Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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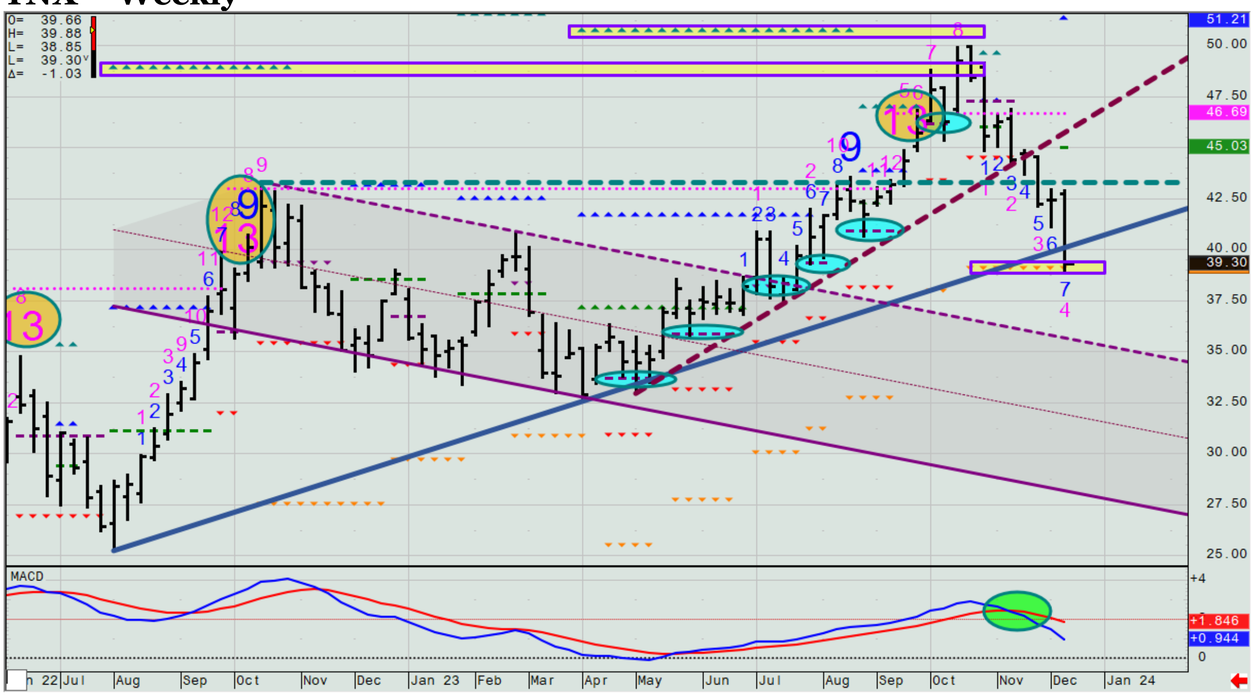
TACTICAL TRADER REPORT

The Macro Picture

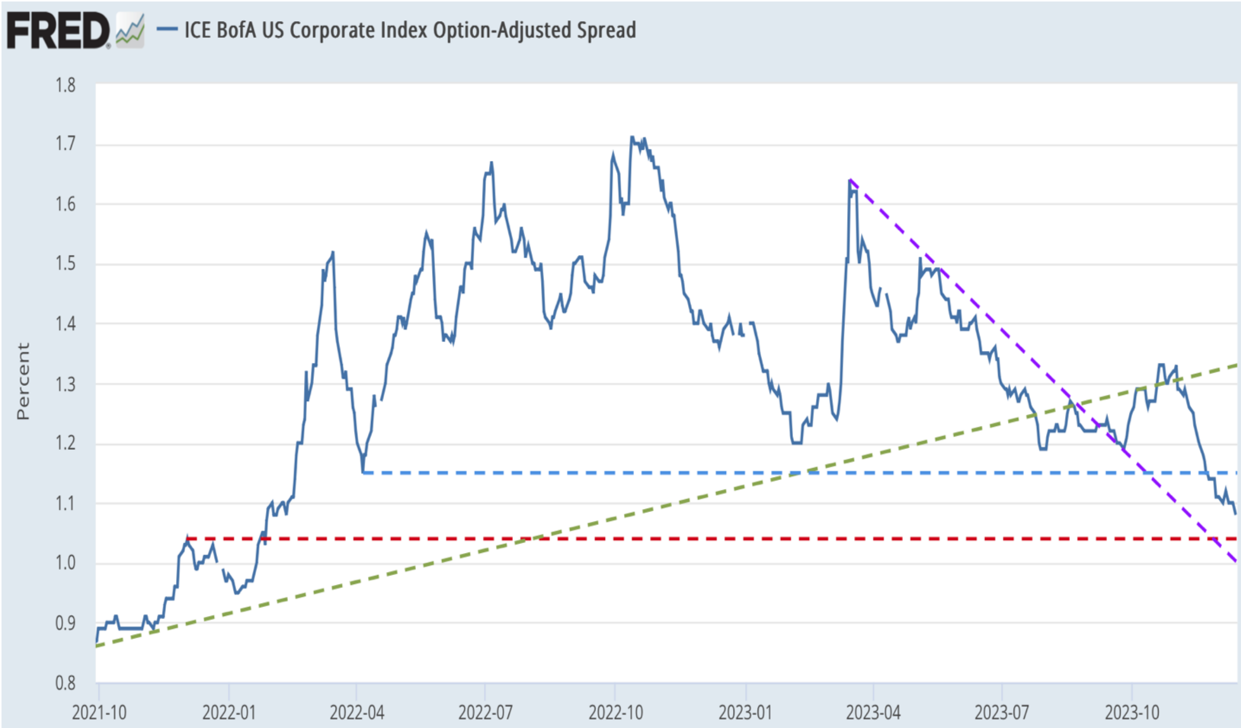
Fed Chair Powell pivoted from prior public announcements (most recently last month's FOMC meeting, where he said it was too early to begin talking about upcoming rate cuts) to say that the Fed expects to cut rates 3x in '24 and several more times in '25. So, not only did investors properly jump ahead of the Fed in pushing UST 10-yr. benchmark rates higher, but over the past couple of months, turned them around to now fall under 4% to push the Fed to proclaiming lower rates to come. Essentially, this proves that investors are collectively far more ahead of the curve than is the Fed – the latter historically known as being well "behind the curve" – and again proving so in 2023.

