Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

This past week's price action mostly centered around what yesterday's PCE number would be, and whether the Fed would get some key info to potentially lower rates anytime soon. Well, Thursday's numbers were basically in line, and the net effect is that the ongoing bull market got no major news to disrupt it. As such, we find the SPX and NDX at new all-time highs.

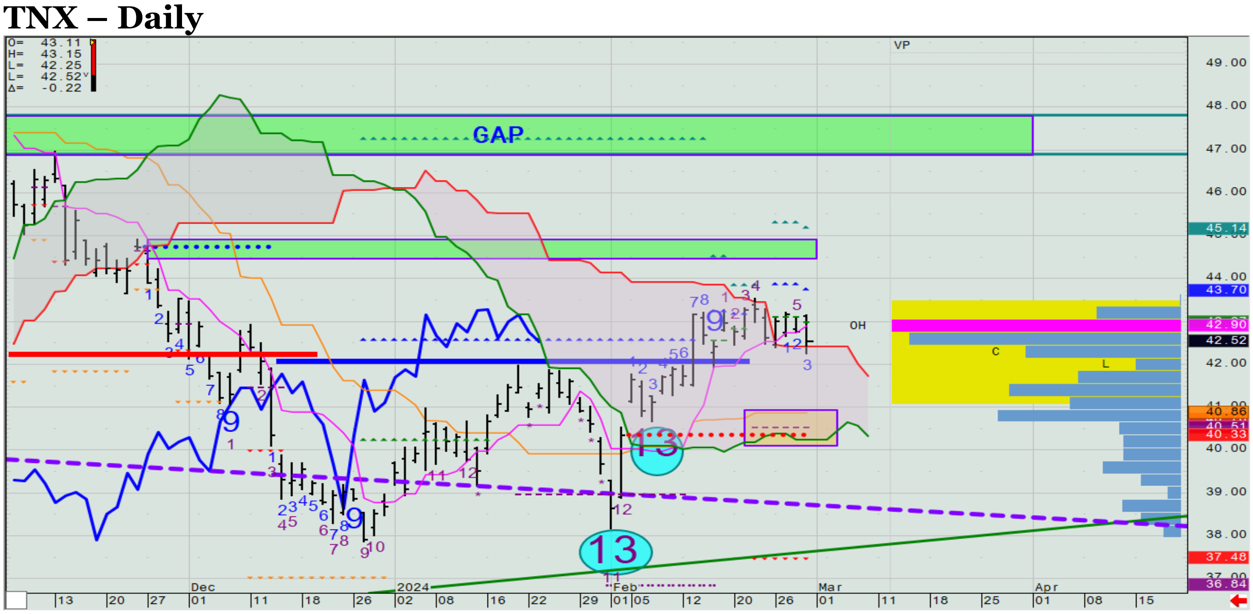
Elevated rates continue to punish bond bulls, few of which have any wining purchases made this year. In fact – and I warned you that this could be the case right at the start of the year – there has been but one day (and it's only by a fraction of a single basis point) – that UST 10-yr. rates closed *lower* than where they closed out 2023. I think it's fair to say that some 90%+ of bond buyers this year are underwater on those purchases. That has cost fixed income managers more than they ever anticipated – given how overwhelmingly bullish they were coming into this year.

