Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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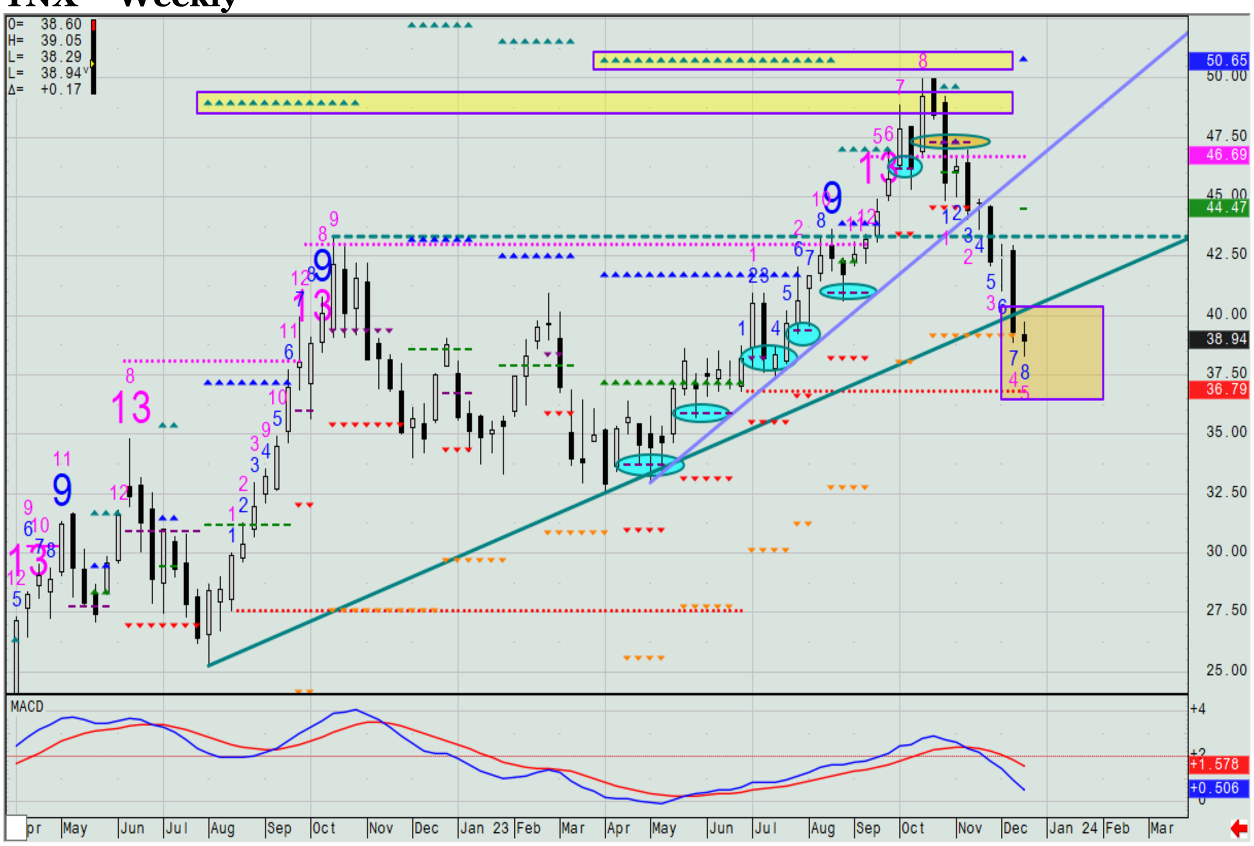
TACTICAL TRADER REPORT

The Macro Picture

The past week was another one of gains to new '23 highs for the major US stock indexes, but one that also shows the market's vulnerability for corrections, as evidenced in Tuesday's large decline that came in the final 90 minutes of trading. Though the press continues to try to find the reasoning behind the drop, I'm pretty confident that enough savvy institutions have seen the daily and weekly DeMark Sequential +13 signals to not have needed a major catalyst to have already been selling. (See daily and weekly charts on page 4.)

