Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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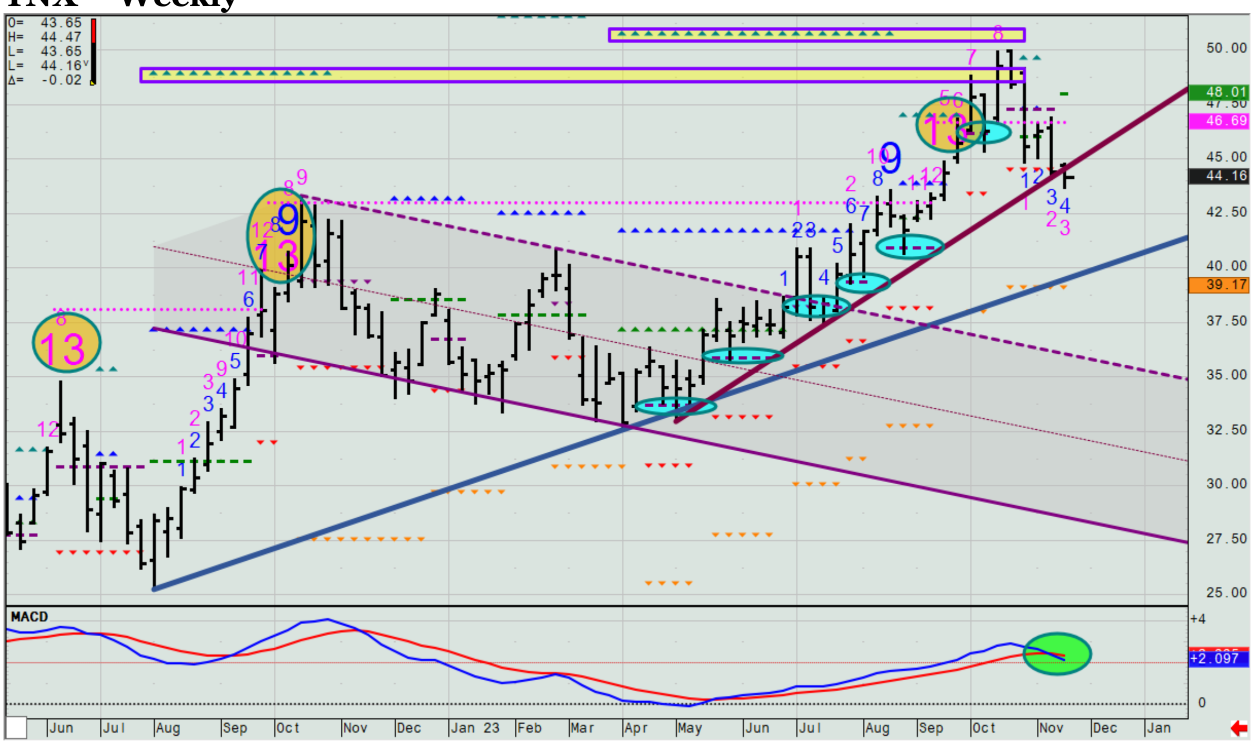
TACTICAL TRADER REPORT

The Macro Picture

Stocks continued higher over the past six days (since the last issue), as the belief that the Fed is completely done raising rates has completely shifted the psychology of investors since the better-than-expected CPI figure came two weeks ago. The false breakdown beneath SPX 4275 has been more than recouped – it was hurdled past with virtually no effort at all by bulls. Price has, in fact, soared as not only do those with short positions need to cover to reduce losses, but those that raised cash are well underinvested and need to regain long exposure in order to not fall further behind in performance against the benchmark SPX index. Though I get into more specifics on the SPX later in this report, the main theme is that the forward prognosis has changed for the better.

