Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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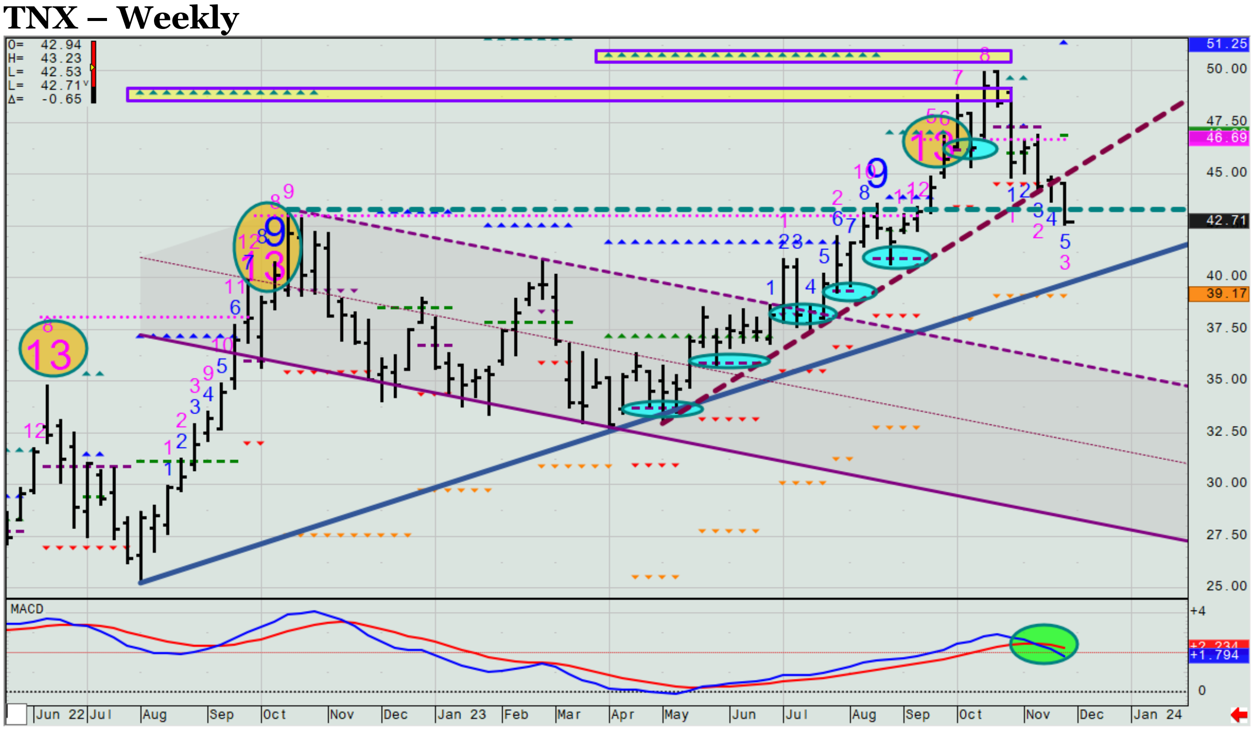
TACTICAL TRADER REPORT

The Macro Picture

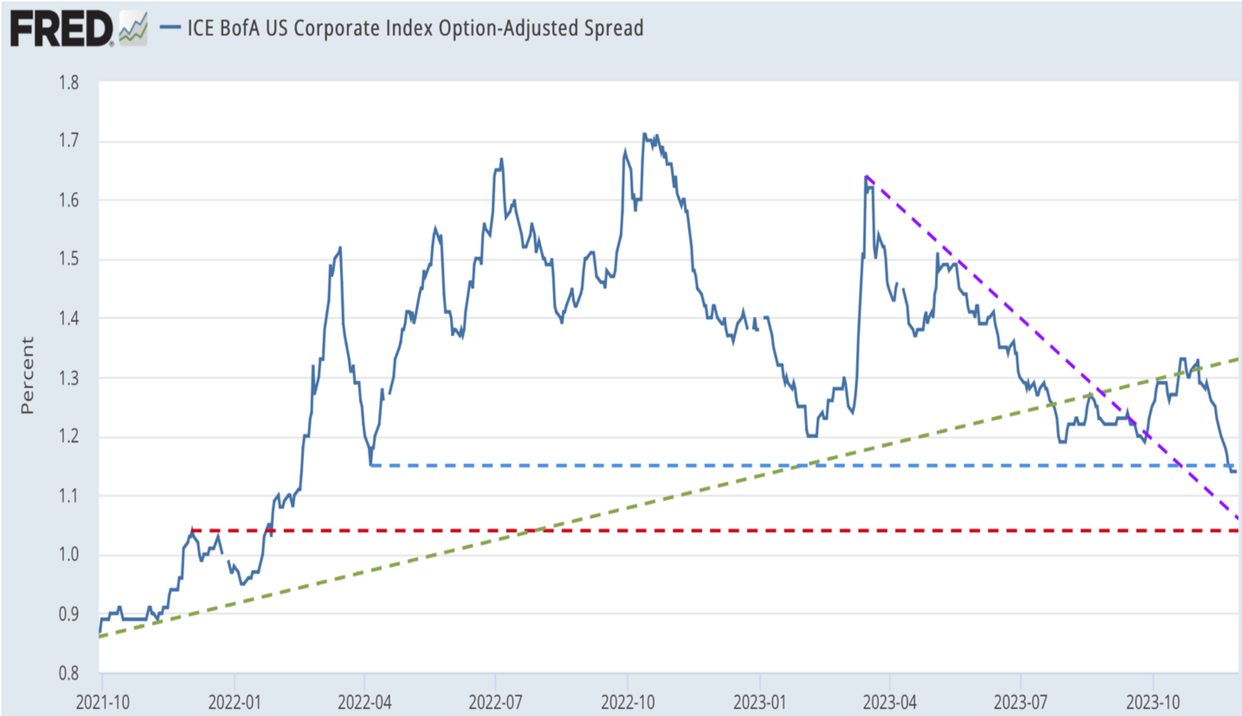
The bond rally continues, and with it, stocks have held up against recent highs, with Wednesday getting an intraday bump higher to even newer highs for the run, as the UST 10-yr. has fallen beneath 4.33% -- what had been the level of the major peak in yields in October 2022. The averages closed lower on the session, but the bigger picture has changed positively in November that I can make the "buy on pullback" view the one I am most comfortable with for the medium-term.

