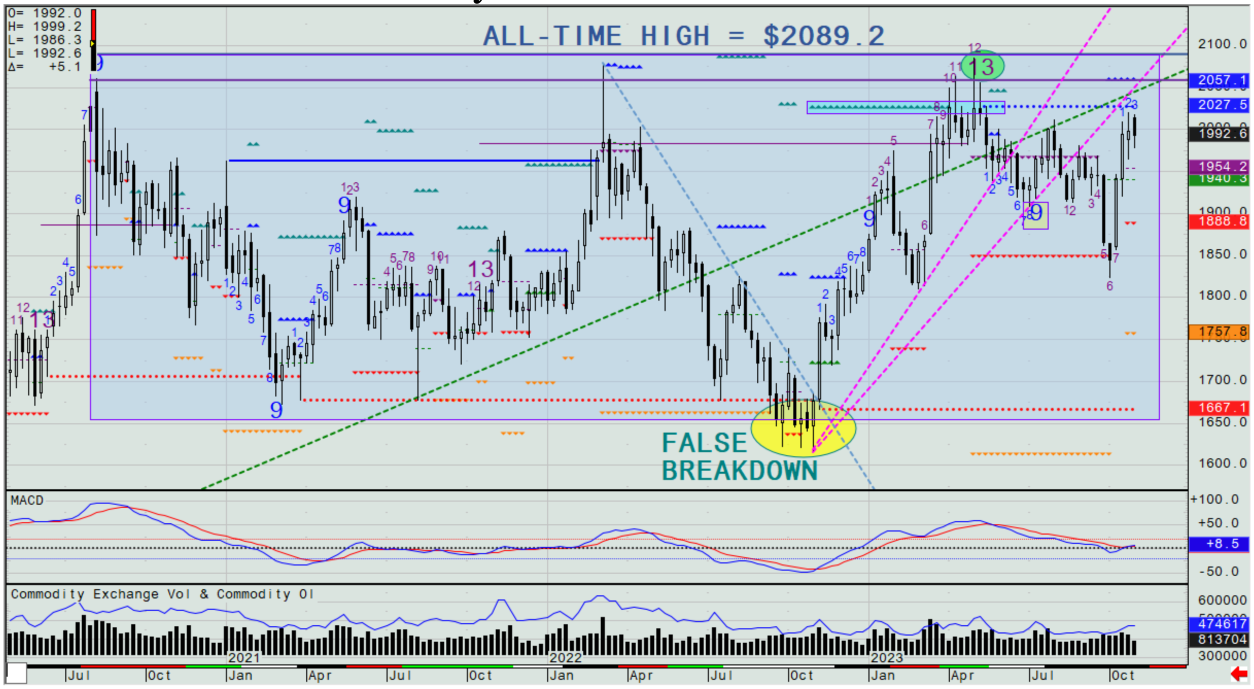


COMMODITIES: When I last wrote about gold, I had mentioned to you that I had shorted futures at $1974. I covered that trade with a buy-stop at $2001 when I was away on vacation. Its bigger picture has improved to me, and so long as ~ $1954 holds as support on pullbacks, it is lining up for a potential major upside breakout from several years of being in a large trading range.