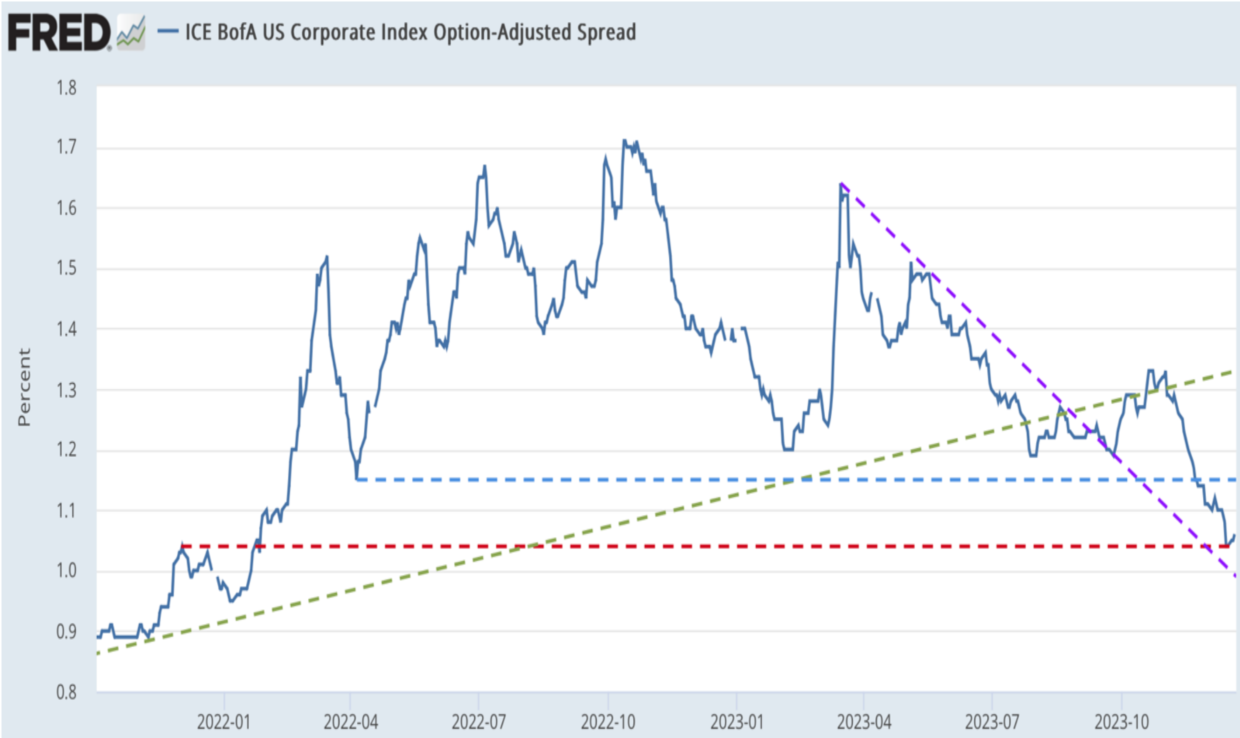
Meanwhile, bond yields continue to hover near the 3.92% bearish Propulsion Exhaustion target, and now that this week's rate low is beneath that of bar Setup -7 from last week, a Setup -9 count next week is "perfected", and potentially presents an even better reason that rates will likely make a tradeable bottom anytime now. I suspect if yields get back above and stay above 4%, stocks will come under pressure.

TNX – Weekly



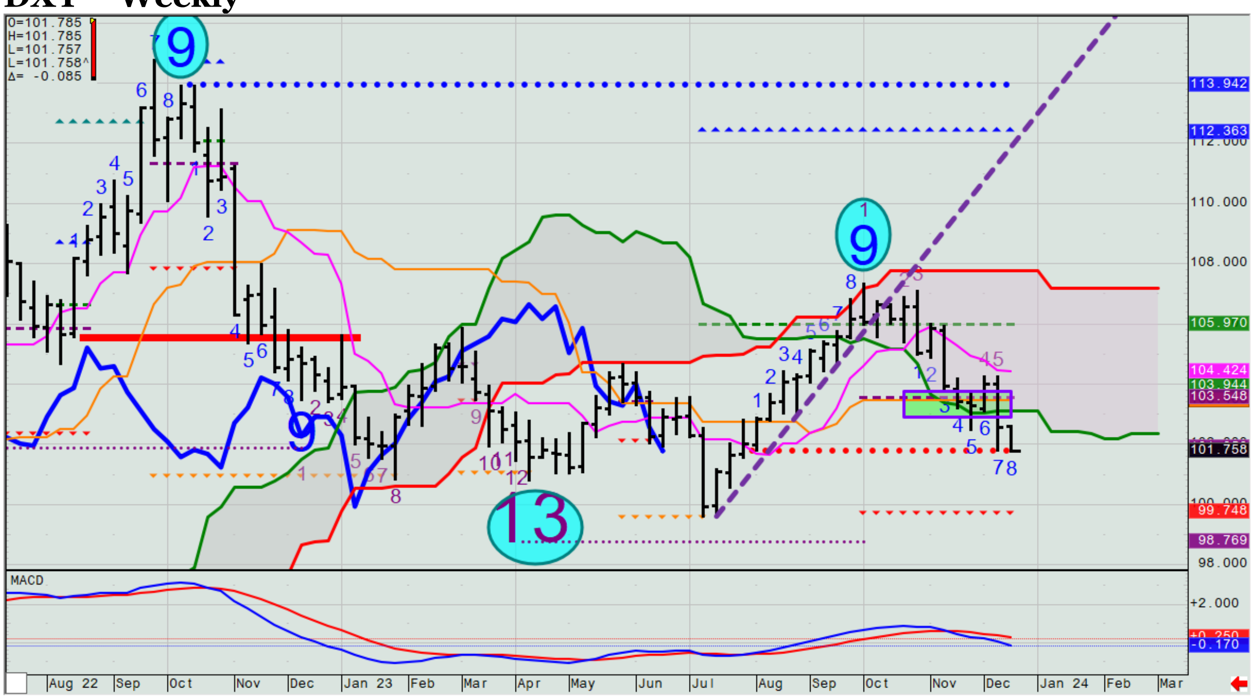
 TNX - 10-Year Treasury Note Index, Weekly | Thu Dec 21 2023 19:20:14, CQG 24.6.8035

Investment grade corporate credit spreads, my preferred credit spread index, fell as low as 1.04% -- the same as where the breakout started in early-2022, and to the zone defined by the horizontal dashed dark red and purple lines. Be mindful that this spread's all-time low is 0.86%.