TNX – Weekly



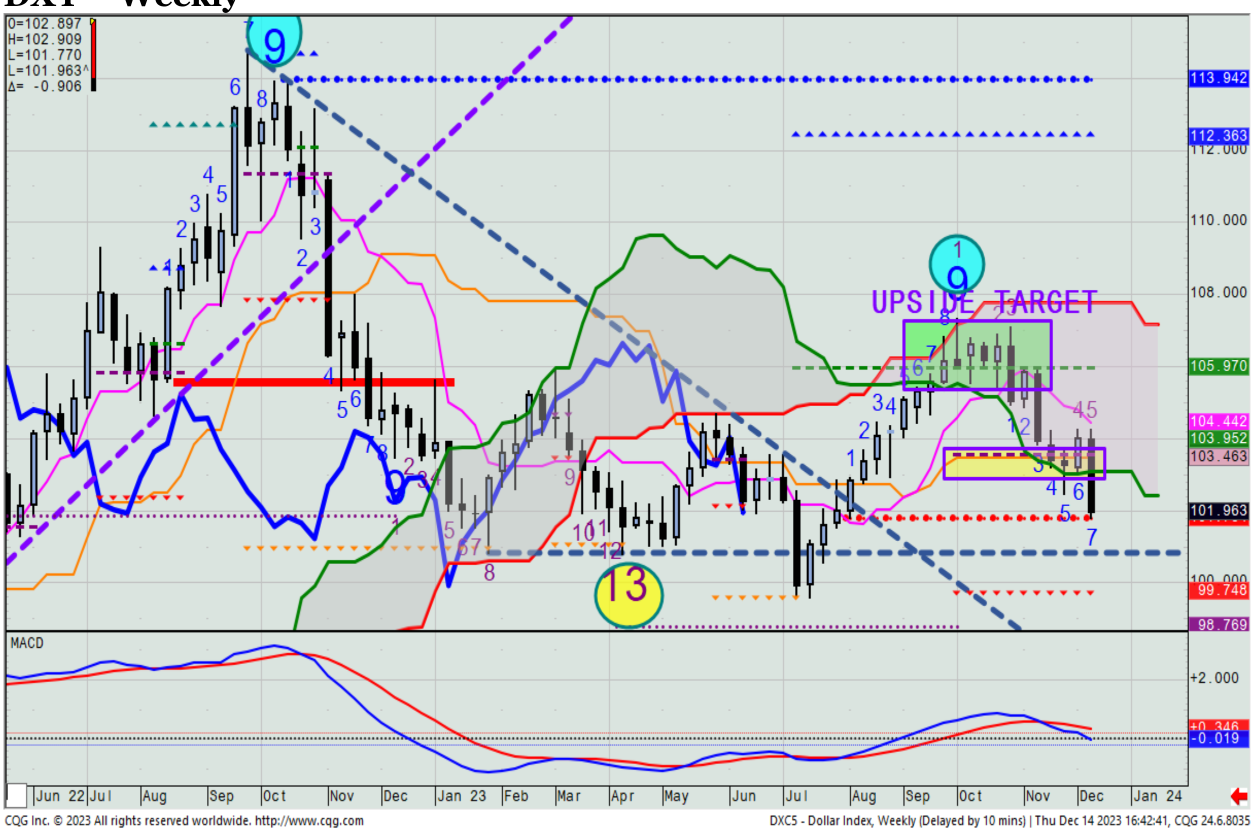
Yesterday, yields reached its weekly bearish Propulsion Full Exhaustion target of 3.92% – measured from the high of 5%. Beneath there, the only other level of significance in the general area is the weekly TDST support line at 3.68%. The downmove is so swift and large that I do expect them to shortly pause and retrace.

Investment grade corporate credit spreads, my preferred credit spread index, has fallen to 1.08%). I have said that I think 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), now near 0.99%. If rates fall dramatically further, this spread may challenge its all-time low of 0.86%.