COMEX Gold – Active Daily Continuation



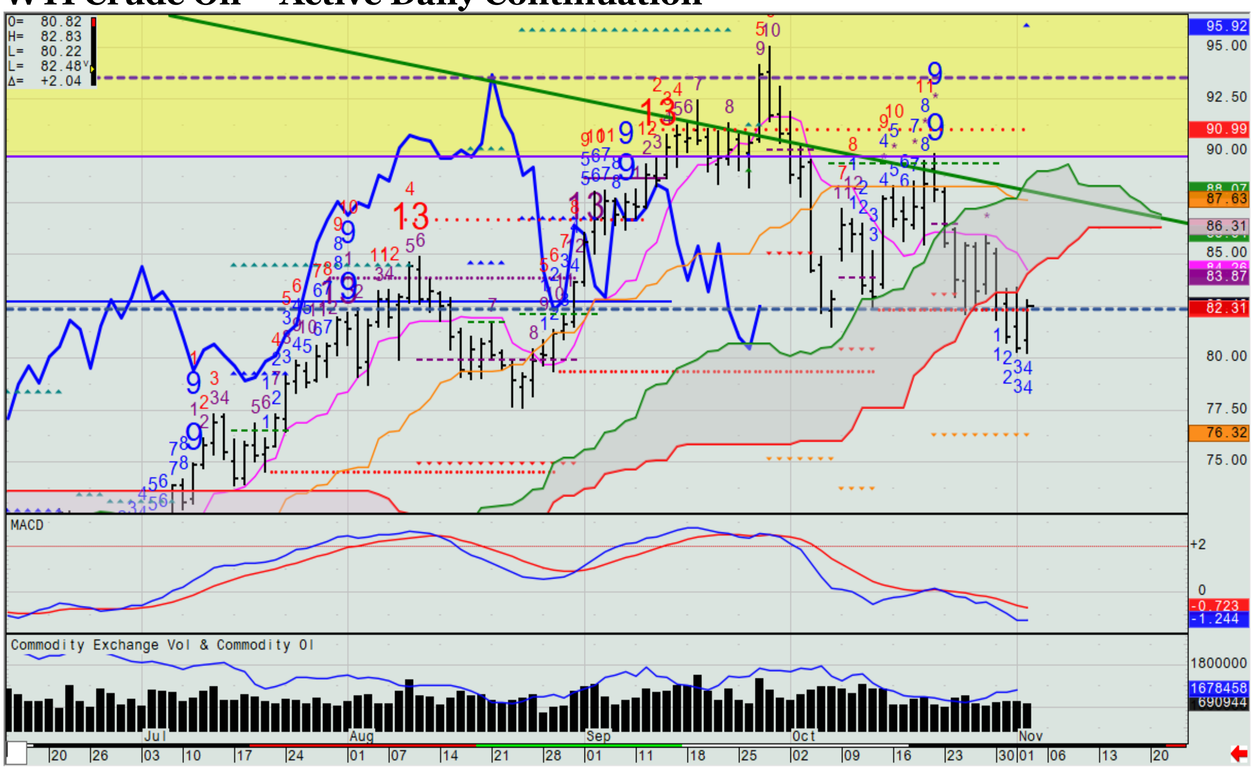
COMEX Gold – Active Weekly Continuation



GCA - Gold - Combined, Active Weekly Continuation (Delayed by 10 mins) | Thu Nov 02 2023 16:28:44, CQG 24.6.8035

On a short-term basis, WTI Oil has now broken beneath its cloud – an early warning sign of a potential trend change. In my view, the $77.50 to $76.25 area is the key support that needs to hold on a further pullback. Most traders have been leaning long because of the Mideast war, but it has not yet paid off.

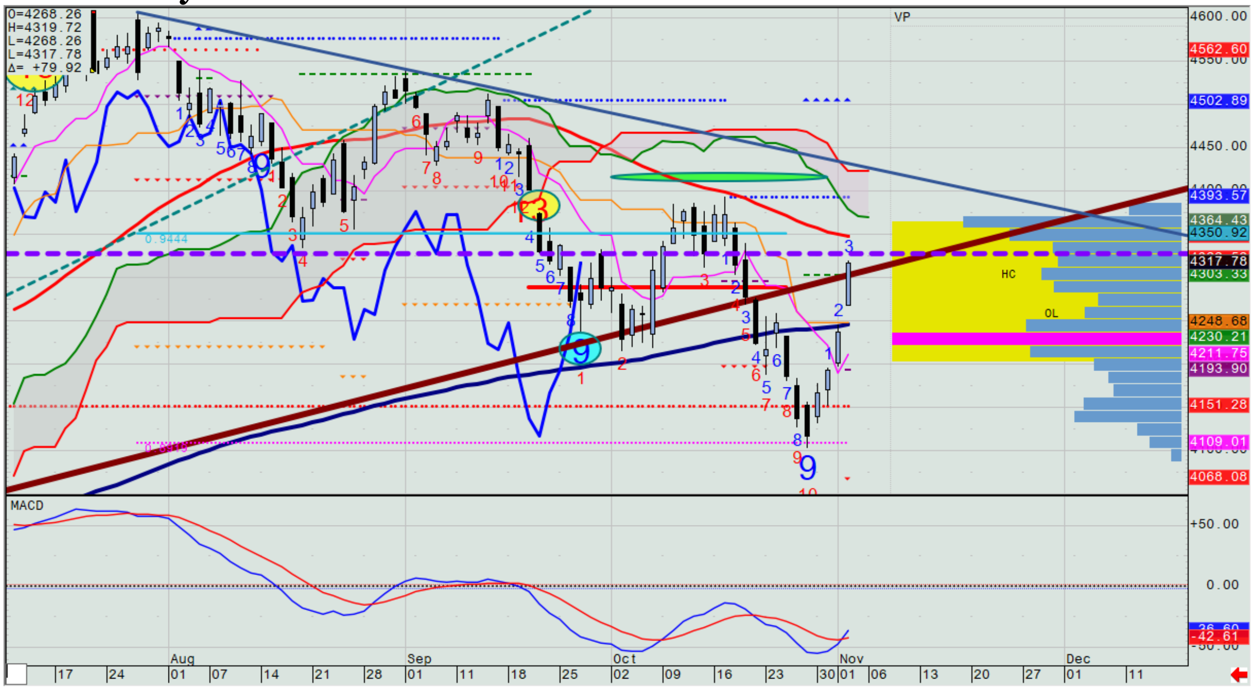
WTI Crude Oil – Active Daily Continuation