Looking more specifically at bonds, last Friday's minor up close vs. the prior Friday did qualify a move beneath the 4.457% weekly bearish Propulsion Momentum level for this week. And moving it is, with rates now down to 4.2X%, and likely headed to bearish Propulsion Full Exhaustion level at 3.92%. I'd even suggest that we'll very possibly see a test of the weekly TDST Line at 3.68% as part of the general rate decline environment. What I don't see or think will happen in 2024, is a material break of this year's low at 3.25%. I get the rate decline thought process, but I don't think the Fed will completely unwind their inflation fighting mantra, and lowering rates are only going to create inflation again. I'm just not in the camp of the Fed lowering in May the way the market is betting the Fed will.

TNX – Weekly

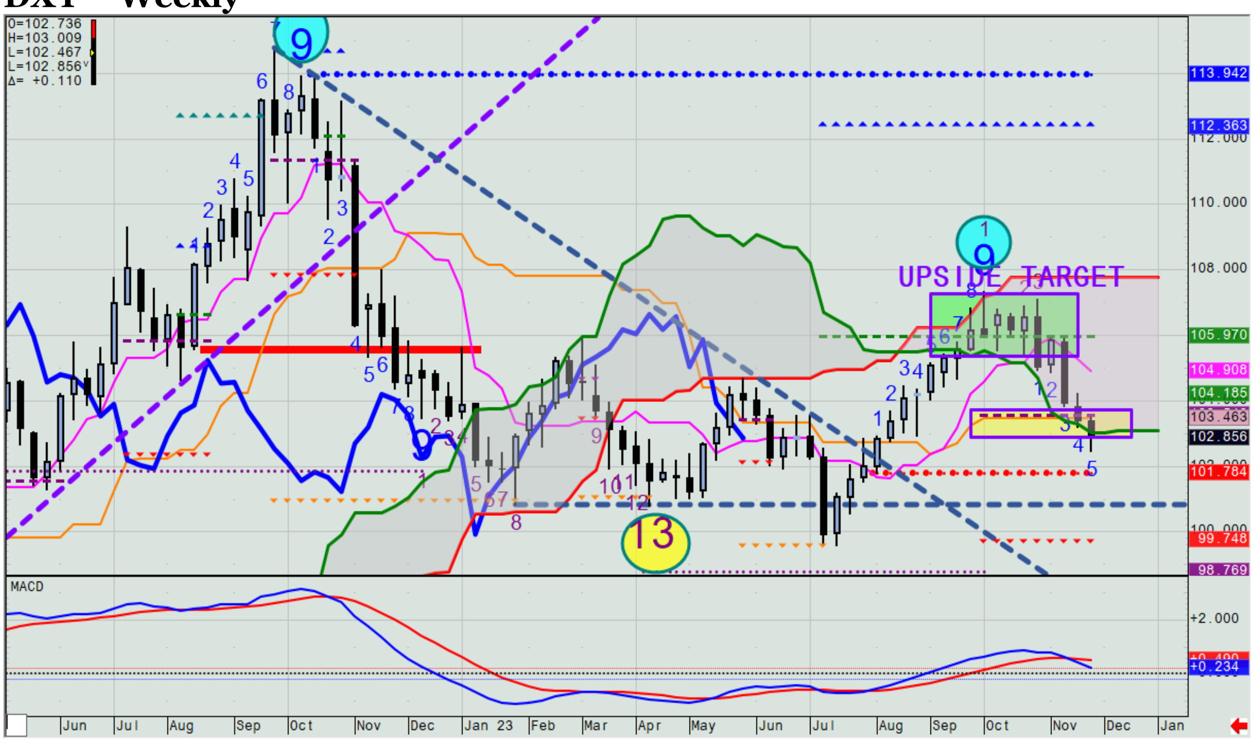


Investment grade corporate bond spreads have fallen to 1.14% -- the lowest level we've seen in them since early-April 2022. I suspect that this spread will fall to test the 1.04% former breakout level it had in Jan. 2022, as overall investor fear has dramatically fallen in the past month. As a reference, the Fed data shows an all-time low at 0.86%.



