Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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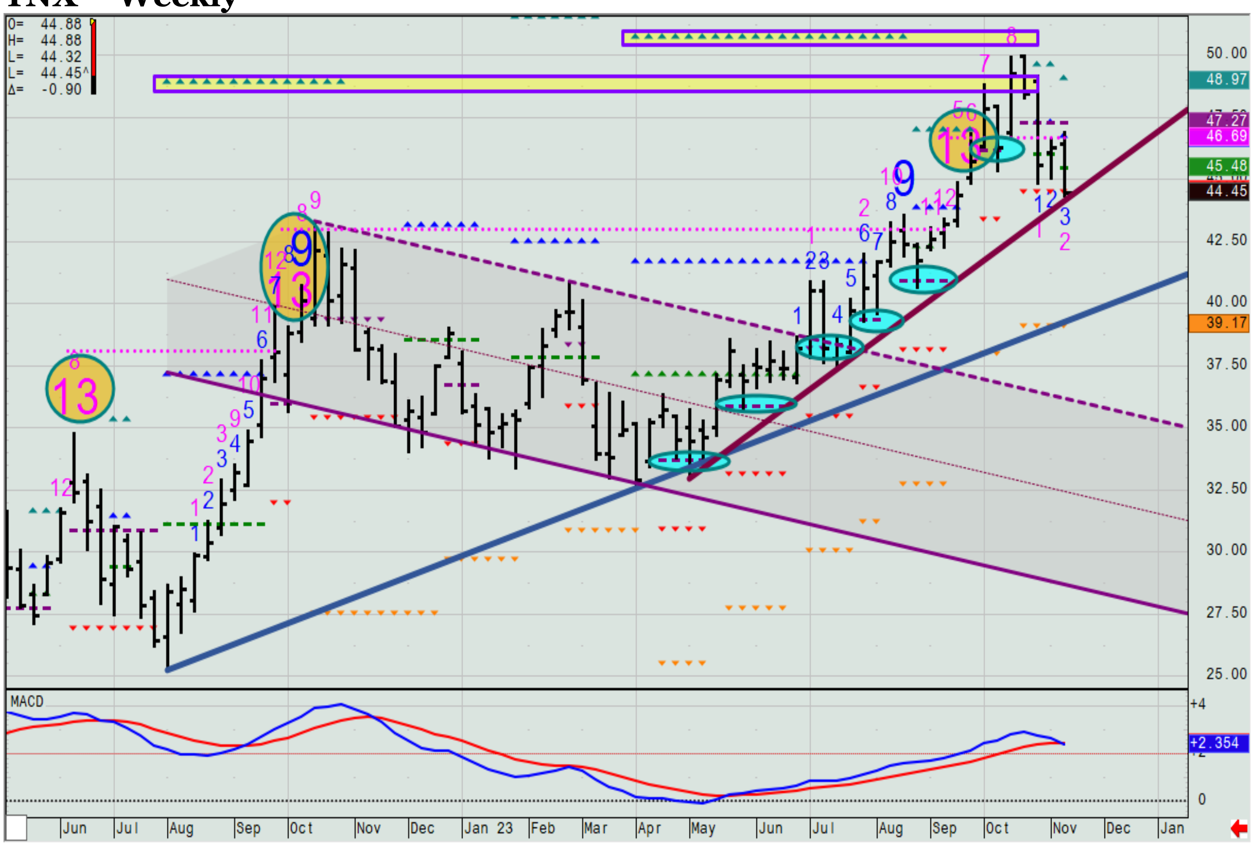
TACTICAL TRADER REPORT

The Macro Picture

Last week I wrote that last Thursday's decline may be the beginning of more correction to what had been an 8-day massive rally into that point. I was wrong. Markets still leapt forward and got a major boost on Tuesday from the better than expected CPI figure, and then even a little more on Wednesday from the cool PPI number. As a result, Street sentiment has quickly turned to believing that not only is the Fed definitively done raising rates (now only a 5% chance for a hike in December vs. what had been an 86% chance from before the PPI number), but that it's full steam ahead for stocks to assault the all-time highs.

