Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

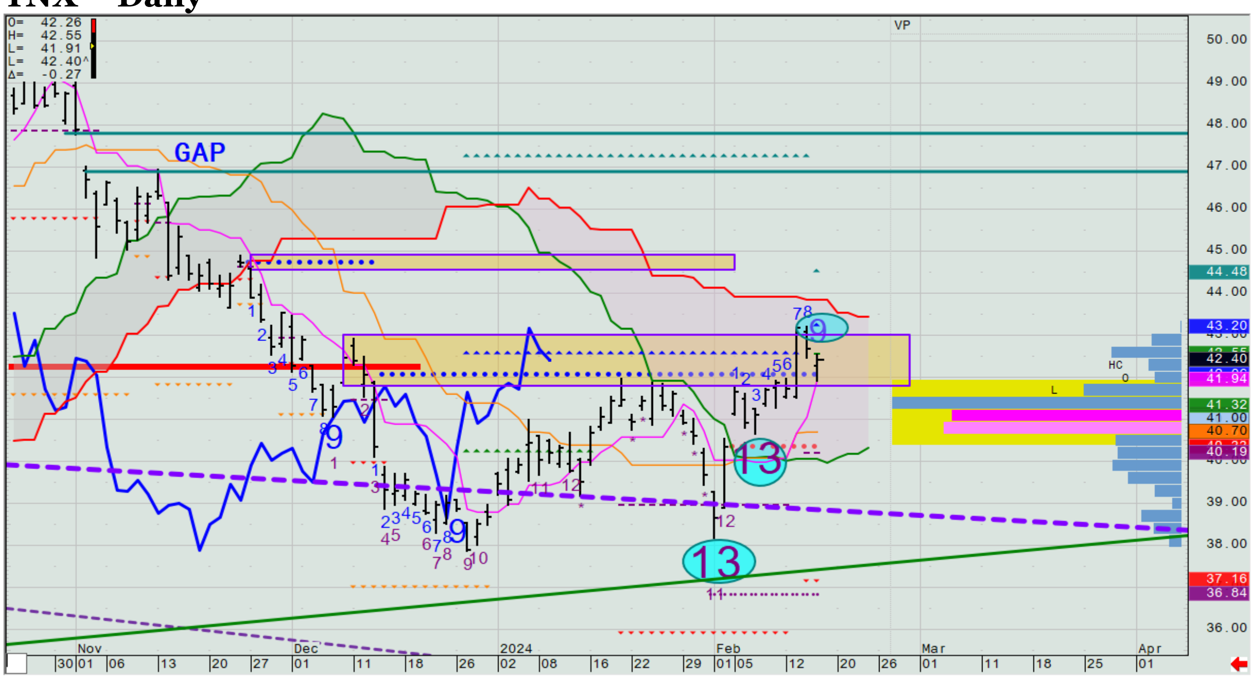
Certainly, this week could have been – should have been –the week to at least start some type of more pronounced and lasting decline. But no; it was again a one-day decline and nothing more. At this point, it's possible that today's PPI number could put a minor damper in the party, but what I think is becoming more and more evident is that the market can stay strong, even with a general higher interest rate environ.

Let's review what the key charts from the macro environment are saying:

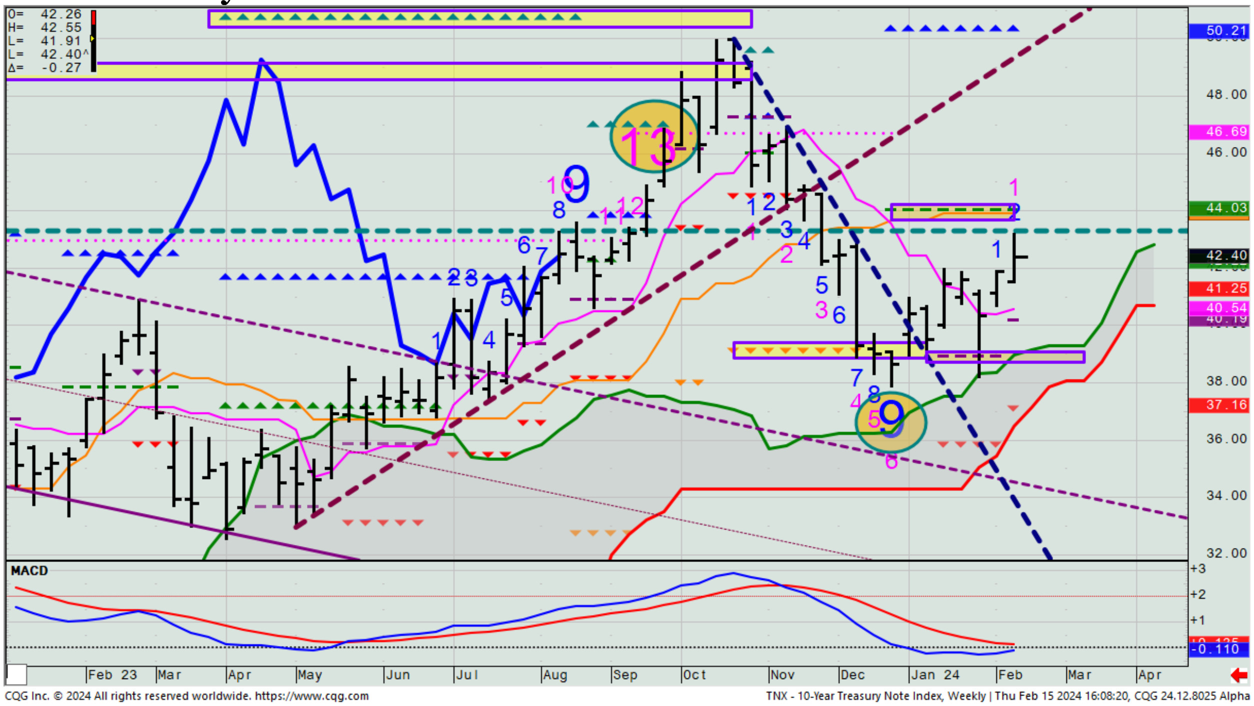
US RATES

Last week I addressed the issue that income traders are as confused as I've seen in a while, as they are basically having their rear ends handed to themselves for being so bullish bonds at the start of the year. I think that the more rates would stay above 4.25%, the more likely we see a continued squeeze higher to 4.40% or more, and that only then may stocks take a breather (that lasts more than 24 hours)! Recall that in the first week in January I warned that the Street-wide call for rates to drop sharply this year was so pervasive that it ran the risk of being completely wrong. To wit, just one day in 2024 (and only by a fraction of one basis point) have rates been lower than where they were at the 2023 close.

