Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

After an 8 day rally string for the SPX, and an even more impressive 9-day run for the NDX, stocks pulled back yesterday as Fed Chair Powell opened the door further for a possible rate hike in coming months. In other words, after last Wednesday's fairly dovish comments that rate hikes were done for now unless the data proves otherwise, he walked back some of that dovishness on Thursday.

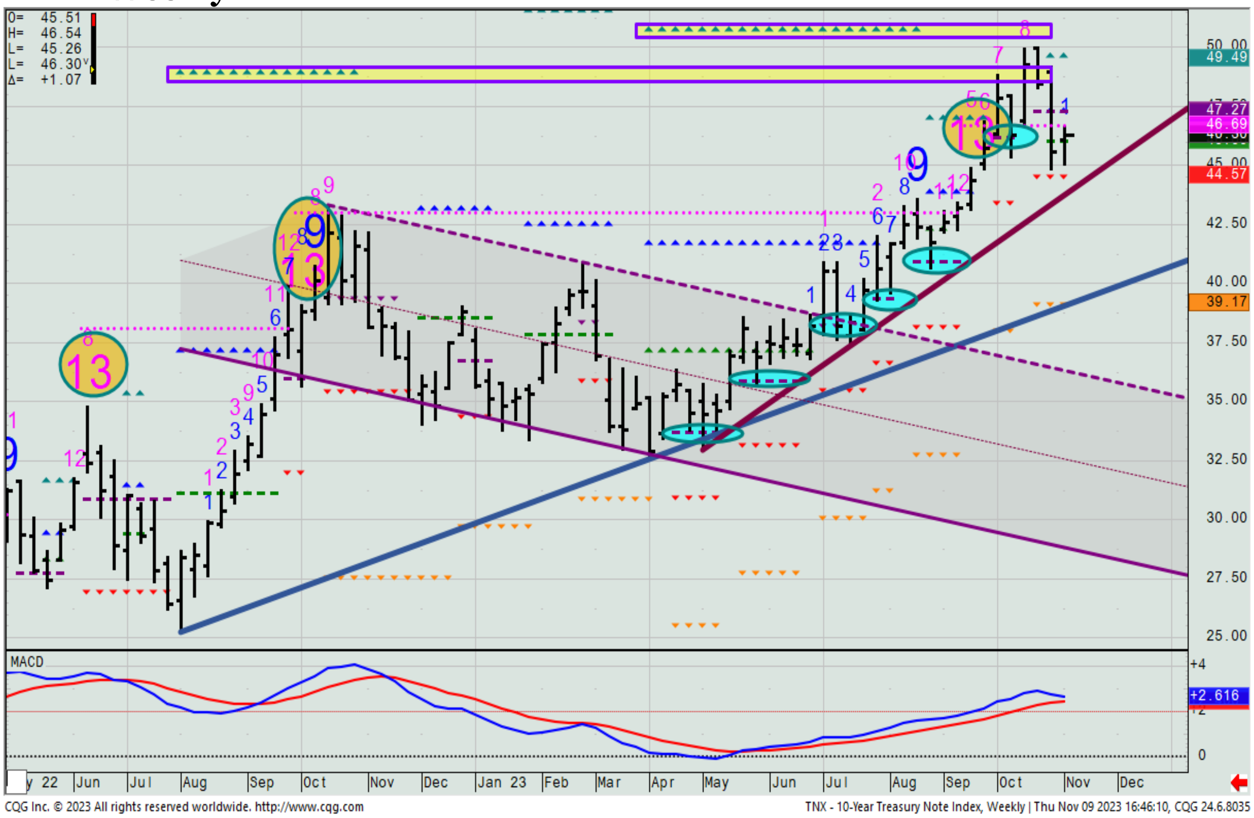
Investors are very fickle – taking last week's comments as if the Fed was truly done hiking yields – and rushing to buy stocks as if the 2% inflation target has already been met (or will shortly be). One would have to be a "pie in the sky"-type person to really think that the economy is even close to achieving his oft-stated goal of getting inflation down to that level.

The Fed is unabashedly "data dependent", and they need to be, because their ability to accurately prognosticate the metrics that most matter to them is as poor as most Wall Street analysts are at accurately predicting earnings; economists are at predicting employment numbers; and strategists are at getting the year-end target correct. In general, they're all quite lousy, and yesterday's reaction to the Powell "walk-back" comments should be no surprise to anyone. Machines drive the first news-driven moves these days, and unless they/re proven wrong, they will continue to play that direction until a greater force offsets them.