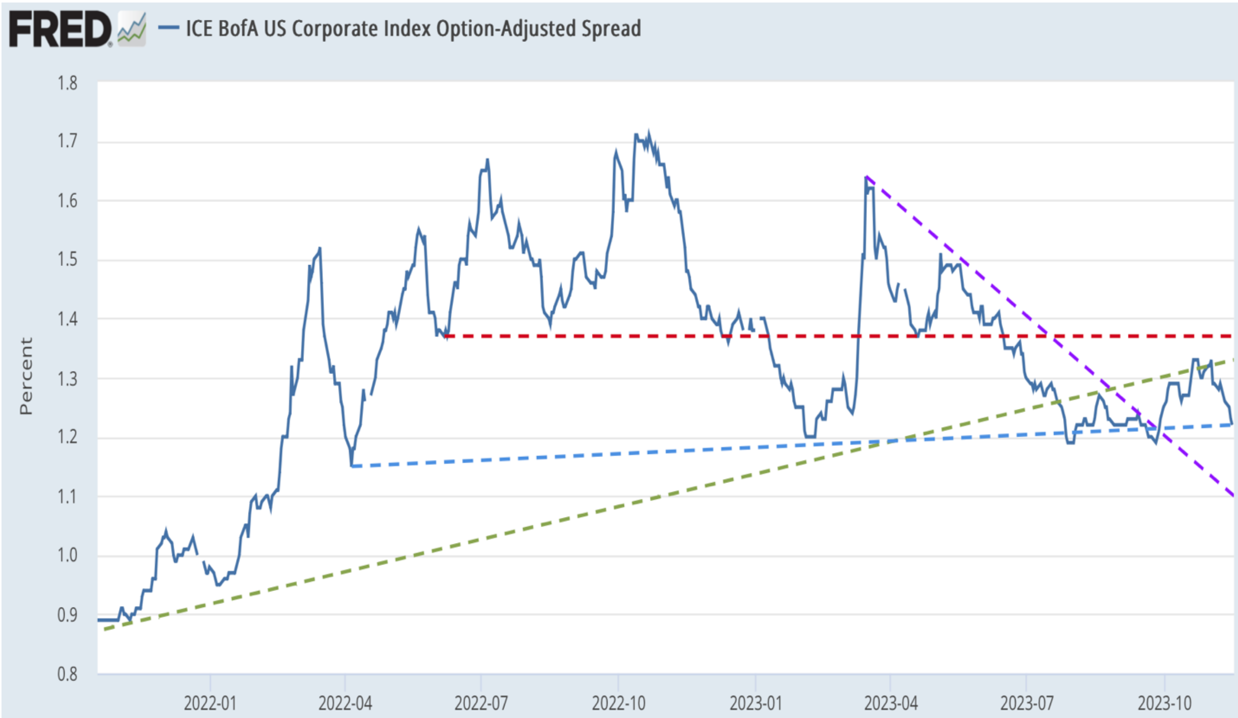
Given how hedge funds had continually held ongoing new record short positions in US Treasury 10-yr. futures, yes, a lot of those positions now need be unwound. With last week being an up close for rates relative to the prior week, a Friday close this week under 4.457% opens the door for a bigger decline to a measured target of 3.92%.

TNX – Weekly



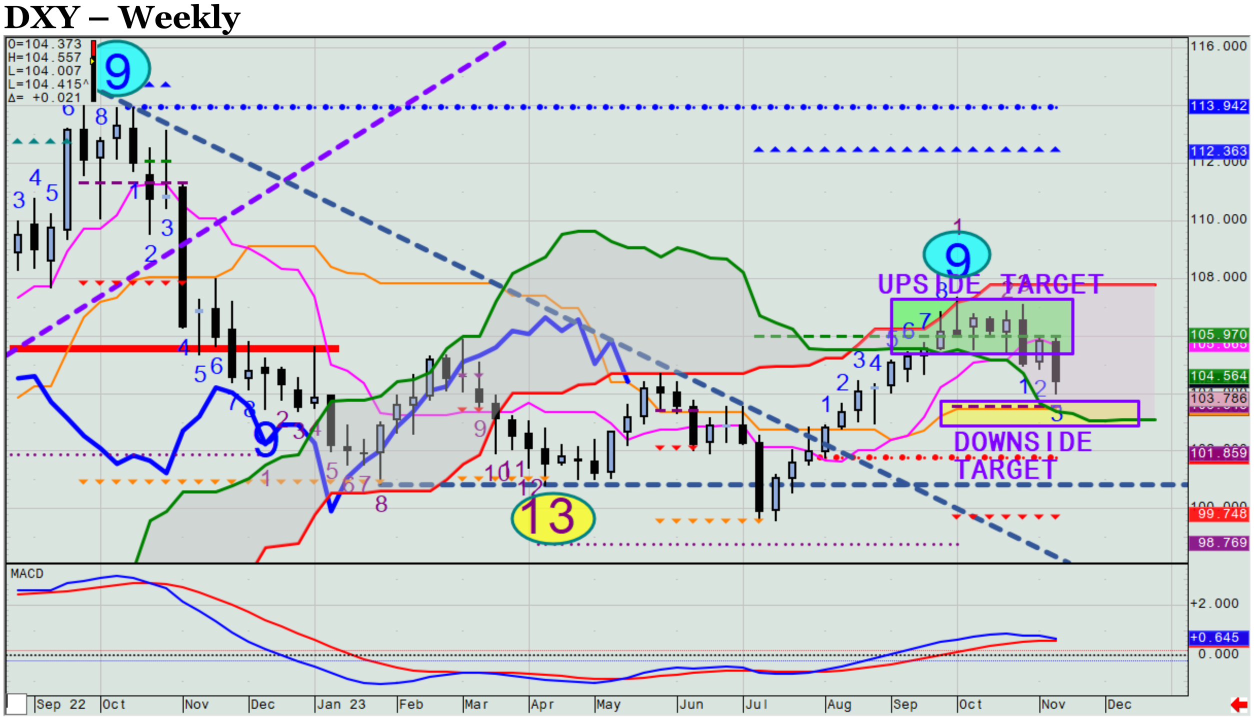
TNX - 10-Year Treasury Note Index, Weekly | Thu Nov 16 2023 16:12:09, CQG 24.6.8035