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

US RATES

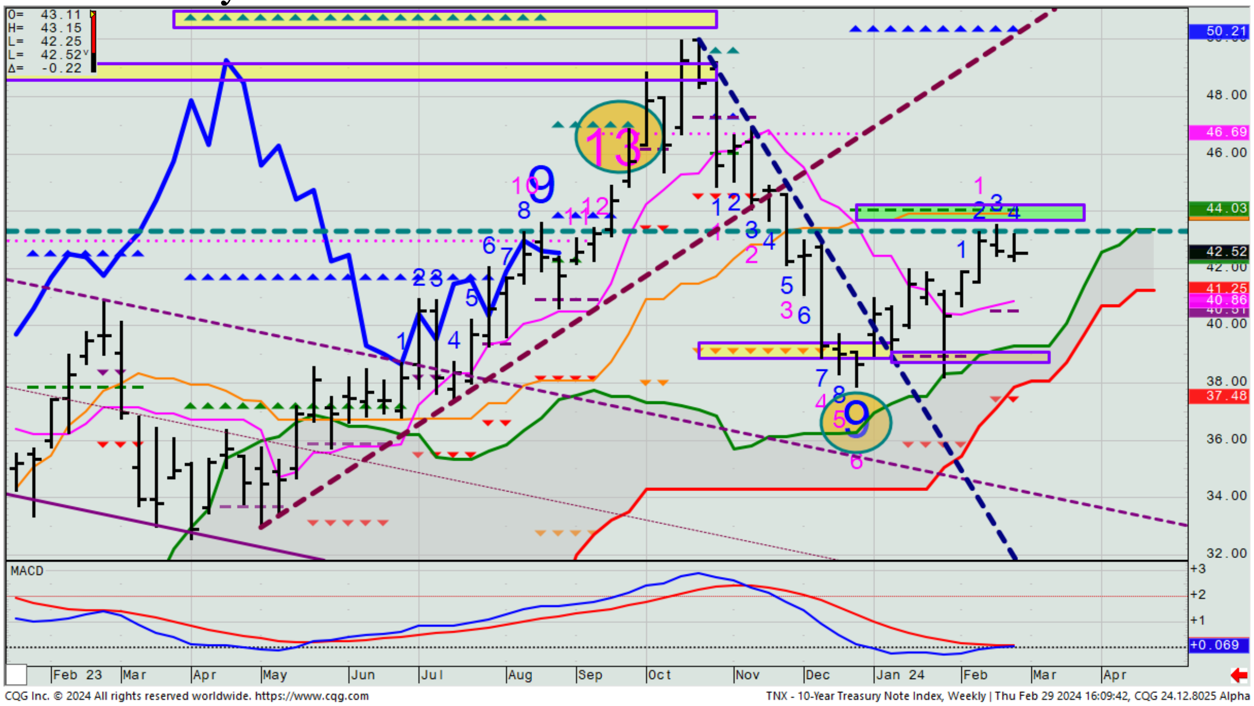
UST 10-yr. yields slid 10 bps. since last Thursday's close, with 4.29% being the trailing 30-day Point of Control. (In this case, as TNX is not an actual traded security, but an index, it means that more time was spent trading at that level in the last 30 days than any other level.) Support is from 4.07% to 4.02%, and 4.46% the upside target.