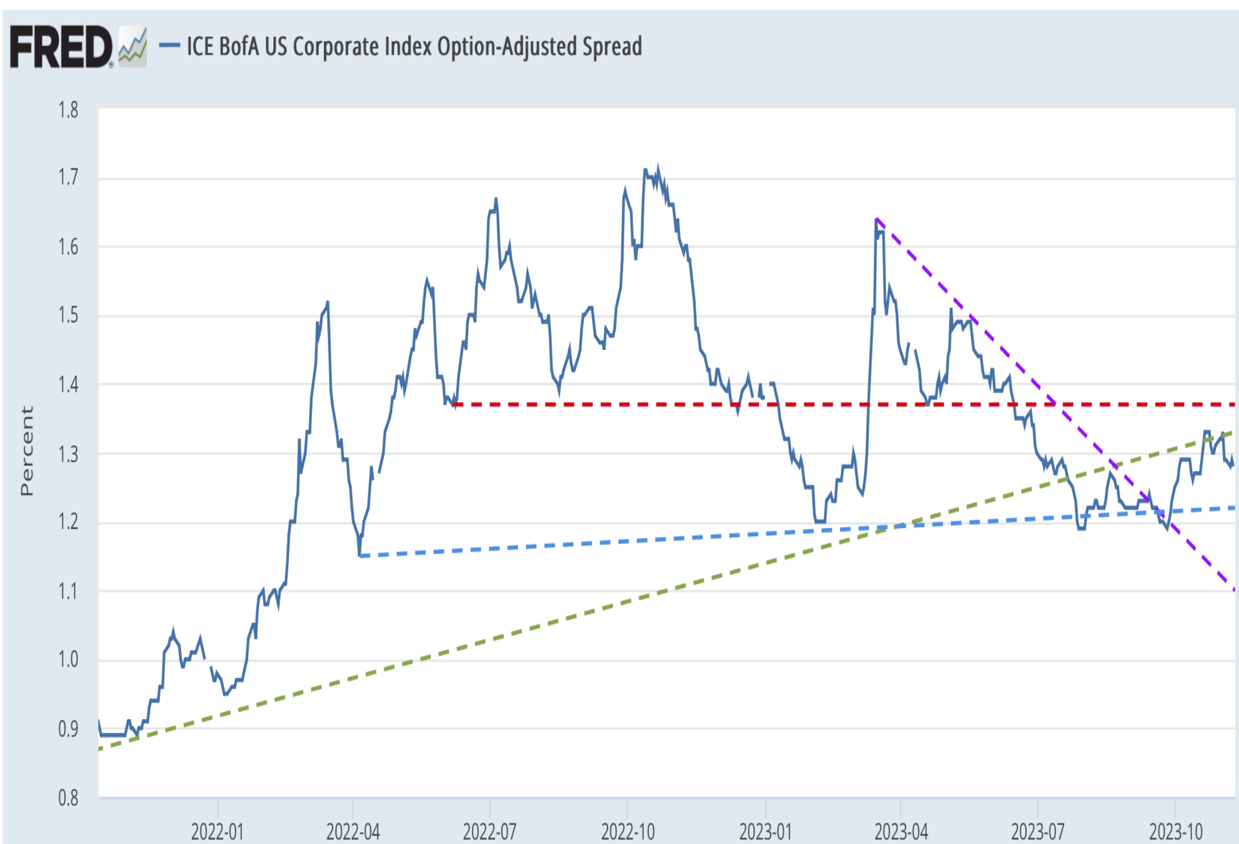
So, until the market sells down to some trading support level, it would not be crazy to see more than just Thursday's decline disappear from the recent run-up. Or at the very least, some pause into the rally, especially as yesterday's SPX high was precisely at its daily TDST line of 4393+. (More later in this report.)

In the meantime, let's also look at the key macro factors and markets that do influence equity price movement, starting with the UST 10-yr. bond. This week's low in the TNX got to within 4-5 basis points from its bearish Propulsion Exhaustion level at 4.457%. A close today above 4.600% would be a qualified upside breach of the bullish Propulsion Momentum level, then suggesting that a gap higher on Monday morning and a higher high sometime next week than this week's high would give a new bullish signal, with targets at 4.717% and potentially 4.949%. On the flipside, a close today above 4.558% that then closes beneath 4.457% next Friday opens the door for a bigger yield decline to near 3.92%. That's a lot of "ifs", but frankly, that's how fickle investors are and how quickly markets react to news. So, I'm presenting both sides to you to help us better navigate the bond market's future direction. (See chart at top of page 2.)

TNX - Weekly

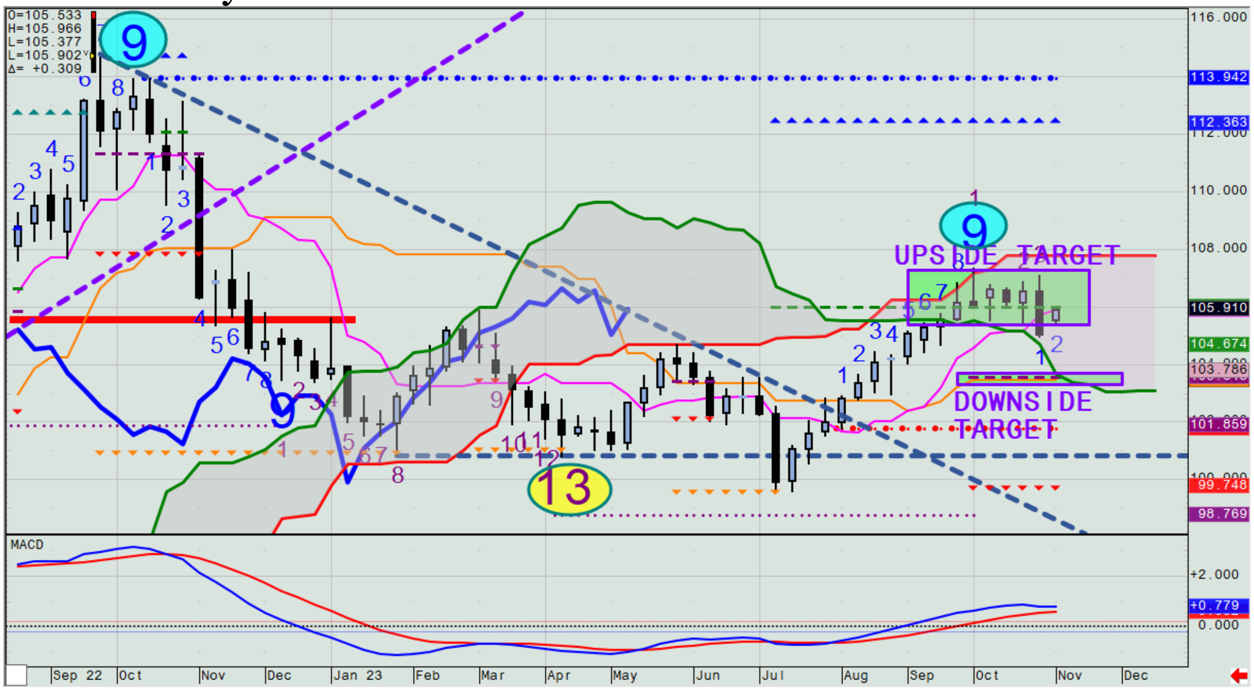


Corporate bond spreads are mostly flat vs. last week's reading (now 1.28%), and mostly in "nowheres-ville". I remain with a 50% widener position from 1.21% with my institutional clients.



CURRENCIES: I had been looking for the DXY to potentially put in a trading top anywhere in the 107 to 109 range and readers of my other reports know that I do believe that the top is definitively in, and that it is headed down to the 103.5 area highlighted on the below chart. That downmove could also become the catalyst for gold to make new all-time highs.