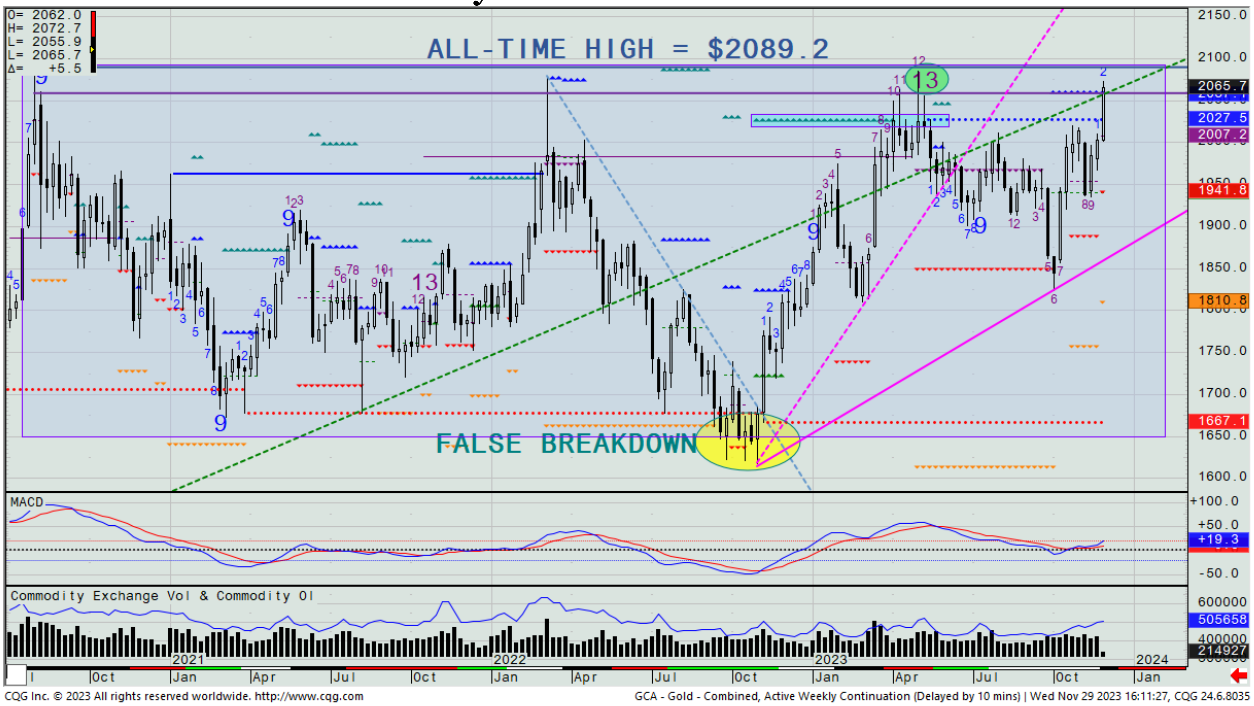
CURRENCIES: With rates falling quickly, the US Dollar Index has made a new lower pullback price to the one-month decline. Lower rates – if that story plays out – should further pressure the dollar over time. A bigger downmove would target 101.80/99.80 sometime next year.

DXY – Weekly



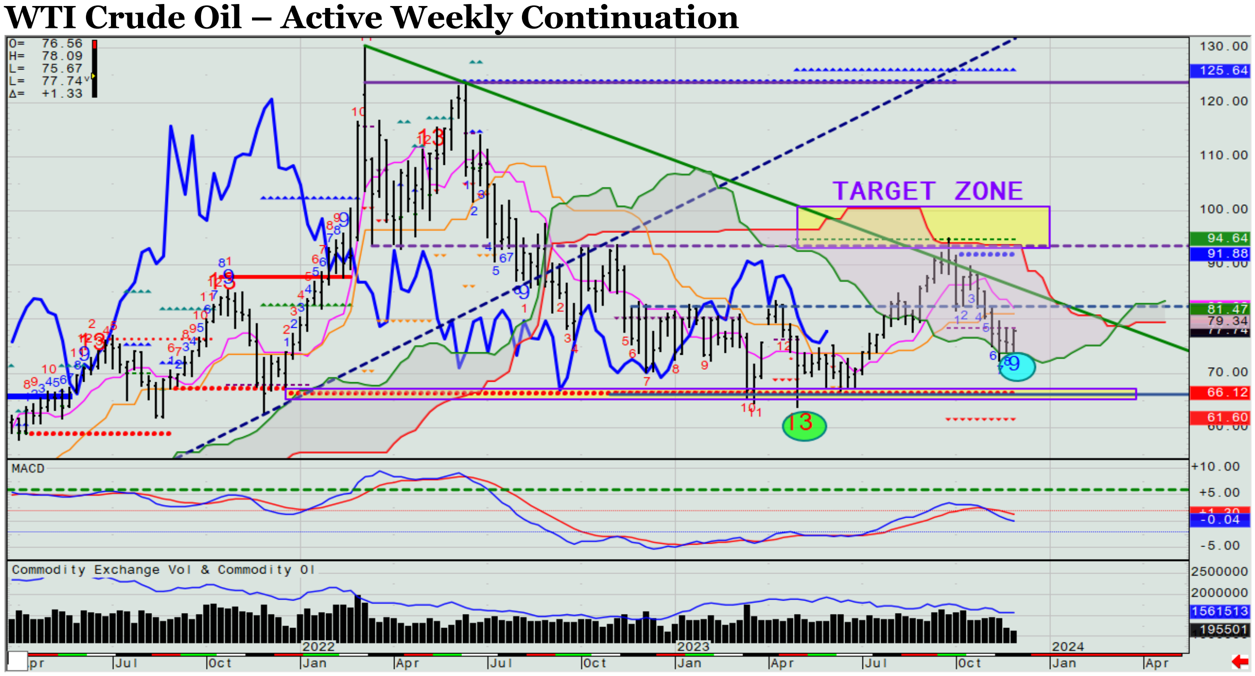
COMMODITIES: I've been bullish gold and recently suggested you consider the $1954 to $1930 level to get long. That worked well with the yellow metal now sharply rallying and reaching this week to within 1% of all-time highs. After several years of trading in a $400 range, I think gold is lining up for a potential major upside breakout in 2024 (especially if the dollar gets that bigger downmove mentioned above