TNX – Daily

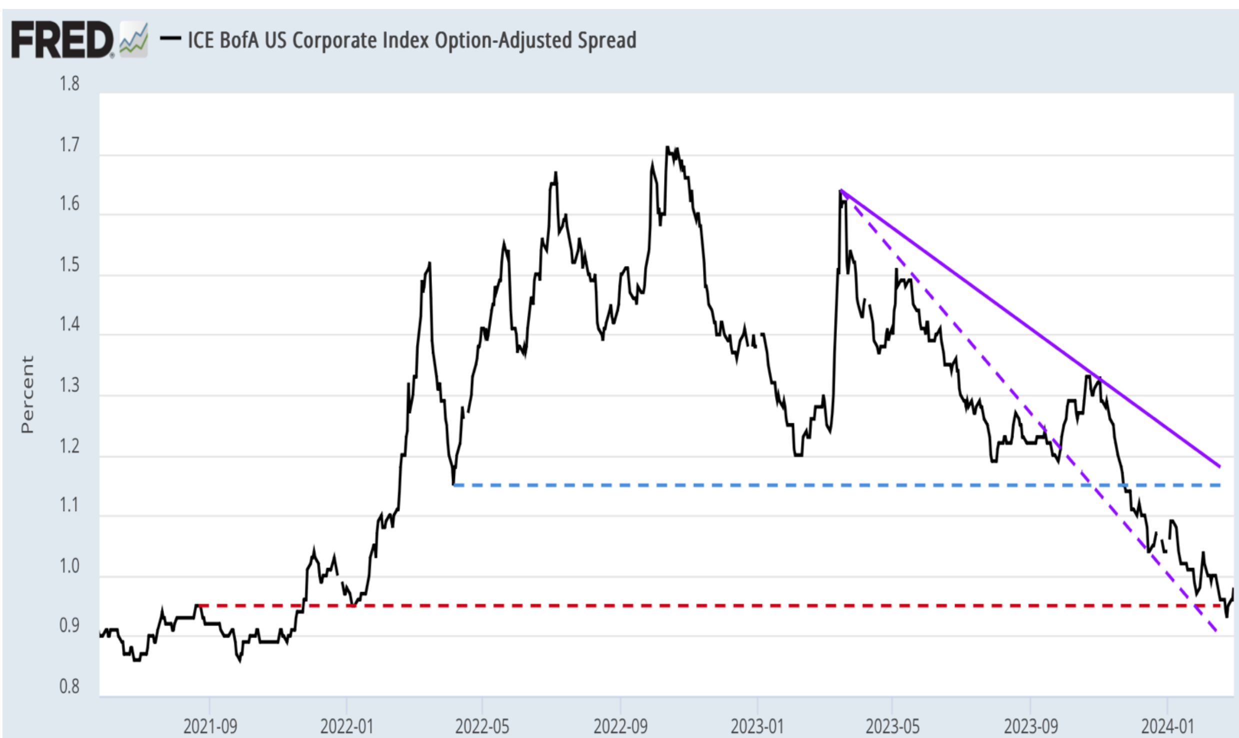


A further rate rally targets 4.40% to 4.47%, and then the large unfilled gap from 4.69% to 4.78% (which unrelatedly includes the 4.77% Propulsion Full Exhaustion target from the January low).

TNX – Weekly

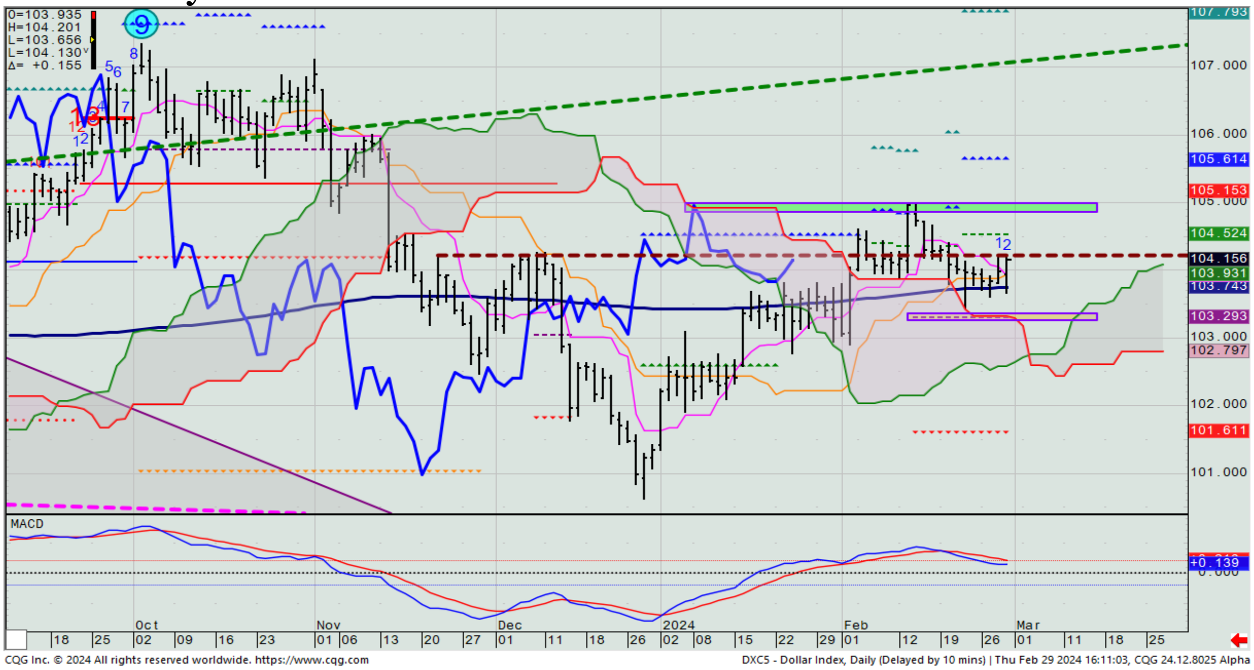


Investment grade corporate credit spreads, my preferred credit spread index, new cycle lows at 93 bps. – just 7 bps. above the all-time low of 0.86%. (They have moved up to 98 bps. as of Wednesday, but I suspect they came in yesterday after the tame PCE number). The larger head-and-shoulders top measures 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.



