Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com

March 15, 2024

TACTICAL TRADER REPORT

The Macro Picture

After a surprise rally earlier this week from a slightly hot CPI number, investors got a very hot PPI number yesterday, and finally did some profit-taking as interest rates rallied to their highest level in almost three weeks. Fed Funds futures traders have virtually eliminated any chance of a rate cut at next week's Fed meeting, and still price in the first of 4 to 5 cuts this year starting at the June meeting.

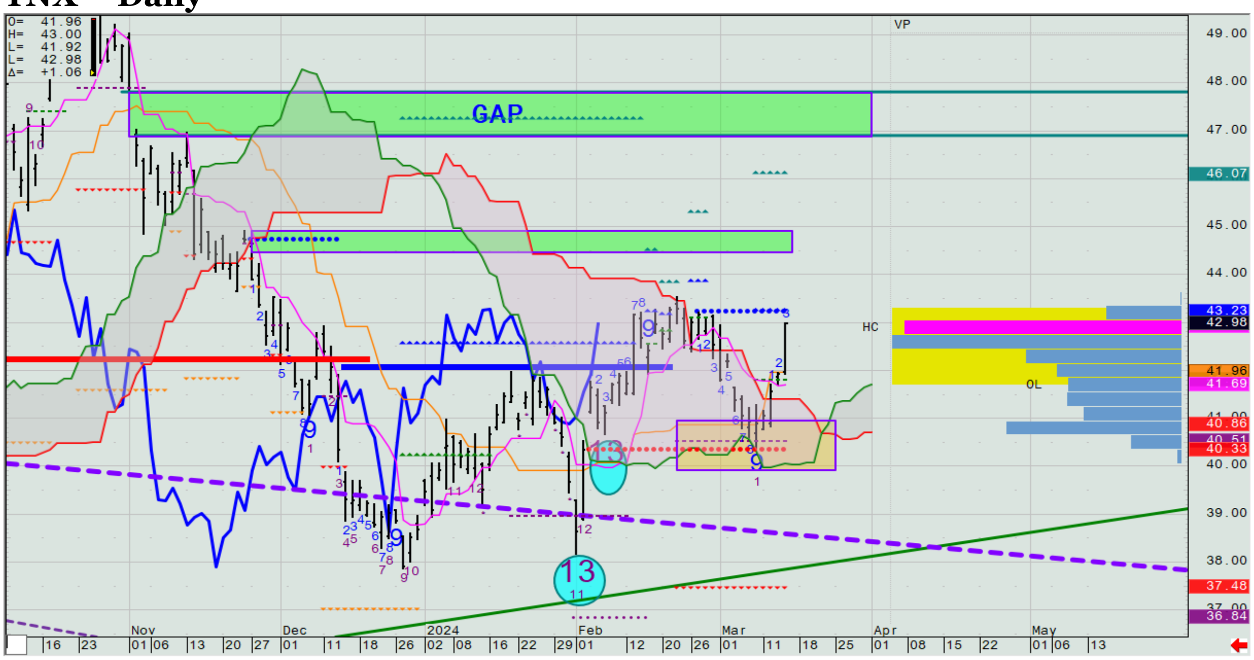
With stocks still near all-time highs, but rates well-above this year's lows, investors have apparently gotten far more comfortable with the "higher for longer" rate environment. Let's see what the macro environment is showing right now:

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

US RATES

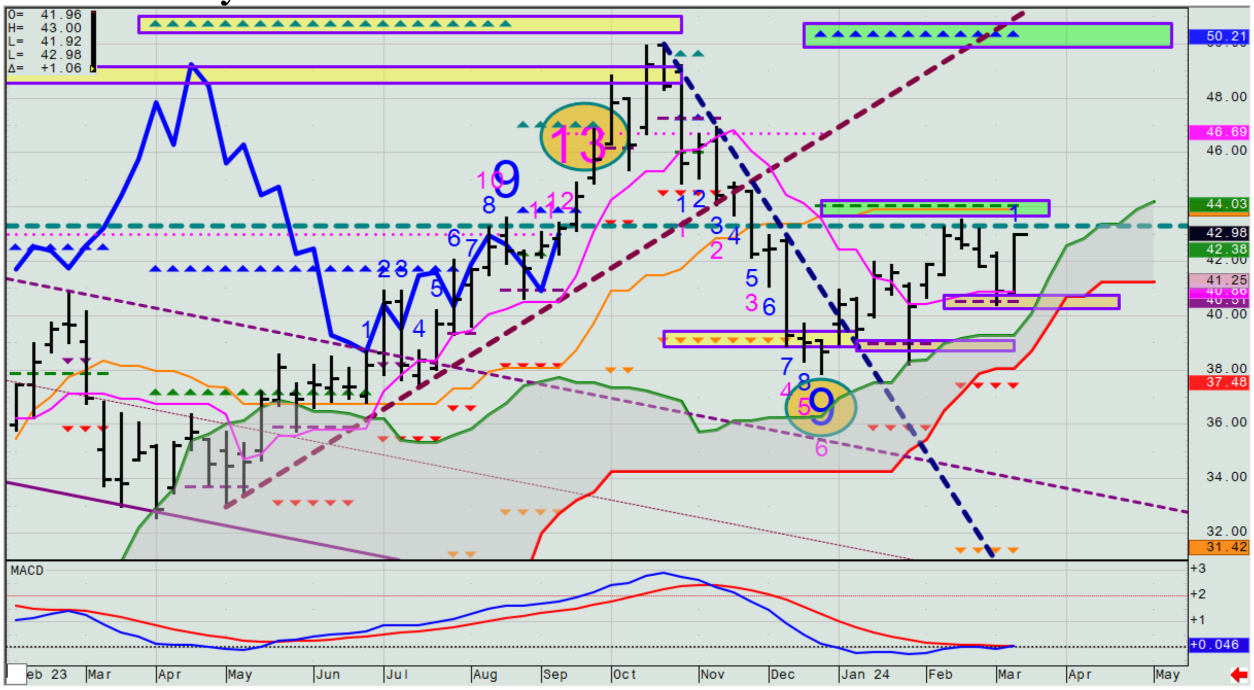
UST 10-yr. yields bottomed into the 4.07% to 4.02%, target range I had laid out last week, and then rallied sharply the past few days. The rate picture is NOTHING like the consensus was going into this year, with the bulk of the Street's strategists calling for not just lower – but significantly lower yields this year. To date, the TNX has not even traded a single basis point lower than 2023's closing level. That gives them a batting average of .000 (which I warned could happen the very first week of the year).

