Rick Bensignor's

# IN THE KNOW TRADER

*Positioning Individual Investors Alongside Professionals*

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December 8, 2023

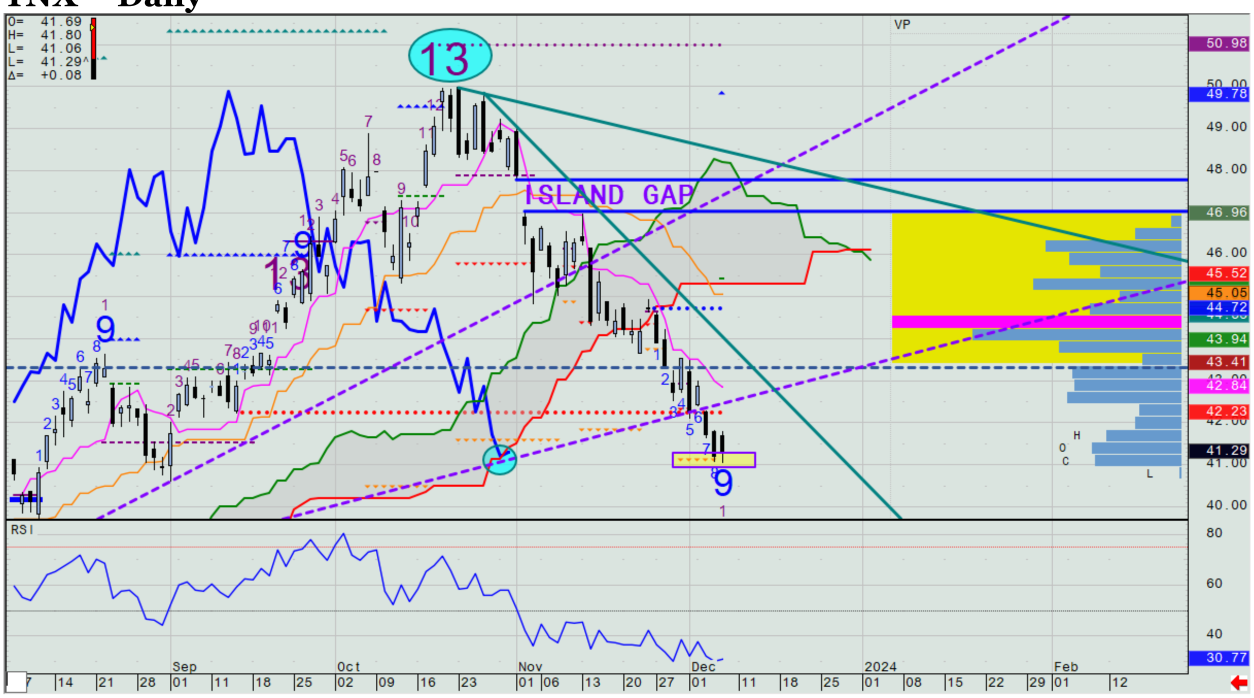
## TACTICAL TRADER REPORT

**The Macro Picture**

The stock market paused much of this week till yesterday, when the SPX and QQQ got soldi rallies from some decent up moves in the Magnificent Seven names. As we'll see later in the report, the SPX marked a weekly Aggressive Sequential +13 signal on Monday's open – the first such signal since the one made right at all-time highs at the very end of 2021.