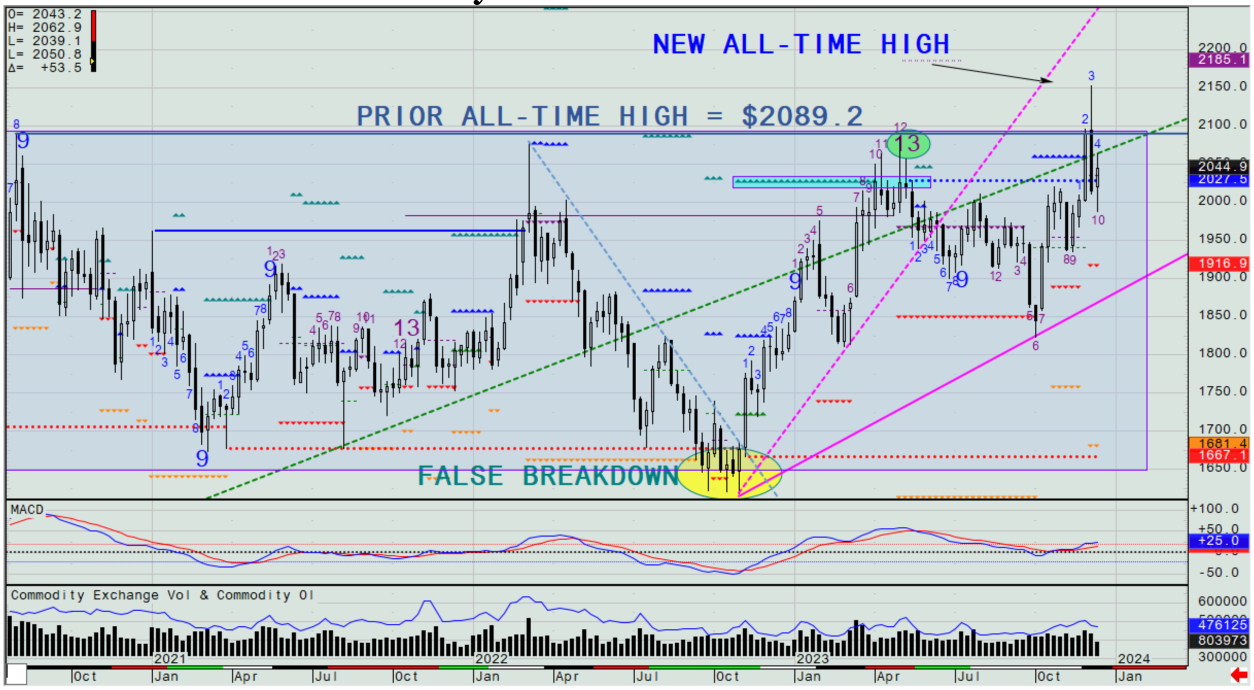
CURRENCIES: With the Fed bringing the rate picture lower, it's no surprise that the dollar has dropped this week, too, now breaking the bottom of the weekly cloud. Near-term downside targets are at 101.78 (precisely hit yesterday on its low) to 99.75. Resistance should be at the falling weekly Conversion Line.

DXY – Weekly



COMMODITIES: I've been bullish gold and recently suggested you consider the $1954 to $1930 level to get long. That worked well and despite the dramatic quick dive from new all-time highs near $2150, a weaker dollar should help propel this higher in 2024. But, do keep in mind that the large decline in inflation figures will – to some degree – keep a lid on gold being an inflation hedge.