TNX – Daily



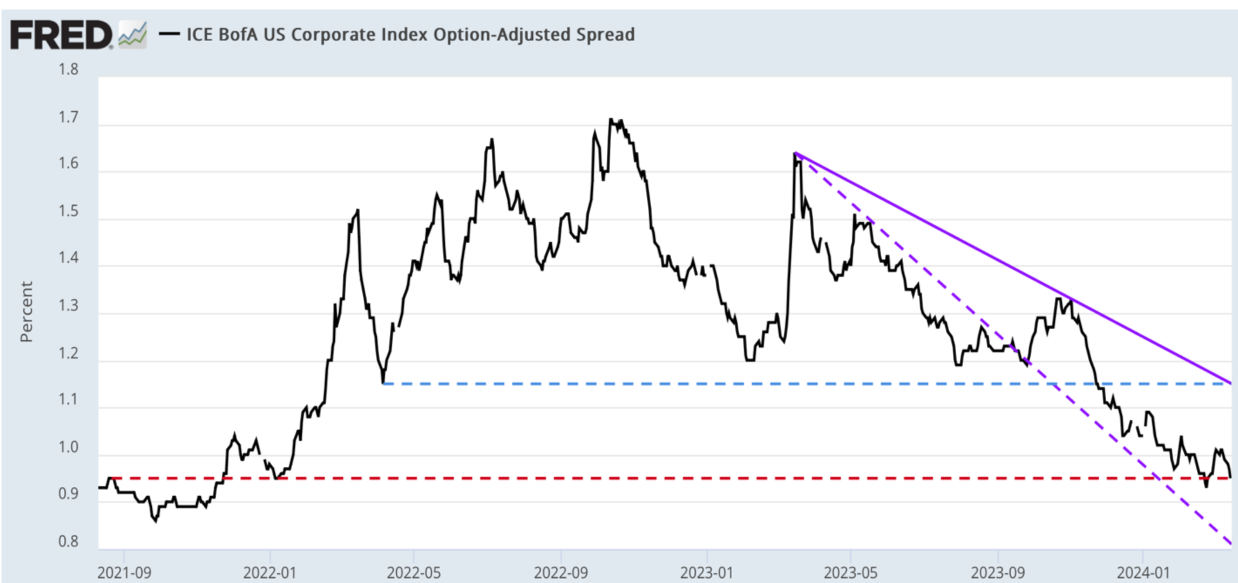
New highs above the 3.35% high seen this year initially targets 4.40% to 4.47%, and then the large unfilled gap from 4.69% to 4.78% (which unrelatedly includes the 4.77% Propulsion Full Exhaustion target from the January low).

TNX – Weekly



 TNX - 10-Year Treasury Note Index, Weekly | Thu Mar 14 2024 16:06:10, CQG 24.12.8025 Alpha

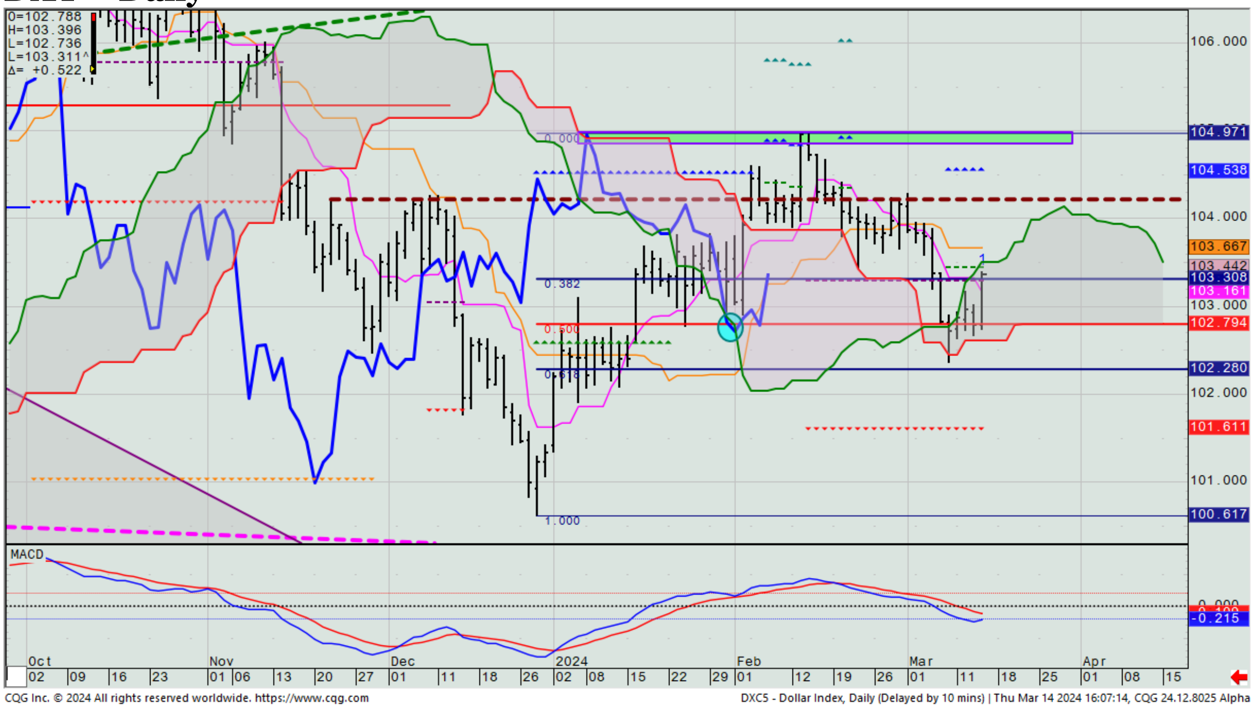
Investment grade corporate credit spreads, my preferred credit spread index, recently made new cycle lows at 93 bps. – just 7 bps. above the all-time low of 0.86%. It's now at 0.95%, and new 2024 lows opens the door for the larger head-and-shoulders top to play out for a measured move to something near 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) 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. The recent downmove just bottomed when the Lagging Line hit its cloud bottom, as well as a Fibonacci 62%