COMEX Gold – Active Weekly Continuation



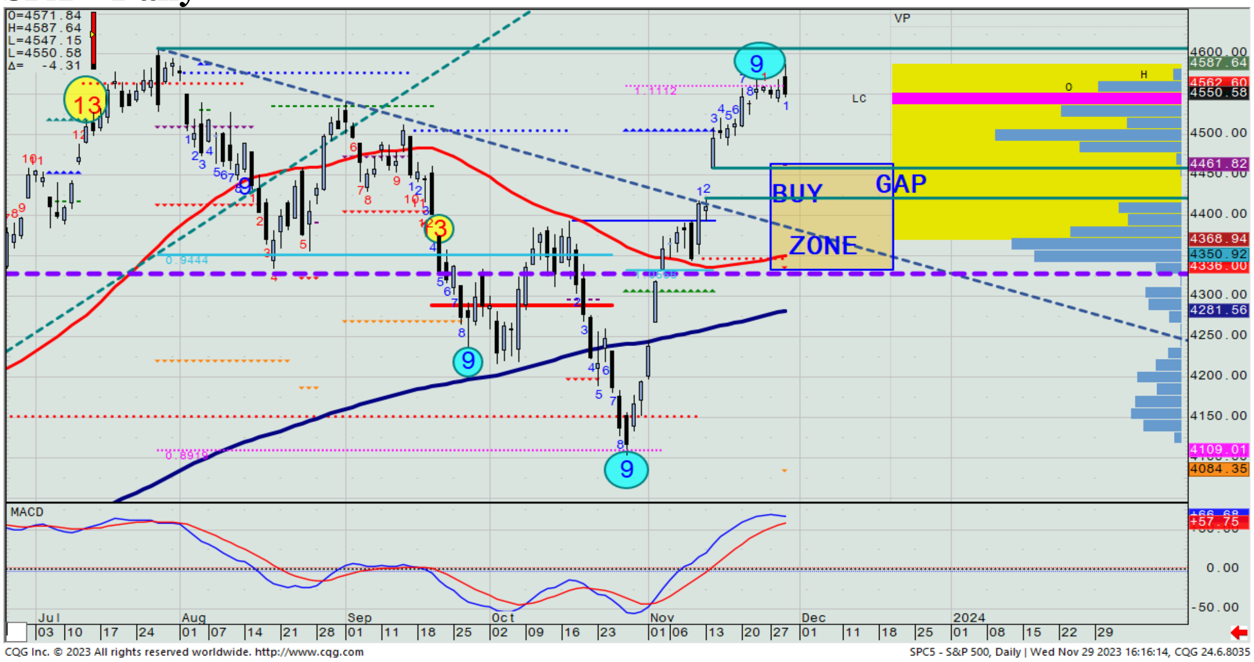
WTI Oil is in the mid-$70s, and the world is waiting for imminent news from the OPEC+ meeting on what production cuts are coming for 2024. I currently have no oil trade on. The 18-month trading range is basically from the mid-$60s to the mid-$90s. You can see that this week is a Setup -9 count that's holding against the cloud bottom. Normally, that's a buy signal for me. But with major pending news, it's completely up to you whether you want to put a bullish position on before knowing the headlines.

WTI Crude Oil – Active Weekly Continuation



EQUITY INDEXES: Last week, I told you that I lightened up on some SPYs I had bought in early October at $427, having sold some of them at $455 against the 2nd TD Trend Factor that happen to come on a daily Setup +9 that was also against the downtrend line from all-time highs. (In other words, a very logical place to do some selling.)