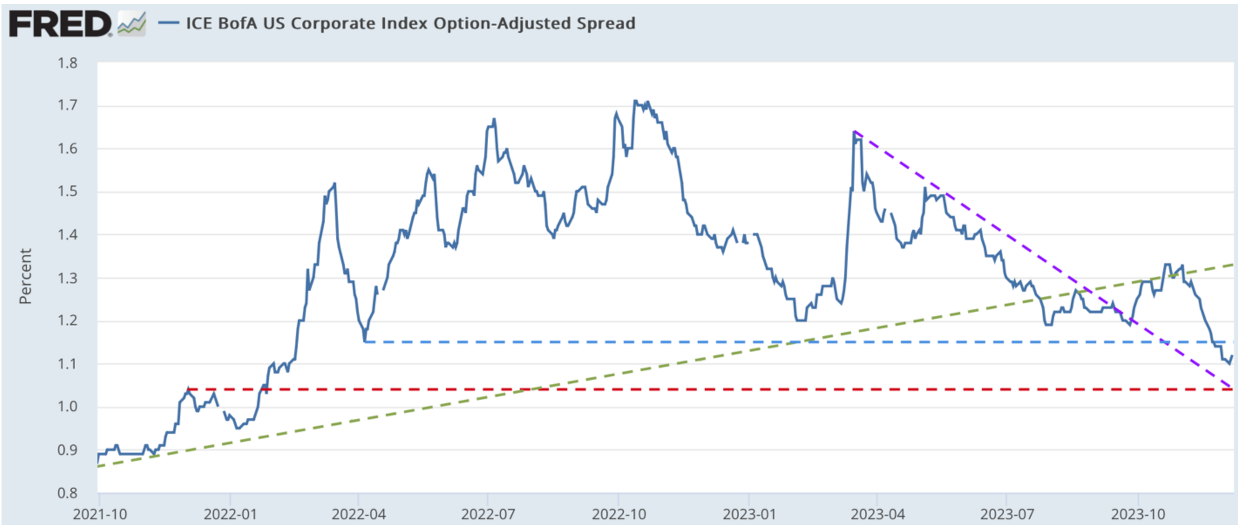
Bonds also have been rallying, with yields falling from last Wednesday's closing rate of 4.27% (the day I wrote the most recent issue) until Thursday's closing level of 4.13%. This continued surge in bond prices has kept a decent bid to the stock market, as the belief that the Fed is done raising rates – and that a fair amount of rate cuts are coming next year – is fueling the demand for equities, along with a far more increased belief that the supposed recession of 2023 (which never came) – or a delayed one that will hit in 2024 – just simply isn't going to happen. (Personally, I'm not making the bet that there won't be some type of material economic slowdown still to come next year.)