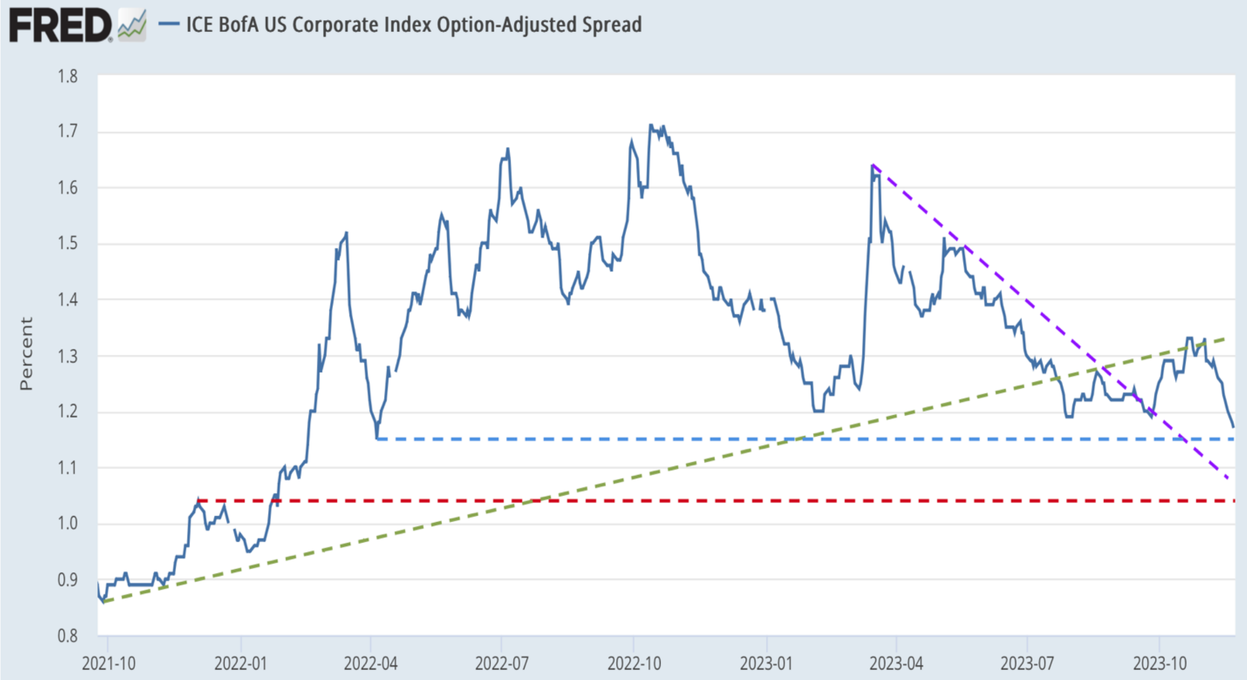
Bond rates are at the forefront of much of the whole change in investor thinking, and one thing that likely need happen is that what was all-time record level UST 10-yr. futures short positioning by hedge funds needs to get enough unwound before yields could again possibly rally. Last Friday closed just 1.5 basis points beneath the 4.457% weekly bearish Propulsion Momentum level. It was just too close that level for me to make a bigger call that we'll see a decline to a measured target of 3.92%.

TNX – Weekly



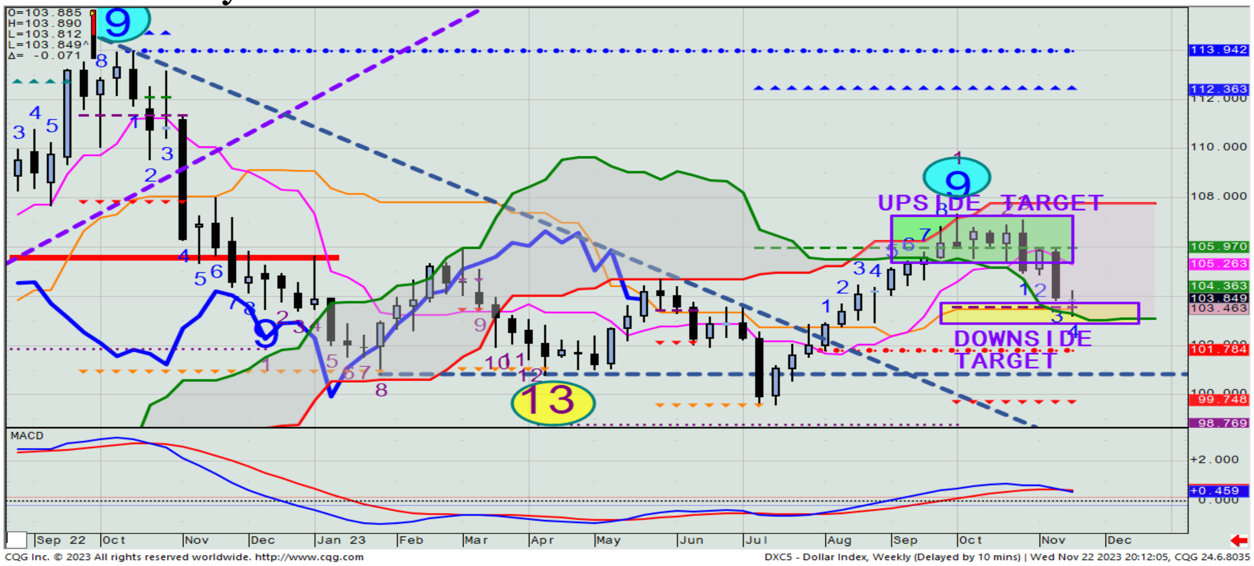
That being said, the Daily Sentiment Index in Treasury futures has moved up from an early-October reading of only 10% bulls to 36% bulls going into Wednesday this week. That's still not enough convinced that prices are going higher in order for me to think that the yield decline isn't over. That being said, I'd have a hard time thinking that they get back to test the highs near 5%, so they would still be a buy on dip candidate.