TNX – Daily



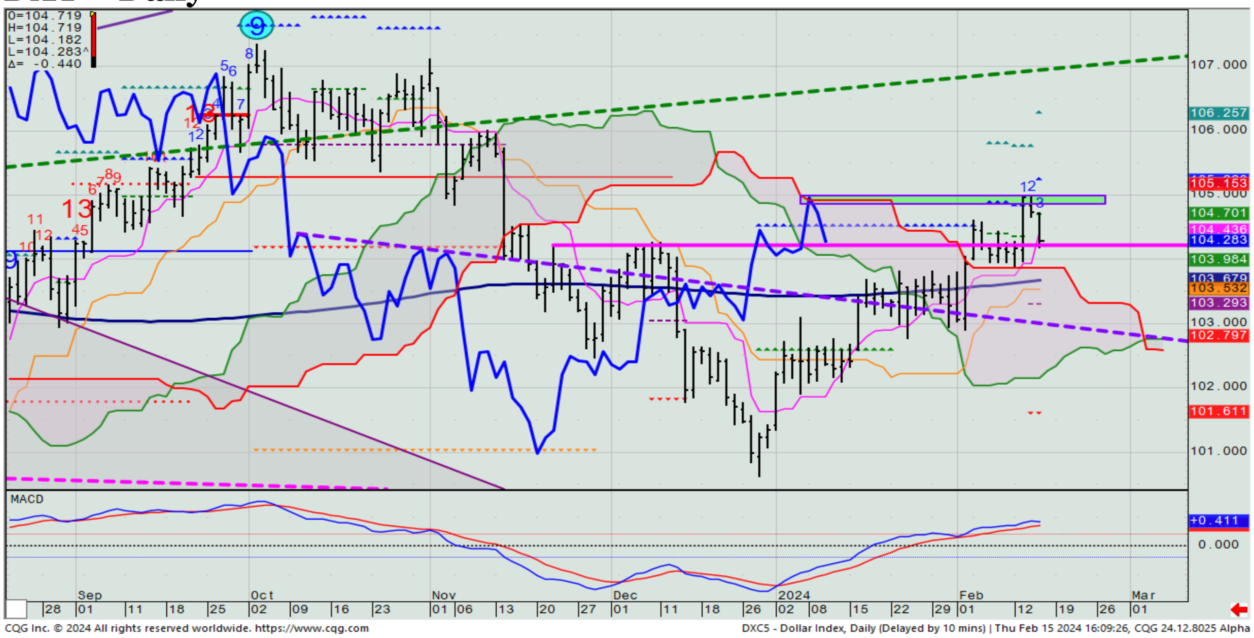
TNX – Weekly



Investment grade corporate credit spreads, my preferred credit spread index, recently sliding to new lows of the move to 0.97%, and is now at 0.98% as of Wednesday's print. I'm still looking for this to backfill against the broken dark purple line (currently in the high 80s bp. level). As a reminder, the all-time low for this spread is 0.86%, and the larger head-and-shoulders top measures to something near 0.70%. Most importantly, credit spreads continue to show no stress in the system, and that is usually a positive backdrop for stocks.

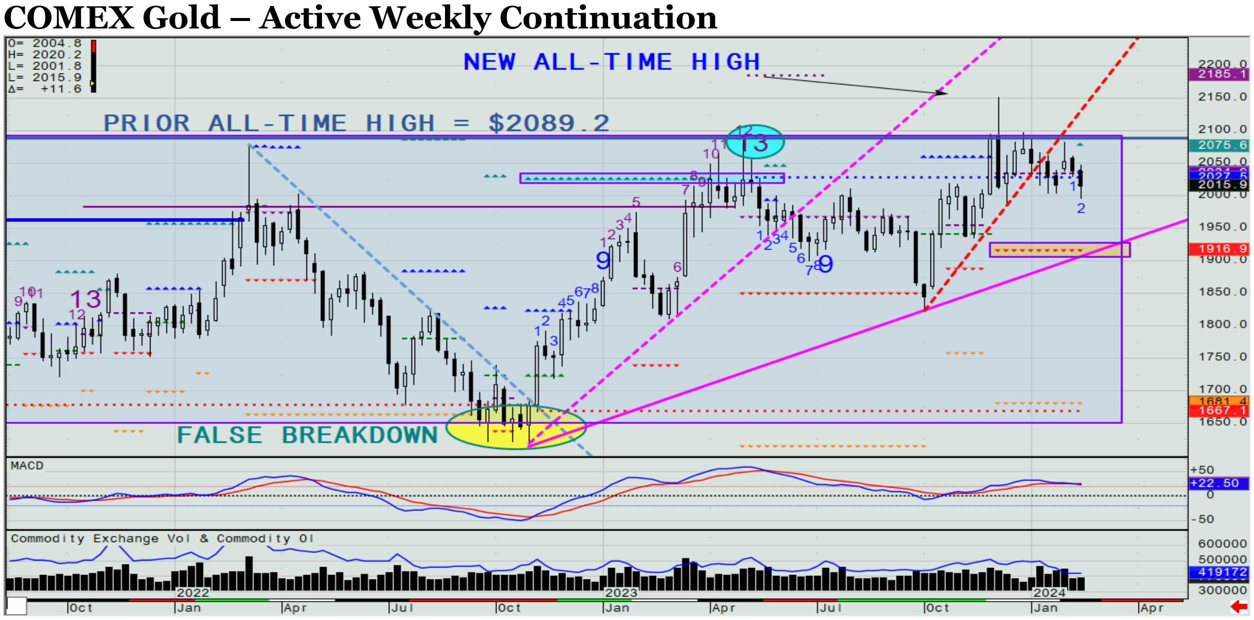
THE DOLLAR: The US Dollar Index (DXY) has held its rally, aided by the turnaround higher in rates. There is both an angled inverted head-and-shoulders pattern (mostly hidden, but more easily seen by using the cloud's Lagging Line to draw on and see it as I've done in purple), and now a more standard horizontal one (drawn with a magenta-colored neckline). Price stalled right at where the cloud's Lagging Line hit its cloud top. Exceed that now, and you likely have another push higher in the dollar, too. Support should now be found in the 103.30 to 102.90 area.