**TNX – Daily**



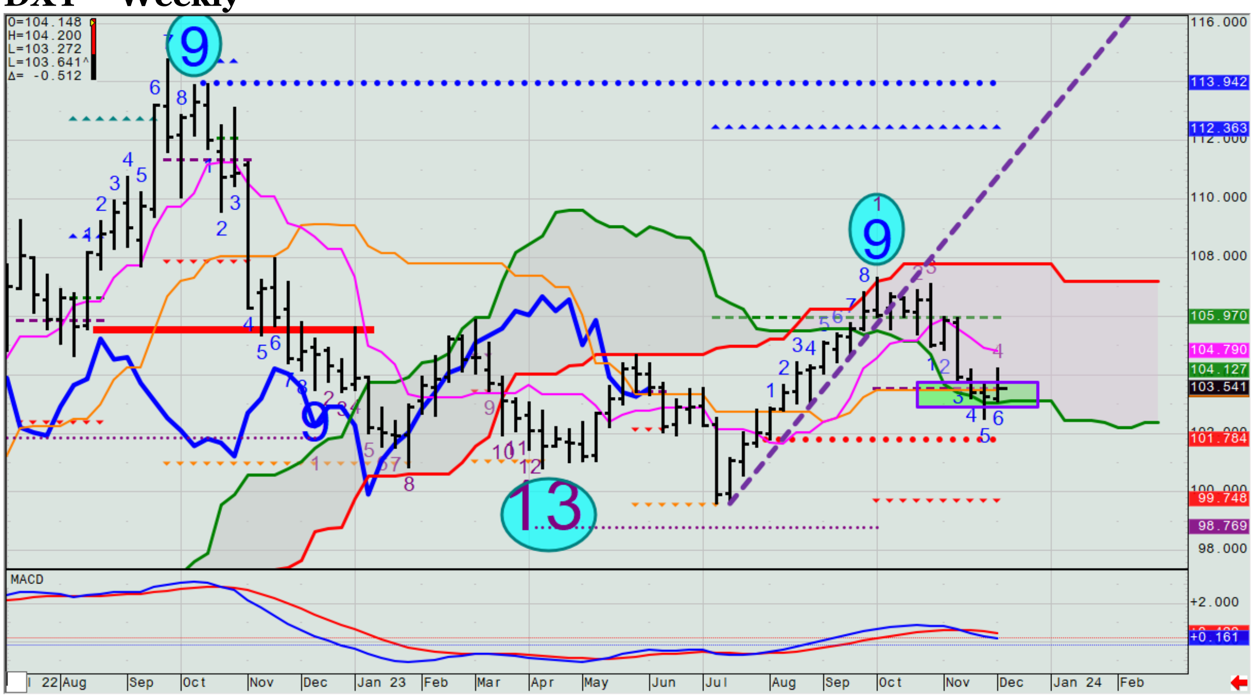

Though the recent weekly bearish Propulsion Momentum signal kicked in a few weeks ago, with an associated Exhaustion target of 3.92%, I had Daily Tip Sheet subscribers exit our long bond trade yesterday on the Setup +9 count that also hit its daily Propulsion Full Exhaustion level (and the cloud's Lagging Line right against its own cloud bottom).

Looking at Investment grade corporate credit spreads, my preferred index of that has now fallen to 1.12% (with a low at 1.10%). I suspect it will get to near 1.04%, the prior breakout level (i.e., the horizontal deep red dashed line) and the backfill to a prior broken downtrend line (i.e., the dashed purple line).




**CURRENCIES:** I've properly given you the downside target (103.50/103) to the recent US Dollar's decline, and I remain flat right now as that zone has been reached. 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 new all-time highs made over the past week. 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).

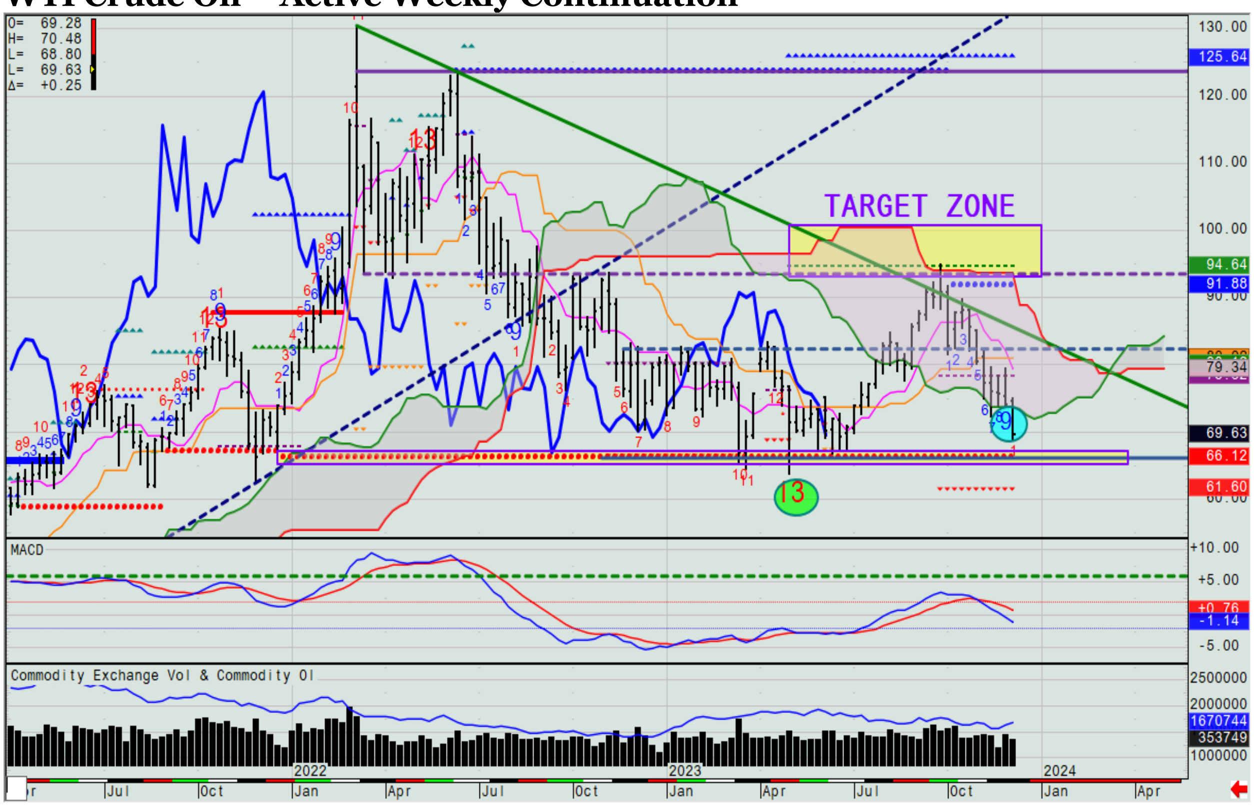
**COMEX Gold – Active Weekly Continuation**