Corporate bond spreads fell 6 bps. since I wrote last week's report – now to 1.22%. This makes total sense given the surge in bond and the relief felt by investor about overhanging concerns that are now greatly reduced. I remain with a 50% widener position from 1.21% with my institutional clients, and having sold half a few weeks ago at 1.32%, I'm stopping out the rest at breakeven.



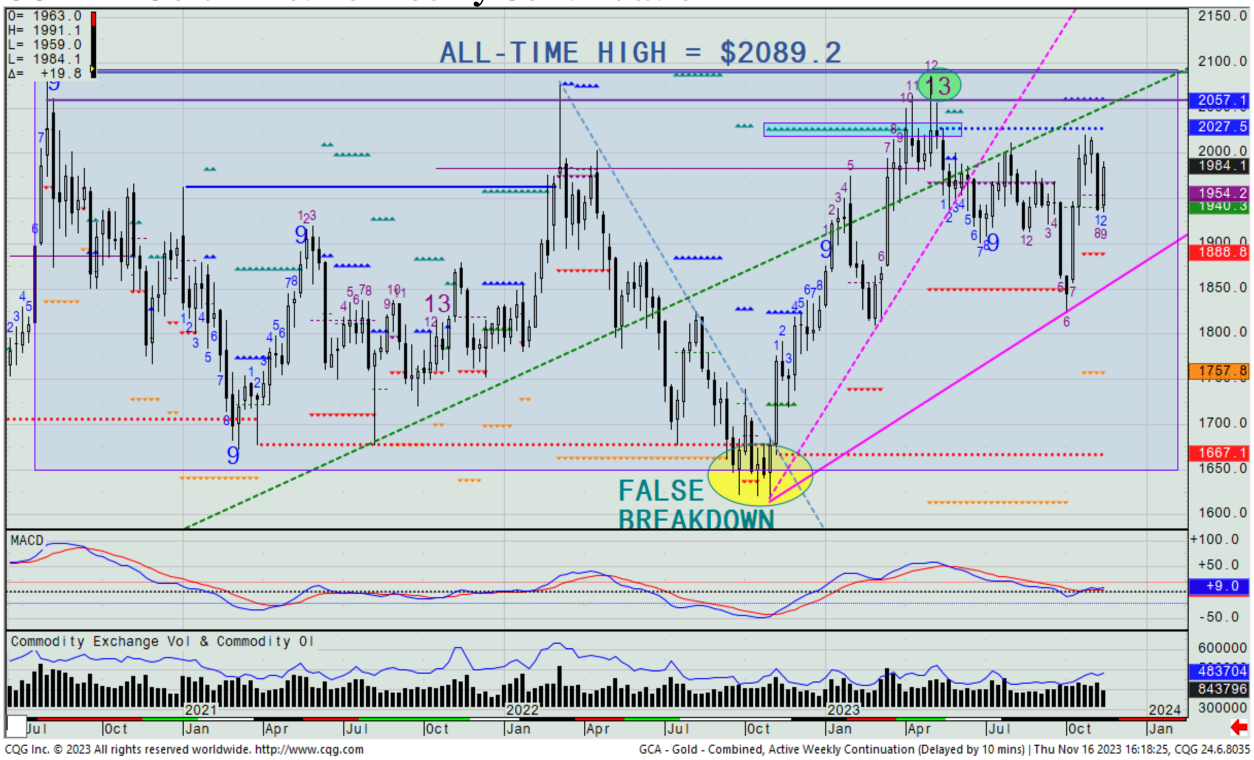
CURRENCIES: I called for a DXY top from 107-109, and then a pullback to 103.5. It's getting closer to that downside target with the lowest low of the recent decline at 103.98. Lower rates – if that story plays out – should pressure the dollar over time. A bigger downmove would target 101.98.

DXY – Weekly



COMMODITIES: I've been saying that the medium-term picture has improved for gold, and that I was looking for the ~ $1954 to hold as support on pullbacks. (I've since changed that to $1954 to $1930). I think it is lining up for a potential major upside breakout after several years of being in a large trading range.