Investment grade corporate bond spreads fell to 1.17% -- the lowest level we've seen in them since early-April 2022. (I finally got stopped out at breakeven on the second half of the long widener trade I had my institutional clients in, having sold the other half at 1.32% for an 11 bps. profit.) I can make the case that this spread could fall down to test the 1.04% former breakout level it had in Jan. 2022.



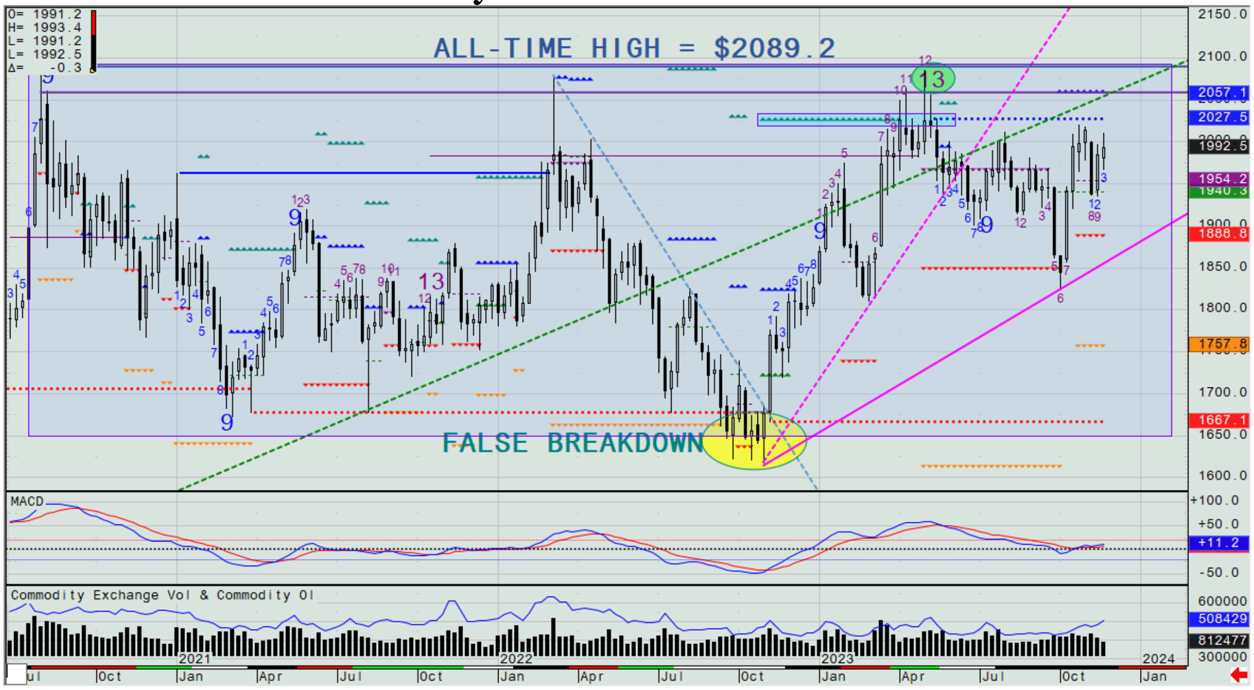
<u>CURRENCIES:</u> We just saw the move I expected from my calls of a DXY top from 107/109 and then a pullback to 103.5/103. (This week's low was 103.18.) Lower rates – if that story plays out – should further pressure the dollar over time. A bigger downmove would target 101.80/99.80 sometime next year.

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 in 2024 after several years of being in a large trading range (especially if the dollar gets that bigger downmove mentioned above).