GCA - Gold - Combined, Active Weekly Continuation (Delayed by 10 mins) | Thu Dec 07 2023 16:31:55, CQG 24.6.8035

WTI Oil made new lows for the move after OPEC's planned 2024 production cuts didn't make investors happy. It's big trading range is from the mid-$90s to the mid-$60s, so it may still need to sell off more before buyers are willing to come back in.

**WTI Crude Oil – Active Weekly Continuation**

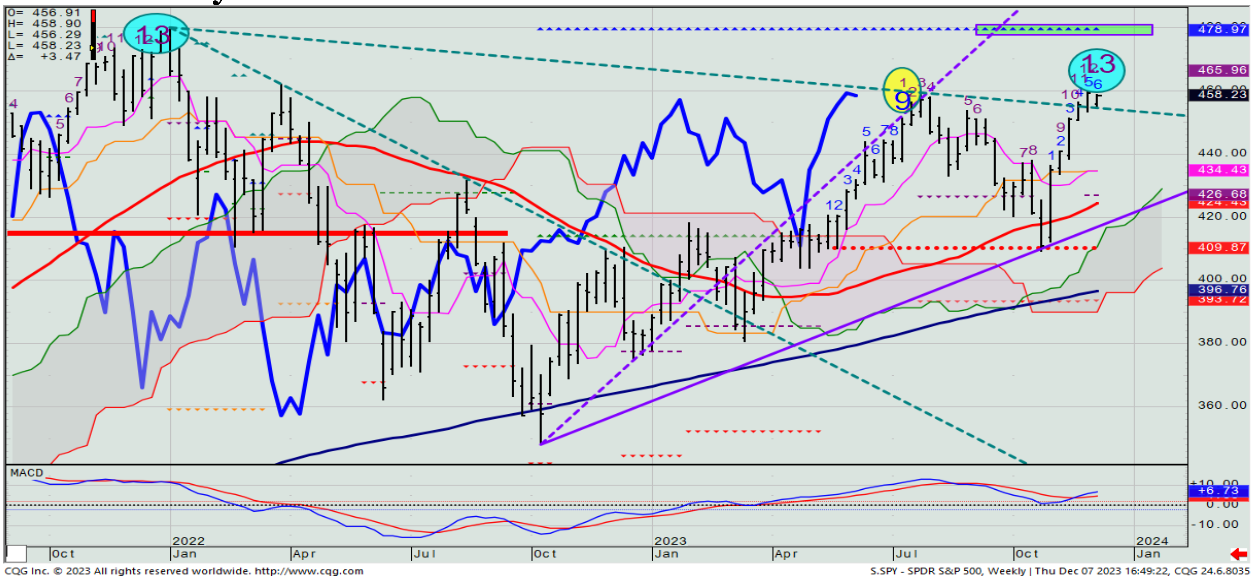




CLA - Crude Light - Combined, Active Weekly Continuation (Delayed by 10 mins) | Thu Dec 07 2023 16:36:51, CQG 24.6.8035

**EQUITY INDEXES:** Two weeks ago, I sold some of my SPYs at $455 that I had purchased in early-October at $427. I haven't replaced them yet, as the SPY now also marked its first Aggressive Sequential +13 signal since the one made at all-time highs.

