Rick Bensignor's

# IN THE KNOW TRADER

*Positioning Individual Investors Alongside Professionals*

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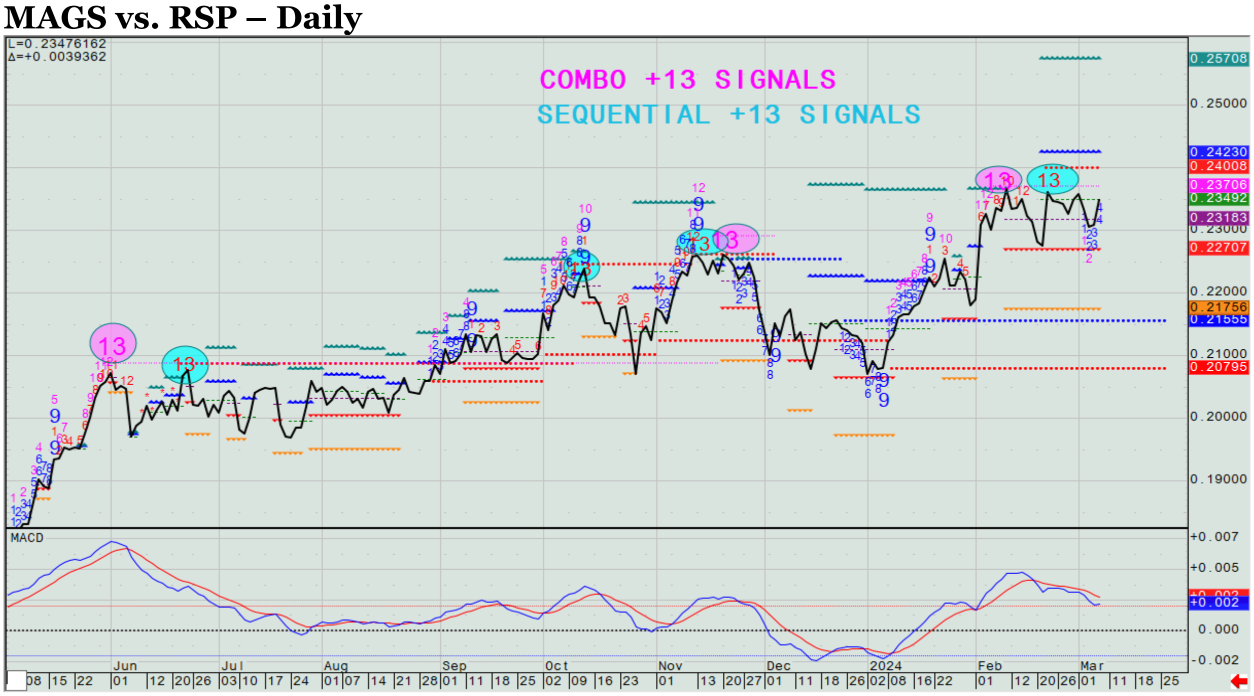
## TACTICAL TRADER REPORT

**The Macro Picture**

Another 1-2 day sell-off early in the week turned around to again subsequently rally to post new all-time highs. So, what do I say: Think "hiccups". They come out of nowhere; they usually pass quickly; and then what was status quo generally shortly goes back to being the norm. So, there you have it: We are living in the Hiccup Market.

However, what has shown up over the past several weeks are both Combo and Sequential +13 signals in the Mag 7 names vs. the equal-weighted S&P. As we've seen in the past, these are decent pause signals in what has been an ongoing bull market of these names vs. the average SPX stock.

**MAGS vs. RSP – Daily**




History also shows us – at least over the 10 months or so that we're looking at – that the +13 signals were good until those signal levels were exceeded. Once they were, then we saw a further rally until the next +13 signals came. That means that we should all be monitoring this to see if it again makes new highs.

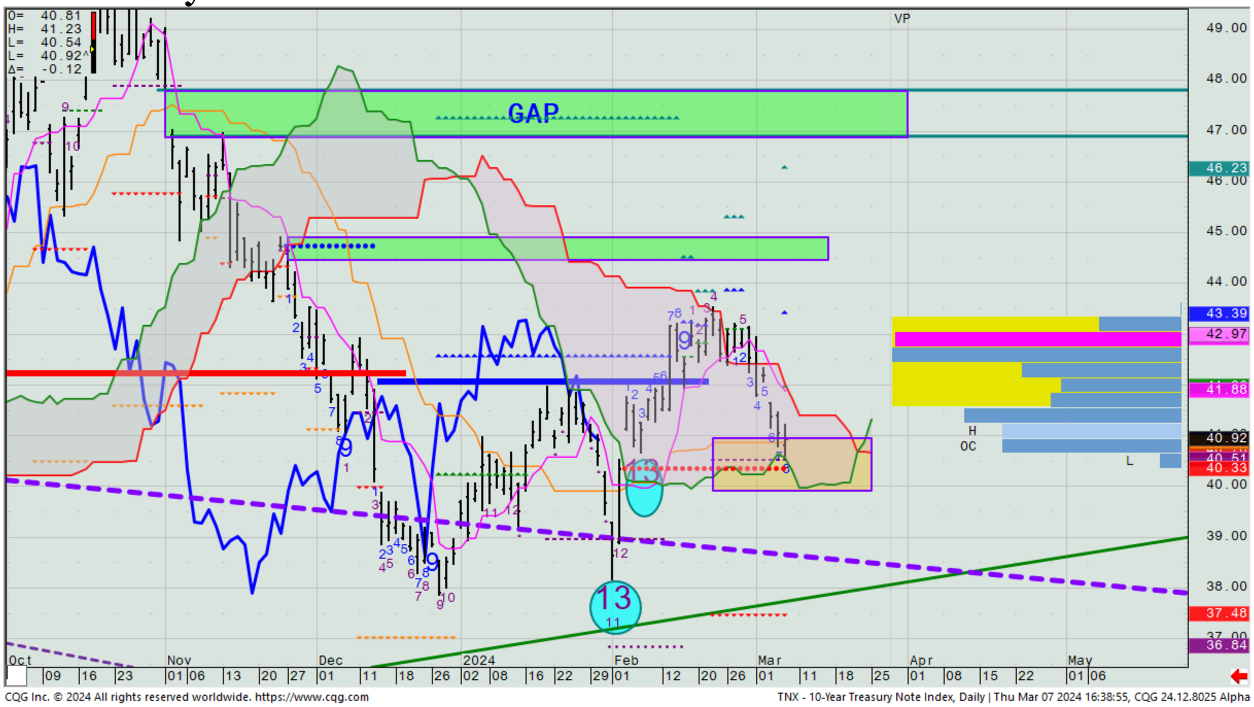
Though the SPY certainly no longer represents anything close to "the average large cap stock", it is the benchmark to how the Street judges the stock overall market environment, and as such, it's what we need do until there is a better way to do so (and I'm sure there is).