DXY – Daily



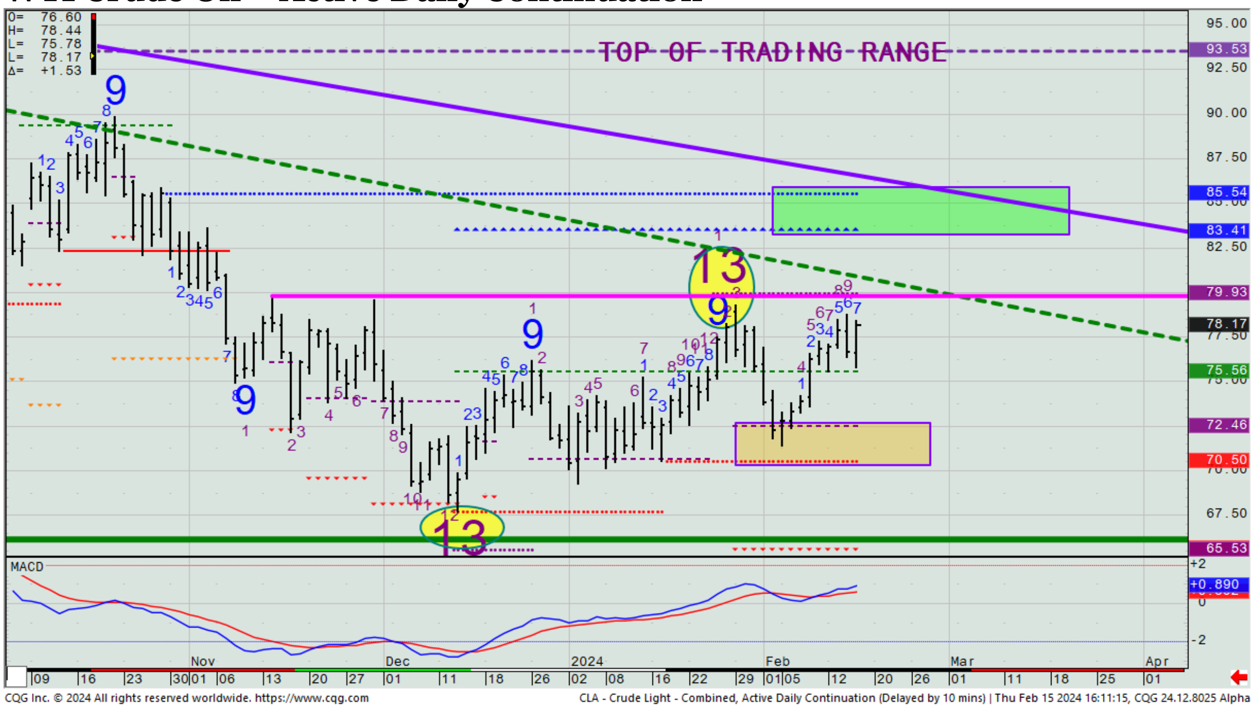
COMMODITIES: Literally, not a single word changes from last week's write-up: Gold is generally beholden to dollar movement, and greenback strength is typically not a bullion holder's friend. The metal has been languishing since the futures contract made a new all-time high last fall, but the more weekly closes we can see above $2089 (what had been prior all-time highs), the better the chance that it can get the real breakout so many gold bugs are hoping and praying for. In the meantime, it's been pretty dead money (and, of course, holding gold bullion offers no dividend, either).