**SPY – Weekly**



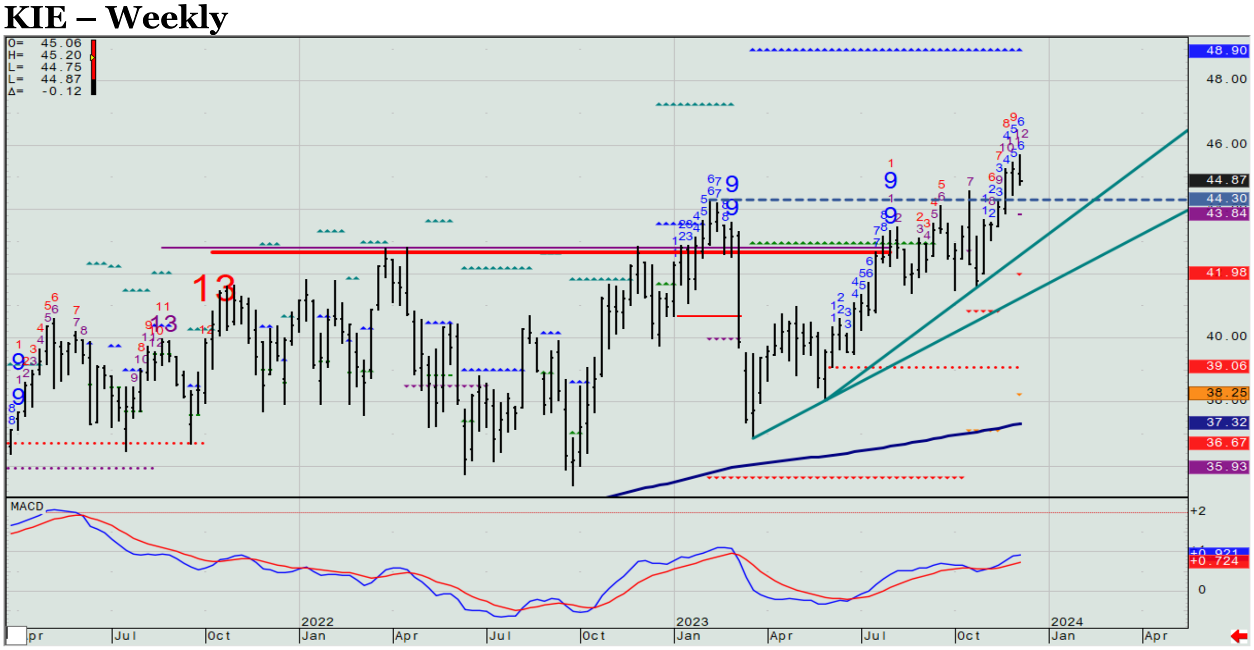

Today we get a jobs data. A "hot" number could send rates up a very unexpected 30 bps. quickly right from the current time and price support area I laid out on page 1.

I certainly can see that the SPY could still easily go higher to reach its Propulsion Exhaustion target at ~$479 before it makes a better chance of a trading top into year end while also along with a potential Setup +9 count.

## New ETF Trade Idea

Insurance names have been one of the best performing groups within the Financials sector. Recently, the **SPDR S&P Insurance ETF (KIE)** broke out to new all-time highs, and has pulled back this week towards support.