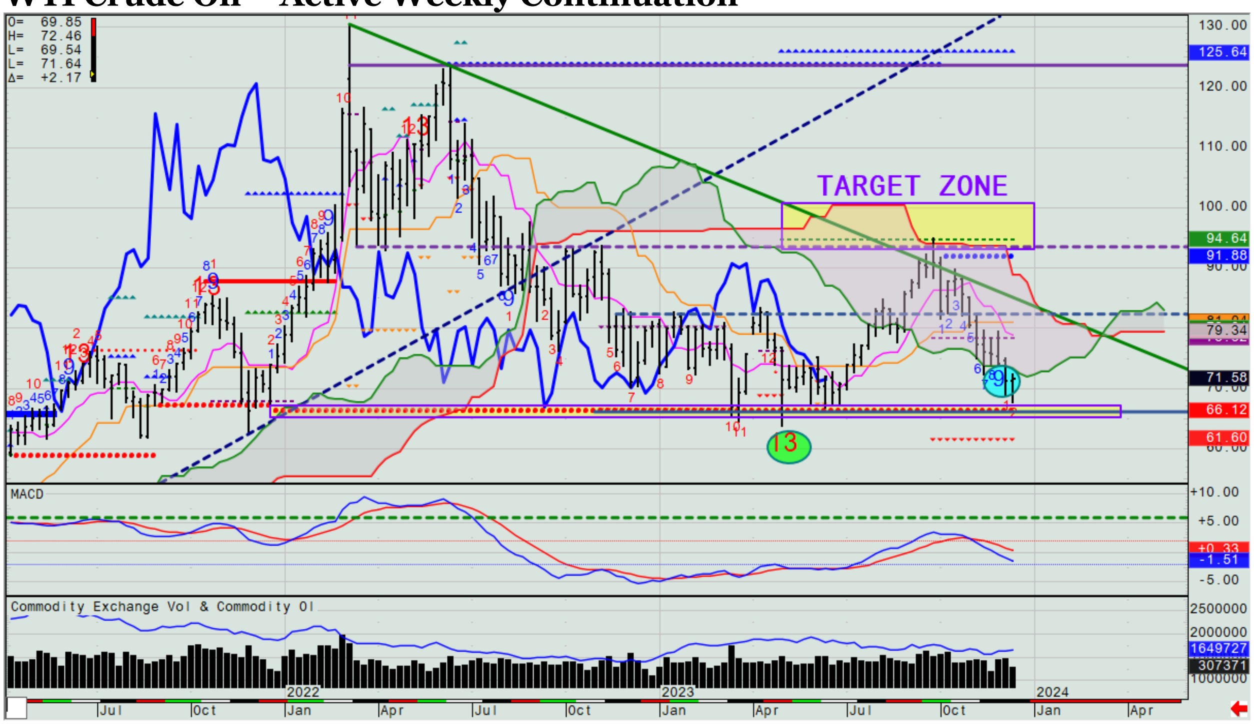
COMEX Gold – Active Weekly Continuation



 GCA - Gold - Combined, Active Weekly Continuation (Delayed by 10 mins) | Thu Dec 14 2023 16:43:29, CQG 24.6.8035

WTI Oil again made new lows this past week. It's big trading range is from the mid-$90s to the mid-$60s, so with a low this week at $67.71, it's tough to think of still shorting it. However, I am not fishing for anything but a maybe a tactical trading low as 2024 could negatively surprise and see prices drop another 20+ percent.

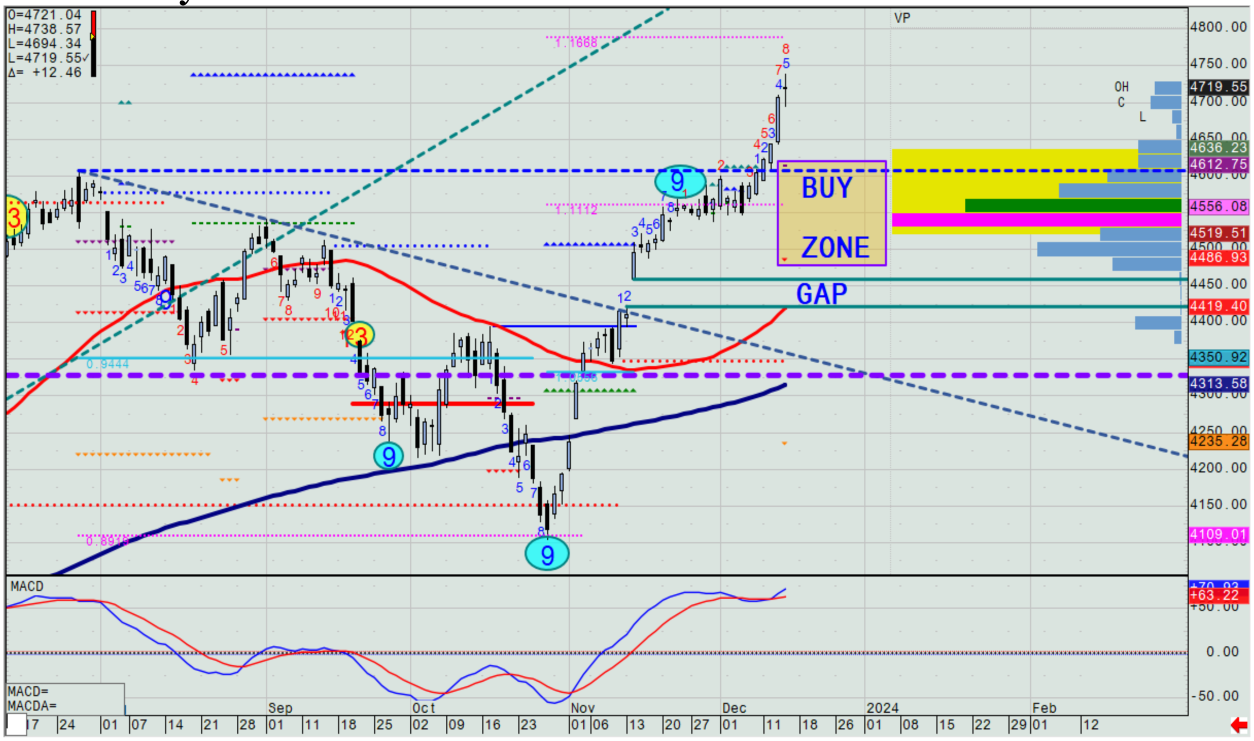
WTI Crude Oil – Active Weekly Continuation



 CLA - Crude Light - Combined, Active Weekly Continuation (Delayed by 10 mins) | Thu Dec 14 2023 16:43:54, CQG 24.6.8035