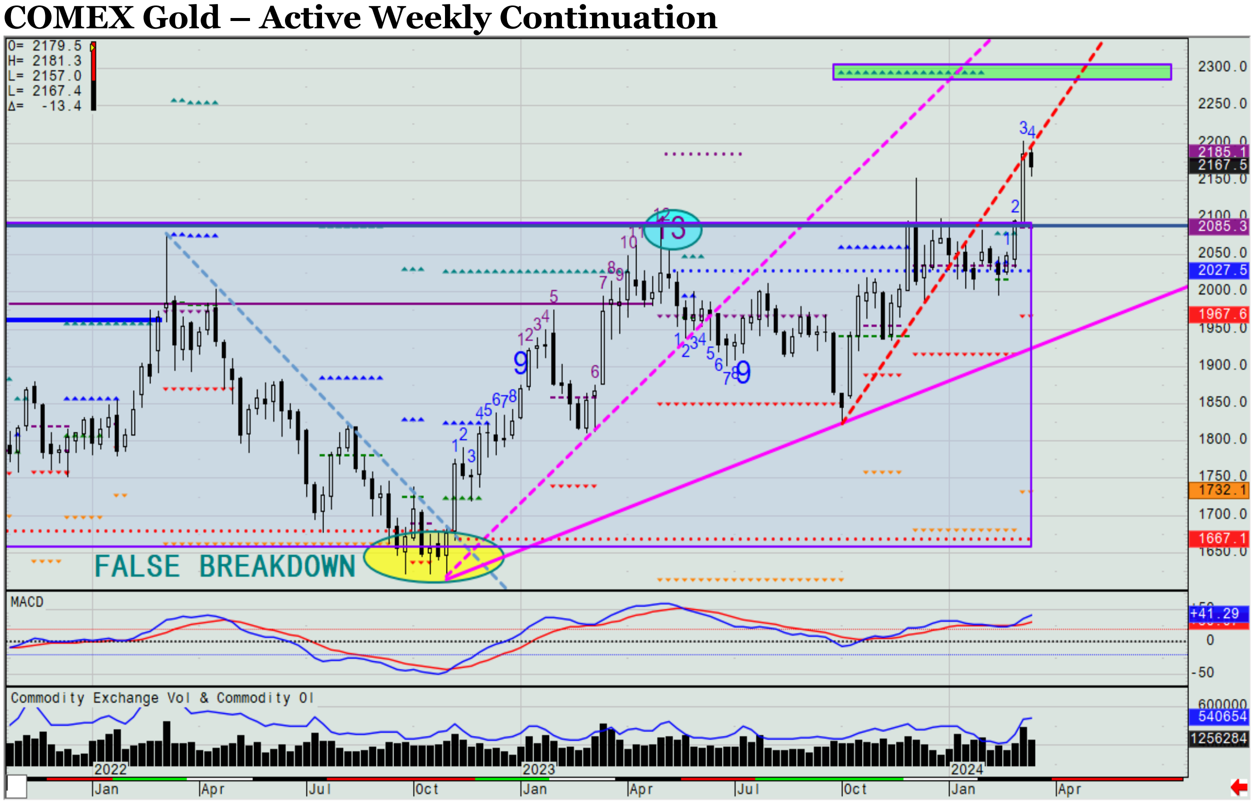
retracement of the aforementioned rally. The dollar is moving with the overall move in rates.