Let's review what the key charts look like in the macro environment:

## US RATES

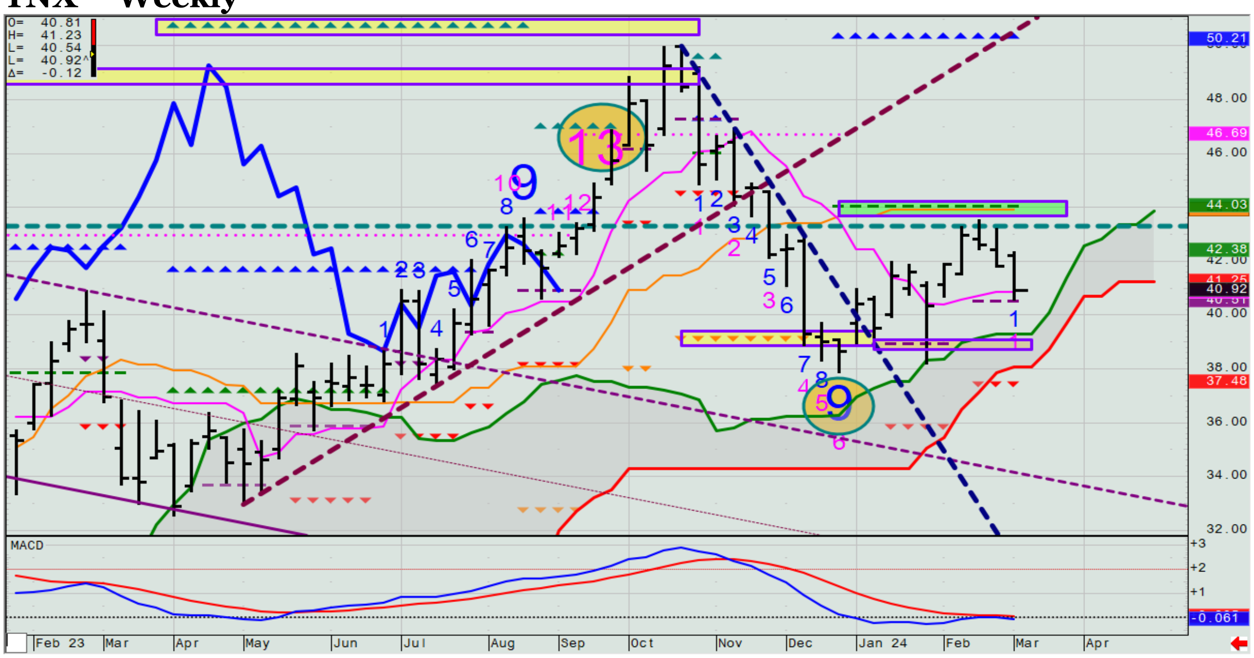
UST 10-yr. yields have slid the past two weeks, with my having told you that there is support from 4.07% to 4.02%, with yesterday reaching as low as 4.054%. With today likely being a Setup -9 count, tactical longs should now take some profits.