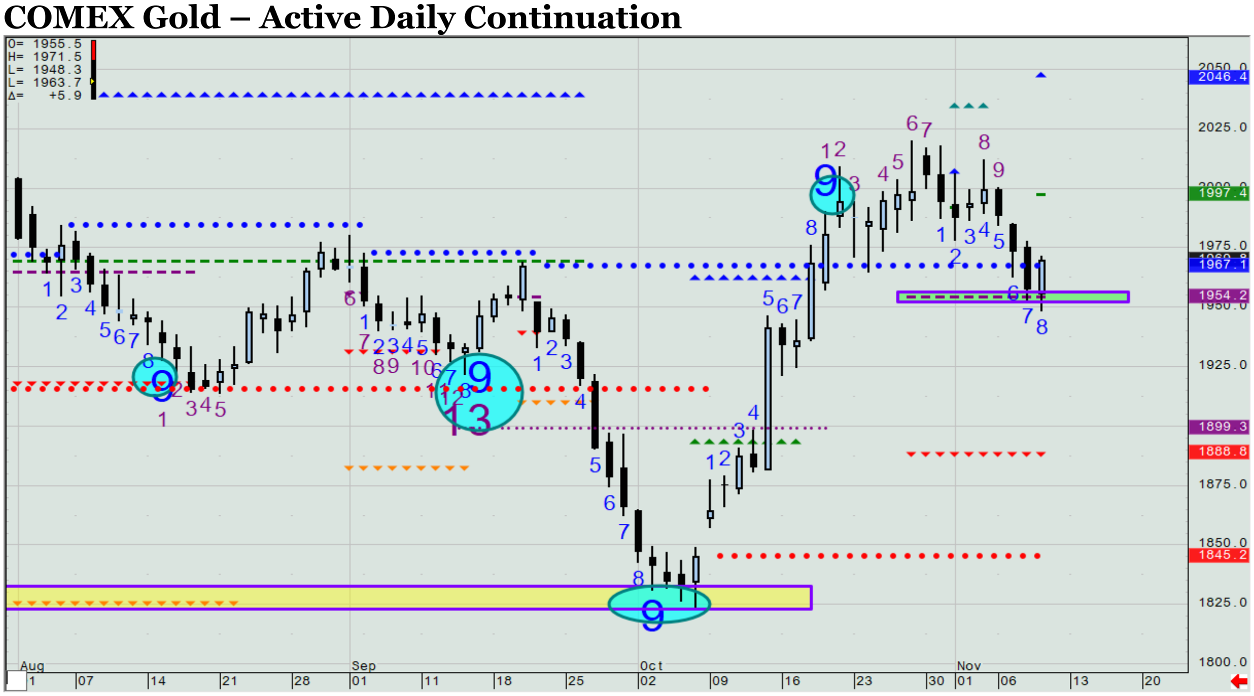
DXY – Weekly



 DXC5 - Dollar Index, Weekly (Delayed by 10 mins) | Thu Nov 09 2023 16:46:52, CQG 24.6.8035

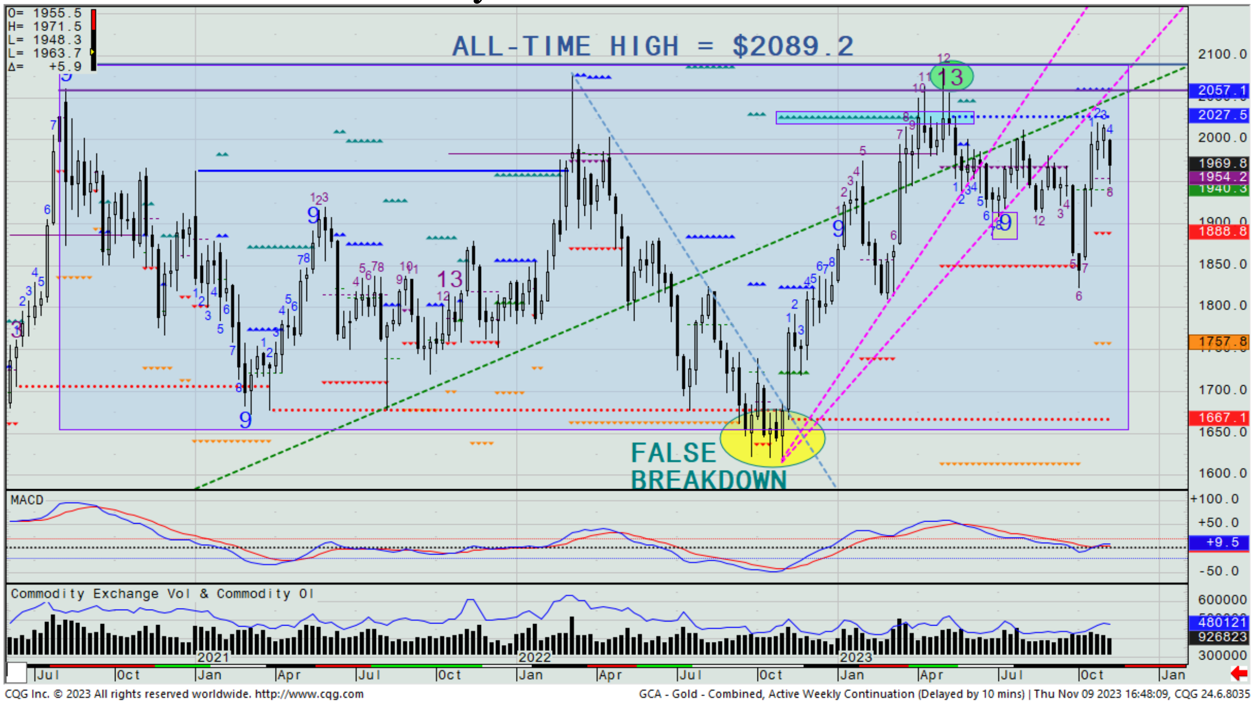
COMMODITIES: Last week I wrote this about gold, "Its bigger picture has improved to me, and so long as ~ $1954 holds as support on pullbacks, it is lining up for a potential major upside breakout from several years of being in a large trading range.". This week's low intraday low is $1948.30, and gold is now trading at ~$1964. We'll see if in coming months this plays out as I called for.