COMEX Gold – Active Weekly Continuation



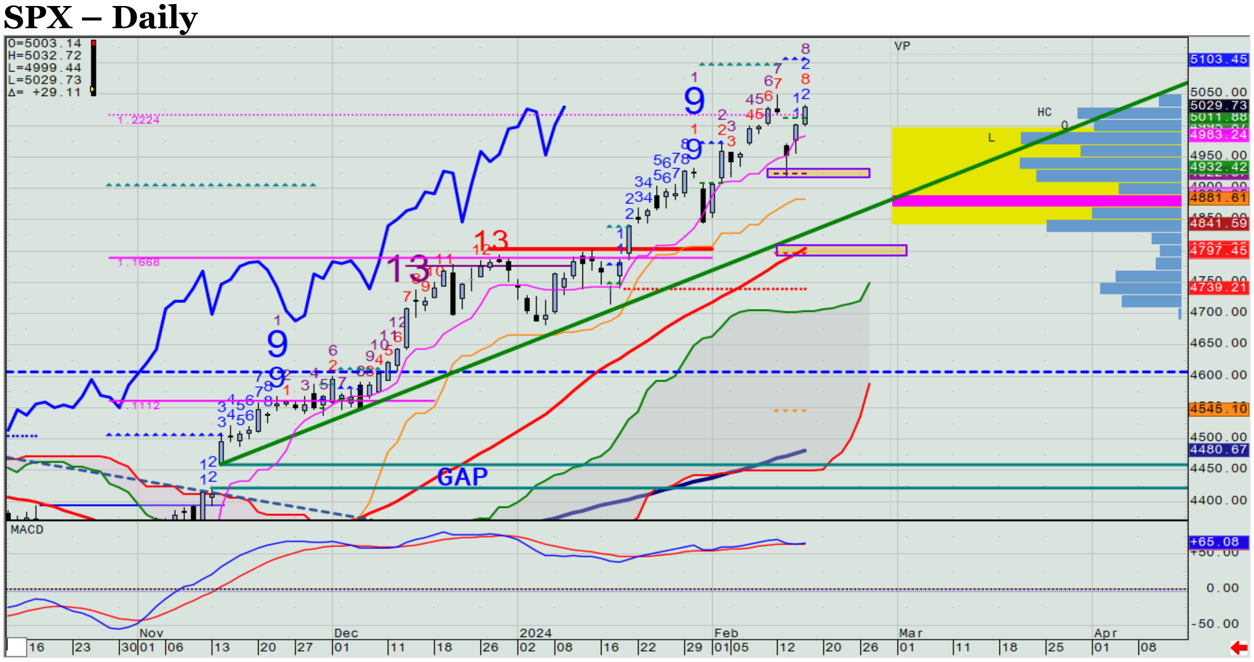
WTI Crude Oil's support from the low-$70s continues to see buying, and in coming days it may very well test what had previously been the downtrend line (in green) from the $133 high near the start of the Russia/Ukraine war. Other trading targets are within the neon green rectangle I've created.