### TNX – Daily

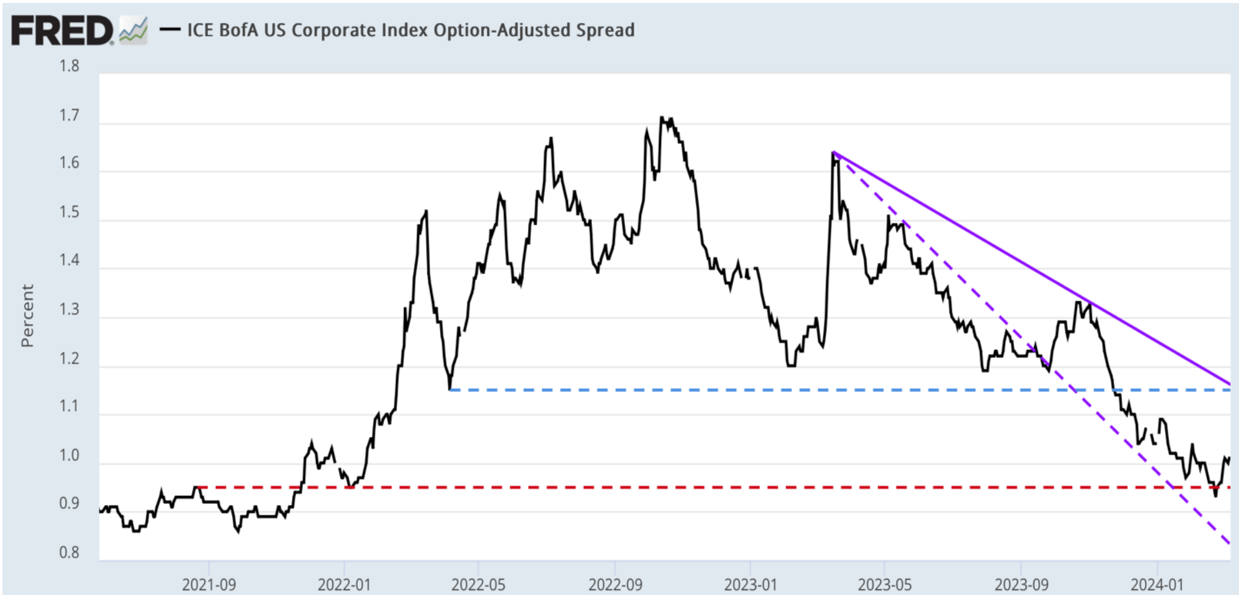



A further rate rally targets 4.40% to 4.47%, and then the large unfilled gap from 4.69% to 4.78% (which unrelatedly includes the 4.77% Propulsion Full Exhaustion target from the January low). If we got another decent down-leg, then I'd look for a move to 3.75%. I really don't get a sense of which way it's going to go, so I'll let the market itself give me some clue before I make a bet on the bigger move.

### TNX – Weekly

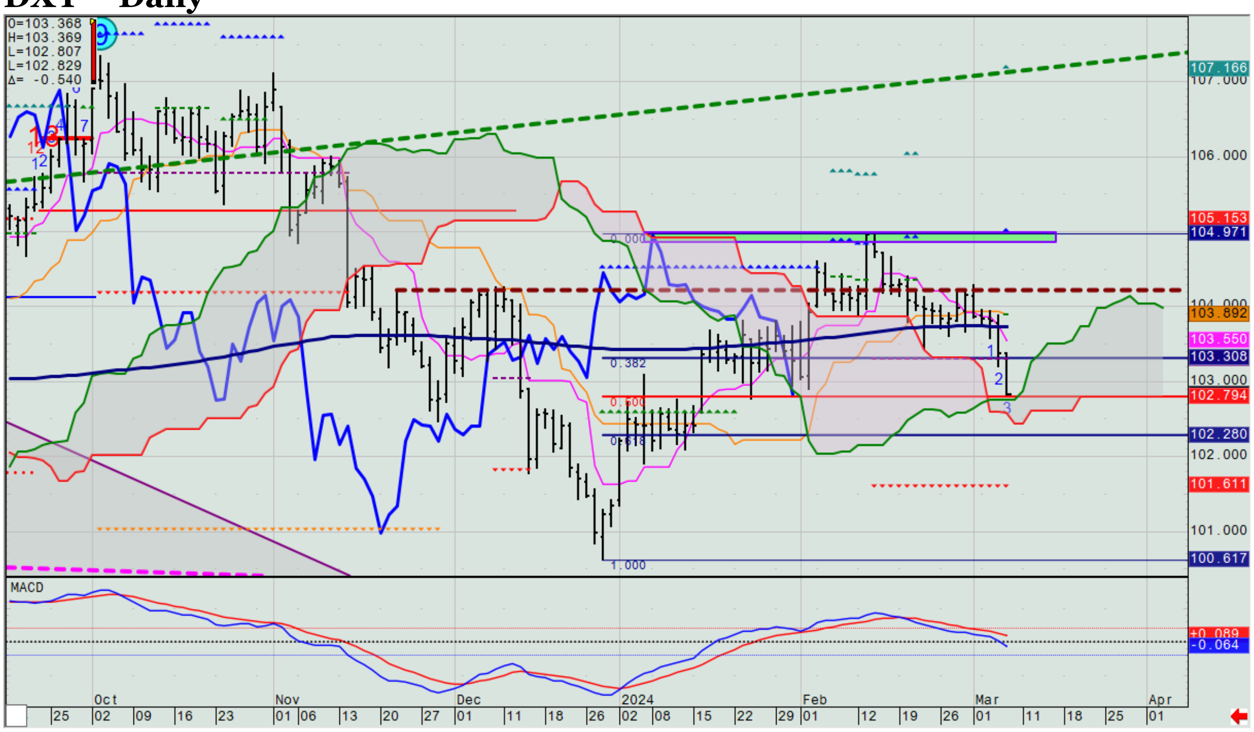


Investment grade corporate credit spreads, my preferred credit spread index, recently made new cycle lows at 93 bps. – just 7 bps. above the all-time low of 0.86%. It's now at 1.01%, which so far is in line with other prior minor and meaningless bounces. The larger head-and-shoulders top measures to 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.