CLA - Crude Light - Combined, Active Daily Continuation (Delayed by 10 mins) | Thu Nov 02 2023 16:29:37, CQG 24.6.8035

EQUITY INDEXES: What I now see in the SPX is a qualified and confirmed bearish Propulsion Momentum sell signal from the proper breach beneath 4275, but as described in my opening comments, a defined trading bottom at last Friday's low.

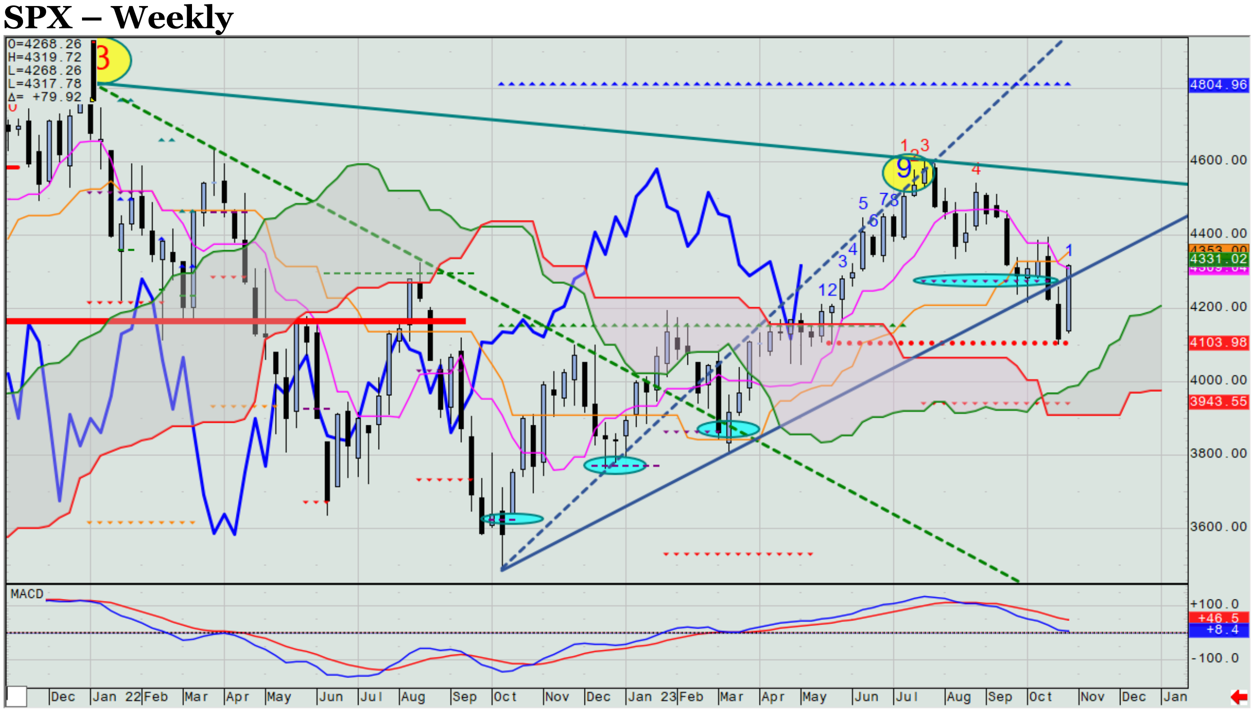
SPX – Daily



In my Daily Tip Sheet report, I had called that bottom and said that I'd potentially look for a move up to the daily bullish Propulsion Momentum level (4303) and to potentially fade it there IF the DSI sentiment poll had also moved up to a more neutral range of 40 to 60 percent bulls. The market has reached that level, but the poll only showed 26% bulls going into yesterday's session, so even after yesterday's rally, it's still not likely high enough to go short, as you don't yet have enough traders convinced that the market is going higher. (But we're getting closer to that point.)