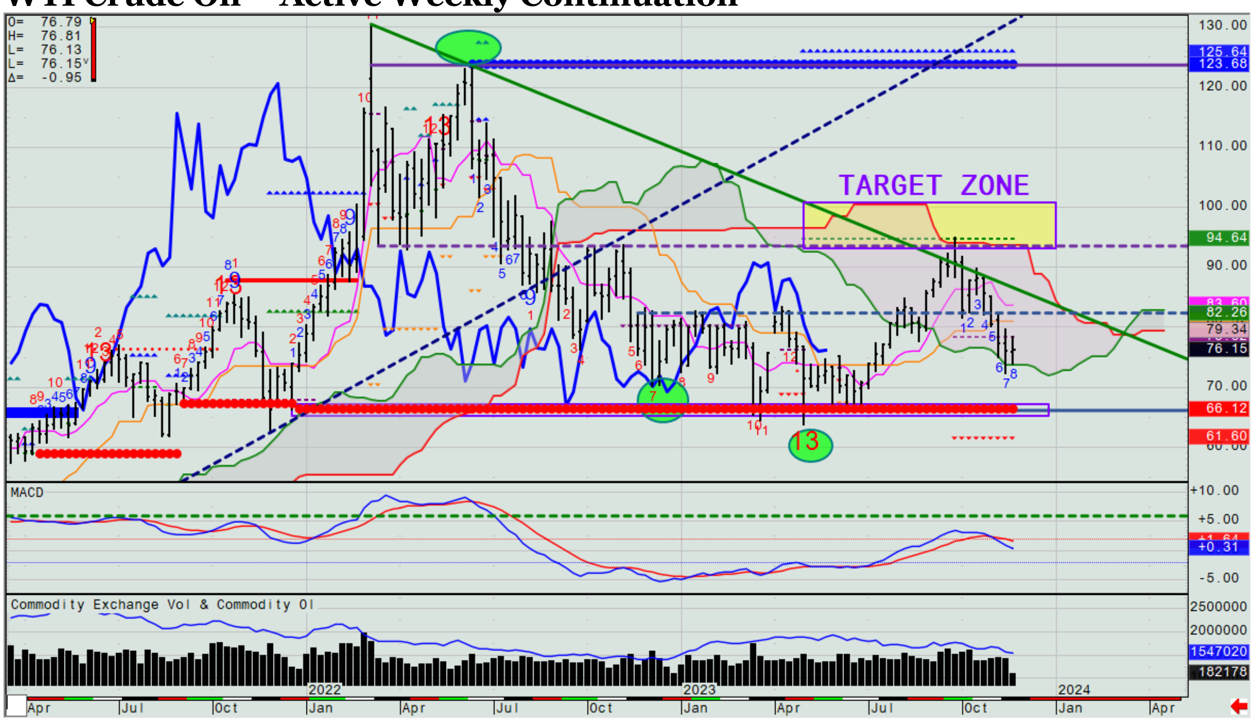
COMEX Gold – Active Weekly Continuation



 GCA - Gold - Combined, Active Weekly Continuation (Delayed by 10 mins) | Wed Nov 22 2023 20:13:37, CQG 24.6.8035

WTI Oil is in the low- to mid-$70s. OPEC wants much higher prices, and is trying to get a member meeting together to come up with production cuts they can all agree on. I currently have no oil trade on. The 18-month trading range is basically from the mid-$60s to the mid-$90s.

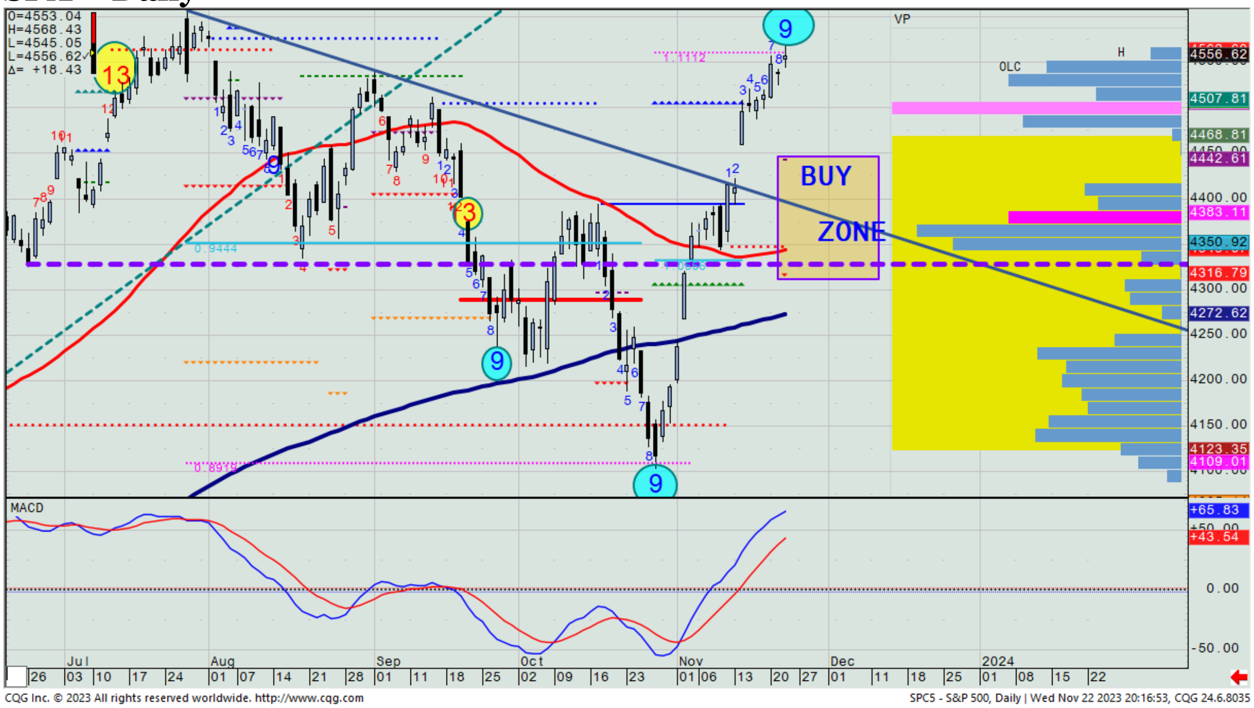
WTI Crude Oil – Active Weekly Continuation