COMEX Gold – Active Daily Continuation



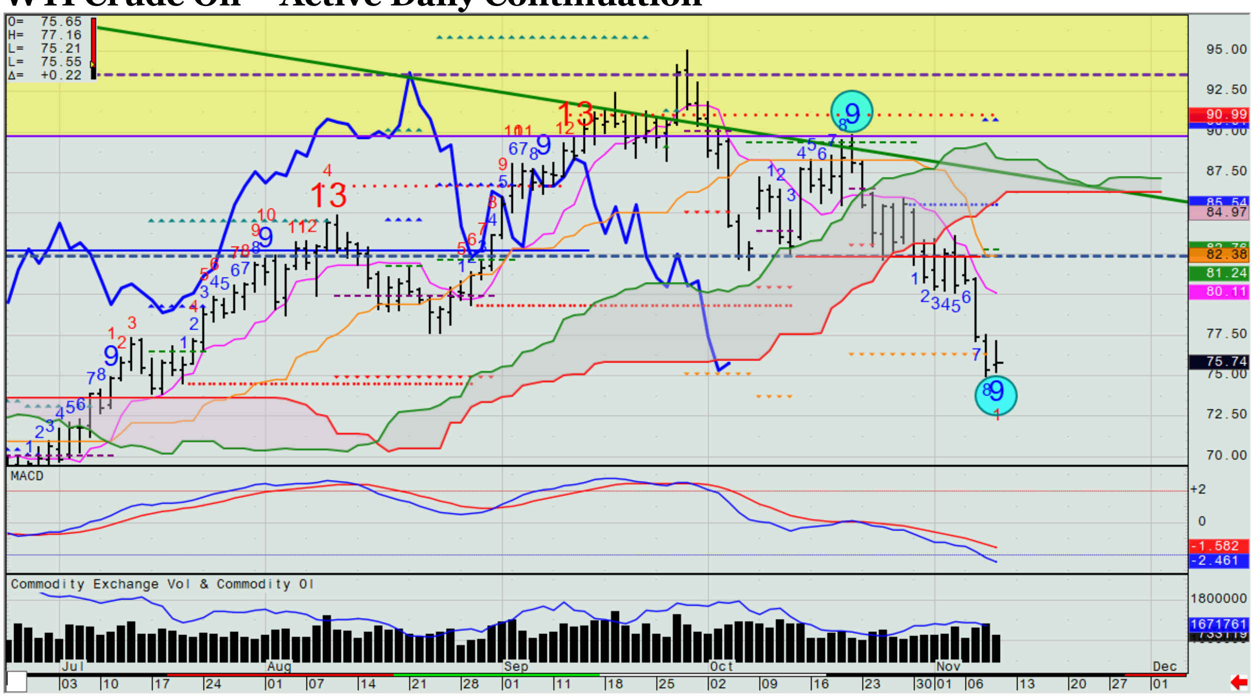
 GCA - Gold - Combined, Active Daily Continuation (Delayed by 10 mins) | Thu Nov 09 2023 16:47:34, CQG 24.6.8035

COMEX Gold – Active Weekly Continuation



Looking at WTI Oil, my view was that "the $77.50 to $76.25 area is the key support that needs to hold on a further pullback". It's a bit lower than there now, but also on a daily Setup -9 count. I'm definitively not selling oil down here; I tend to lean the other way.

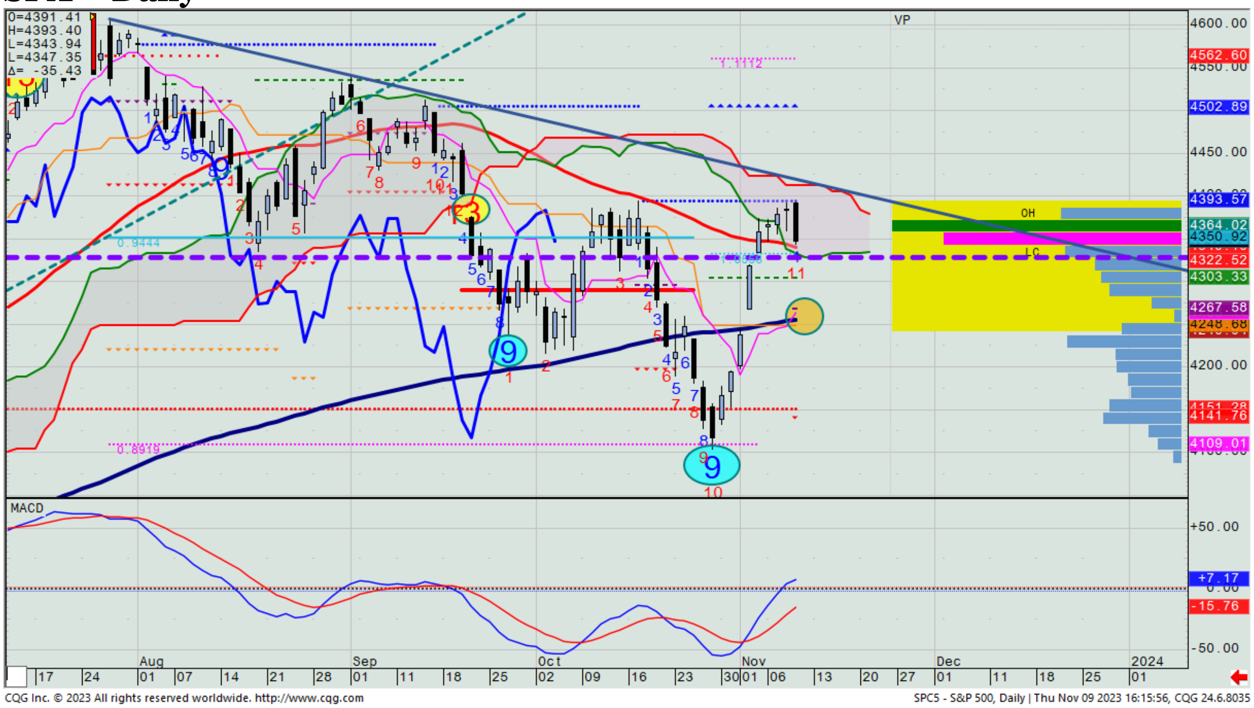
WTI Crude Oil – Active Daily Continuation



EQUITY INDEXES: Yesterday's high precisely hit the daily TDST line at 4394 (i.e., the highest high of the Setup -9 count that concluded the downmove in late-October). The aforementioned reduced dovish talk from Fed Chair Powell was the main catalyst of the subsequent decline, and that downmove was enough to close below the close from four trading days prior – killing what had been a Setup +8 count earlier in the day. Now we see a new Setup -1 count along with a Countdown -11 (of a potential upcoming -13).