WTI Crude Oil – Active Daily Continuation

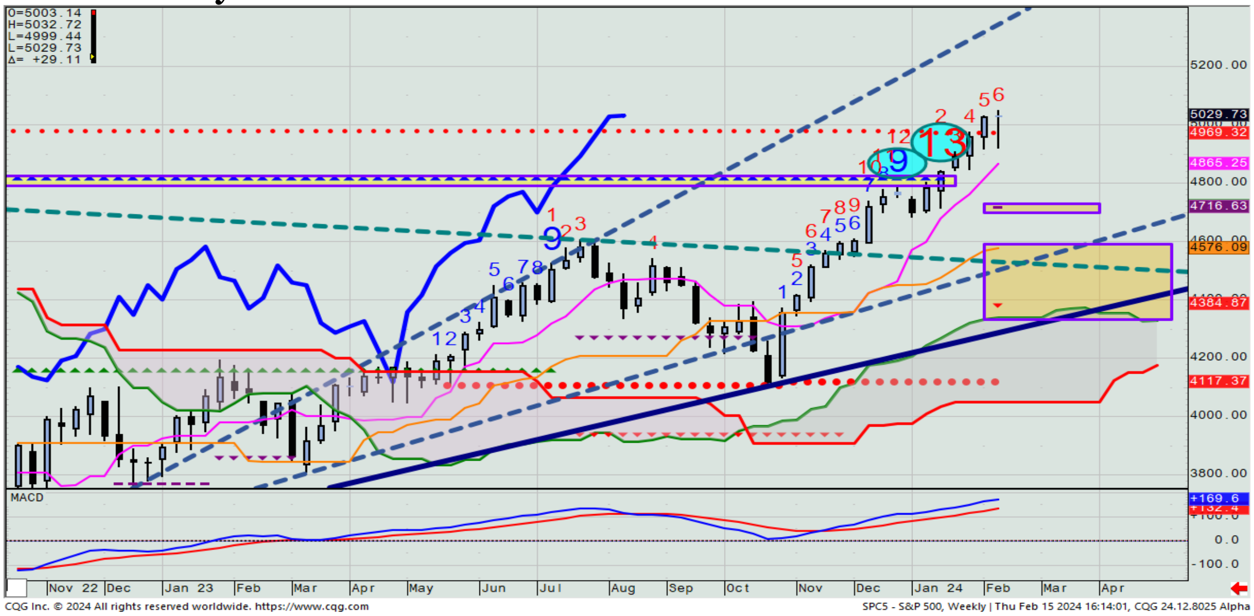


EQUITY INDEXES: The SPX came back quickly from Tuesday's large decline to yesterday post a new all-time high close. It's beyond impressive. Tuesday's low hit the bearish Propulsion Momentum level at 4923, and voila, no breach or downside follow-through brought buyers right back in. There's very little now to not think that we'll soon see the 5100 level tested. Higher rates – should they hold up – likely put a lid on just how high stocks will go, but for now, equity bulls continue to rule the roost.