 CLA - Crude Light - Combined, Active Weekly Continuation (Delayed by 10 mins) | Wed Nov 22 2023 20:14:13, CQG 24.6.8035

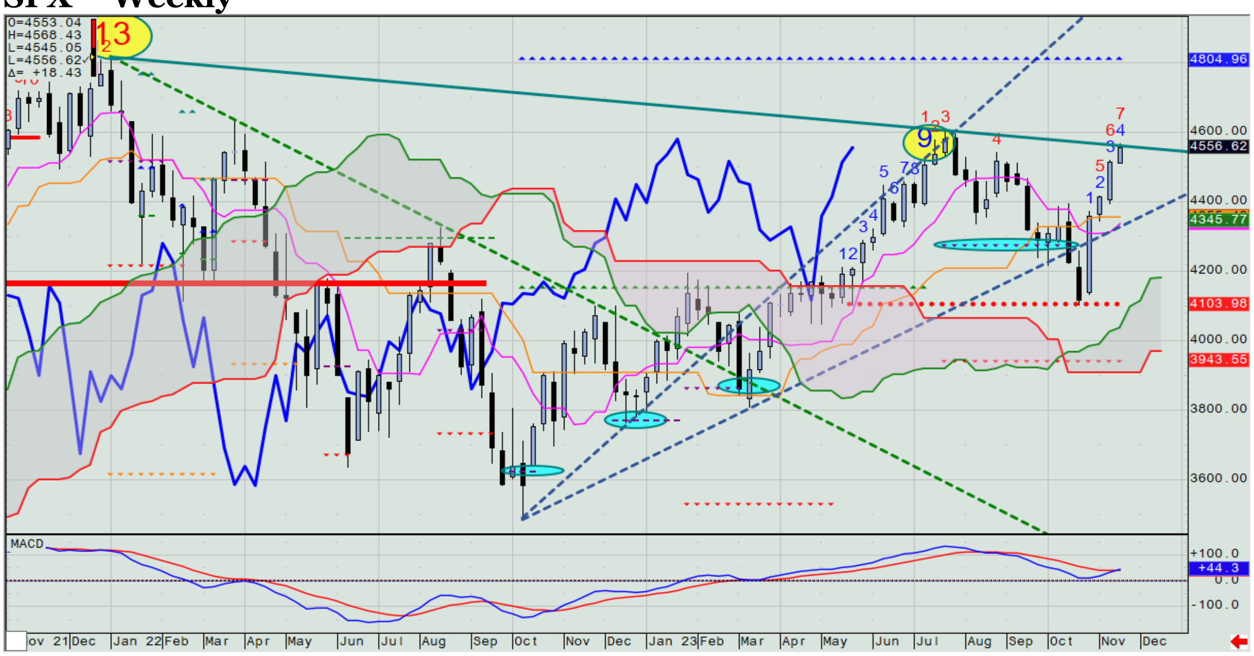
EQUITY INDEXES: The mood in stocks shifted on a dime two weeks ago with the CPI report that convinced investors that no further rate hikes are coming. The SPX has continued to zoom higher, but Wednesday posted a daily Setup +9 count – the first one of the almost 500 point rally over the last four weeks, and it occurred as the SPX also hit its second TD Trend Factor up from that October low. As such, I just sold some more of the SPYs I bought in October at $427, with my hope of being able to replace them at a better price than the $455 I just sold them for. (And if not, that's okay, too, as I still have more than half of them left.)