CURRENCIES: Last week the US Dollar Index (DXY) fell to its TDST line at 101.78. Like the TNX's weekly chart, a low this or next week – by as little as a tick beneath last week's low of 101.77 – would be enough to "perfect" an upcoming Setup -9 count next week. I look for the dollar to pretty much mimic the TNX chart in the near-term. Resistance should be at the falling weekly Conversion Line.

DXY – Weekly



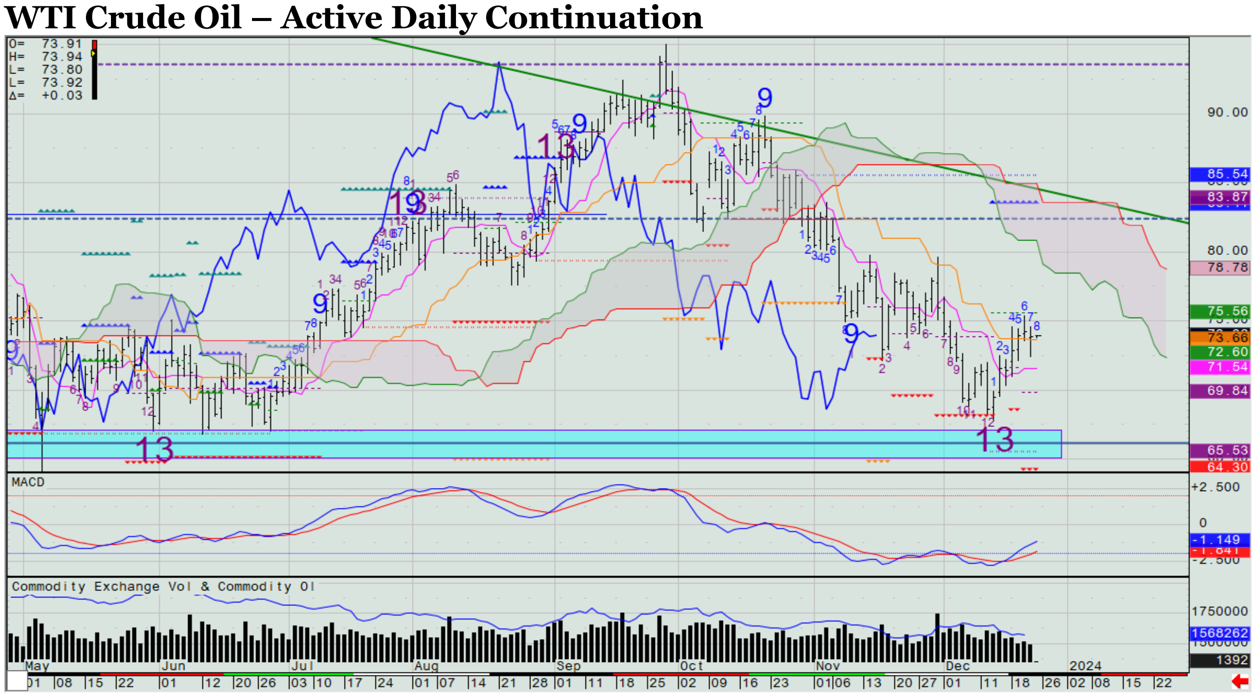
COMMODITIES: I remain bullish gold and expect that if rates continue to fall in 2024, gold will make sustained new all-time highs – something that the futures markets did not do on the recent move to $2150 (i.e., it was a quick event with no sustainability). A real upside breakout that then consistently stays above $2000 should target a move to $2400. At this point, bulls will want to see something near $1900 hold on any pullback.

COMEX Gold – Active Weekly Continuation

GCA - Gold - Combined, Active Weekly Continuation (Delayed by 10 mins) | Thu Dec 21 2023 19:21:58, CQG 24.6.8035

WTI Oil did mark an expected trading low I mentioned last week, as it finally marked its first Aggressive Sequential -13 reading of the entire decline from the late-September peak at $95. I'm unclear about what to expect in 2024 from oil – and the energy market in general – so I'm not thinking that oil gets a major from this recent low.