COMEX Gold – Active Weekly Continuation

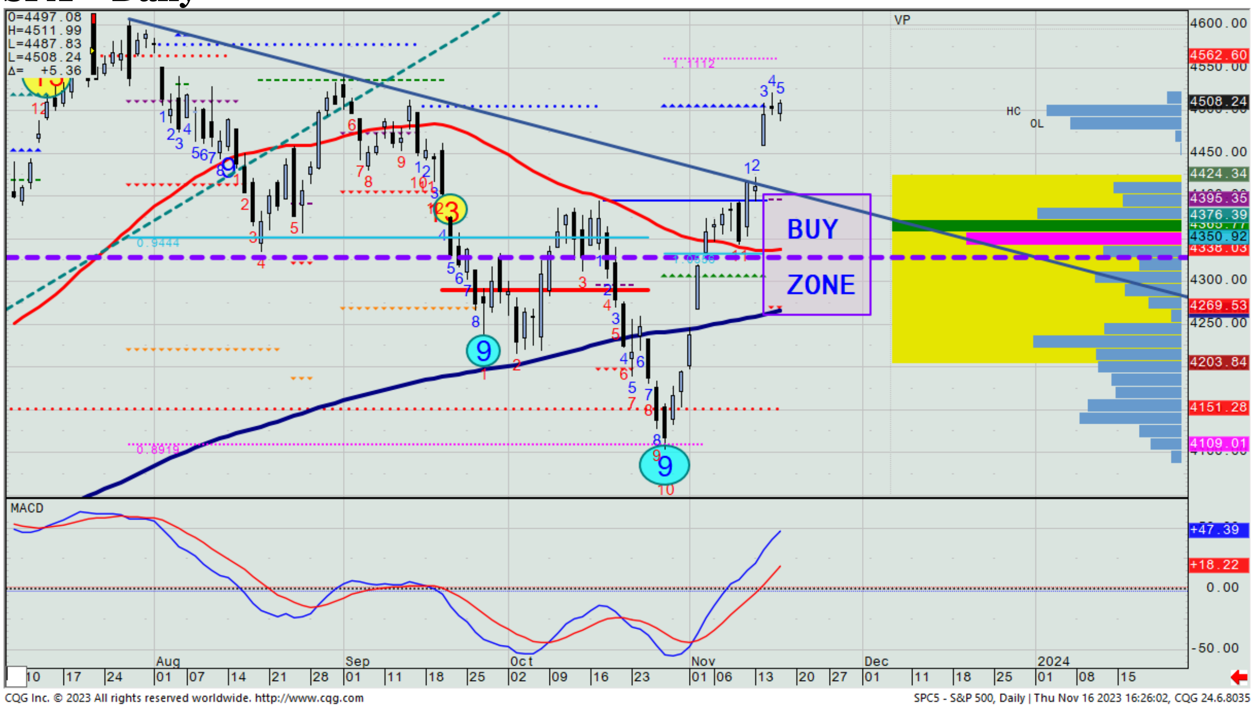


WTI Oil got a minor trading bounce from its daily Setup -9 count, but the over 4% decline yesterday now brings it to a fresh 4-month low. The 18-month trading range is basically from the mid-$60s to the mid-$90s.

WTI Crude Oil – Active Weekly Continuation

EQUITY INDEXES: A lot has happened to change the picture in the past two weeks, and both major news items were bullish (i.e., the Fed likely done raising rates and inflation coming down far more than expected). The upsurge from the weekly TDST low near SPX 4100 has been dramatic – most so for the committed bears who had either materially sold out of long positions/raised cash or for those who were simply short the individual stocks and/or the indexes.

SPX – Daily



Last week I wrote that I thought that neither bull nor bear would be particularly happy by year's end, as we wouldn't see a major rally or a big decline. Well, the rally side of the equation has now probably gone from a 50% chance to a 75% chance, partly because of the move seen in the past two weeks, but also because the low was right at the weekly TDST line, and there is little to think that stocks would now reverse the entire rally back down to that level.