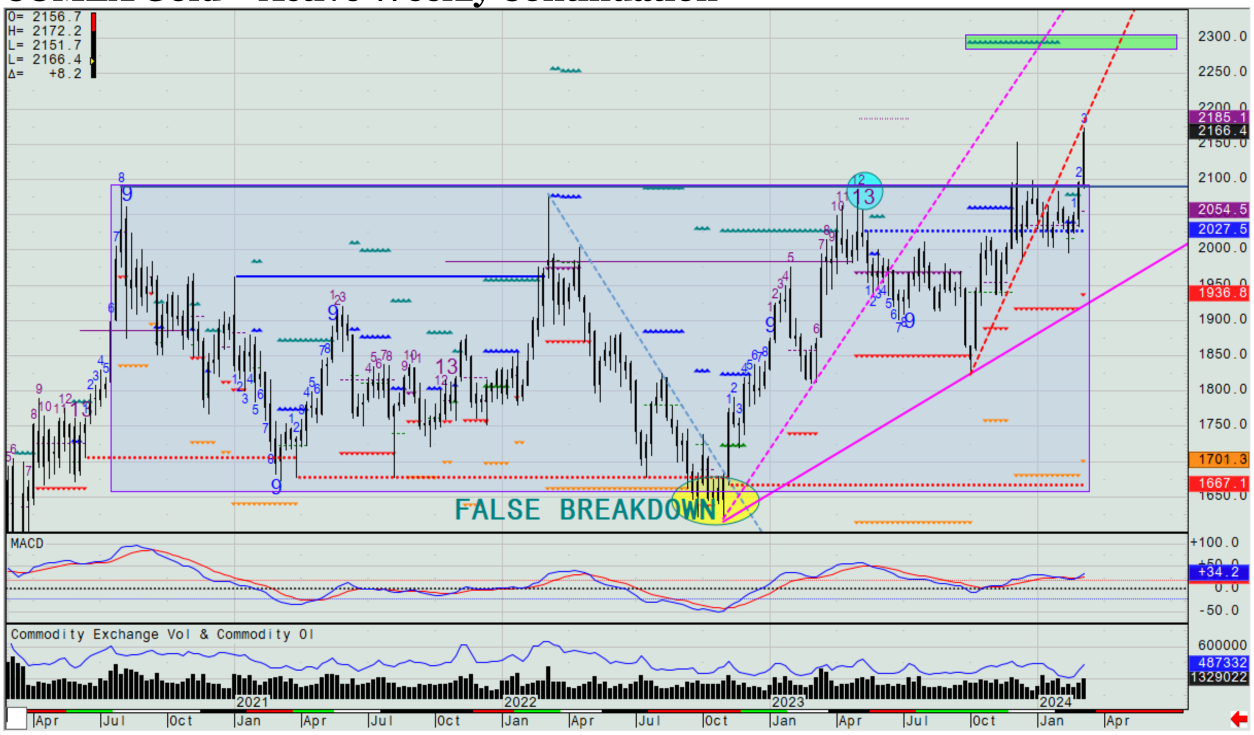

**<u>THE DOLLAR:</u>** The US Dollar Index (DXY) started the year with a bang, but it stalled right at where the cloud's Lagging Line hit its cloud top (104.91) on proved to be a false inverted head-and-shoulders breakout above its neckline. There should be some tactical support right about where its trading (i.e. a 50% retracement of the rally and its narrow cloud range). Other potential support levels are shown in navy and red in the right hand price scale. First resistance in near 103.90.

**DXY – Daily**



**COMMODITIES:** After four weeks in a row of the same gold write-up, I am pleased to be able to write that gold has finally made new all-time highs – likely fueled by dollar weakness and the Bitcoin rally. Sustained gains and no material decline would now target over $2400/oz.

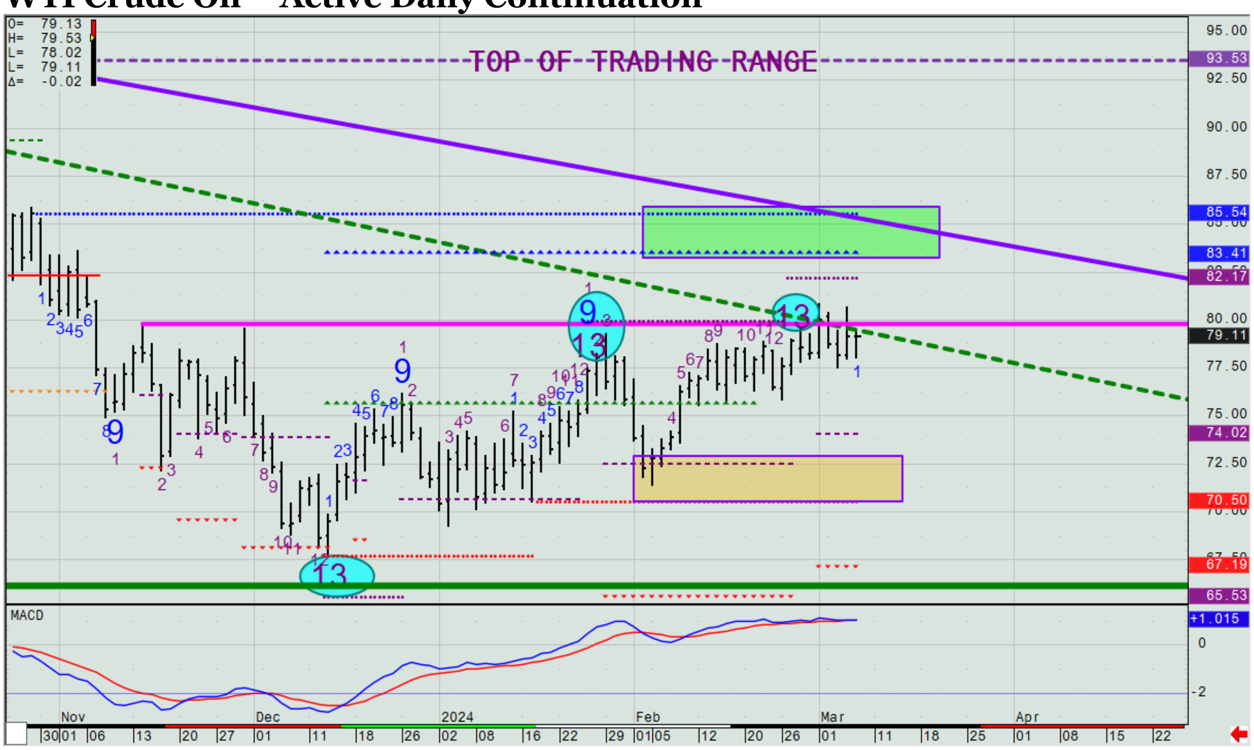
## COMEX Gold – Active Weekly Continuation