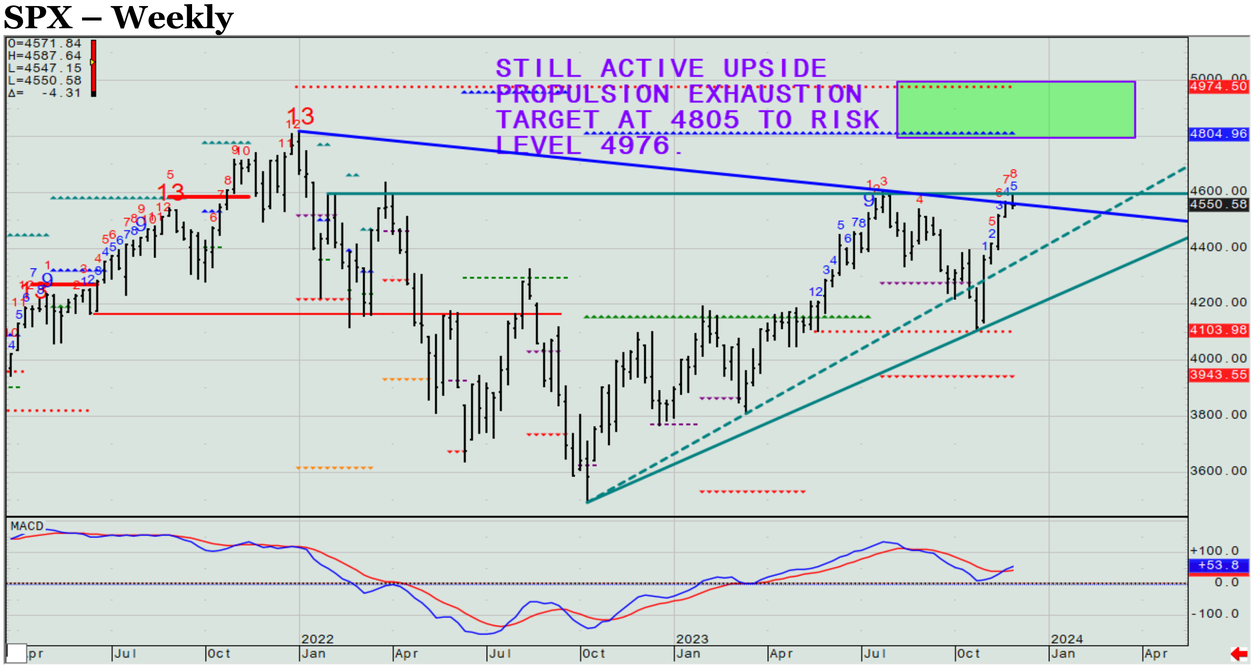
SPX – Daily



Yesterday, price made a new high, but closed down on the day, continually showing that there is some real selling going on now by the instituional community. The PCE data is out this morning (expectations are for a rise of 0.2%); we may very well be able to decipher from it if investors are indeed ready to do some recent rally profit-taking.

The above daily chart shows a highlighted preferred SPX buying zone (4462 to 4336) 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 target range.