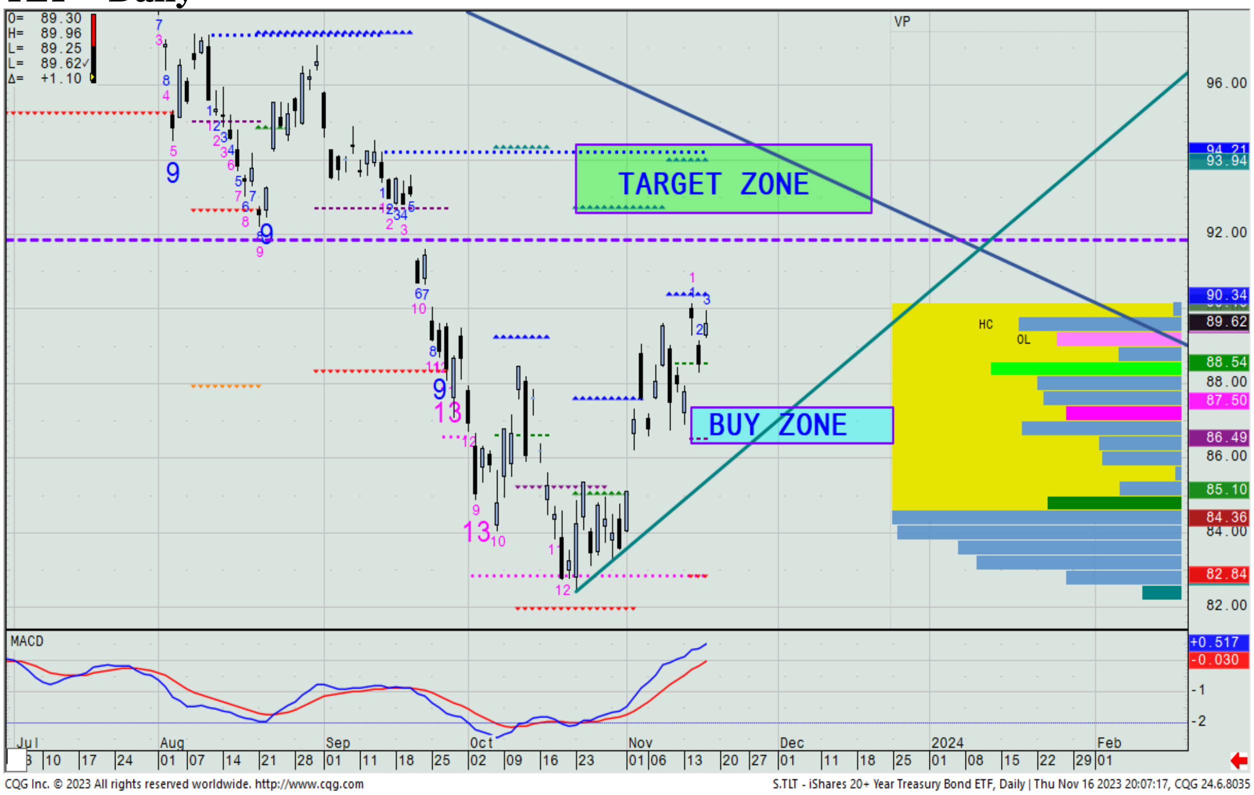
SPX – Weekly

New ETF Trade Idea

Here's some data: The Daily Sentiment Index shows 34% bulls in 10-yr. Treasury futures, and 49% bulls in 30-yr. Treasury Futures. Let's extract from that that the DSI on 20-yr. Treasury futures would likely be somewhere in the low-40% area. Maybe. But what we do know is that there are certainly not enough bulls yet to be concerned that "everyone is bullish bonds" (even though it's now tough to find anyone interviewed on biz TV who isn't say "yields are going down").

Looking at the iShares 20-yr Treasury ETF (TLT), I can make a clear case for a move that could reach the 92.64 to 94.21 zone I've highlighted on the below chart.

TLT – Daily



Buying here for that target – and risking down to just around where all those wide horizontal blue lines are on the righthand Volume Profile chart – presents about a 1:1 reward to risk ratio. It could work, but it's not generally how I put trades on.

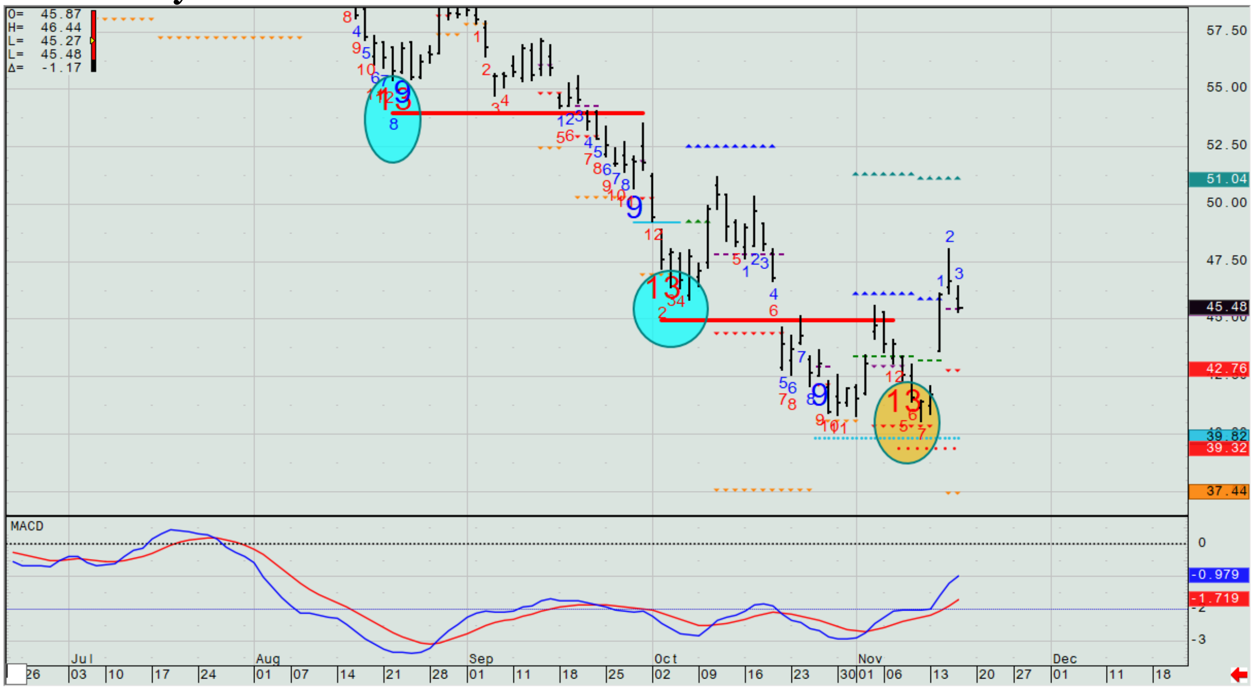
But if rates pullback, making the TLT trade lower, then I can identify a zone I want to be a buyer at between the Point of Control ($87.50) to the bearish Propulsion Momentum level ($85.49). Being able to buy in there gives us somewhere near a $7 upside move vs. risking about $2.5. That I can certainly live with (i.e., there's your new trade idea).