**KIE – Weekly**



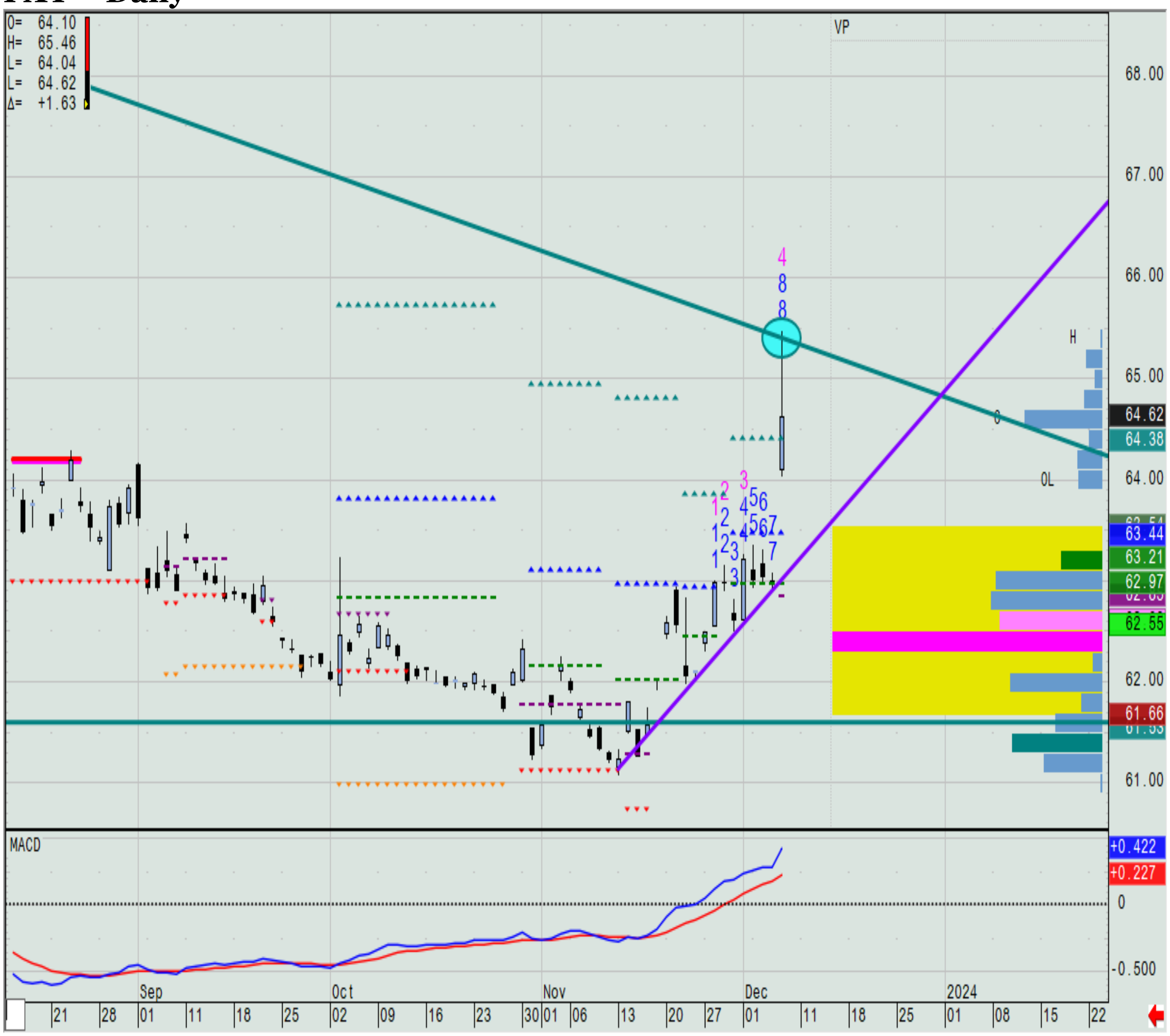
Let's look to get long a 50% position today, and another 50% on a deeper pullback to $44.40 to $43.80. I'll look for a rally to the $48.90 area sometime in 2024, but before getting there, we'll sell half our position if this reaches a weekly standard Sequential +13 count. (It's currently on a +9 towards that +13.)

## Other Open Recommendations and Positions

**Long FXY**

Last Thursday we got filled on both entry requirements to a new long position in the Japanese Yen (avg. entry at $62.61). My target was to sell half at its downtrend line (it hit it yesterday at $65.40), so we're now out of half. The other we're to sell at near $66.89. Raise the remaining 50% sell-stop to breakeven.