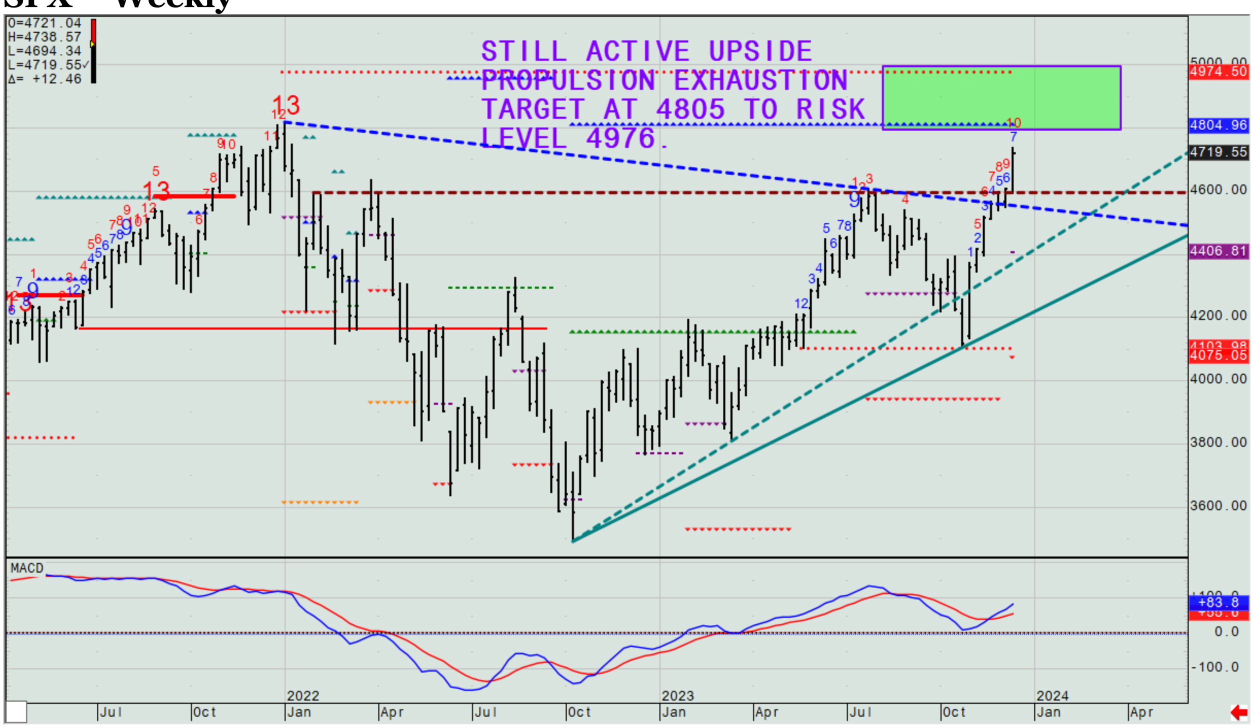
EQUITY INDEXES: The biggest things I see in my counter-trend world – while the press is rejoicing the new all-time high in the Dow and NDX – are some multi-time frame upside exhaustion signals in the SPX. The daily chart shows Aggressive and Standard Sequential +13 readings, and the weekly chart shows an Aggressive Sequential +13. It's not often that we see both occur at the same time – and it doesn't mean I just short the market. But what it does shout to me is that it is much likely a better time to be considering new longs from what were very beaten down stocks than does it mean that I want to be buying Magnificent Seven -type stocks.

SPX – Daily



SPC5 - S&P 500, Daily | Thu Dec 14 2023 18:09:10, CQG 24.6.8035

SPX – Weekly



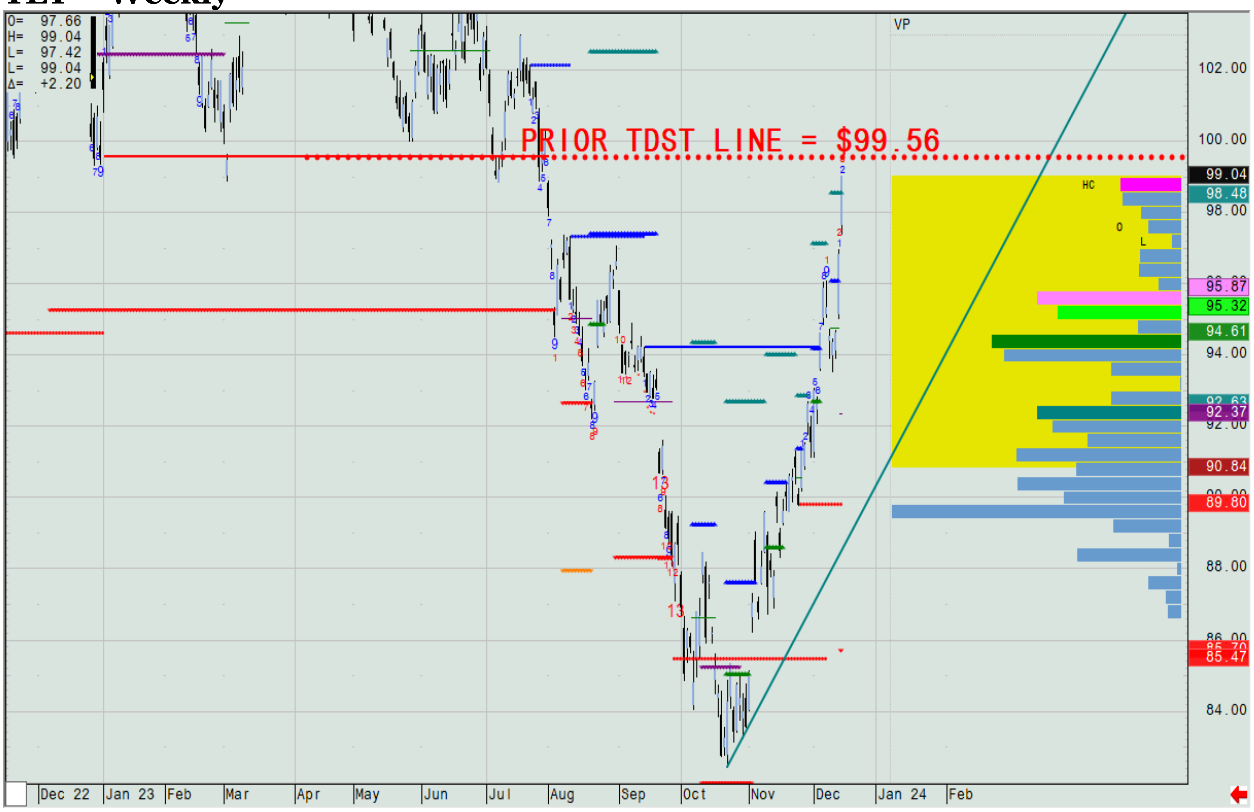
SPC5 - S&P 500, Weekly | Thu Dec 14 2023 18:10:31, CQG 24.6.8035