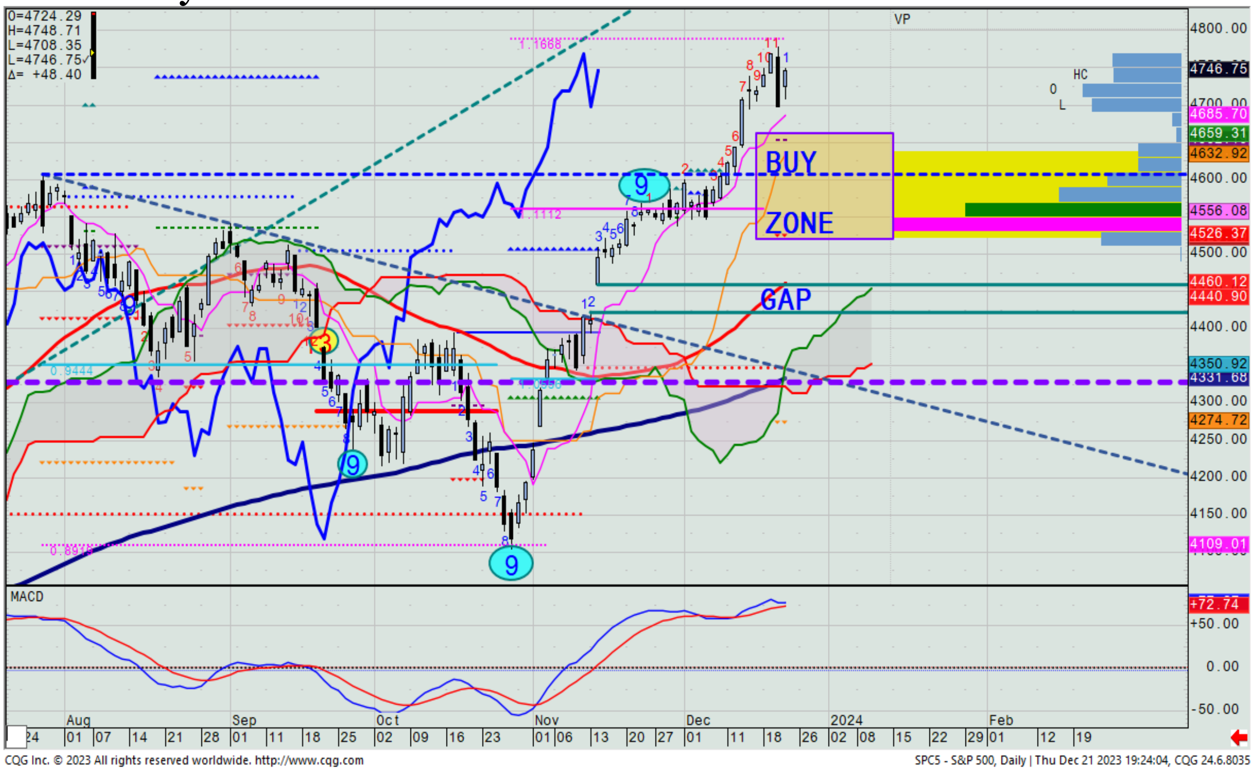
WTI Crude Oil – Active Daily Continuation



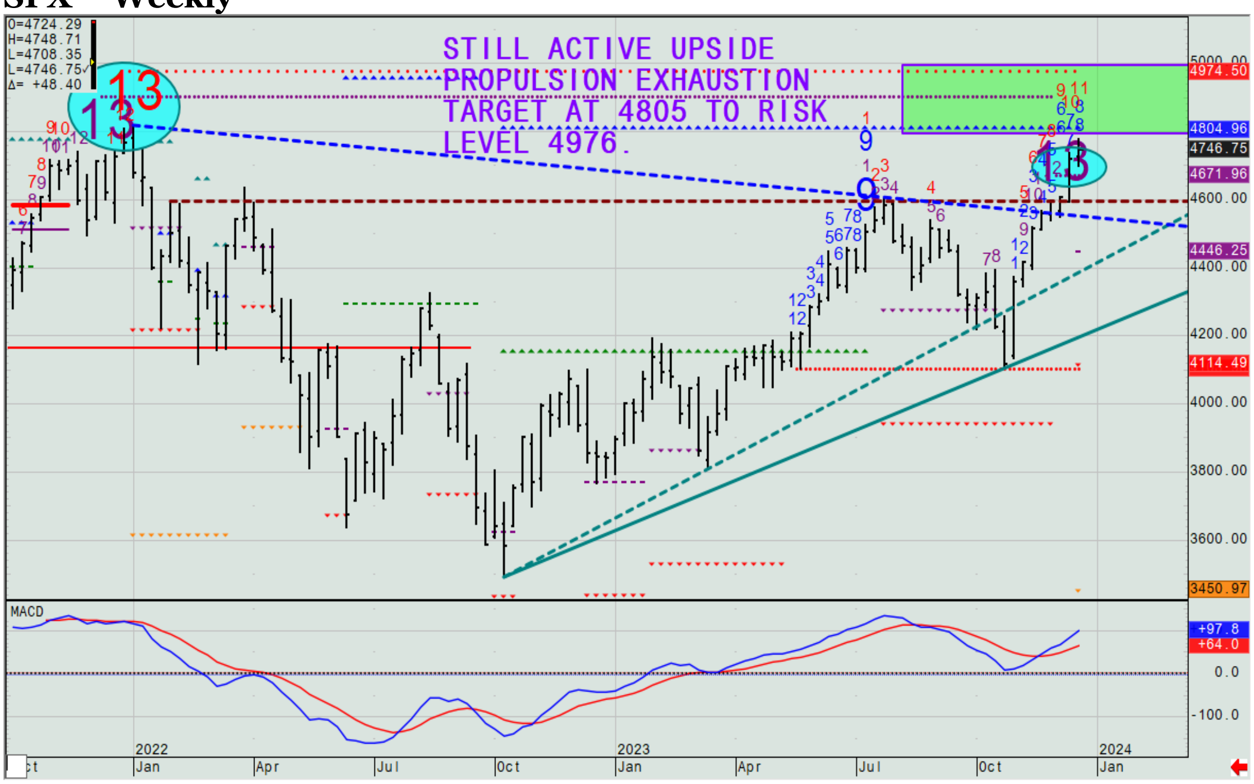
CLA - Crude Light - Combined, Active Daily Continuation (Delayed by 10 mins) | Thu Dec 21 2023 19:22:20, CQG 24.6.8035