SPX – Daily



The daily chart shows a highlighted buying zone (4442 to 4317) to bid into if you are looking at 2024 as being another up year for stocks. The weekly chart (below) shows a highlighted target area of 4805 to 4976 as potential first quarter '24 targets.

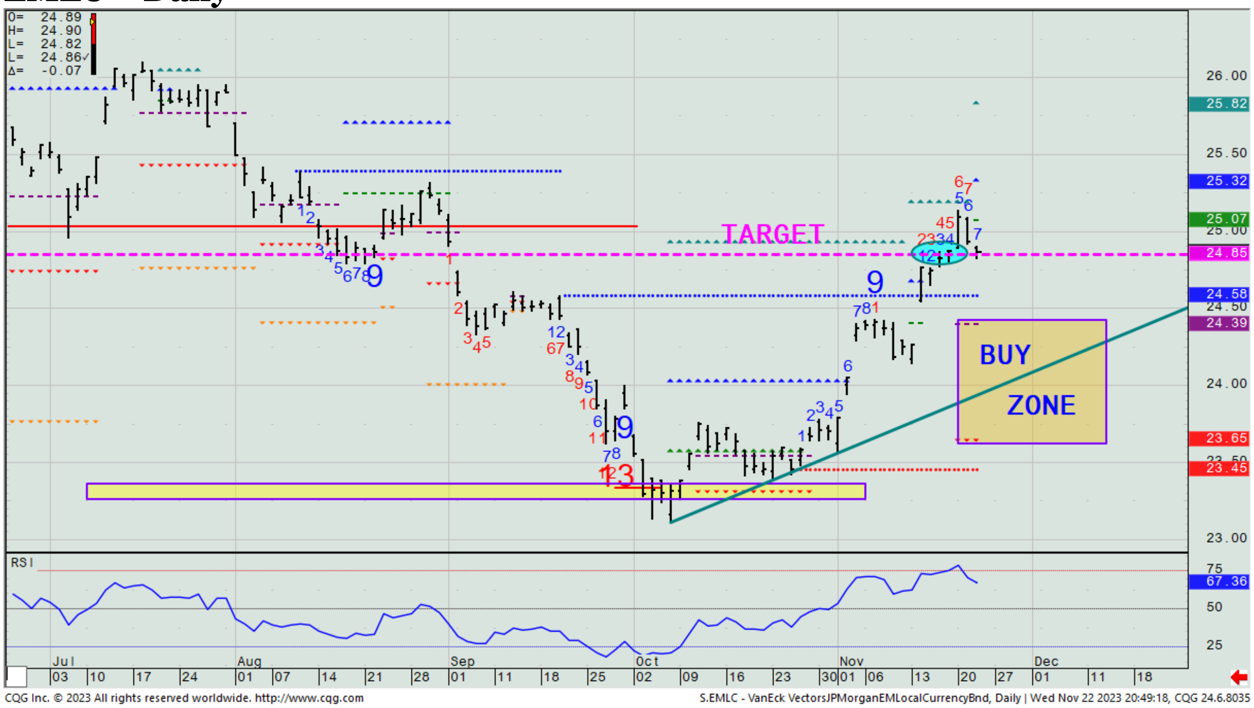
SPX – Weekly



New ETF Trade Idea

A week ago, we exited at my target a long trade we had on in the **Van Eyck Vectors Emerging Market Local Currency ETF (EMLC)**. Anytime from now into year's end, I'm a willing buyer on a pullback to the designated Buy Zone from $24.40 to $23.65, looking for a test of the July high near $26, and risking to consecutive *lower* daily closes beneath $23.45. (I'd buy the bulk between $24.40 and the uptrend line.)