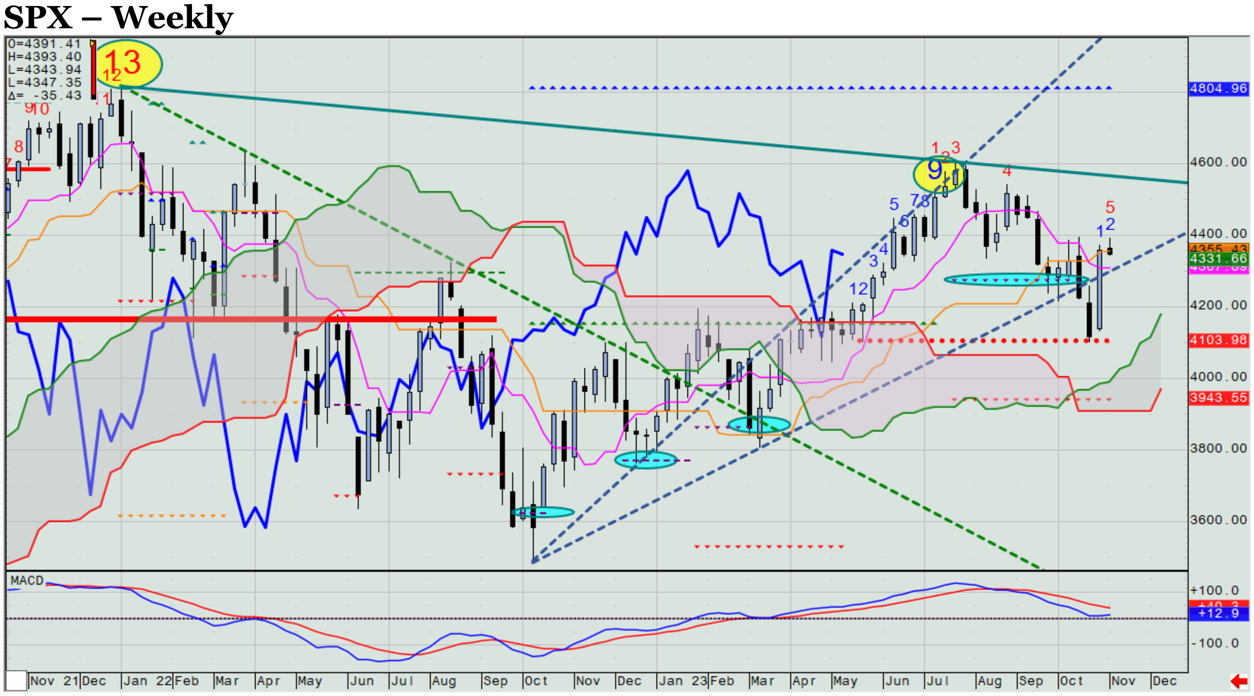
I'd look for a potential move down to the lower end of the "Value Area" (i.e., the first standard deviation of price action over the trailing 30-day period), which just happens to be right by where the orange-colored ellipse is where I want to be a buyer. Thus, in my view, a pullback will not get much lower than the ~4267 area, and if price gets down there, then many of the late-to-the-game longs will have puked to stronger hands.

SPX – Daily



I remain unconvinced that neither stalwart bulls nor bears will be happy at year's end, as I think odds are more likely that we see the SPX stay rangebound and neither hugely rally nor plummet. And to me, it's the most logical conclusion, because there are enough good reasons on both sides of the argument to balance out those very issues to not bring holiday joy to either camp.

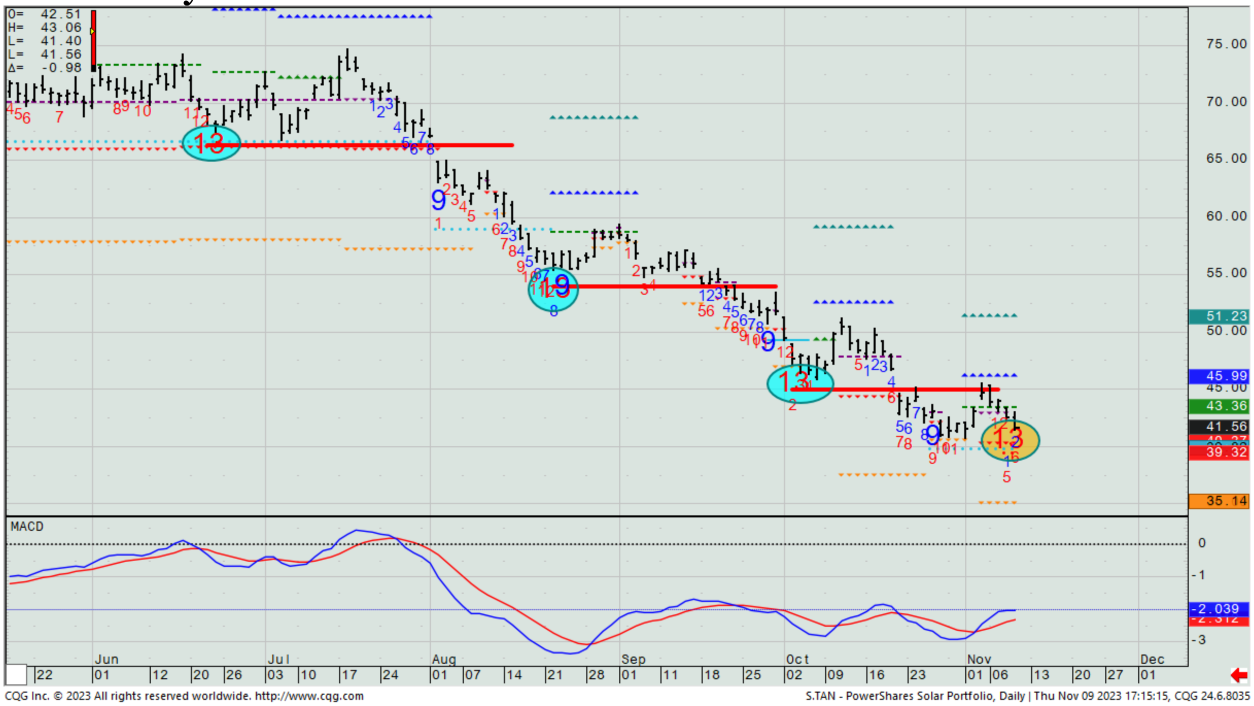
SPX – Weekly



New ETF Trade Idea

Each of the past three daily Sequential -13 signals in the Power Shares Solar Portfolio (TAN) led to $5+ rallies, and as price continues to generally fall, those gains are worth more and more in percentage gains.