SPX – Daily



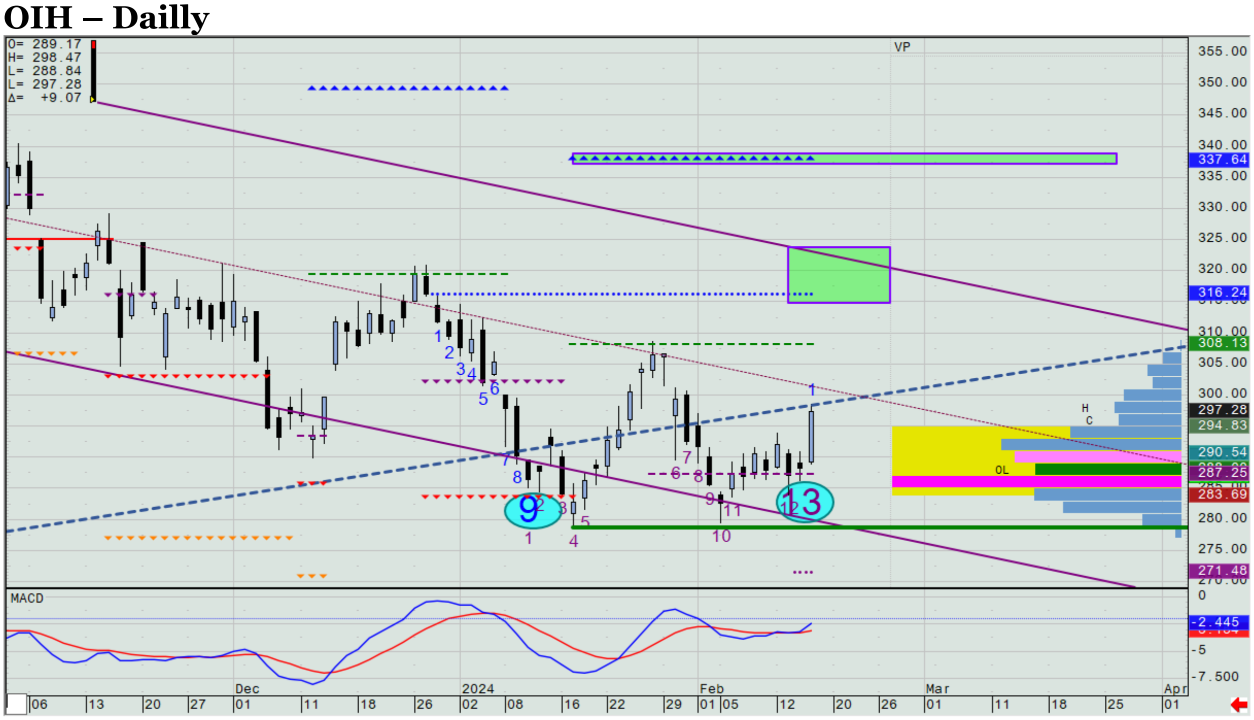
SPX – Weekly



[New ETF Trade Idea](#)

The continued Mideast war along with not insignificant US military involvement in the Red Sea keeps a bid to crude oil prices. Last Friday marked a daily Aggressive Sequential -13 count in the **VanEck Vectors Oil Service ETF (OIH)**. Given the decent move up this week from there and what is the trailing 30-Day Point of Control at \$287.89, let's get long a one-half unit today and the other half on a pullback to \$295 to \$290 (scaling down your bids over that \$5 range). We'll target selling half of whatever we have on at \$316 to the declining top channel line (\$322.66 falling 38 cents per day), and the other half at \$337/\$338. Our sell-stop is on consecutive daily closes beneath \$287.89.