EMLC – Daily



Other Open Recommendations and Positions

Long TLT

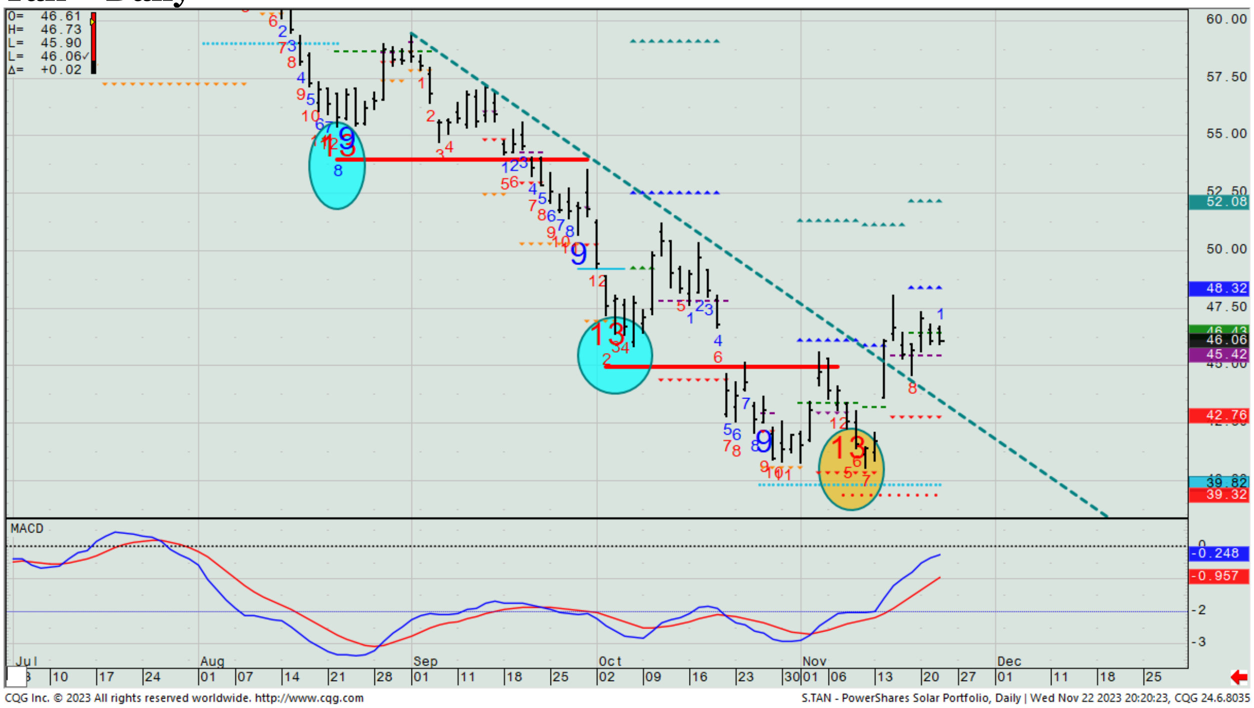
Last week's idea was to bid for the TLT ETF on a pullback, starting near $87.50. That "BUY ZONE" has now extended downward to $84.65, its newest weekly bearish Propulsion Momentum level. The upside target is shown in the blue box, while we'd risk down to somewhere near $83.50 or so. Of course, we may never get into this trade, but that's fine.

TLT - Daily

Long TAN

After a trade of almost a 12% gain that we pocketed in days, last week I said that if you were game, you could buy this again last Friday (if you did, filled at an avg. of $45.23) and risk down to consecutive daily closes beneath $42.78. I'm targeting $51/$53.