The SPX has its weekly bullish Proulsion Exhaustion target at 4805. All-time highs are at 4819. It would be expected that we'll see new highs in this index. I question how long they'd hold above that low-4800 area without getting some type of late-to-the-game long washout. The Daily Sentiment Index reached 89% bulls, and then fell to 83% bulls after Thursday's action. There isn't all that much higher that this reading can go.

New ETF Trade Idea

Rates have fallen so quickly that they are due for a pause and refresh, especially with the TNX having reached its aforementioned Propulsion Full Exhaustion level at the equivalent of 3.92%. I noticed that yesterday did more volume on the TLT close was more than at any other level traded in the past 30 days. Why? I'd guess that smart money sold to those being squeezed short.

TLT – Weekly



S.TLT - iShares 20+ Year Treasury Bond ETF, Daily | Thu Dec 14 2023 19:35:58, CQG 24.6.8035

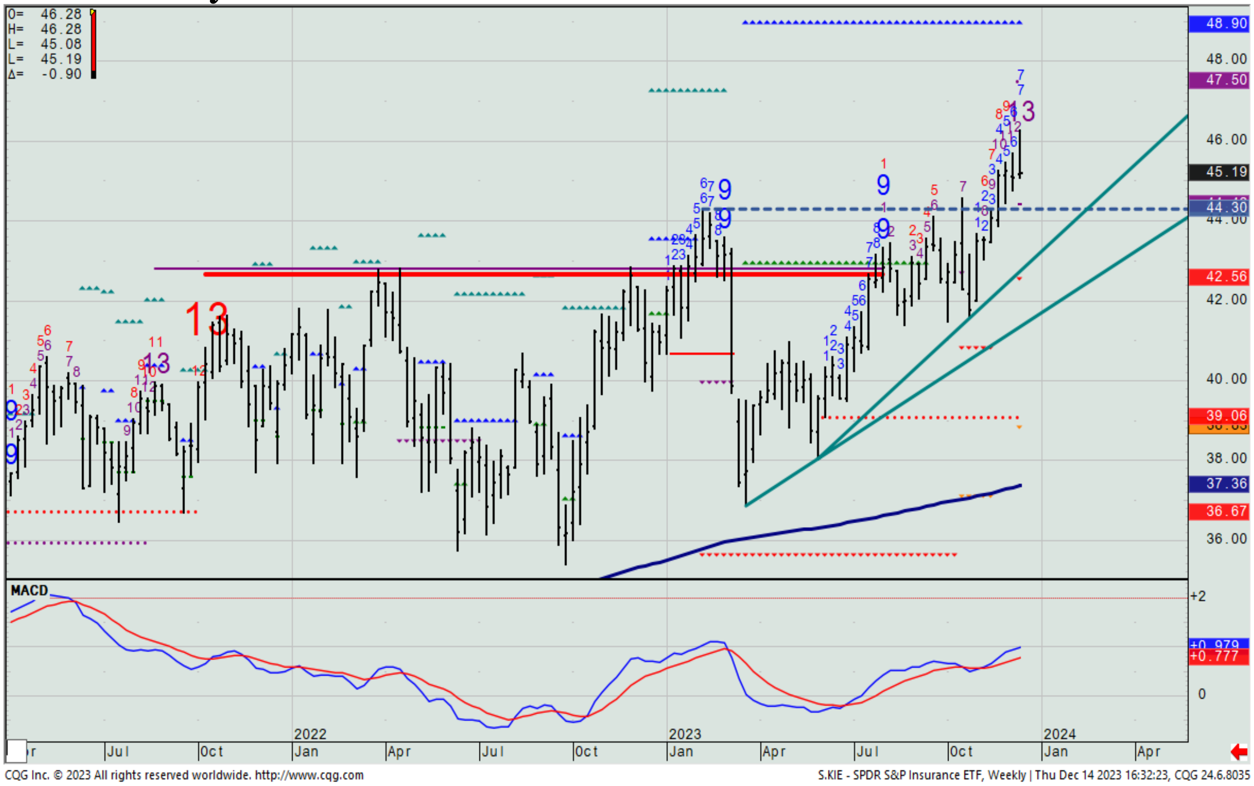
For those of you maverick enough to fight trend, I'm recommending shorting TLT between the Point of Control area at $99.00 to the TDST area at $99.60, looking for a decline down to $93.50 to $93.00. The buy stop is on consecutive Friday closes > $102.98.