TAN – Daily



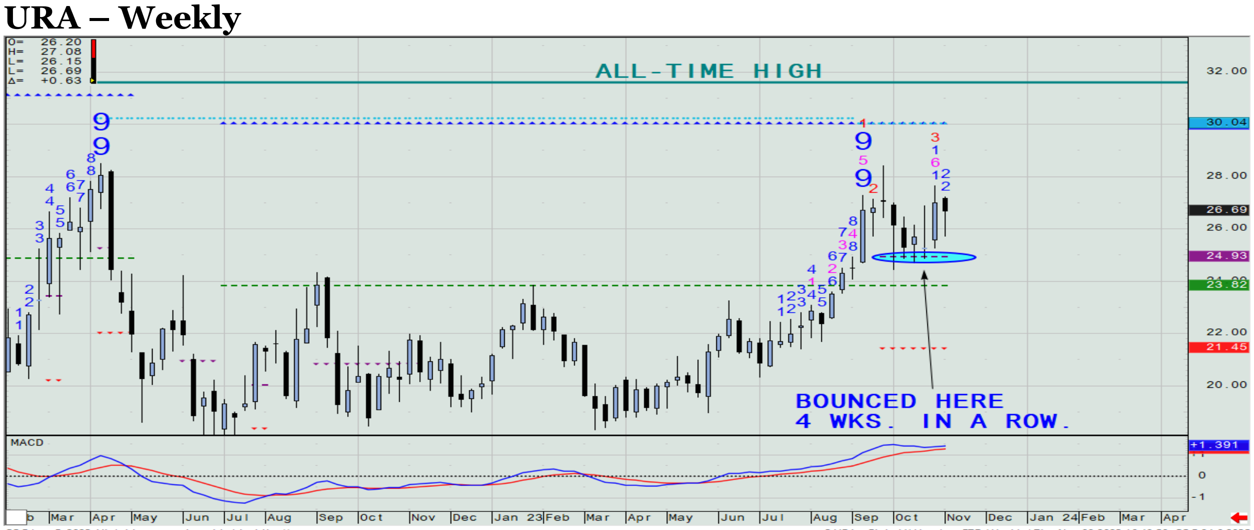
With a new signal having shown up on Wednesday this week, let's look to get long one-half unit today, and another half-unit on a further decline to $40.50 to $40.25. I'll target an upmove to $45.80 to $46.00, and stop this out on <u>consecutive lower daily closes</u> beneath $39.32.

Other Open Recommendations and Positions

Long URA

Last week's idea was to get long on a pullback to the $26.50 to $26.20 range. We got that early on Wednesday morn of this week, so we're long at an avg. of $26.35. My target is $29.98 +/- 20 cents, and our sell-stop is a Friday close beneath $24.93.

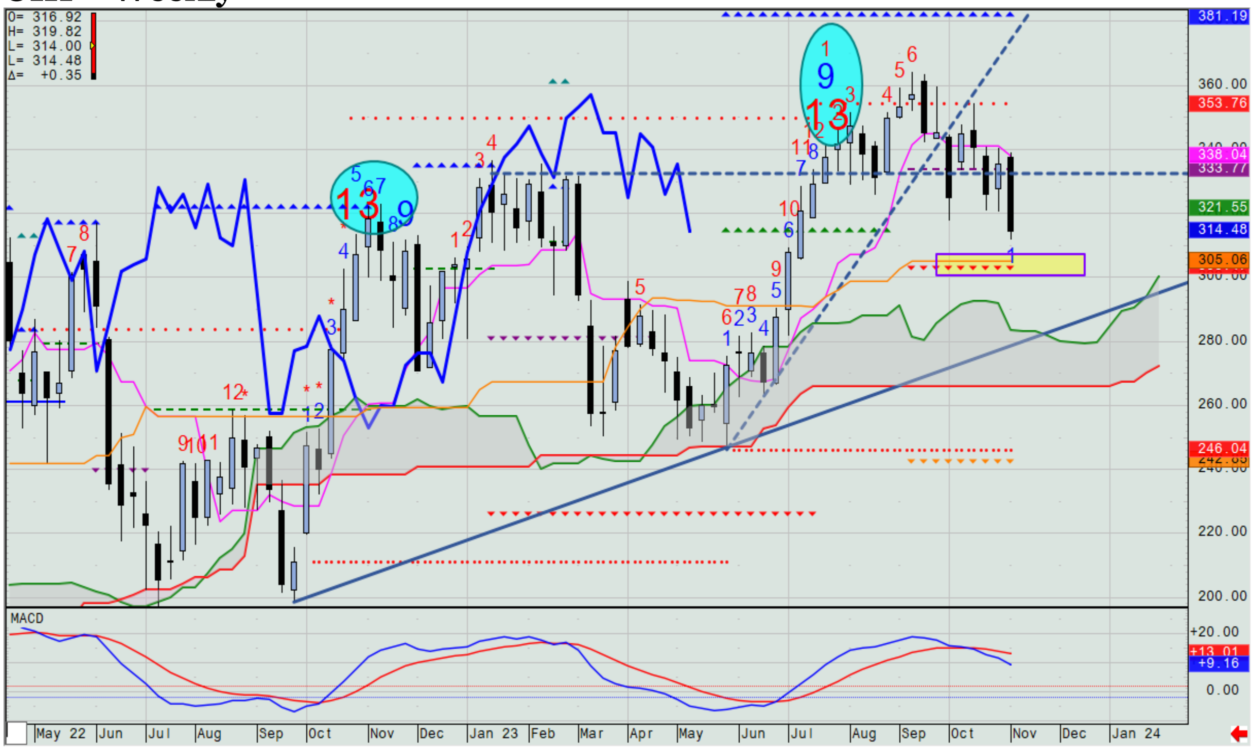
URA – Weekly



Short OIH

We have a short on at ~$341. I've been targeting a move down to $306/$303, where we'll cover 2/3 of the short (It's now just about 3% from there). I'm again lowering our buy-stop to a Friday close above $333.22.