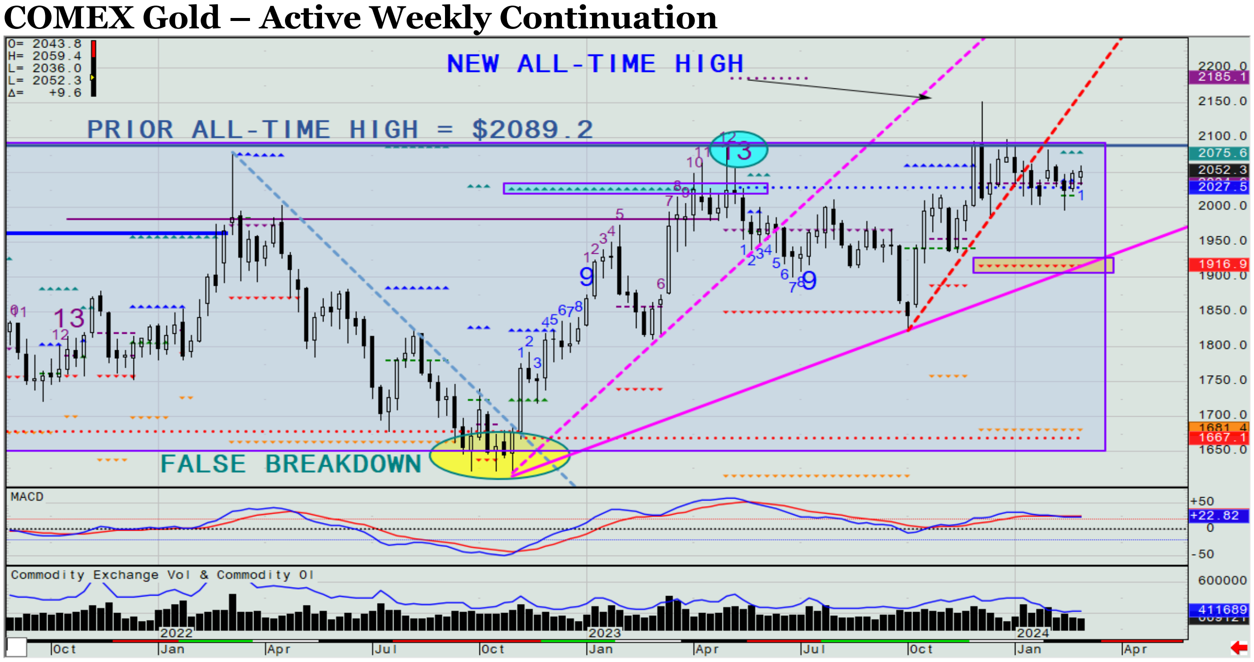
THE DOLLAR: The US Dollar Index (DXY) remains well higher in "24 at the end of the first two months. Price stalled right at where the cloud's Lagging Line hit its cloud top (104.91) on what so far has proven to be a false inverted head-and-shoulders breakout. Exceed the '24 high now, and you likely have another push higher. Support should now be found in the 103.30 to 102.90 area.

DXY – Daily



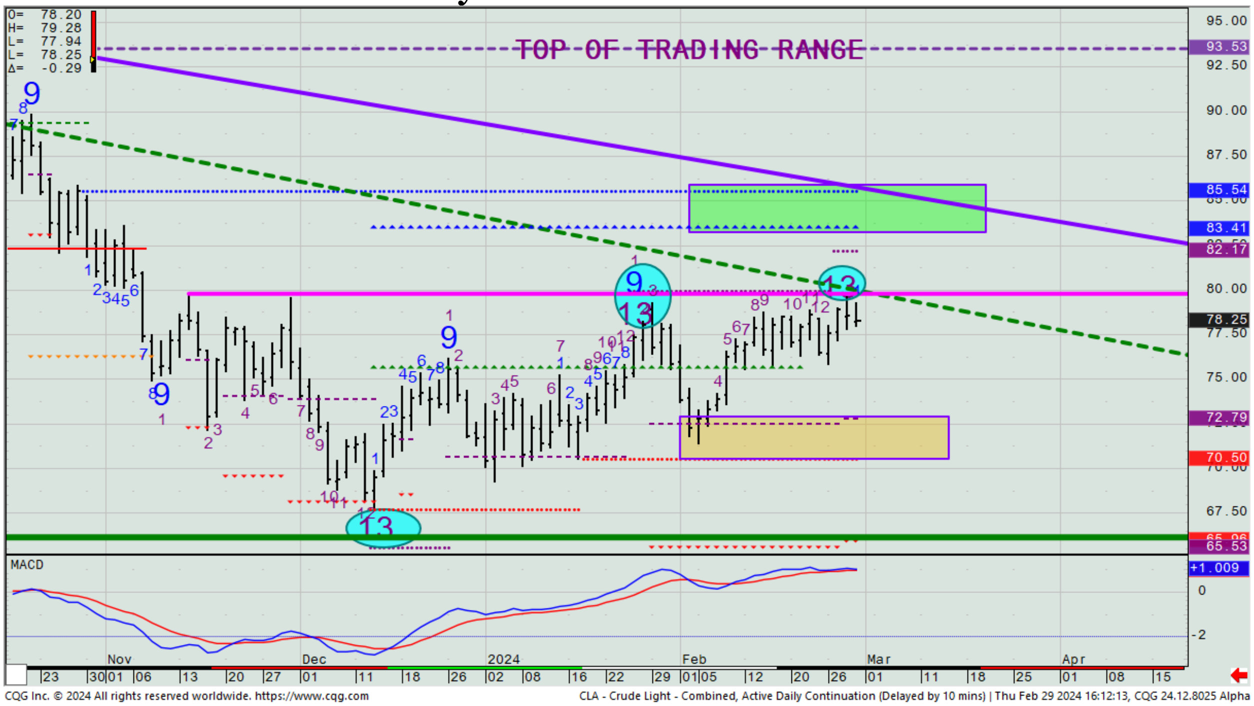
COMMODITIES: This is now the <u>fourth</u> week in a row with the exact same write-up: Gold is generally beholden to dollar movement, and greenback strength is typically not a bullion holder's friend. The metal has been languishing since the futures contract made a new all-time high last fall, but the 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