OIH – Dailly

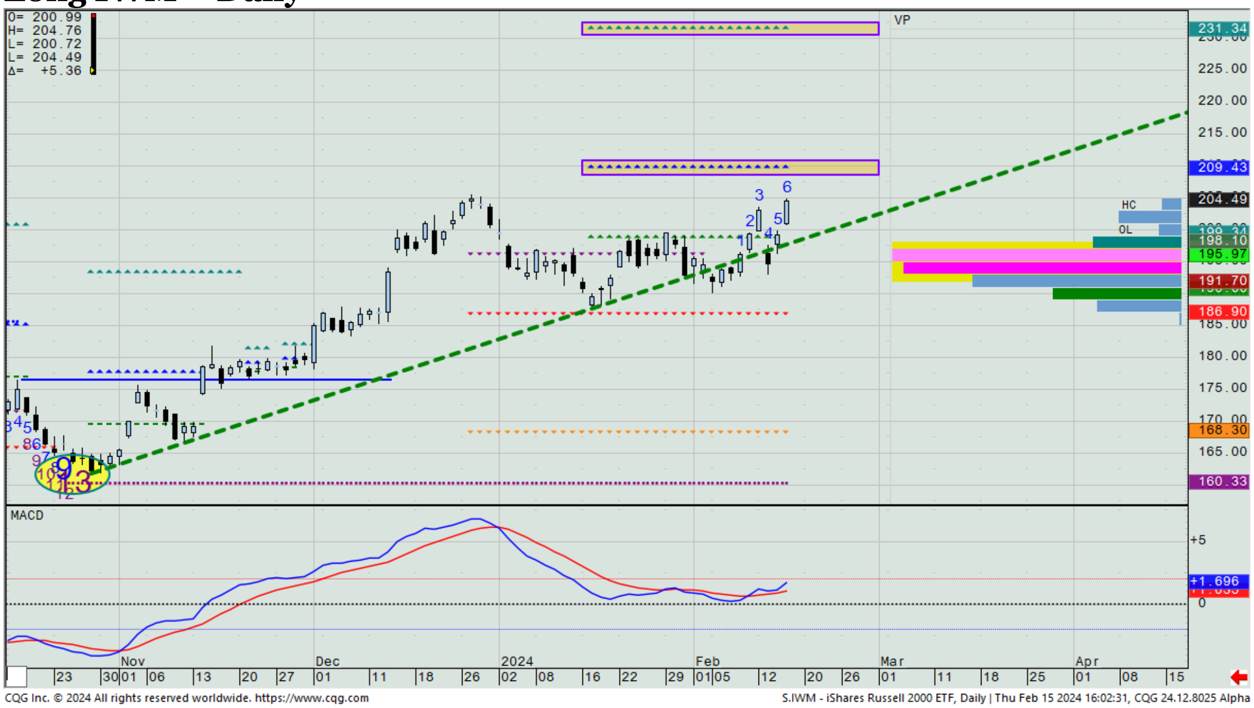


Other Open Recommendations and Positions

Long IWM

Last Friday, I suggested getting long one unit (our avg. entry price was $198.00). Upside targets are near $209 and $231 to take off 50% at each one. Our new sell-stop is on consecutive daily closes < $193.06 (Tuesday's low).

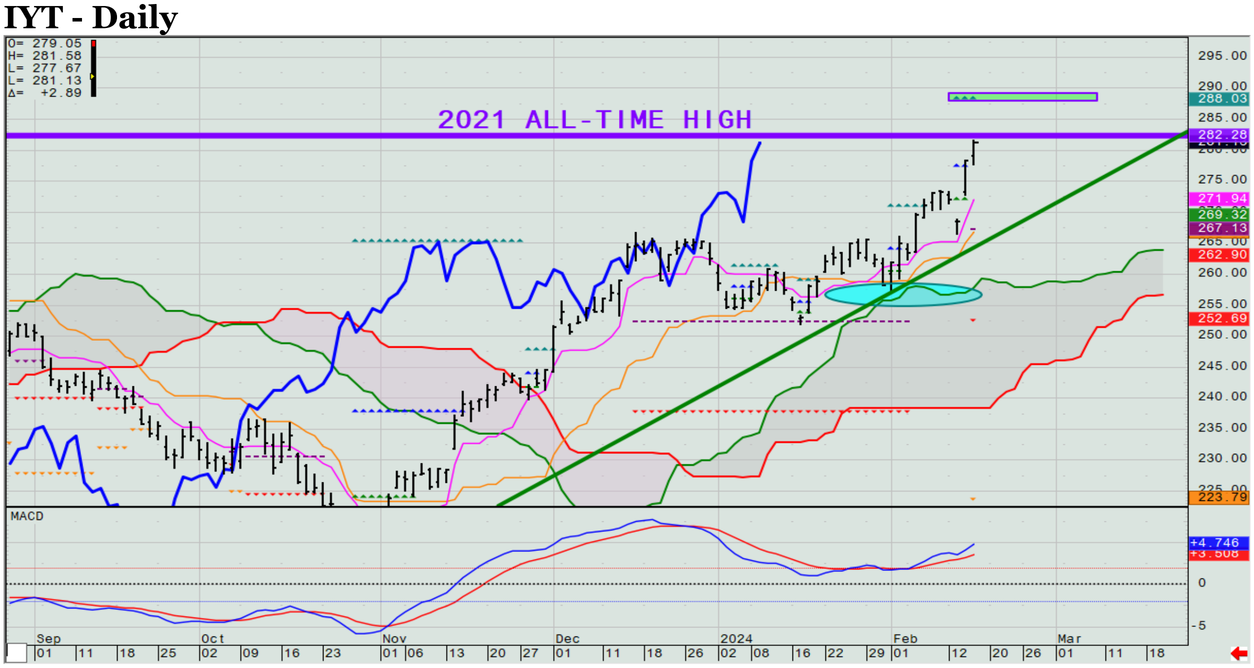
Long IWM – Daily



Long IYT

Two weeks ago, we went long one unit at an avg. price of $262.16. Take 50% off at $275/$276 and 50% off at $280/$282. Raise your sell-stop to consecutive daily closes < $267.13.

IYT - Daily



Long KIE

We are long a 75% of one-unit sized position at an avg. price of \$44.80. We previously sold 2/3 of this at an avg. price of \$47.54. The remaining we'd exit near \$48.90, which was hit yesterday. That means we're now flat, having made 7.13% on invested capital, but only 75% of that in equal trade-weighted P&L.

KIE – 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.

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