OIH – Weekly

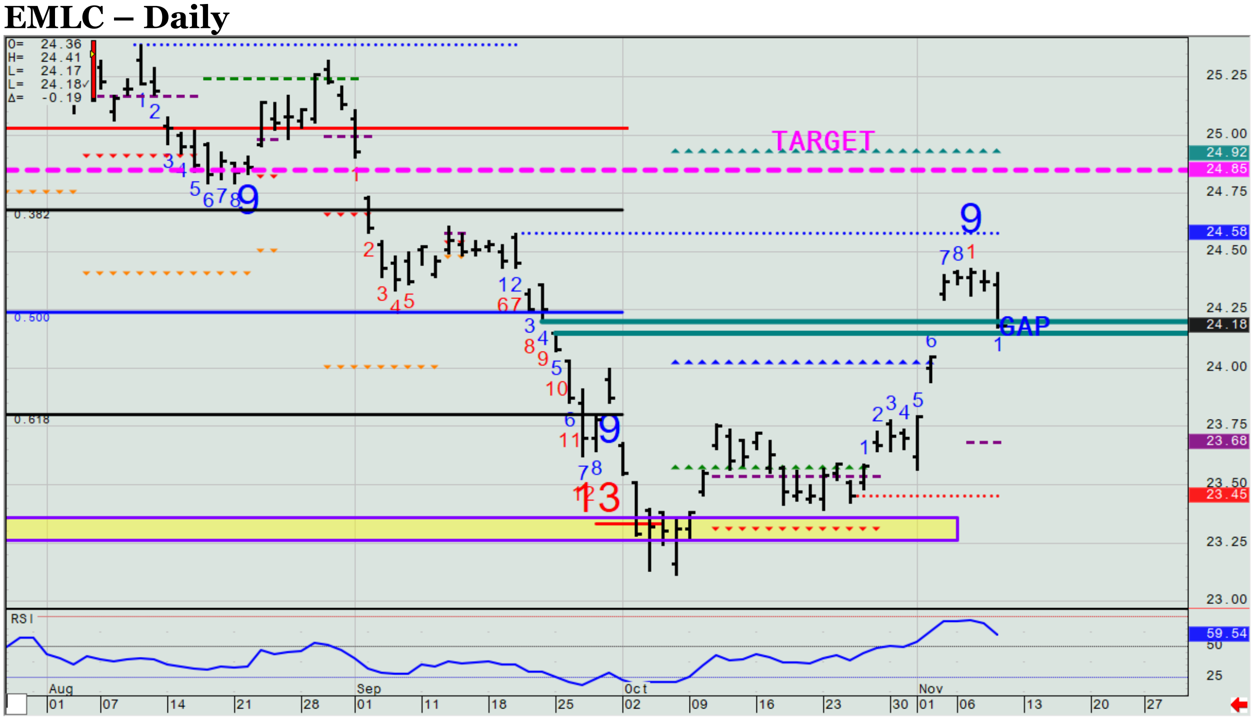


 S.OIH - VanEck Vectors Oil Service ETF, Weekly | Thu Nov 09 2023 16:51:23, CQG 24.6.8035

Long EMLC

We recently got long low at $23.13. We sold half last Friday (at an avg. price of $24.34). The other half we'll take off on a rally to the $24.58 TDST level, OR, stop out the balance on a daily close beneath $24.01.

EMLC – Daily

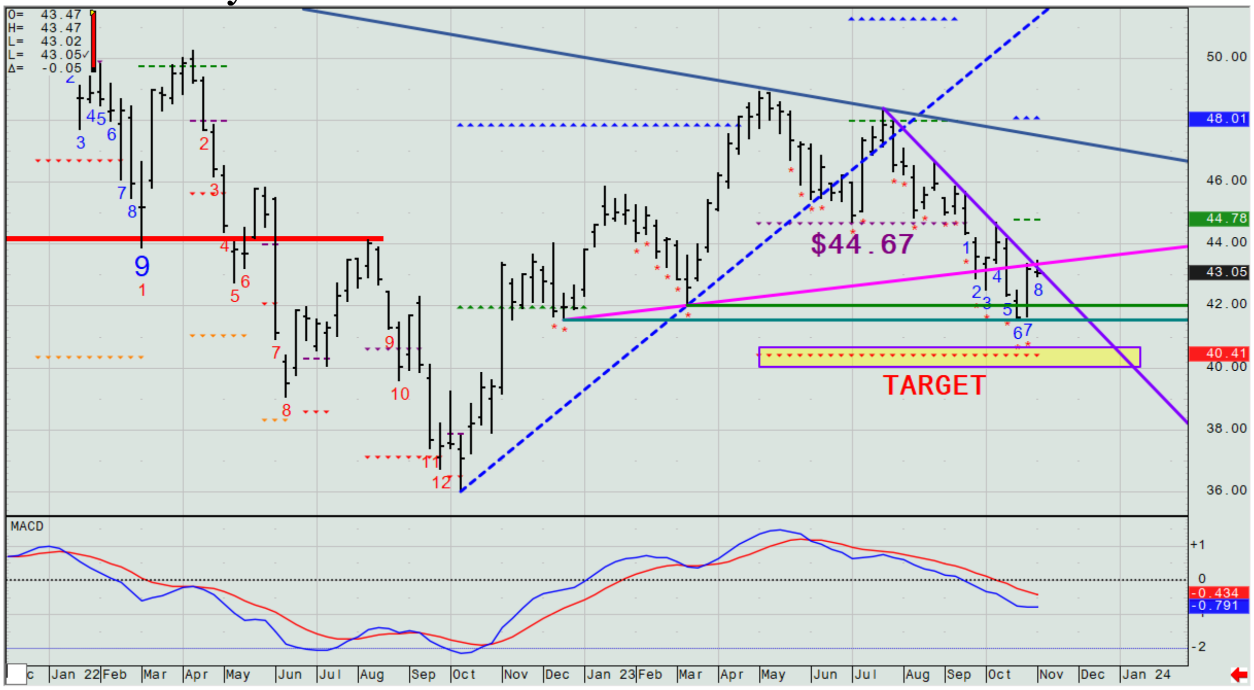


 S.EMLC - VanEck VectorsJPMorganEMLocalCurrencyBnd, Daily | Thu Nov 09 2023 16:59:26, CQG 24.6.8035

Short EWL

Seven weeks ago, we went short a half-unit at $44.33, with a target of $40.41 +/- 20 cents. We have a breakeven buy-stop.