Other Open Recommendations and Positions

Long KIE

Last Friday we got long a 50% position at an avg. price of $45.00, looking to add the other half between $44.40 to $43.80. My target is near $48.90 in 2024, but before getting there, we'll sell half our position if this reaches a weekly standard Sequential +13 count. (It's currently still on a +9 towards that +13.) It did mark an *Aggressive* Sequential +13 this week, so we may see a pullback first. Stop out all longs on consecutive Friday closes < $44.42.

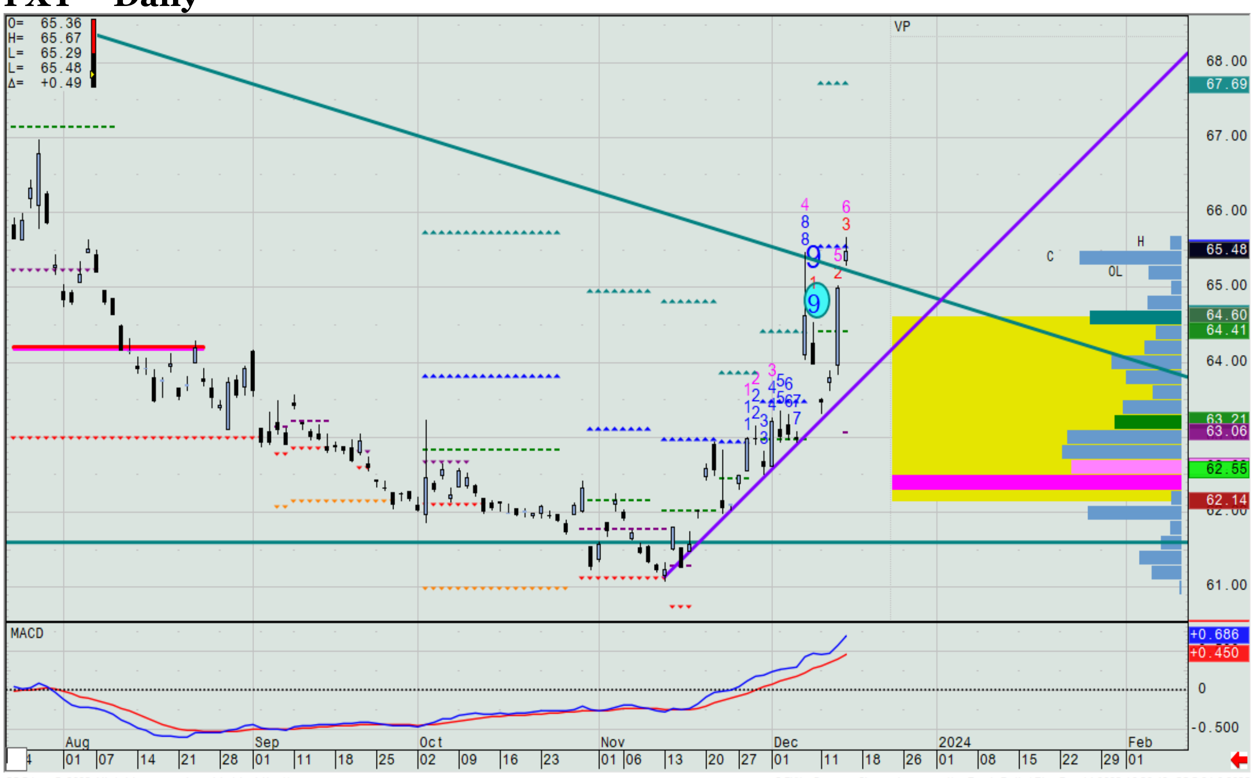
KIE – Weekly



Long FXY

Two weeks ago, we got filled on both entry requirements to a new long position in the Japanese Yen (avg. entry at $62.61). We previously sold half at $64.50. The other we'll to sell at near $66.89. Raise the remaining 50% sell-stop to a close beneath $64.41.