 GCA - Gold - Combined, Active Weekly Continuation (Delayed by 10 mins) | Thu Mar 07 2024 16:43:15, CQG 24.12.8025 Alpha

WTI Crude Oil's remains in a trading range, with trading targets above and below shown in colored rectangles. There's an active Aggressive Sequential +13 from early last week. The prior two 13 signals were good ones.

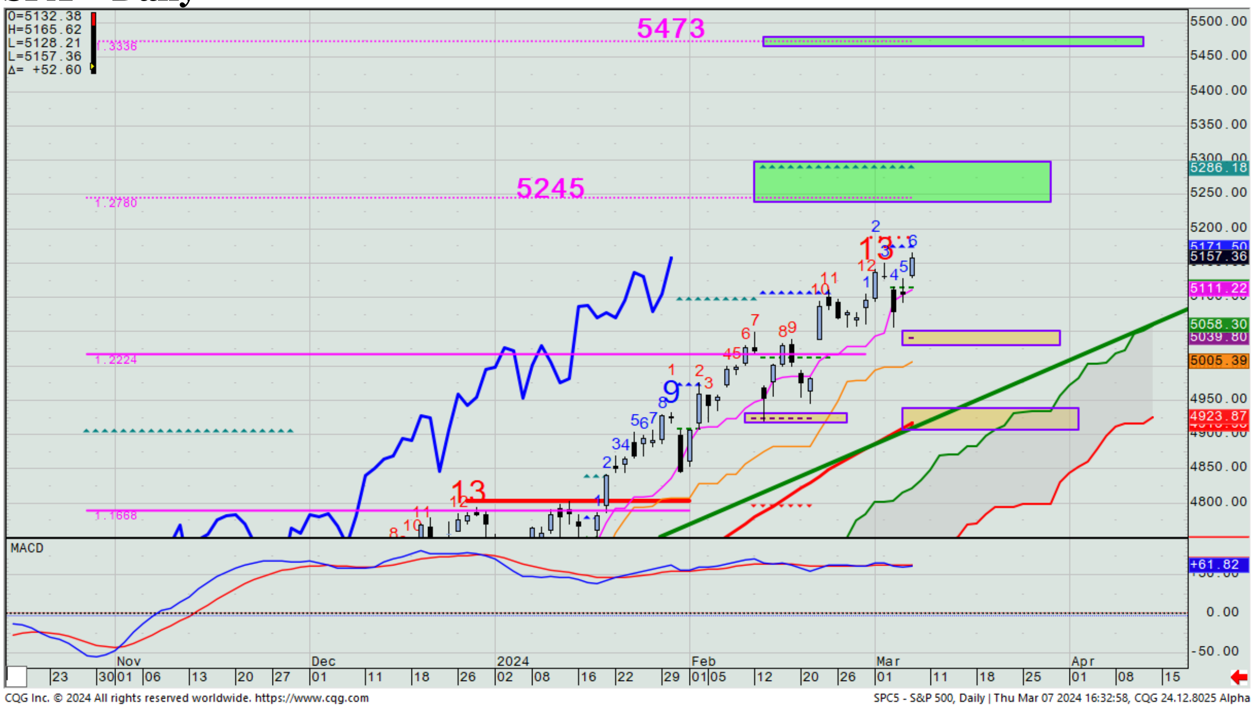
## WTI Crude Oil – Active Daily Continuation




 CLA - Crude Light - Combined, Active Daily Continuation (Delayed by 10 mins) | Thu Mar 07 2024 16:43:36, CQG 24.12.8025 Alpha