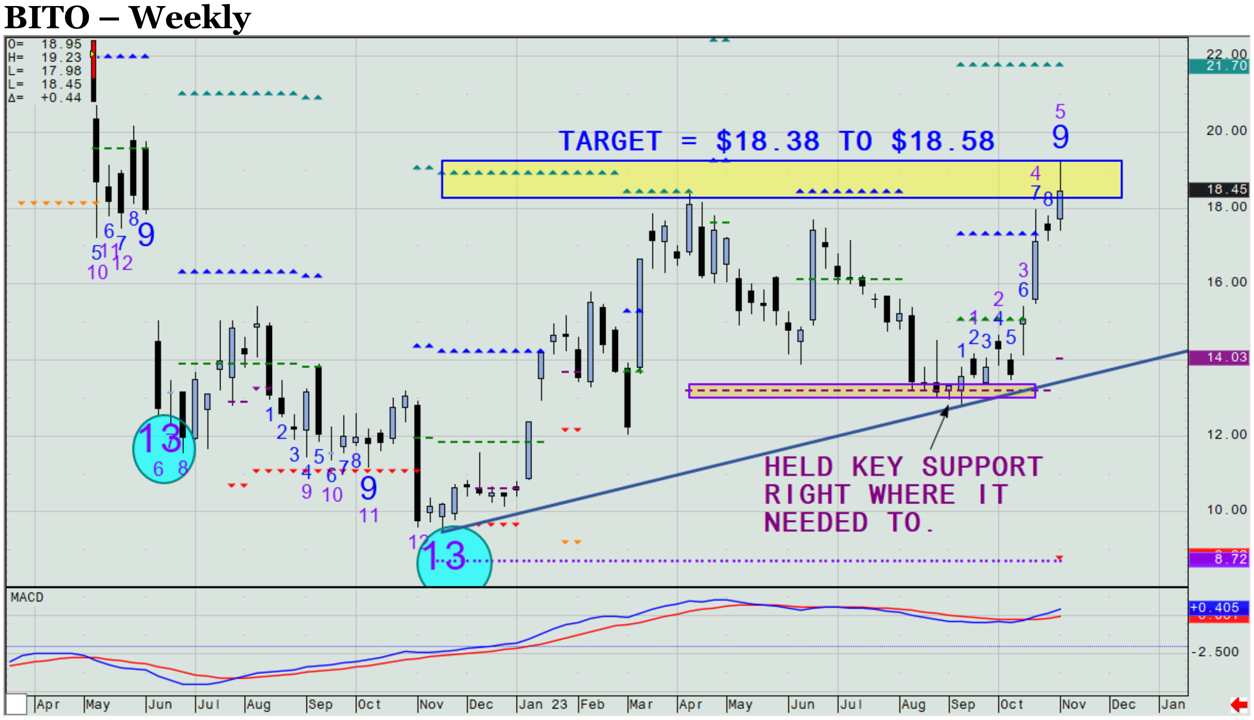
EWL – Weekly



Long BITO

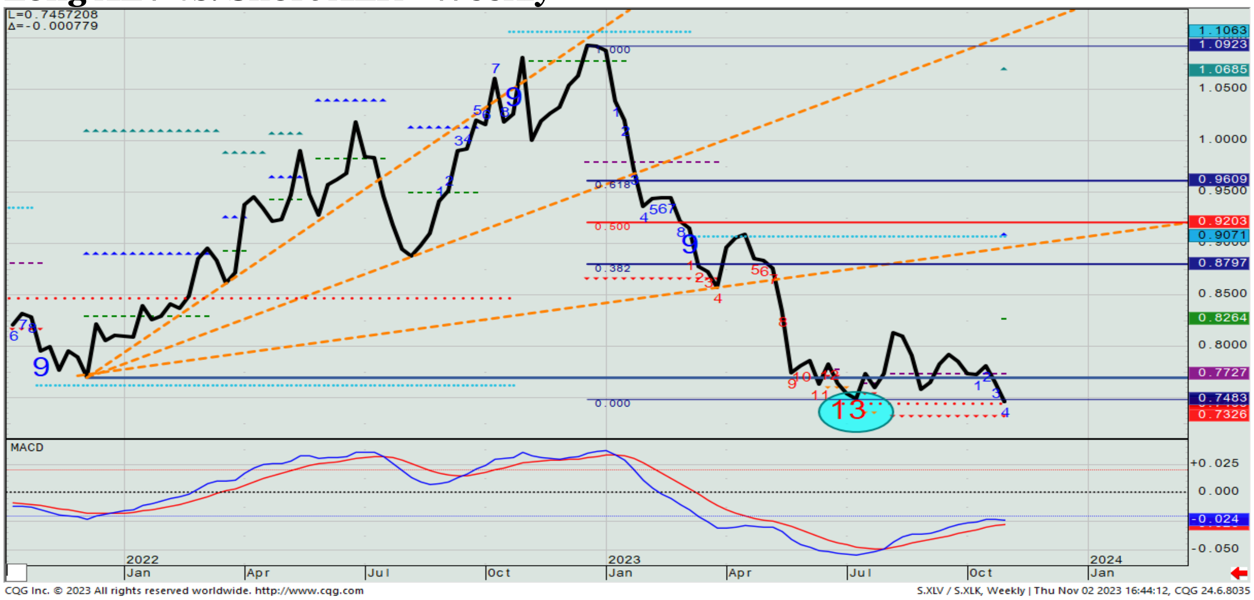
Eight Fridays ago, we went long one unit (at avg. price of $13.55) of this Bitcoin-related ETF (that invests in Bitcoin futures) with a target of $18.38 to $18.58. We previously sold 1/3 of the position at $14.69. We sold another 1/3 on last Friday's close (filled at $17.43and then sold the final 1/3 yesterday as it reached our target (sold at an avg. of $18.48). In total, we made 24.5% on this two month trade, and we are now out of it

BITO – Weekly



Long XLV vs. Short XLK
Twelve 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.) Our sell stop was on a Friday close beneath 0.7483, and we saw that last Friday and was stopped out at 0.7417. We lost 6.39%.

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 <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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