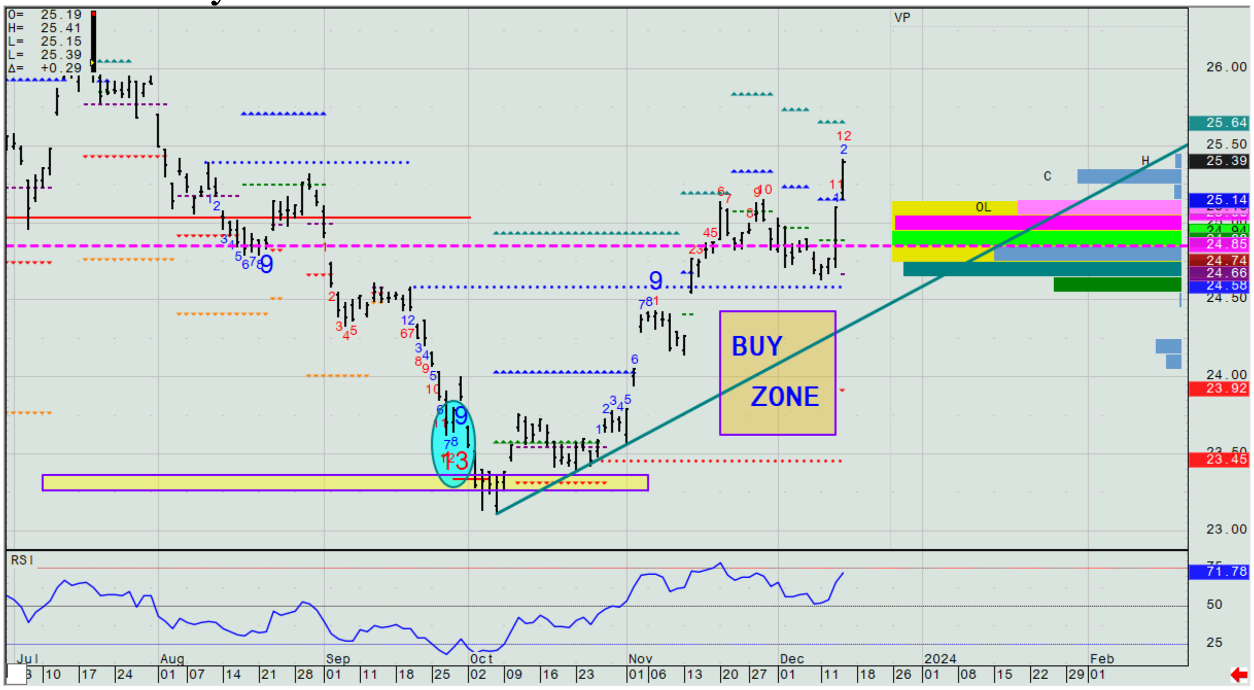
FXY – Daily



Long EMLC

We were still looking to get long this ETF on a pullback, with the buy zone from $24.40 to $23.66. It only got down to $24.67, so let's cancel the idea.

EMLC – Daily

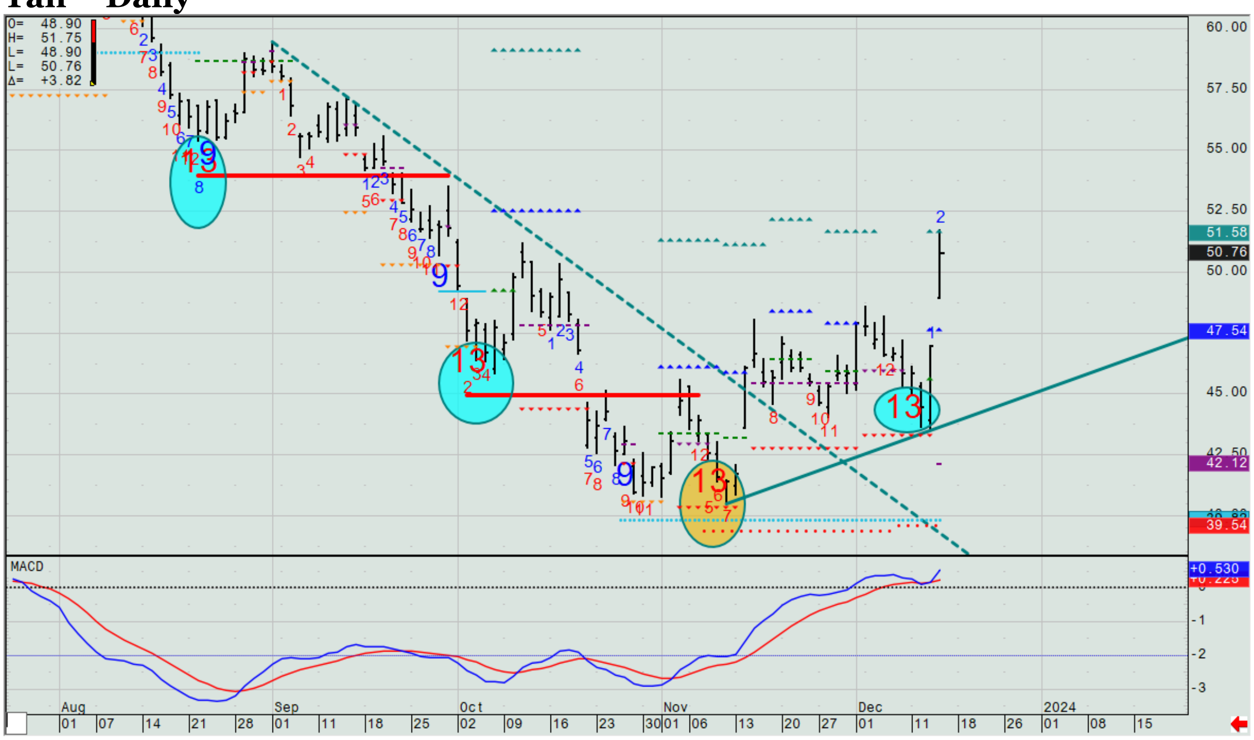


S.EMLC - VanEck VectorsJPMorganEMLocalCurrencyBnd, Daily | Thu Dec 14 2023 16:35:43, CQG 24.6.8035

Long TAN

Four Fridays ago, we again got into a long position in this (filled at an avg. of $45.23). We sold half last Friday at $45.82. I was targeting $51/$53 for the balance, and yesterday's high was $51.75, so we're now down to just a 25% long position. We'll put another 25% back on long if we see a pullback to $47.54 +/- 10 cents.

Tan – Daily



S.TAN - PowerShares Solar Portfolio, Daily | Thu Dec 14 2023 18:02:50, CQG 24.6.8035

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). We will cover the last 1/3 today.

OIH – Weekly

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