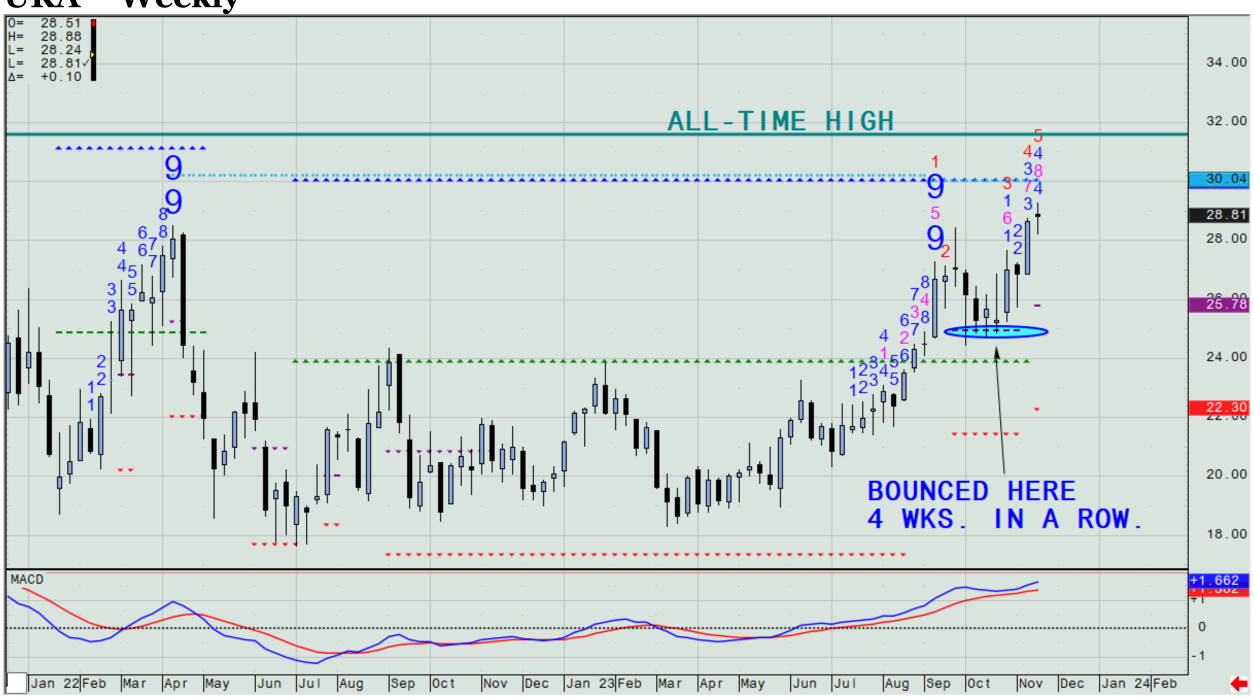
Tan – Daily



Long URA

Three weeks ago, my we got long at an avg. of $26.35. My target was $29.98 +/- 20 cents, but let's sell ½ on this Friday as this too marked a daily Setup +9 count, just as the SPX just did. Change the upside target on the balance to $34.25/$34.75. Stop out the balance at 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. Last week we saw a low of $304.71, so we covered at least 1/3 at $306. I said to take another third off near $303. (Yesterday's low was $304.16, so if you didn't take some more off yesterday, do so on Friday.) I'm again tweaking our buy-stop to consecutive daily closes above $318.82 to exit whatever short balance you still have on.

OIH – Daily

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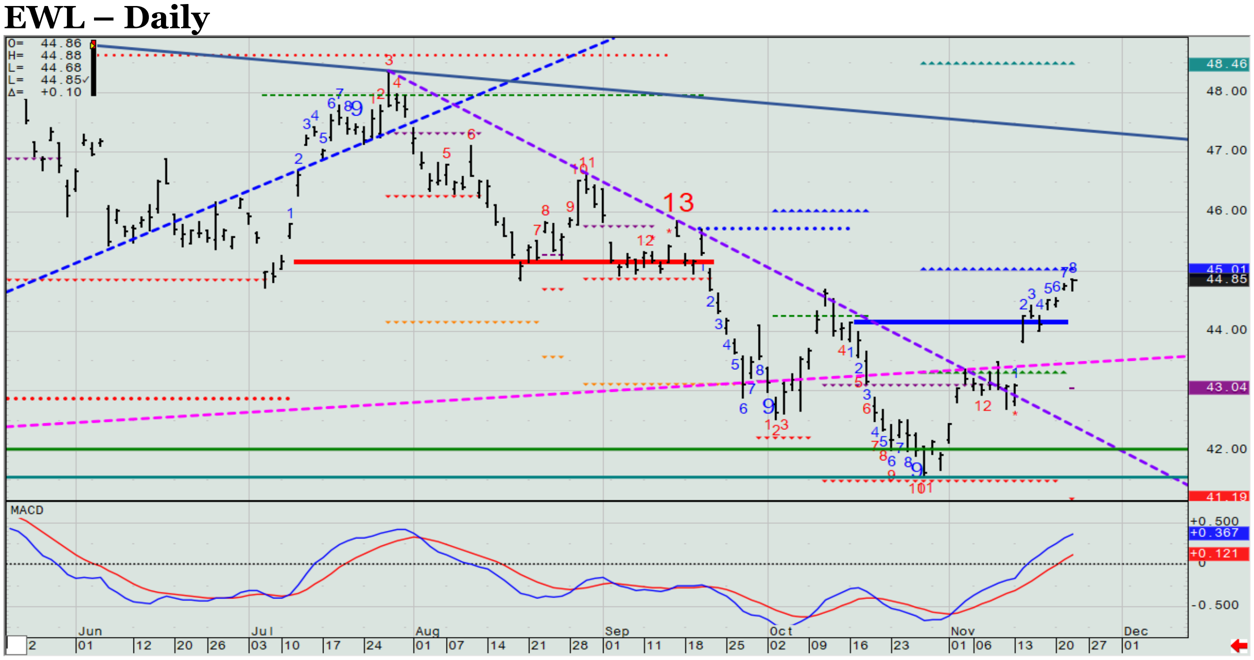
S.OIH - VanEck Vectors Oil Service ETF, Daily | Wed Nov 22 2023 20:23:05, CQG 24.6.8035

Short EWL

Nine weeks ago, we went short a half-unit at $44.33, with a target of $40.41 +/- 20 cents. We had a breakeven buy-stop, which was hit last Friday, turning us flat with no gain or loss.

EWL – Daily



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S.EWL - iShares MSCI Switzerland Capped ETF, Daily | Wed Nov 22 2023 20:23:51, 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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