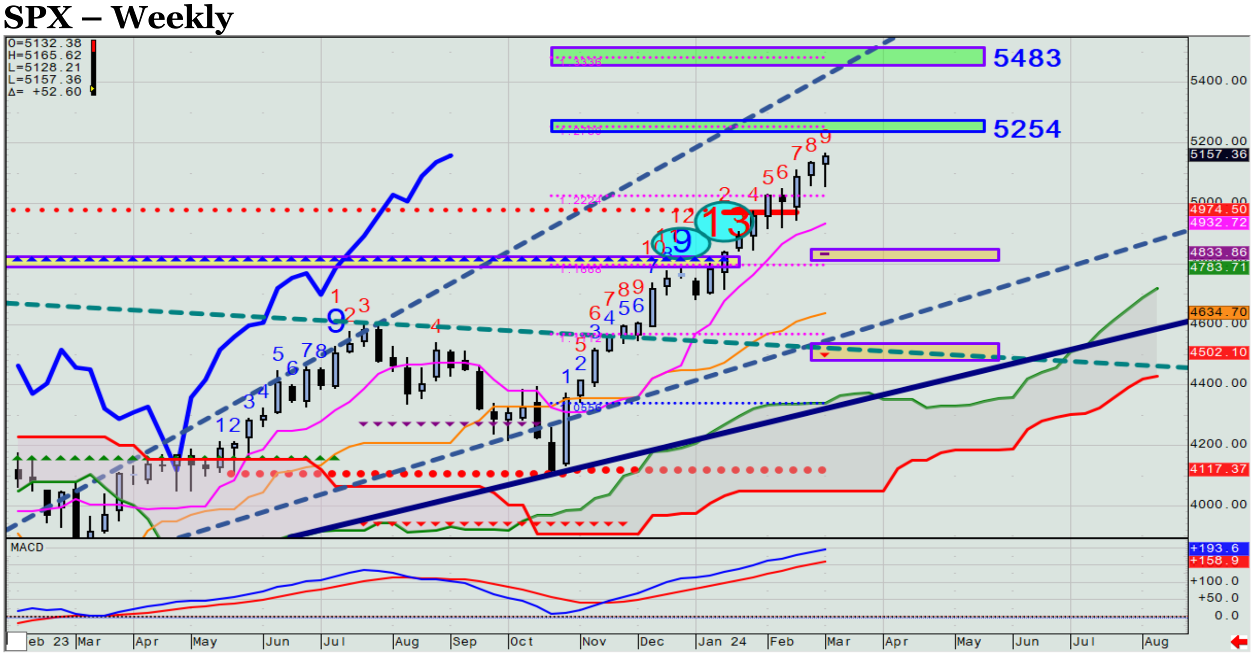
**EQUITY INDEXES:** Chair Powell continues to be about as complacently dovish as you'll likely ever hear him to be, and investors continue to push stocks higher. As I've told Daily Tip Sheet subscribers, the minor decline we saw early this week never got below the bearish Propulsion Momentum level, and without a violation of it, there's just nothing to yet be materially concerned with. Yes, there is an active daily Sequential +13 signal from last week, and until it is properly stopped out above its Risk level of 5186.50, there's still a potential drop coming. But there's nothing to yet suggest that it would be a material one.

**SPX – Daily**




The bigger picture remains positive, with the weekly bearish Propulsion Momentum level at 4835. Absent a break of that number, the overall bull scenario remains with other upside targets highlighted in green rectangles.

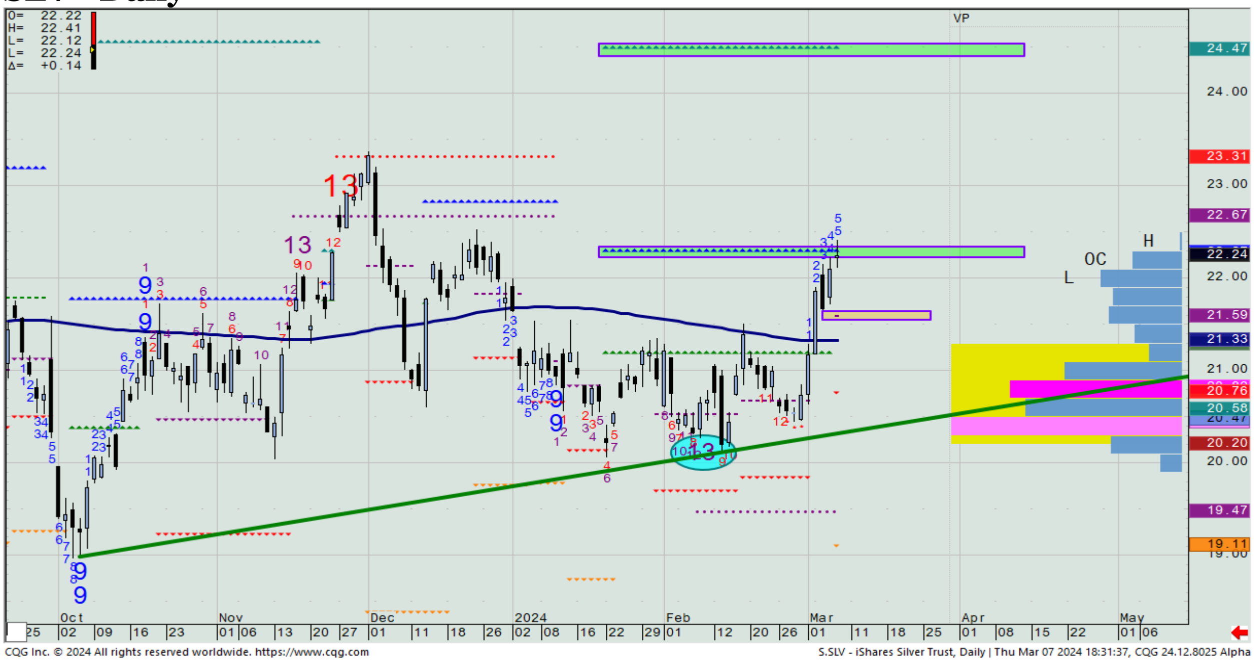
**SPX – Weekly**



## New ETF Trade Idea

Silver has moved up with the dollar's decline, but just hit its daily Propulsion Exhaustion level. Let's hope to see a small dollar rally to knock this down to its bearish Propulsion Momentum level of $21.59 and play for well-higher levels.