Other Open Recommendations and Positions

Long TAN

Last Friday we bought a 50% position (avg. price $41.01) and just missed entry into the other 50%. My upside target was $45.80 to $46.00 which was reached on Tuesday's rally, so we sold at an avg. of $45.90. We made 11.92% on the capital we put to work (but only half that in equal dollar portfolio terms because we only had on a half position). Nonetheless, I'll take that in 3 days anytime. NOTE: if you are game, you can buy this again right now and risk down to consecutive daily closes beneath $42.78.

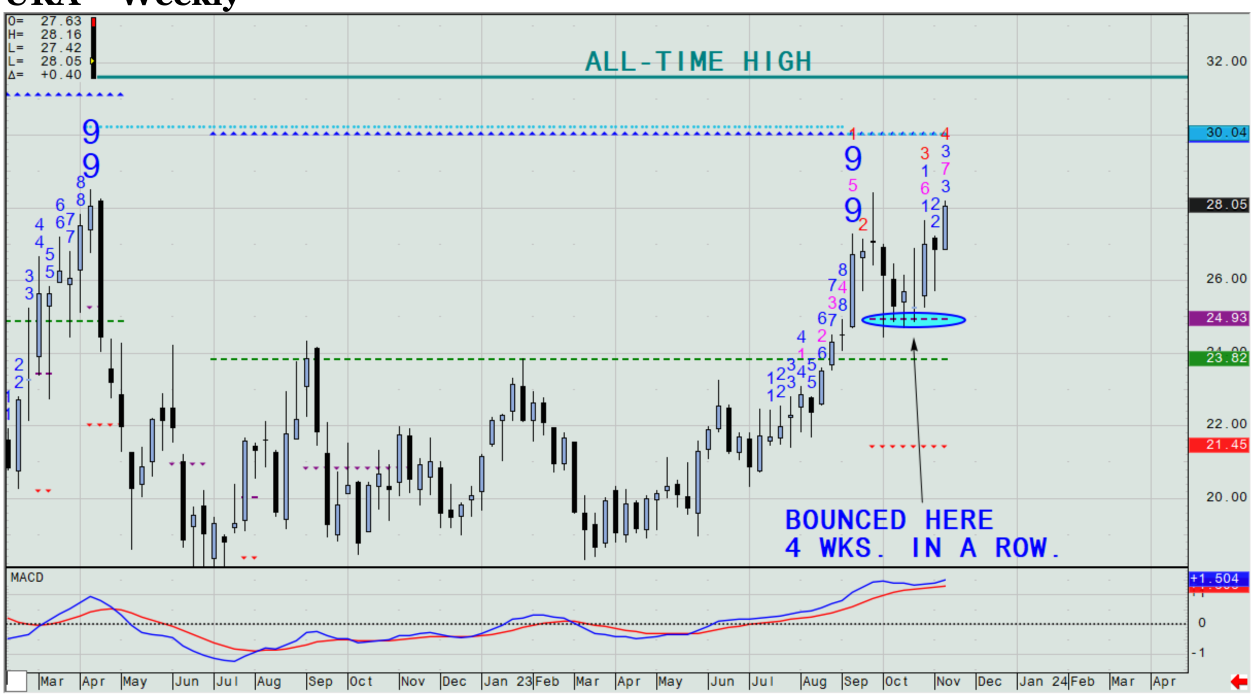
Tan – Daily



Long URA

Two weeks ago, my we got long at an avg. of $26.35. My target is $29.98 +/- 20 cents. Raise your sell-stop to breakeven.