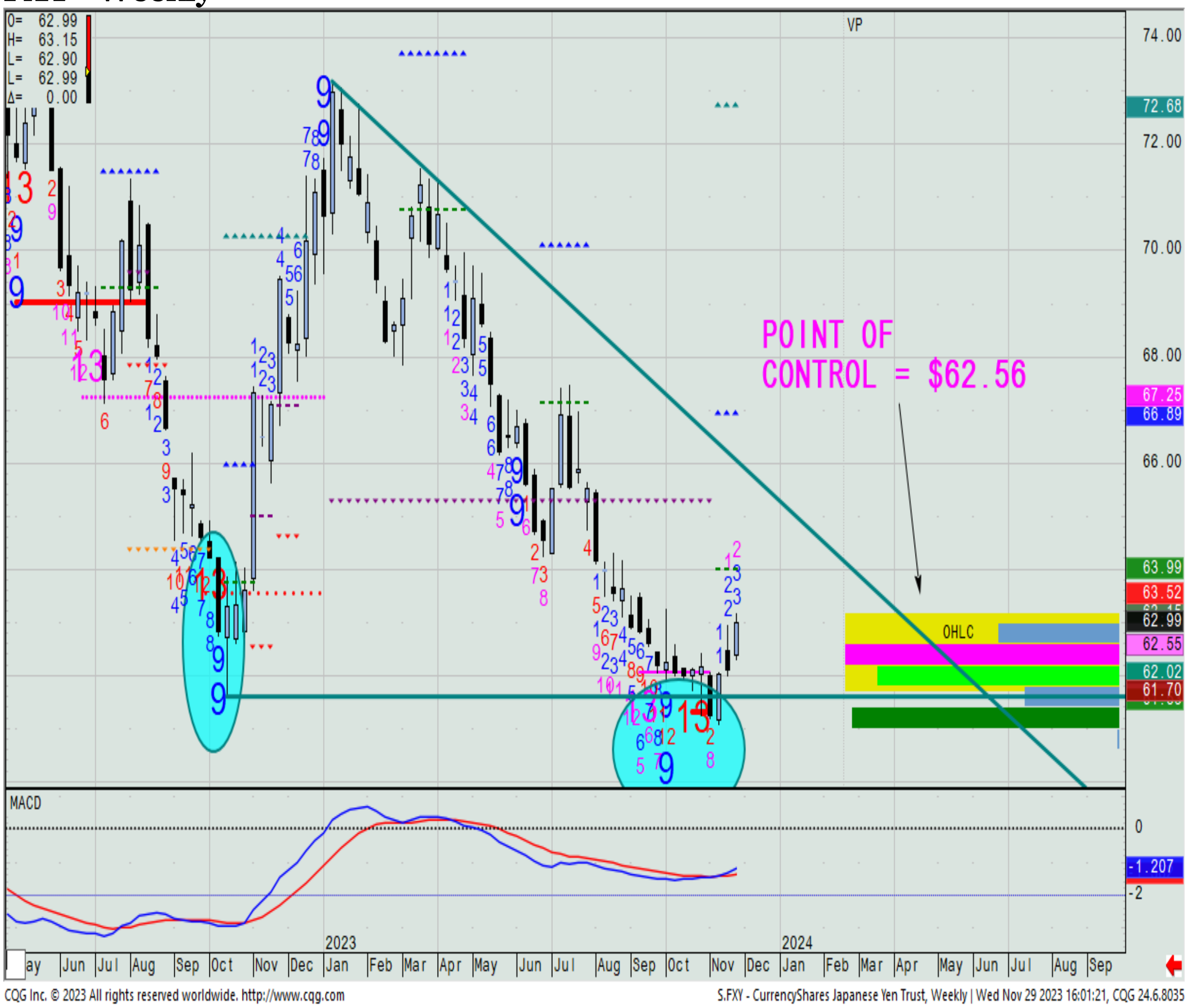
SPX – Weekly



New ETF Trade Idea

The Japanese yen has had a very rough year, falling to its lowest level vs. the US Dollar in 20 years (and maybe even ever. I just don't have data going back more than 20 yrs.) Nonetheless, on a medium-term basis, the **Invesco CurrencyShares Japanese Yen Trust ETF (FXY)** is showing a double-bottom from last month and from October '22 – with both of those lows accompanied by both weekly -13 and weekly Setup -9 counts.

FXY - Weekly



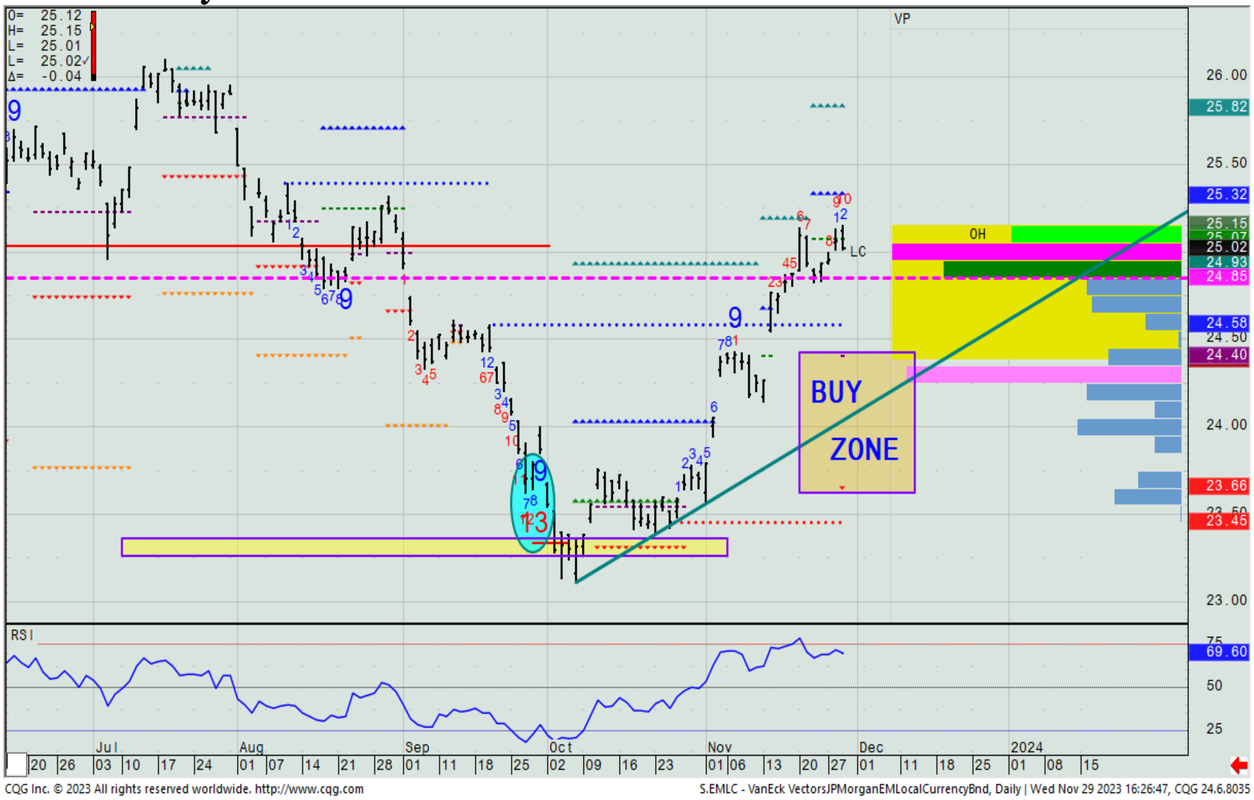
Let's get long a half-unit today, and another half at the current trailing 30-day Point of Control ($62.56) +/- 15 cents. I'll target to sell half against the downtrend line drawn ($66.06 this week, and falling 15 cents each week), and half near the Propulsion Exhaustion level at $66.89. I'll keep the sell-stop tight, exiting half on a Friday close beneath last week's low of $61.98, and half on a Friday close beneath $61.09.