Do note that on the below weekly chart that price has reached the downward Conversion Line, a calculation that has acted as resistance for the bulk of the past two month's rallies.

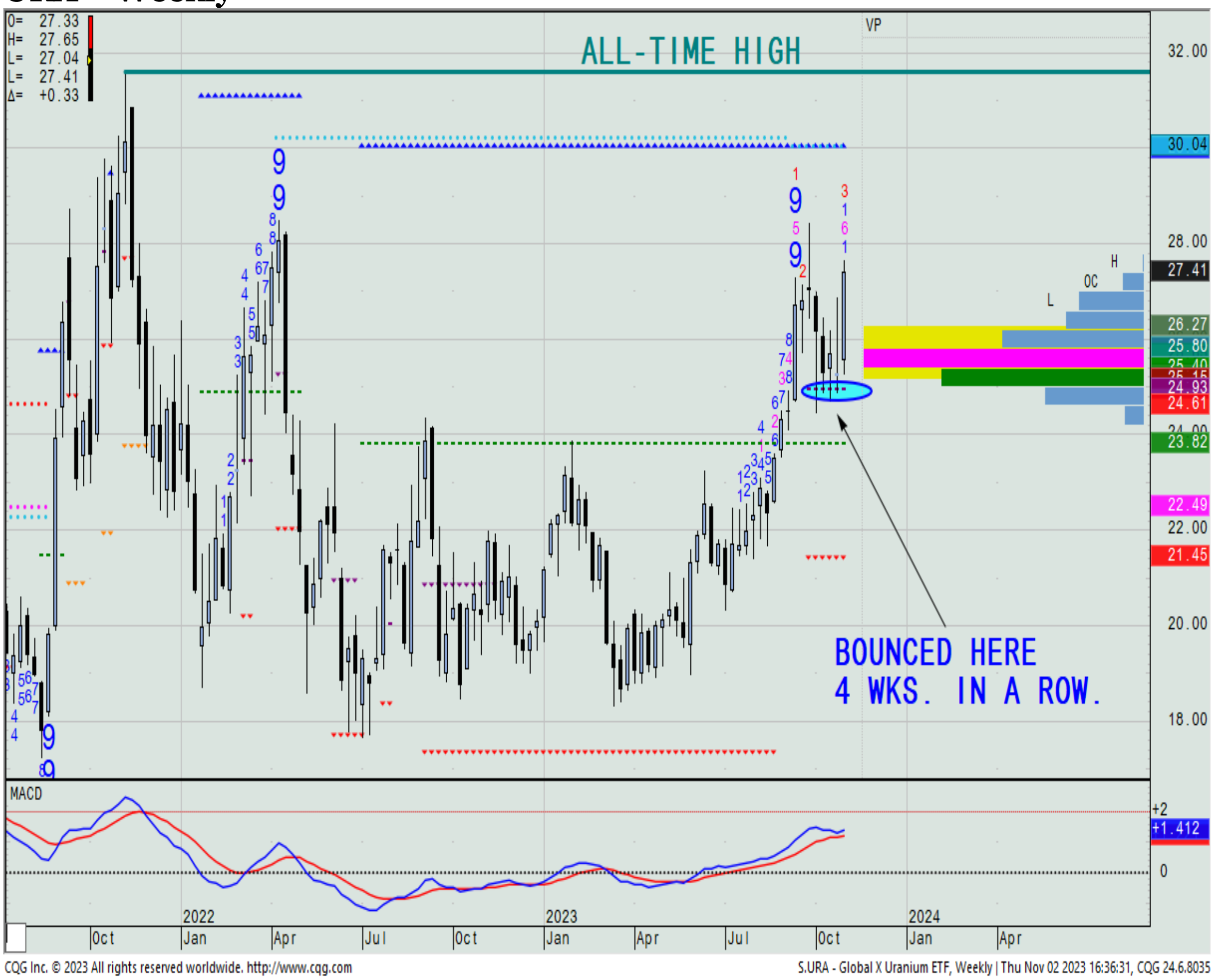
SPX – Weekly



New ETF Trade Idea

There's been a lot of talk in business media about uranium stocks, and they've certainly been on the move since the summer. With the past several weeks bottoming into the bearish Propulsion Momentum level, a move up like we've seen this week is bullish. As such, let's look to get long one unit on a pullback to the top end of the 30-day Value Area into the $26.50 to $26.20 zone (i.e., the top of the horizontal yellow-range area in the Volume Profile indicator on the right side of the