**FXY – Daily**

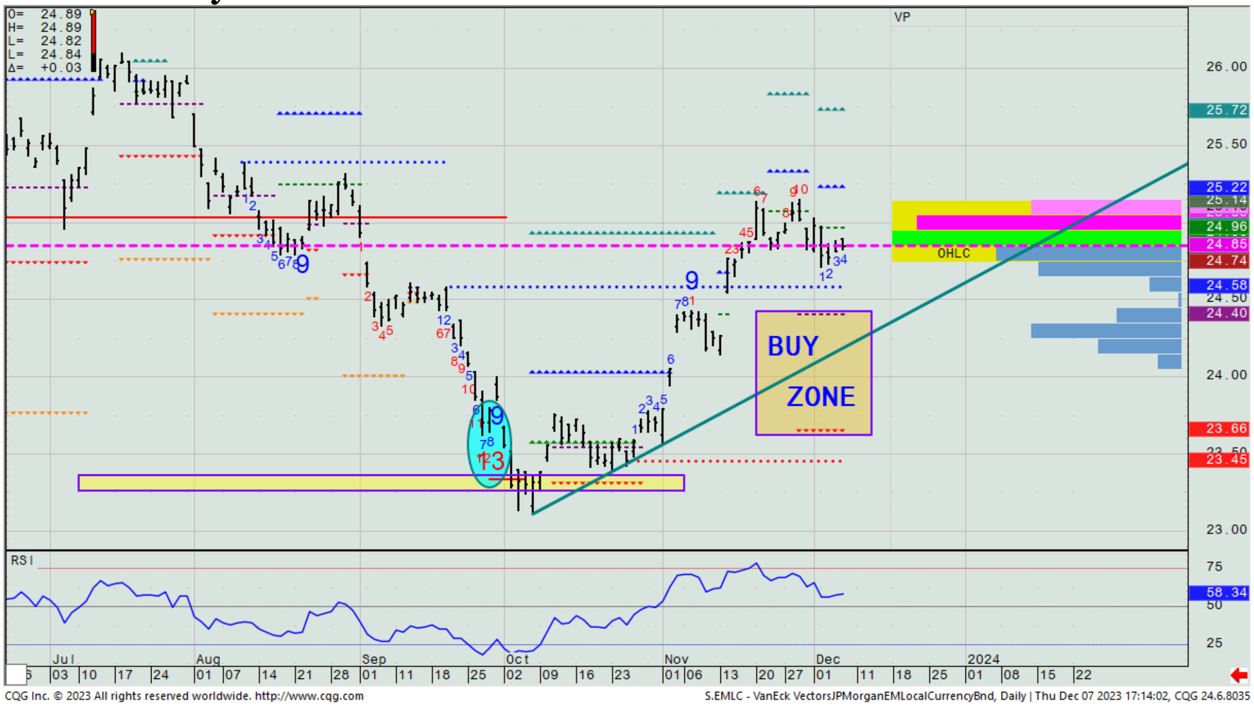



CQG Inc. © 2023 All rights reserved worldwide. http://www.cqg.com S.FXY - CurrencyShares Japanese Yen Trust, Daily | Thu Dec 07 2023 17:13:08, CQG 24.6.8035

**Long EMLC**

We're still looking to get long this ETF on a pullback, with the buy zone from $24.40 to $23.66. My 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.)

## EMLC – Daily




## Long TAN

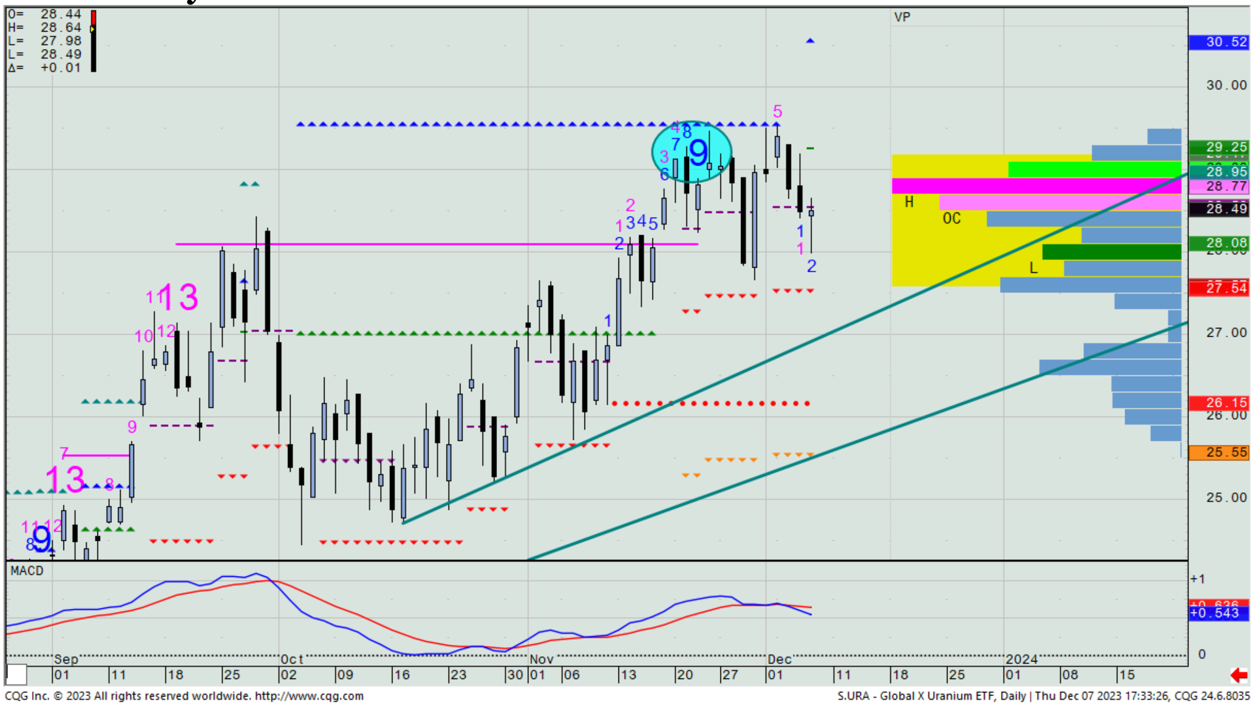
Three Fridays ago, we again got into a long position in this (filled at an avg. of $45.23). Sell half today on a close beneath $45.97. Risk down to consecutive daily closes beneath $42.78. I'm targeting $51/$53.