**SLV - Daily**



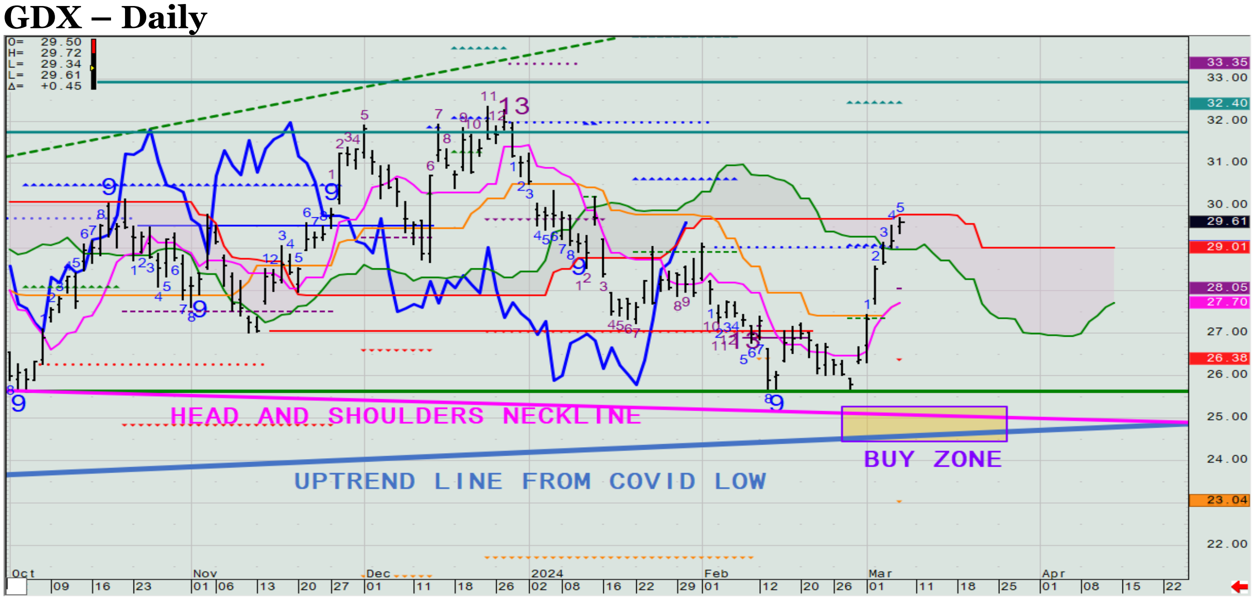

Let's look to get long one unit from $22 to $21.50, and play for the upper green boxed target at $24+. Stop out on consecutive lower closes beneath $20.76.

## Other Open Recommendations and Positions

**Long GDX**

We were looking to get long this past week from $25.10 to $24.60, but gold miners shot straight up and we missed the trade, which has already hit and exceeded the targeted exit. I will officially cancel the trade idea. (Personally, I'd consider buying some in bar Setup +2's range if the opportunity comes.)

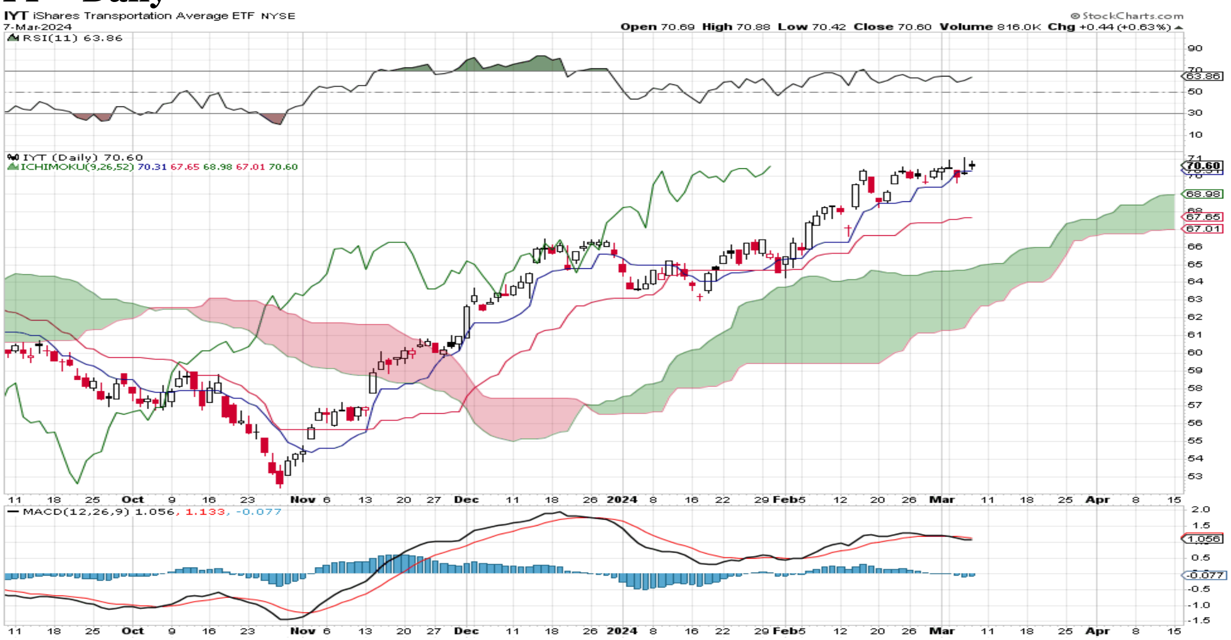
**GDX – Daily**



## Long IYT

Two Fridays ago, we bought IYT (avg. entry price is now correctly shown as $280.74), playing for a $309-ish target while risking to consecutive daily closes beneath what was then the bearish Propulsion Momentum level of $267.81. Yesterday was a 4:1 stock split, so everything is now trading at 25% of the price it had been at 24 hours earlier. It did make a new all-time high close yesterday, but the stock has really not progressed since we bought it, and still struggles against the general area of former all-time highs from a few years back. As such, let's just exit on a close beneath $70.31.