Other Open Recommendations and Positions

Long EMLC

We're still looking to get long this ETF on a pullback, with the buy zone from $24.40 to $23.66. The target is ~$26, while risking down to consecutive *lower* daily closes beneath $23.45. (I'd buy the bulk of the long between $24.40 and the uptrend line.) See chart on top of page 6.

EMLC - Daily



Long TLT

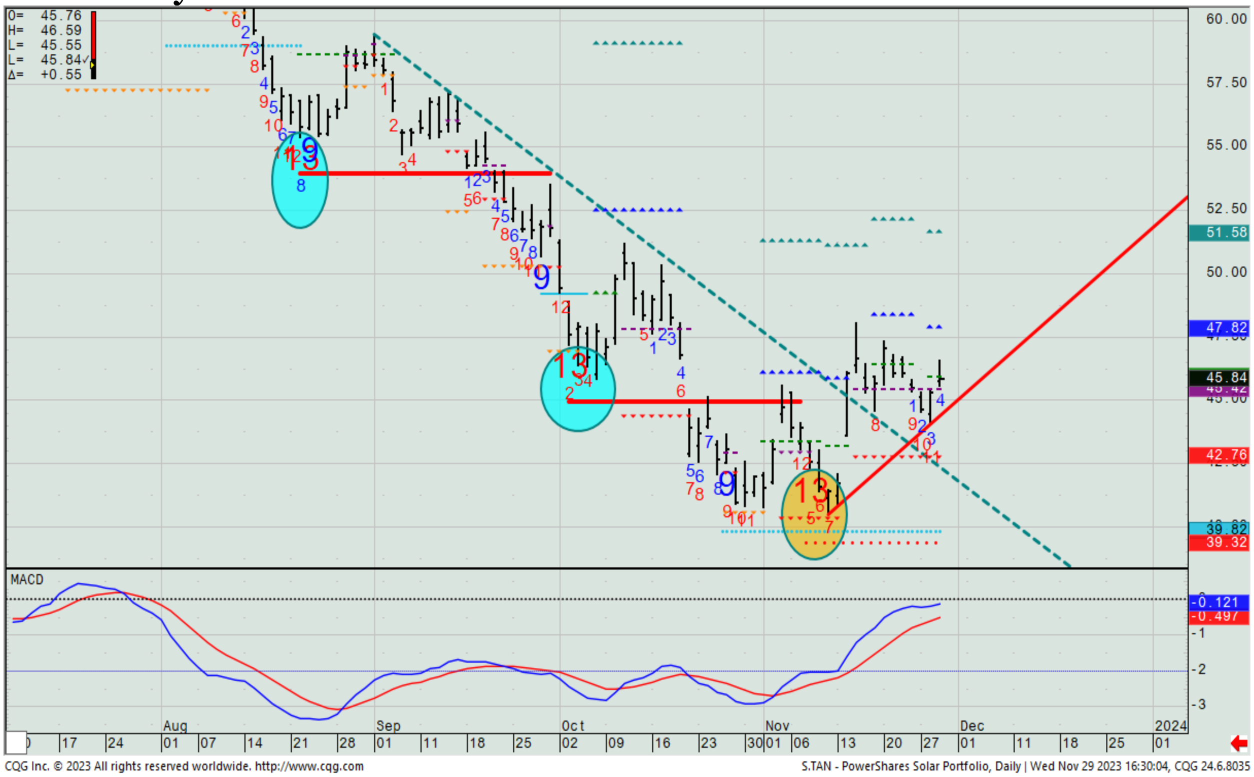
We also have an unfilled recommendation to bid for the TLT ETF on a pullback, starting near $87.50. down to $84.65, its newest weekly bearish Propulsion Momentum level. The upside target was shown in the blue box, and as it was all but reached yesterday, I will cancel this idea (though I will still be eyeing where to buy bonds on a pullback, and will be making it a future weekly trade idea).

TLT - Daily

Long TAN

Two Fridays ago, we again got into a long position in this (filled at an avg. of $45.23). Risk down to consecutive daily closes beneath $42.78. I'm targeting $51/$53.