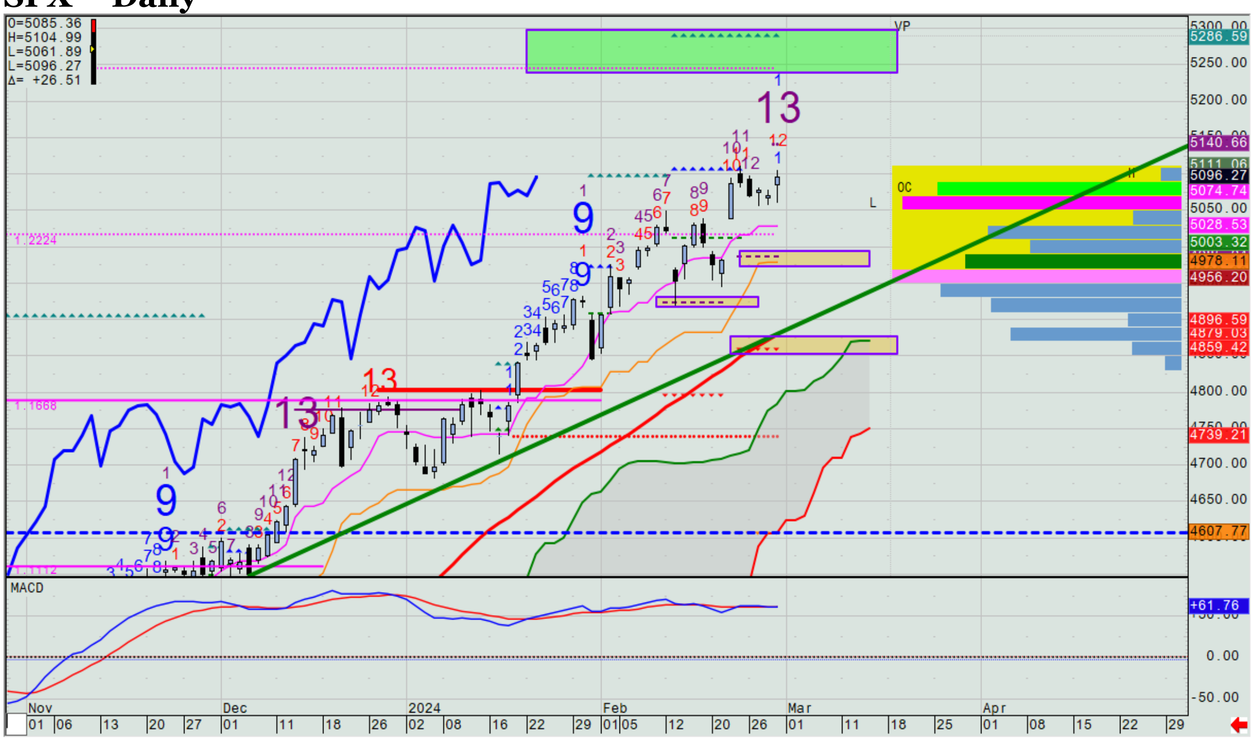
WTI Crude Oil's remains in a trading range, with trading targets above and below shown in colored rectangles. Note the new Aggressive Sequential +13 from Tuesday this week. The prior two 13 signals were good ones.