EQUITY INDEXES: The multi-time frame active Aggressive and Standard Sequential +13 readings that exist in the SPX and NDX keep me from buying any high flying name right now, and along with SPX Propulsion and Trend Factor targets right near prior all-time highs, I'll stick with the idea that you will be much safer buying prior beaten down names that have now come out of bases than you will prosper at this point from now buying Magnificent 7 -type names.

SPX – Daily



SPX – Weekly



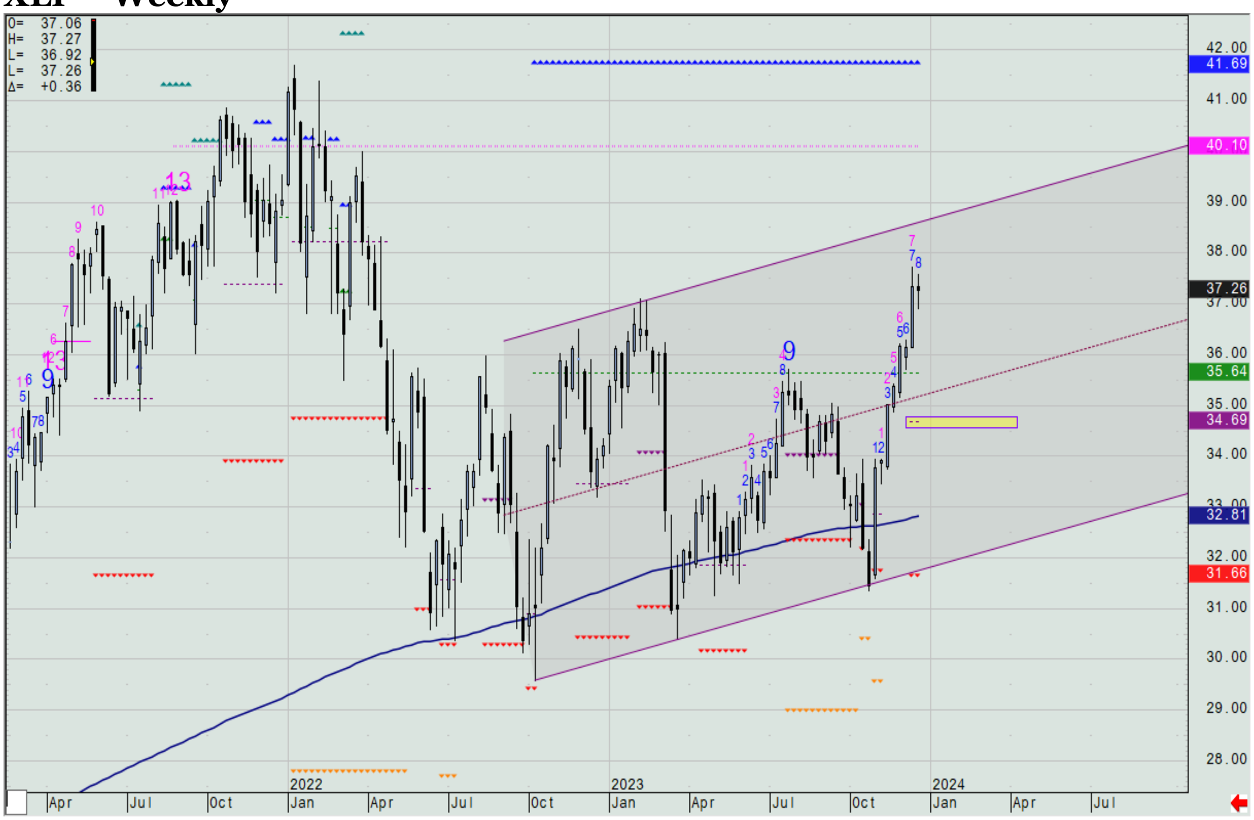
The SPX has its weekly bullish Proulsion Exhaustion target at 4805. All-time highs are at 4819. It would be expected that we'll see new highs in this index. I question how long they'd hold above that low-4800 area without getting some type of late-to-the-game long washout. The Daily Sentiment Index reached 89% bulls on 12/12, and it came into Thursday's session at 75% bulls. It still may need to get somewhere in the 90% + level before the ultimate high is put in place, but at this point, it's pretty tough to find confirmed bears. Given the run we've seen since October, that's not necessarily a good thing for the bull camp.