chart). We'll look for a rally up to bullish Propulsion Exhaustion level at $29.98 +/- 20 cents. Our sell-stop will be on a Friday close beneath $24.93 (that bearish Propulsion Momentum level that was bounced on several times).

URA – Weekly

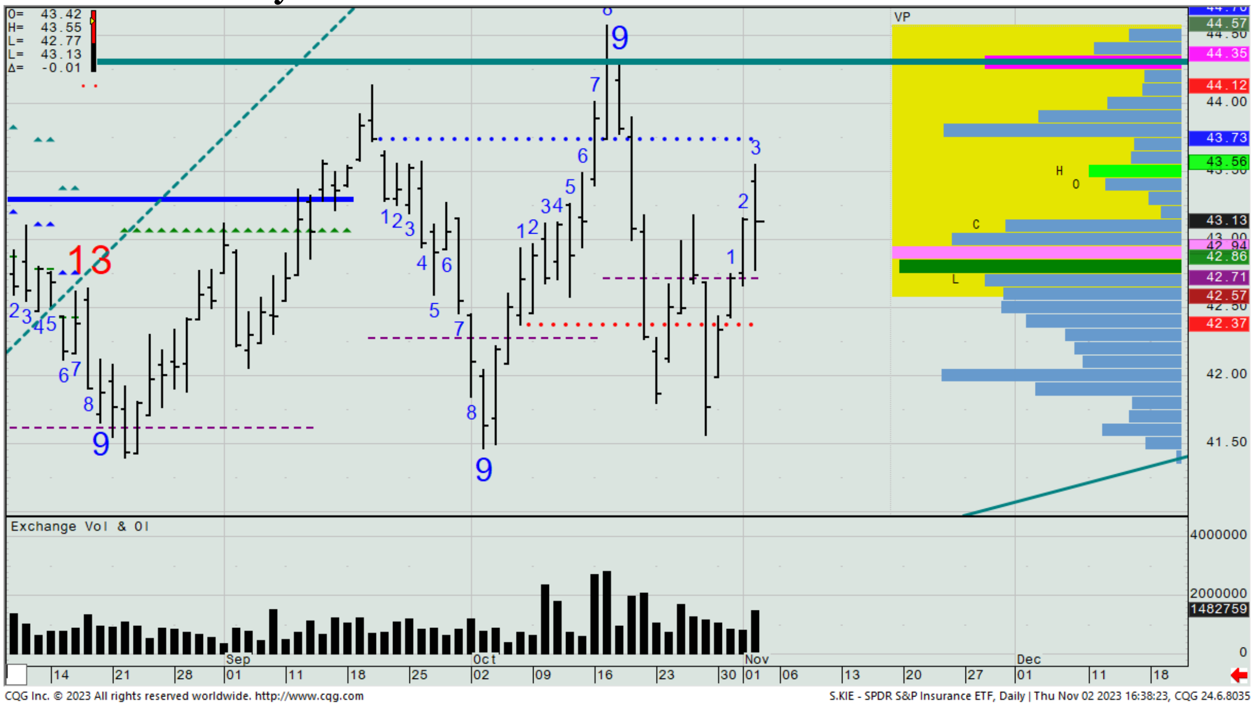


Other Open Recommendations and Positions

Short KIE

We had a $43.30 to $44 short entry point that didn't get filled (high was $43.18 while I was away) that then sold down to our first target before only yesterday getting up to $43.55. I don't put on trades when a target has already been met, so to me, this trade idea was cancelled when it hit that target. However, if you happened to have put this on yesterday, you have a small profit, and I'd say to exit today.