## Tan – Daily


## Long URA

Five weeks ago, my we got long at an avg. of $26.35. My target was $29.98 +/- 20 cents, but we sold half already (avg. price of $29.17) when it marked a daily Setup +9 count, just as the SPX just had. We exited the balance last Thursday at an avg. of $28.35. For the whole trade, we made 9.15%.

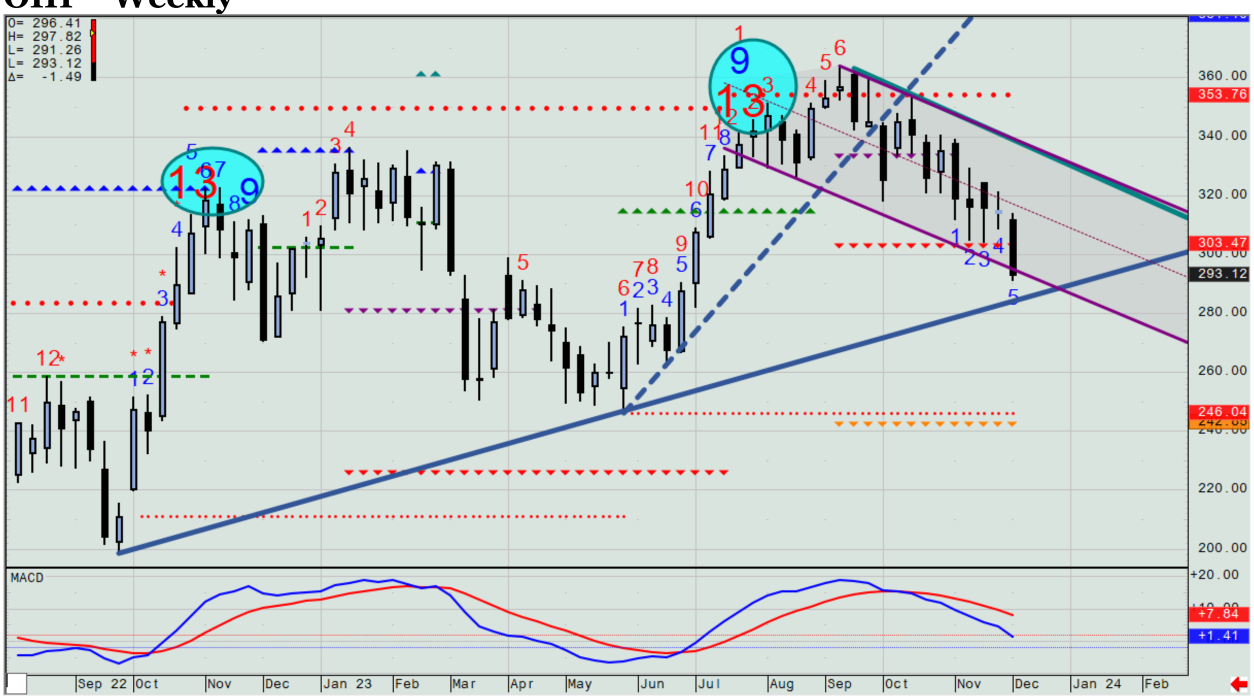
## URA – Daily




## 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). I'm going to change what to do with the final 33%: Instead of putting in a bid price right now, I'll simply place our buy stop as consecutive daily closes above $304.49, and will lower it when/if this ETF keeps heading lower.

## OIH – Weekly

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# 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