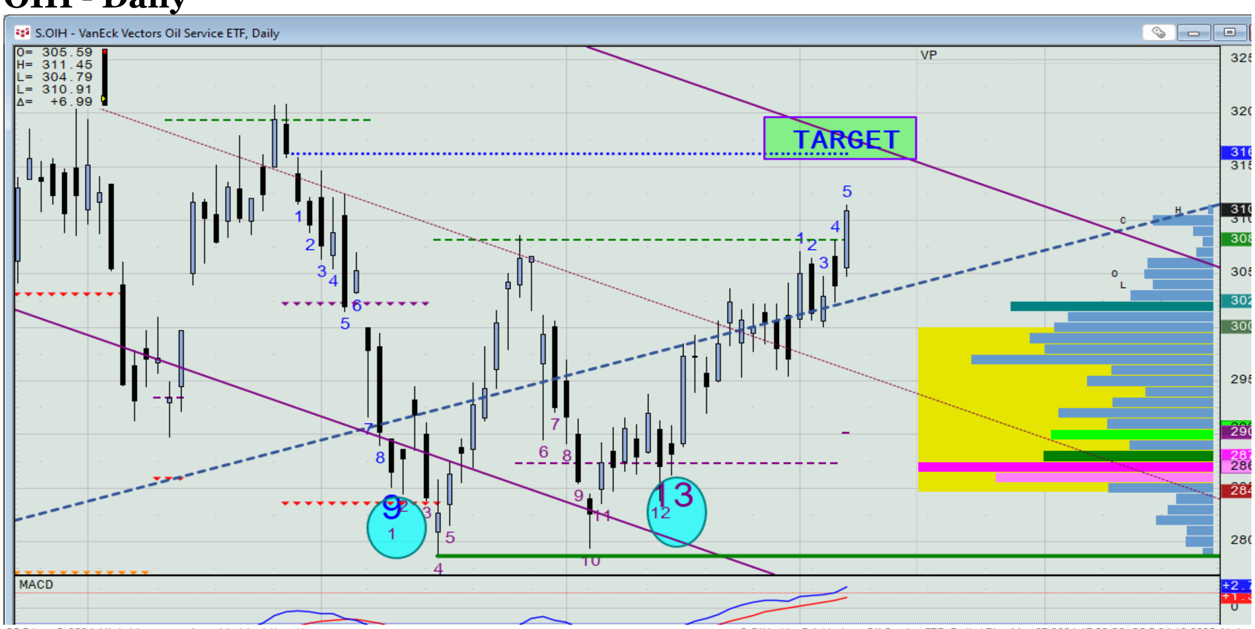
## IYT – Daily




## Long OIH

Three 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. Raise your sell-stop up to consecutive closes beneath $300.66.

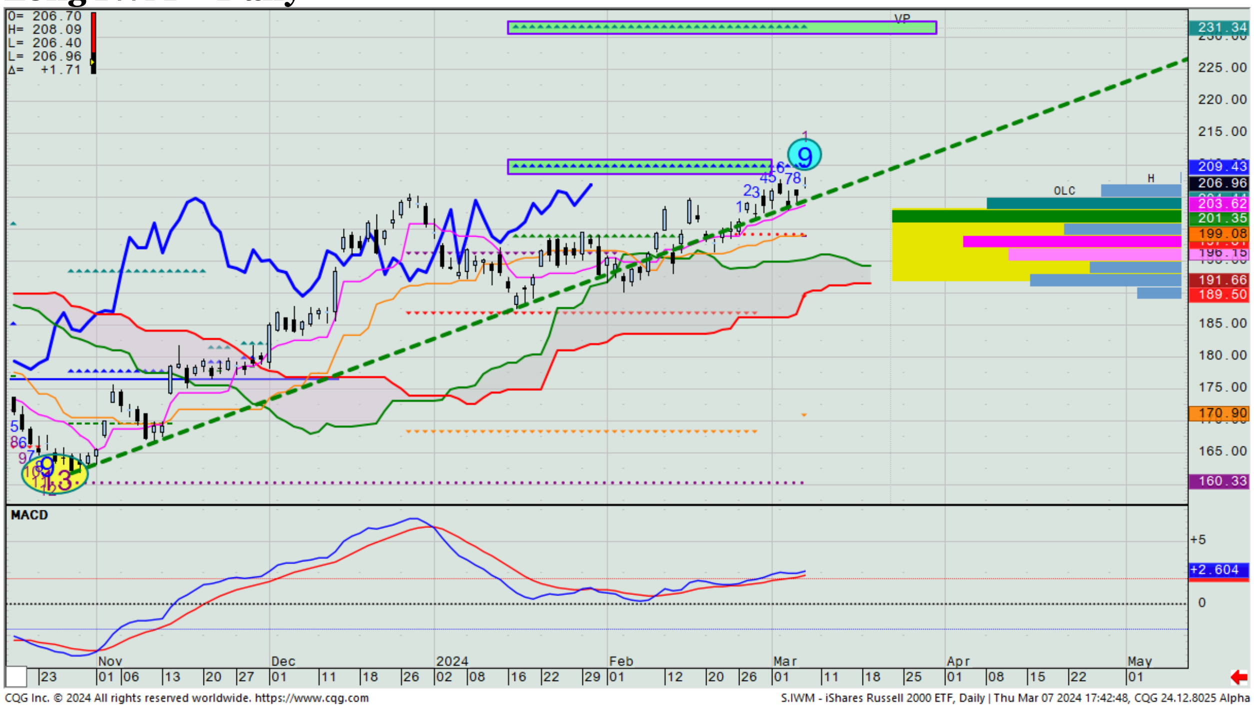
## OIH - Daily



**Long IWM**

Four 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. With yesterday marking a Setup +9 just beneath that first target, let's sell half today. Raise your sell-stop to consecutive daily closes < $198.79.

**Long IWM – Daily**

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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