New ETF Trade Idea

For those of you who are also subscribers to my 7:11 report, you know that I recently put XLF back into the portfolio of one of the seven macro sector SPDR ETF holdings, as I think that the lower rate environment will lead this to being an outperformer again. On an outright stock basis, I'm not particularly interested in buying it now, but should anytime in the next month it fall down to near its weekly bearish Propulsion Momentum level (currently $34.69), I'd then be a happy buyer.

As such, as we go into the last week of this year (and there is no TTR next week), I'd place resting good-till-cancelled bids from $34.90 to $34.50. If we don't get filled in the next month or so, that's fine. If we do, that's even finer.

XLF – Weekly



Other Open Recommendations and Positions

Short TLT
Last week's recommendation was to short the 20-yr. bond proxy TLT between $99 and $99.60. As such, we are short at an avg. price of $99.30. (It closed at 98.93 yesterday.)

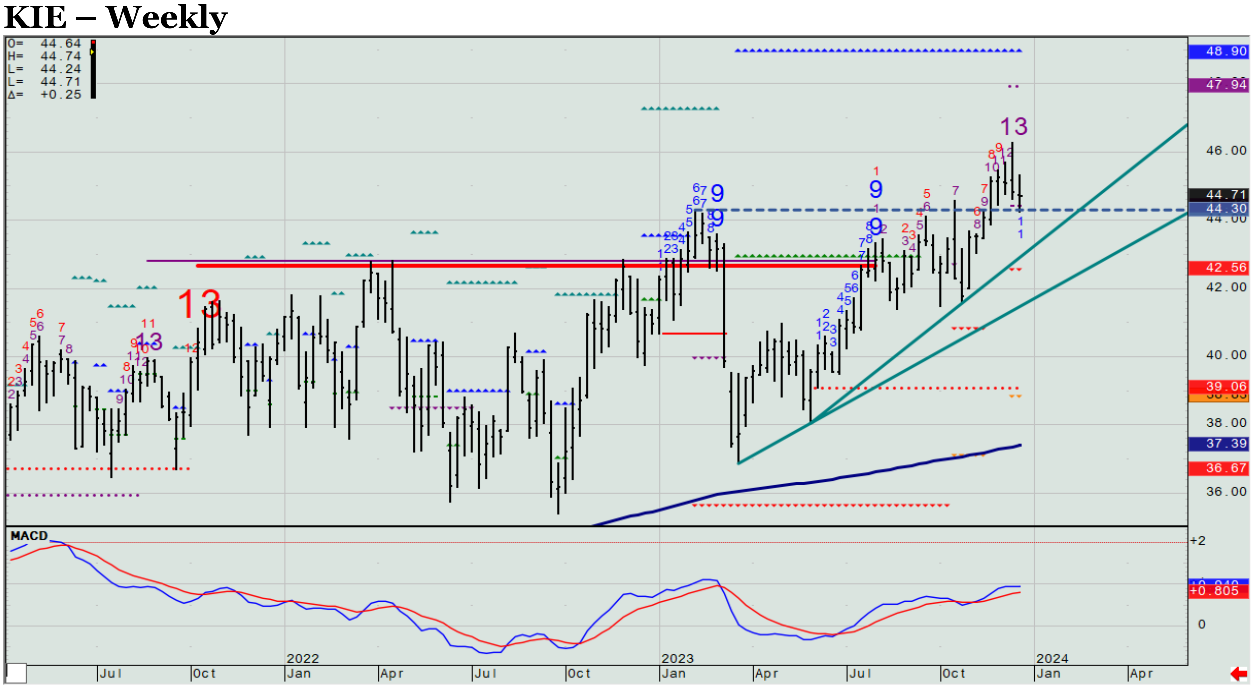
I'm changing downside targets to cover half at $96.30 to $96.10, and half at $92.75 to $92. 25.. The buy stop is on consecutive Friday closes > $102.98.

TLT - Daily

Long KIE

Two weeks ago, 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. Yesterday we just touched the higher end of that range, so let's consider that we're now long 75% of the one unit long trade. 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 last week, so we may see a pullback first. Stop out all longs on consecutive Friday closes < $44.42.