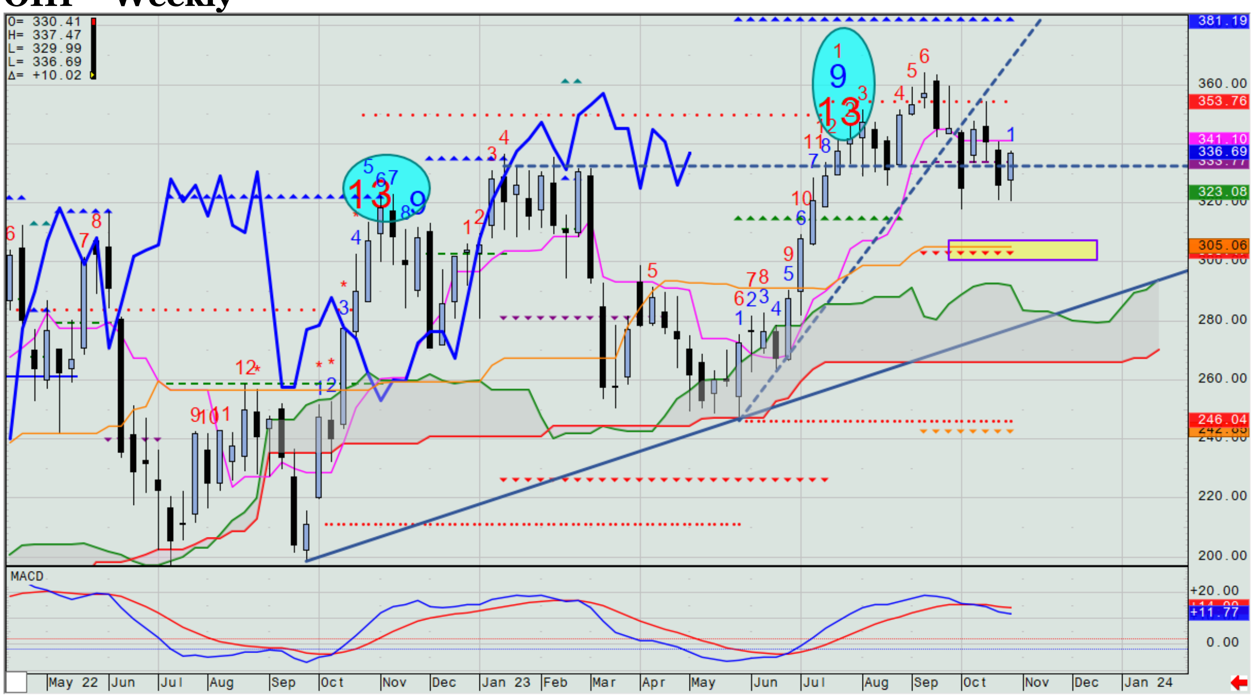
Short KIE – Daily



Short OIH

We have a short on at ~$341. I'm targeting a move down to $306/$303, where we'll cover 2/3 of the short. I'm lowering our buy-stop to a Friday close or two above $341.10.