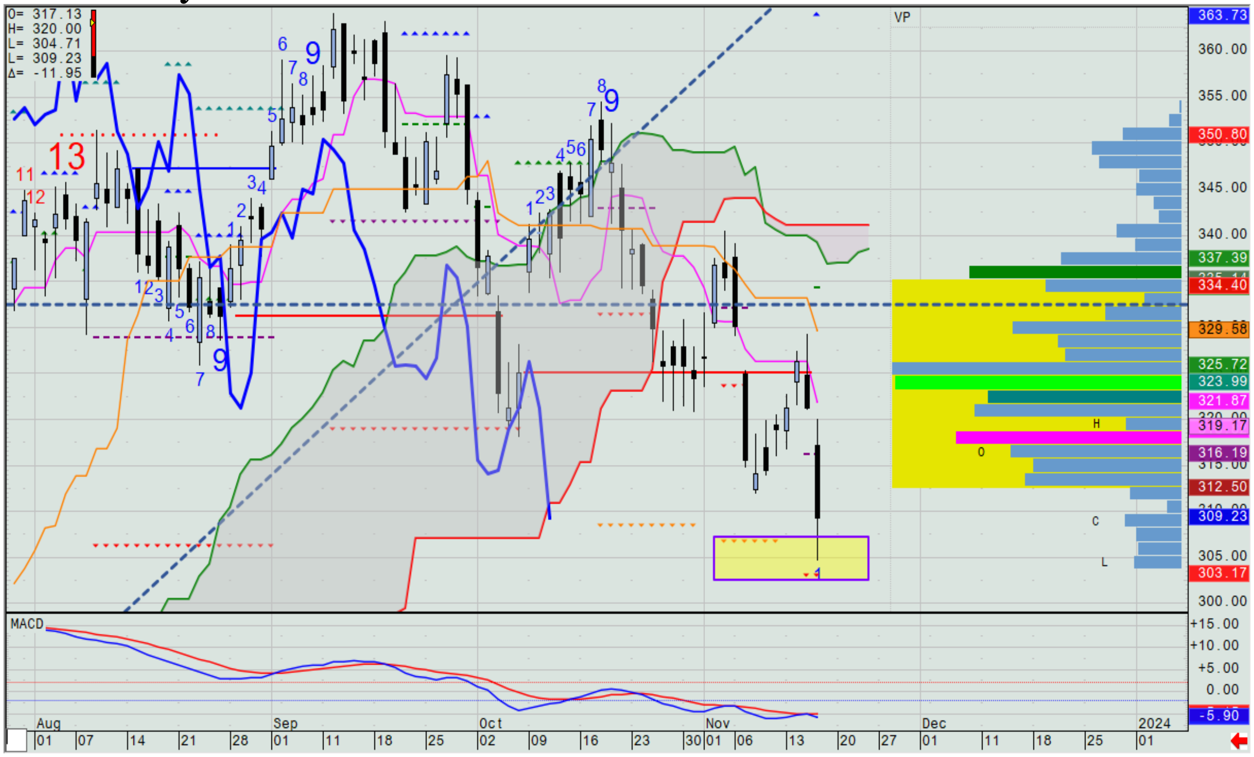
URA – Weekly



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. Yesterday we saw a low of $304.71, so you should be out of at least 1/3 by now. Take another third off near $303. I'm again lowering our buy-stop to consecutive daily closes above $318.50.