WTI Crude Oil – Active Daily Continuation



EQUITY INDEXES: After another failed breakdown, three weeks ago I wrote, "There's very little now to not think that we'll soon see the SPX 5100 level tested." That has since been accomplished with a new all-time high of 5111. I will point out to you that today will post a new daily standard Sequential +13 signal on an open or close above 5077.37. The last same signal led to a one-week decline, but one that did no damage.

SPX – Daily



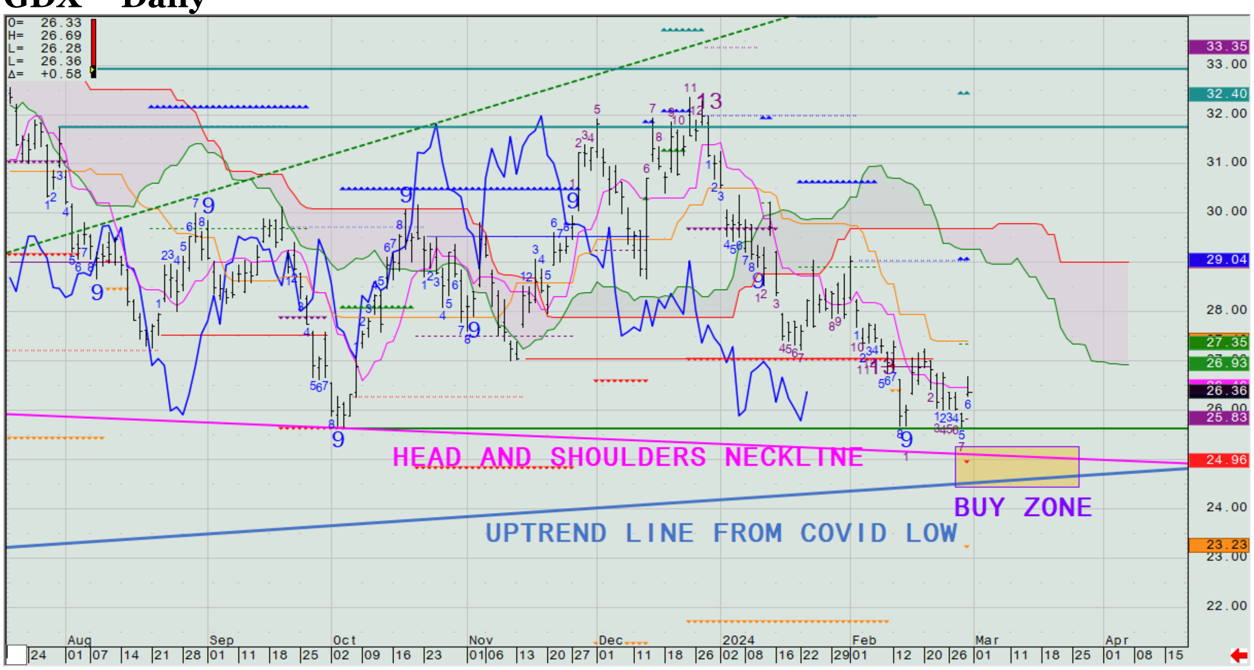
The bigger picture remains positive, with the bearish Propulsion Momentum level having moved up to 4779. Absent a break of that number, the overall bull scenario remains with other upside targets highlighted in green rectangles.

SPX – Weekly

New ETF Trade Idea

Though gold continues to rotate and has been dead money for months, gold stocks via the popular GDX ETF, have kept falling to multi-month lows. However, a new low beneath the near-term potential double-bottom should have sell stops send this down to the major uptrend line (drawn in blue) starting to the Covid lows. It's also in a zone that backfills against what would be the neckline (drawn with a magenta-colored line) to a downward sloping head-and-shoulders pattern.