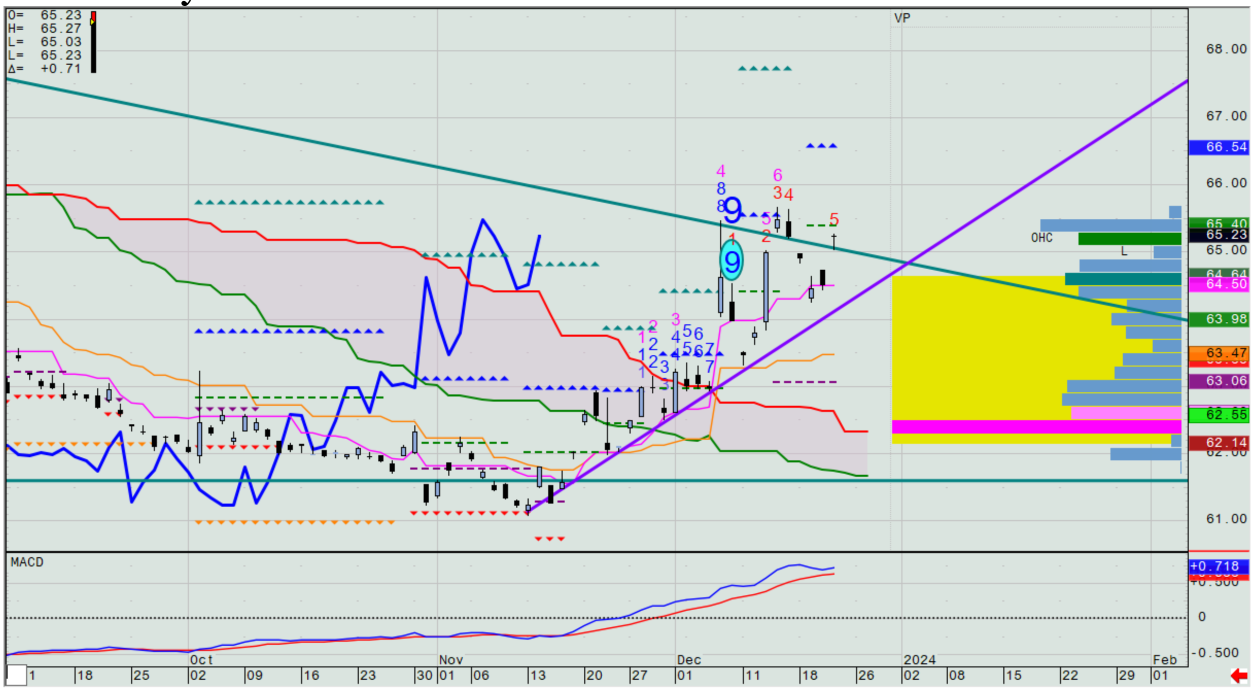
KIE – Weekly



Long FXY

Three 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. The remaining 50% sell-stop to exit the balance is on a close beneath $64.41.