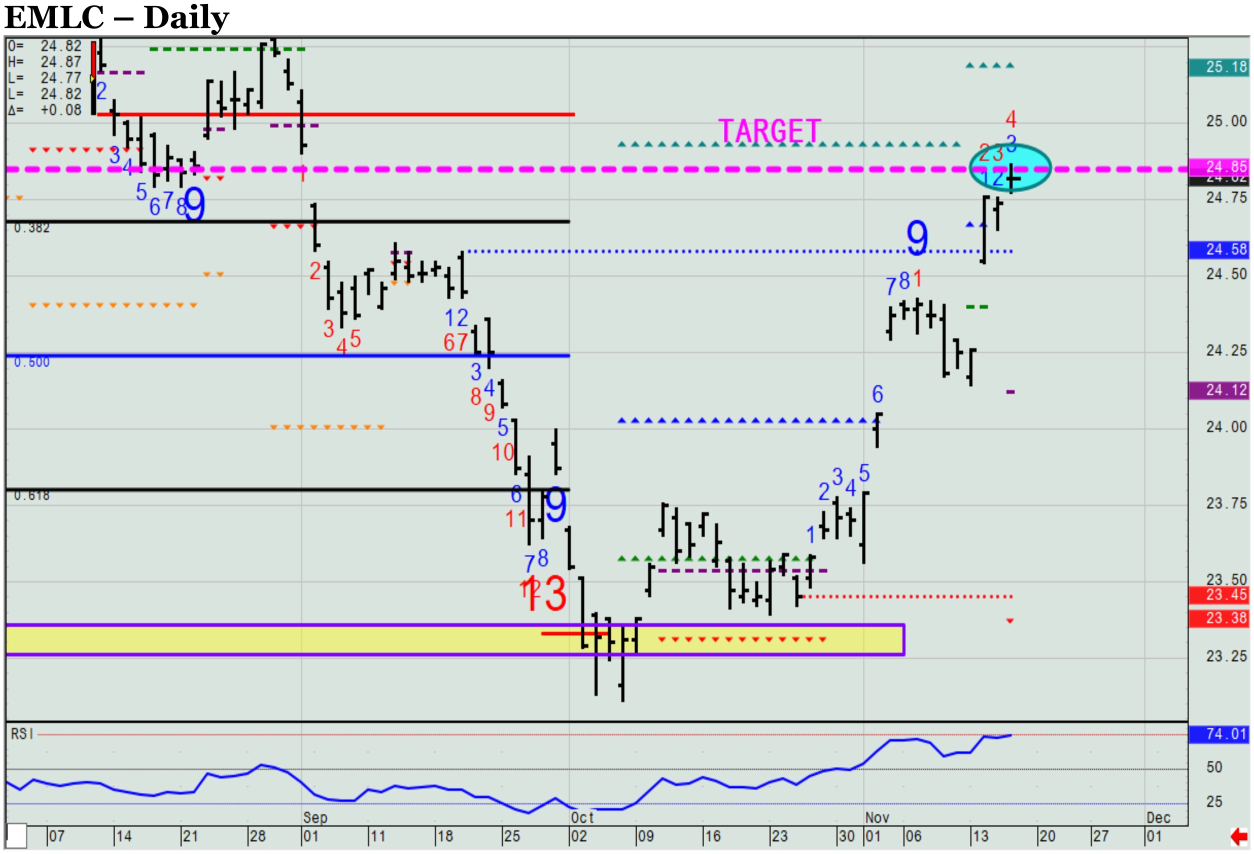
OIH – Daily



Long EMLC

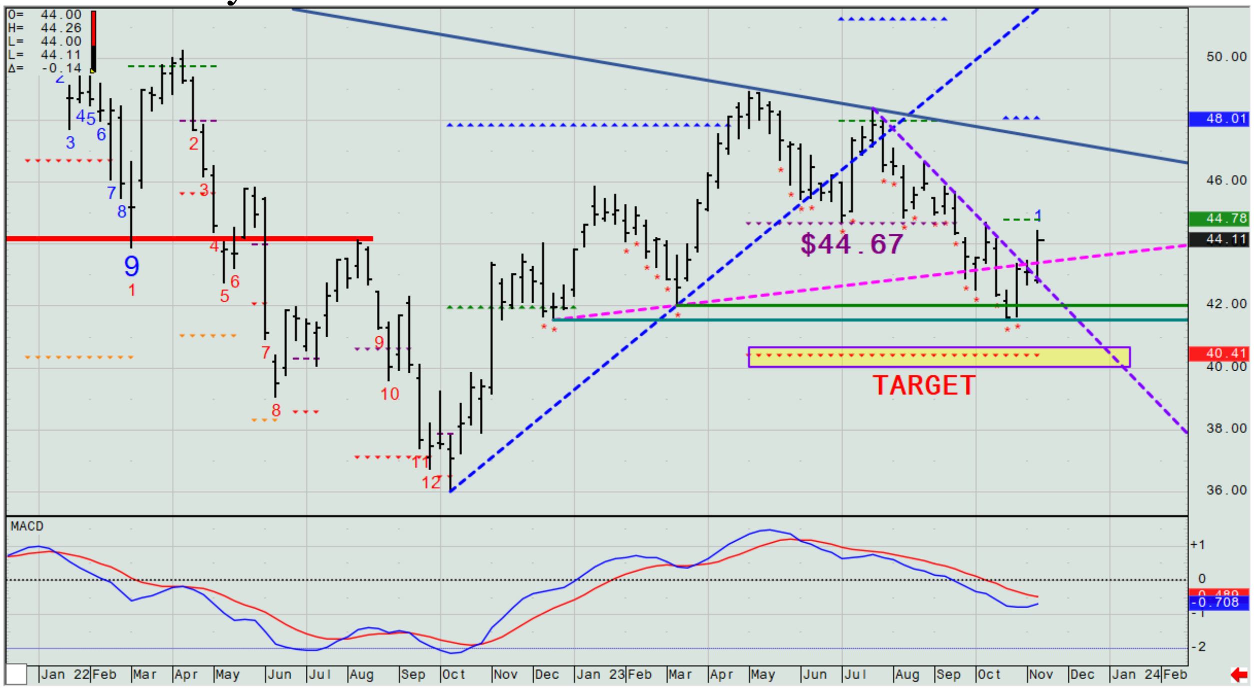
We recently got long low at $23.13. We previously sold half at an avg. price of $24.34. The other half had a target of $24.58 which was achieved yesterday. We made a total of 5.75% on the trade.

EMLC – Daily



Short EWL
Eight weeks ago, we went short a half-unit at $44.33, with a target of $40.41 +/- 20 cents. We remain with our breakeven buy-stop.

EWL – Weekly



S.EWL - iShares MSCI Switzerland Capped ETF, Weekly | Thu Nov 16 2023 17:25:52, CQG 24.6.8035

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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