GDX – Daily



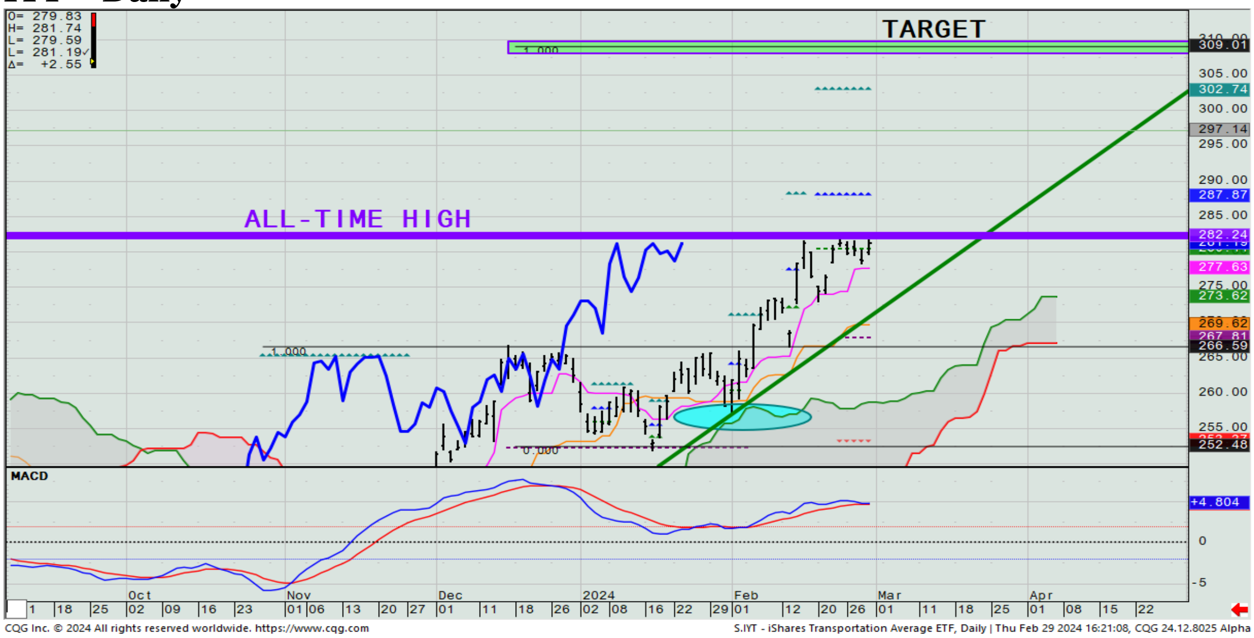
As such, let's look to do some bottom-fishing in the $25.10 to $24.60 zone, but only risking to a close or two beneath $24.00. My upside target for now will be to exit near the bottom of the daily cloud, which stays near $29 for the early part of March, but falls to near $27 by the end of the month.

Other Open Recommendations and Positions

Long IYT

Last Friday we again bought IYT (avg. entry price of $281.50), playing for a $309-ish target while risking to consecutive daily closes beneath the current bearish Propulsion Momentum level of $267.81.