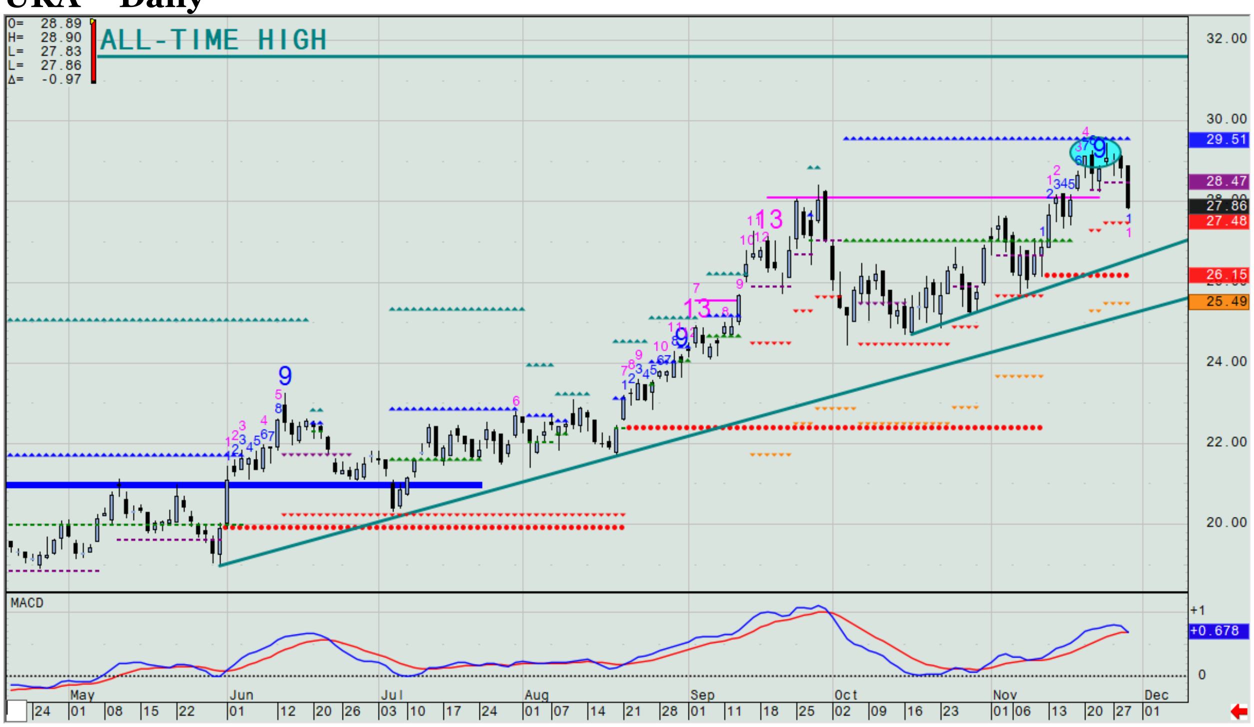
Tan – Daily



Long URA

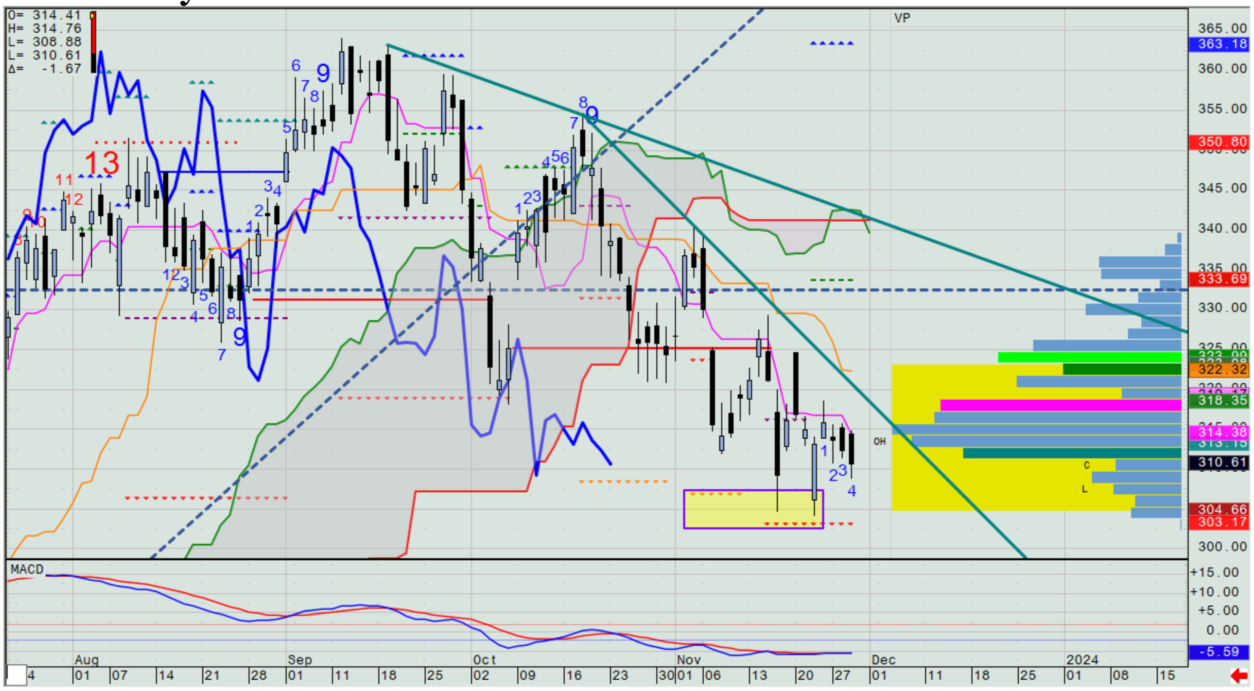
Four weeks ago, my we got long at an avg. of $26.35. My target was $29.98 +/- 20 cents, but we sold half last Friday (avg. price of $29.17) as it marked a daily Setup +9 count, just as the SPX just had. Let's exit the balance today.

URA – Daily



Short OIH
We have a short on at ~$341 and have already covered 2/3 of the short somewhere around an avg. of $308.50). The buy-stop for the remaining 1/3 position is to exit on consecutive daily closes above $318.82. The last third I'll target at somewhere near $287 – especially if it's there about 5 weeks from now when a continued decline could be marking a weekly Setup -9, too.

OIH – Daily



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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