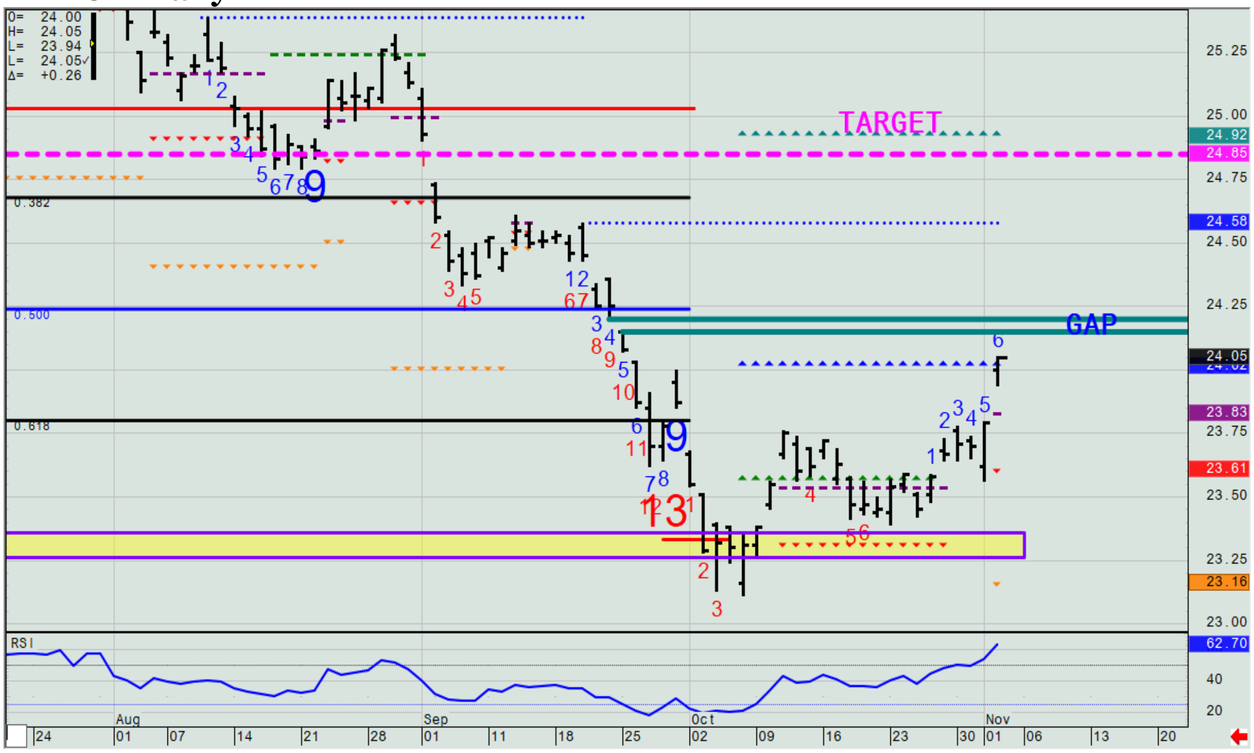
OIH – Weekly



Long EMLC

We recently got long low at $23.13. I had changed the sell-stop to be a close under $23.32 on 10/19 that also opened lower on 10/22 and traded a nickel lower from that open. That never happened, so we are still long and we will sell half today to take a partial profit, and the other half at the $24.58 TDST level.