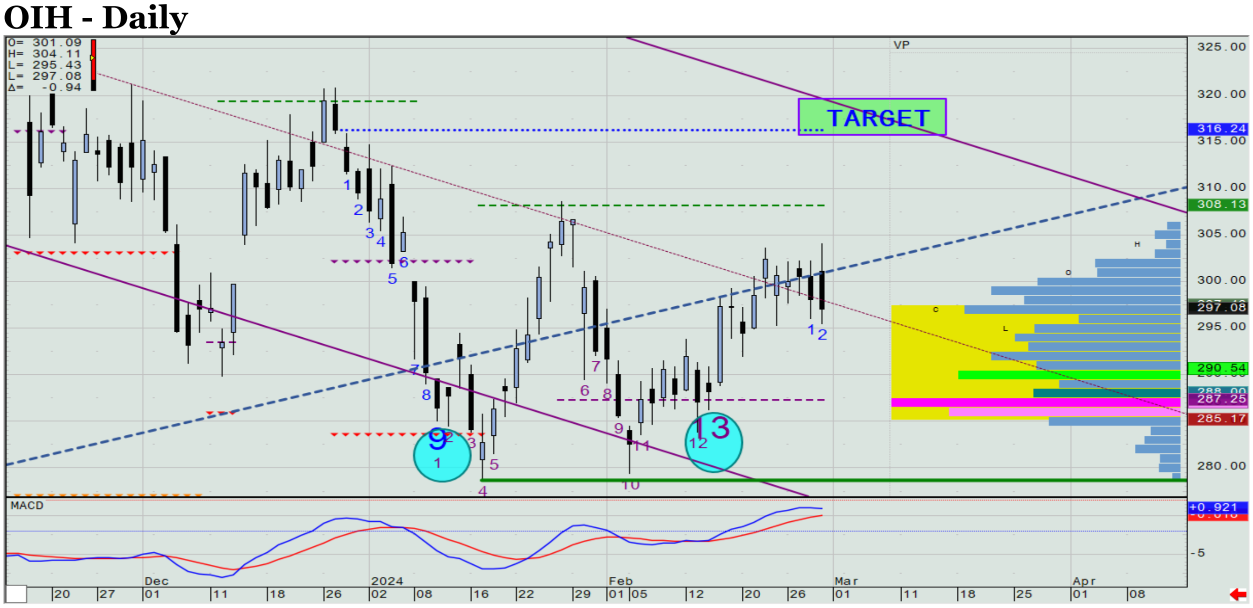
IYT – Daily



Long OIH

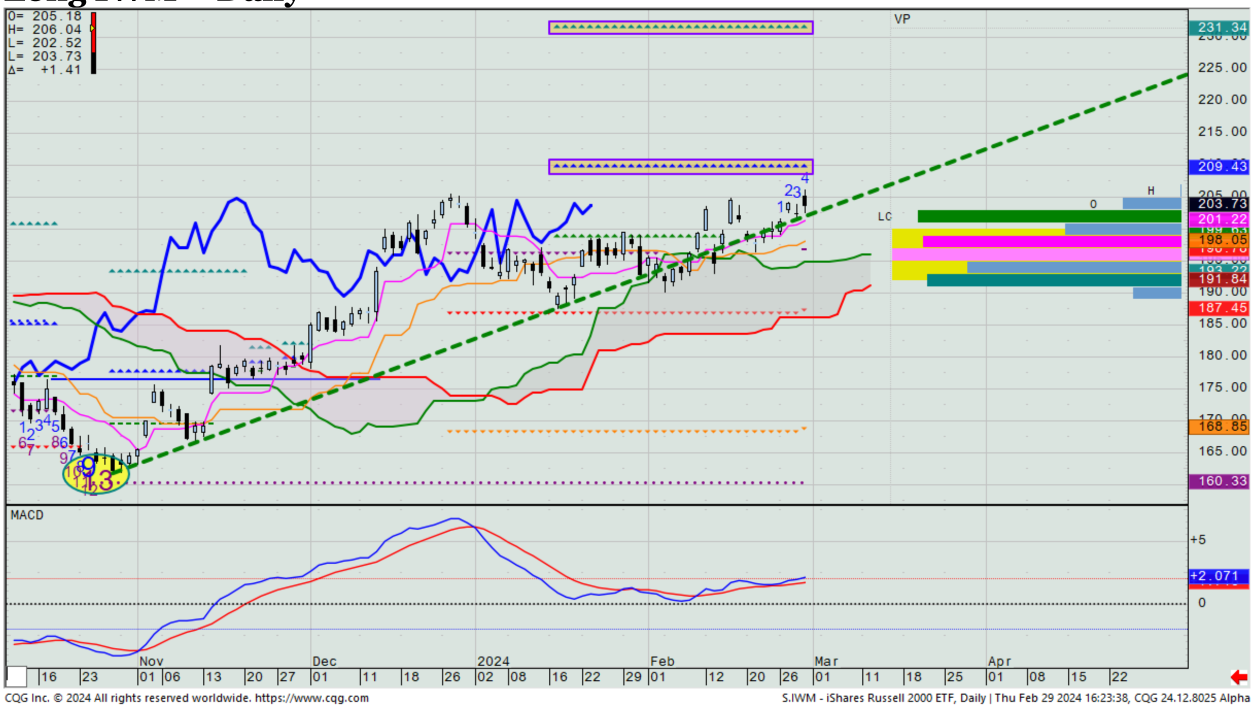
Two weeks ago, we got filled on ~2/3 of our total buy idea at an avg. price of $296.59. Exit half between $316 and $319, and the other half at $337/$338. Our sell-stop to exit is on a daily close and following day's open that are both beneath $292.00.

OIH - Daily



Long IWM
Three weeks ago, 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 < $196.15.

Long IWM – 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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