FXY – Daily

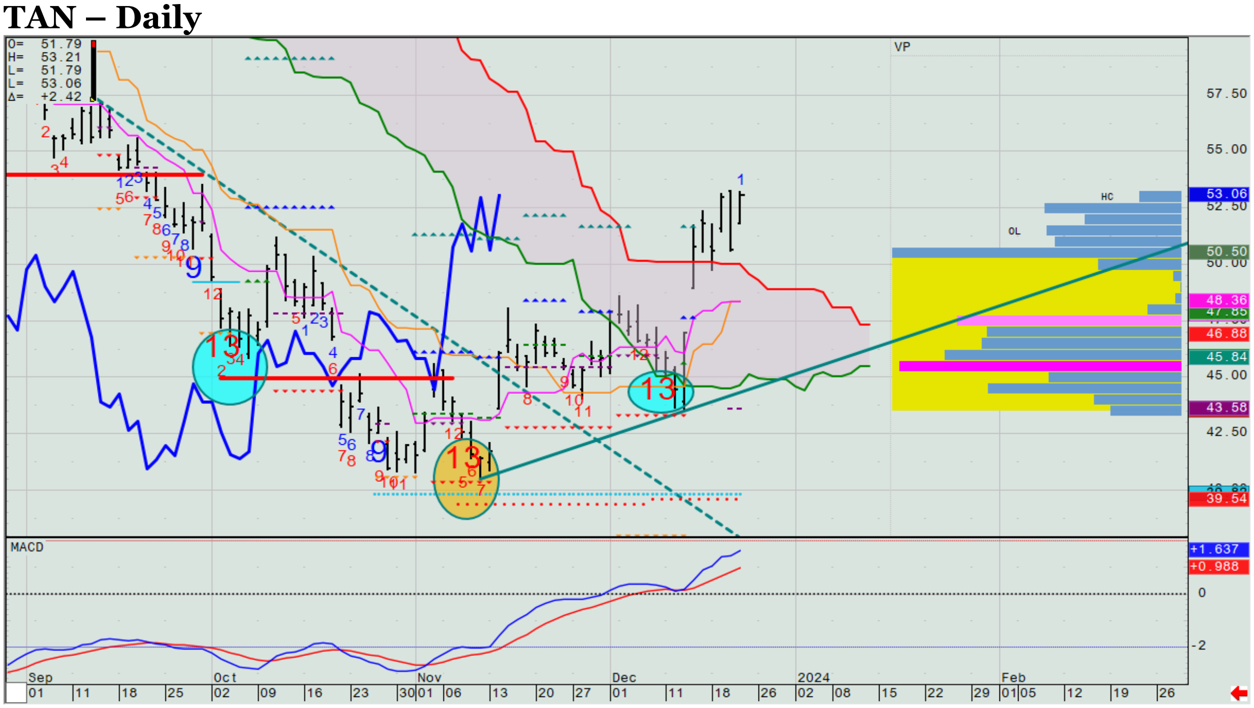


S.FXY - CurrencyShares Japanese Yen Trust, Daily | Thu Dec 21 2023 19:33:09, CQG 24.6.8035

Long TAN

Five Fridays ago, we again got into a long position in this (filled at an avg. of $45.23). We subsequently sold half at $45.82 and 25% at $51.00, and then Tuesday this hit the top end of our target at $53.00. We are now flat, having sold at a weighted avg. price of $48.91, for a total profit of 8.14%.

TAN – Daily

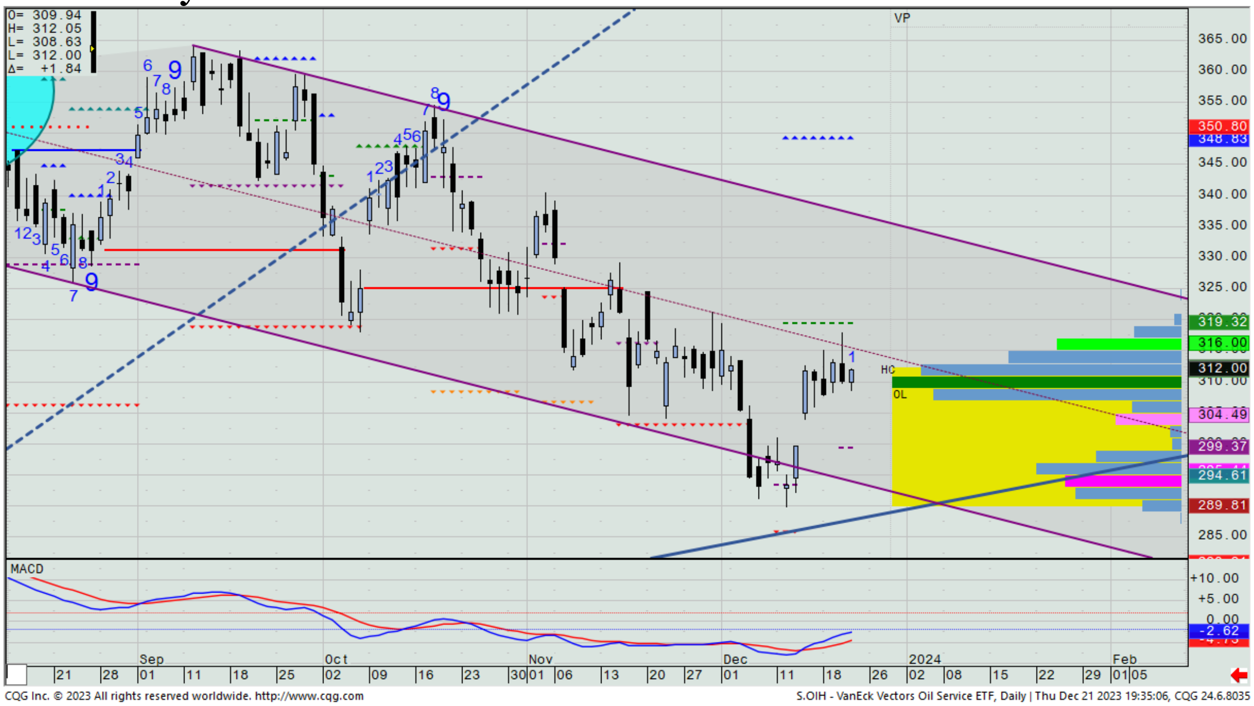


S.TAN - PowerShares Solar Portfolio, Daily | Thu Dec 21 2023 19:33:51, CQG 24.6.8035

Short OIH

We had a short on at ~$341 and previously covered 2/3 of the trade at an avg. of $308.50, and then covered the final 1/3 last Friday at $309.00. With an avg. cover cost of $308.67, we made 9.48% on this short trade (and during a time that the market rocked higher).

OIH – Daily



Suggestions and Explanation of Terms

With every major firm brokerage firm having gone to $0 domestic stock/ ETF commissions, you should <u>not be paying anything</u> 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