EMLC – Daily

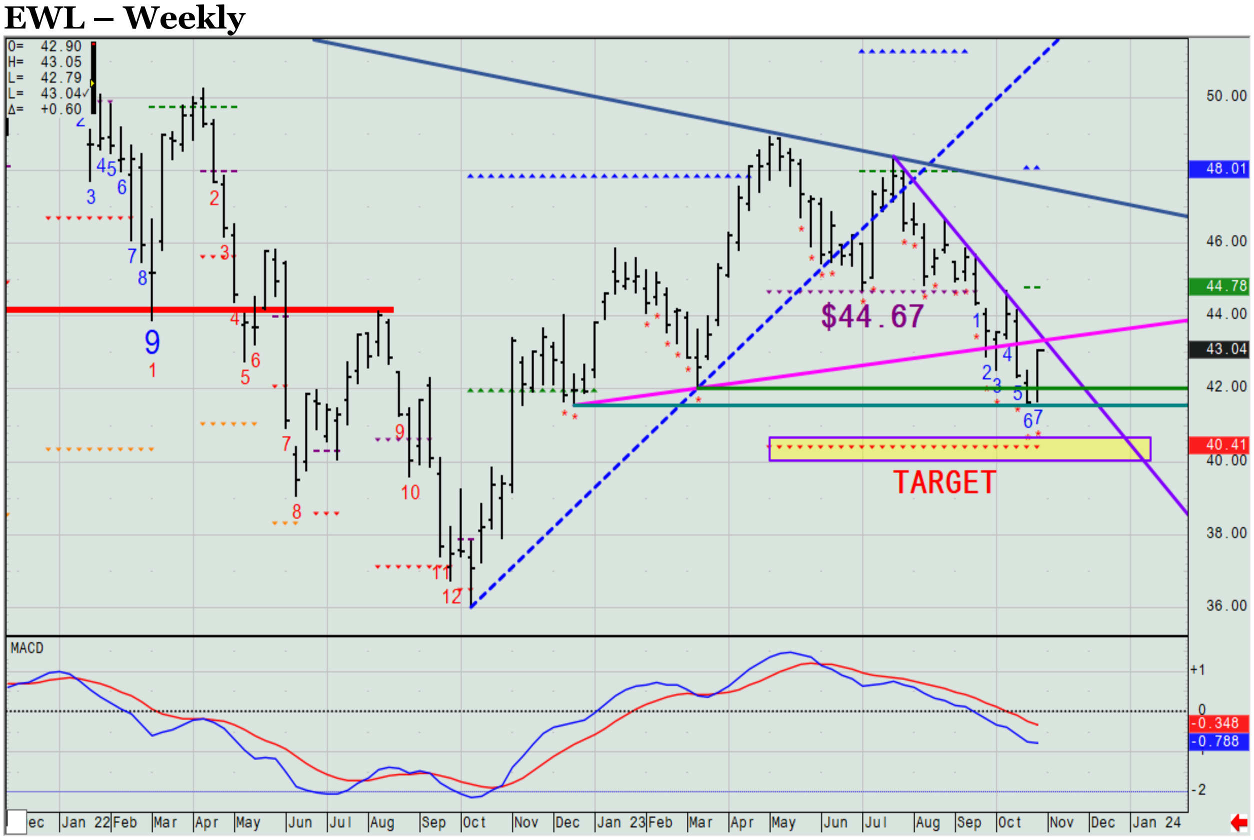


S.EMLC - VanEck VectorsJPMorganEMLocalCurrencyBnd, Daily | Thu Nov 02 2023 16:40:53, CQG 24.6.8035

Short EWL

Six weeks ago, we went short a half-unit at $44.33. I'll raise our buy-stop to exit the short at breakeven. We'll target a move to $40.41 +/- 20 cents. For now, the downtrend line is holding as resistance.

EWL – Weekly



S.EWL - iShares MSCI Switzerland Capped ETF, Weekly | Thu Nov 02 2023 16:43:02, CQG 24.6.8035

Long BITO

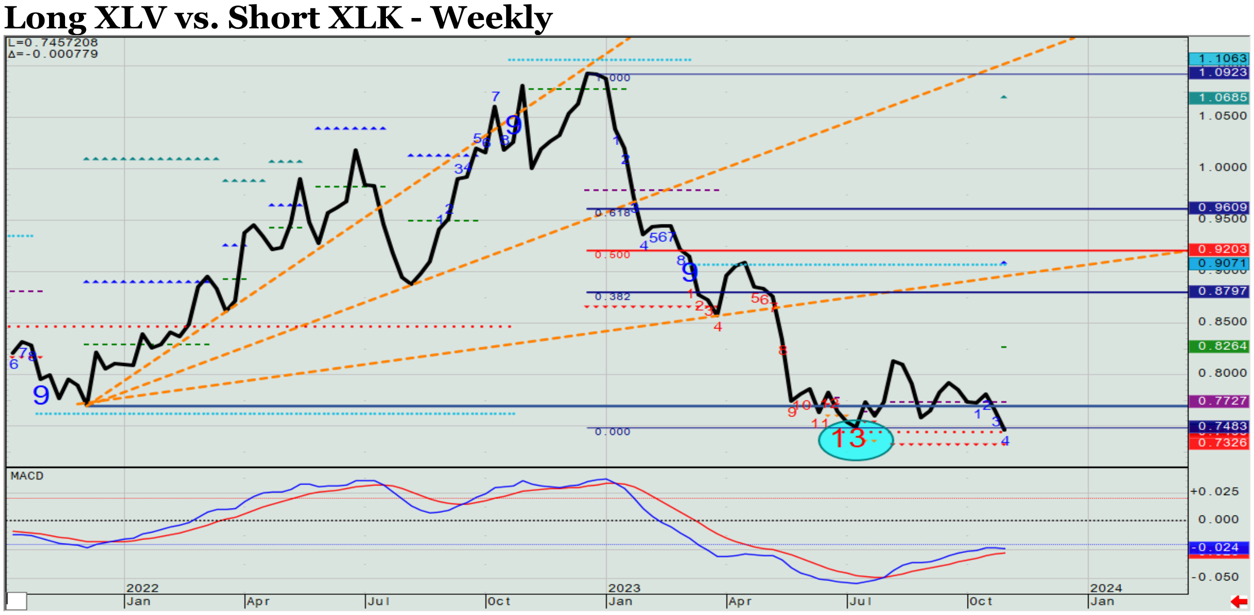
Seven Fridays ago, we went long one unit (at avg. price of $13.55) of this Bitcoin-related ETF (that invests in Bitcoin futures) with a target of $18.38 to $18.58. We sold 1/3 of the position on Friday, 10/19's close of $14.69. We'll sell another 1/3 today on the close. I'll raise the sell-stop on the remaining 33% to a Friday close beneath $17.24. (It's possible that both happen today.)

BITO – Weekly

Long XLV vs. Short XLK

Eleven 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. It's right there now, so we may get stopped out today.

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.

Disclaimer