DXY – Daily



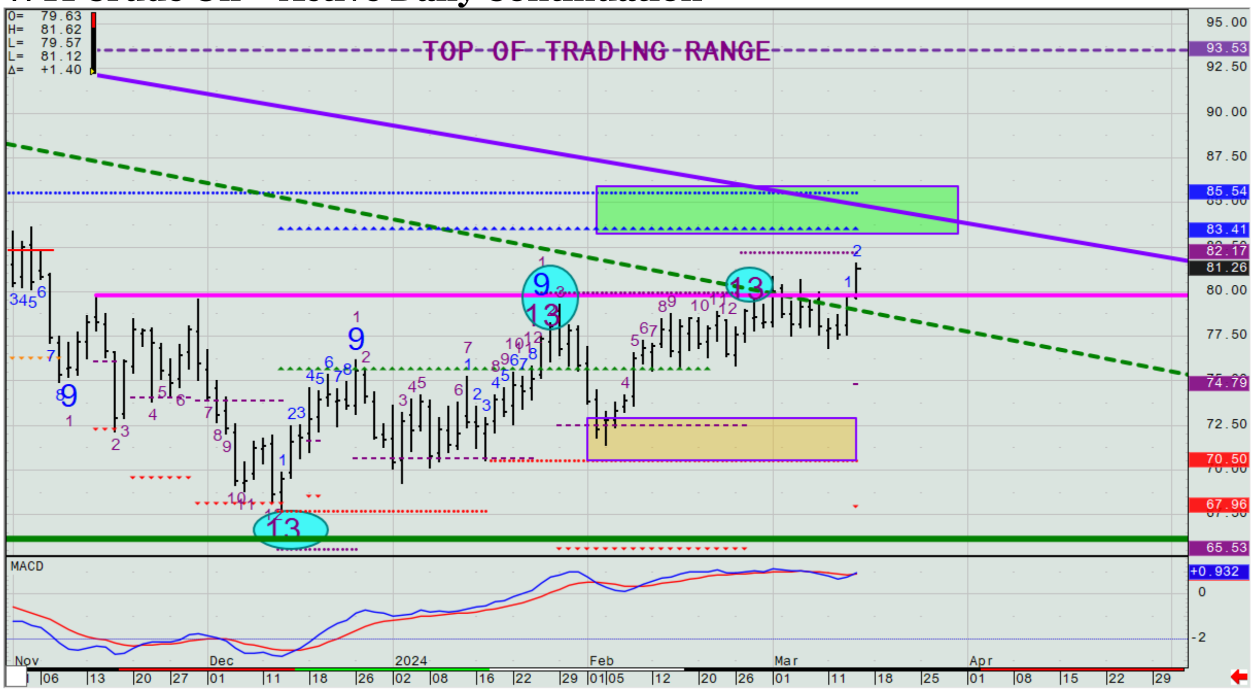
COMMODITIES: Gold's breakout to new highs is so far a one-week event, as dollar strength is pressuring the metal this week. I personally bought some gold early this week, but have cancelled my other lower nearby bid, wanting to see that there is some sustainability to the rally. Recall that what appeared to be a real breakdown in late-'22 proved to be a false one. I want to see that this is the real thing on the upside.

COMEX Gold – Active Weekly Continuation



WTI Crude Oil's broke above its multi-month trading range – looking like it's going to test the bears' resolve to remain short. Trading targets above and below current price are shown in colored rectangles. There's still an active Aggressive Sequential +13; the prior two 13 signals were good ones.

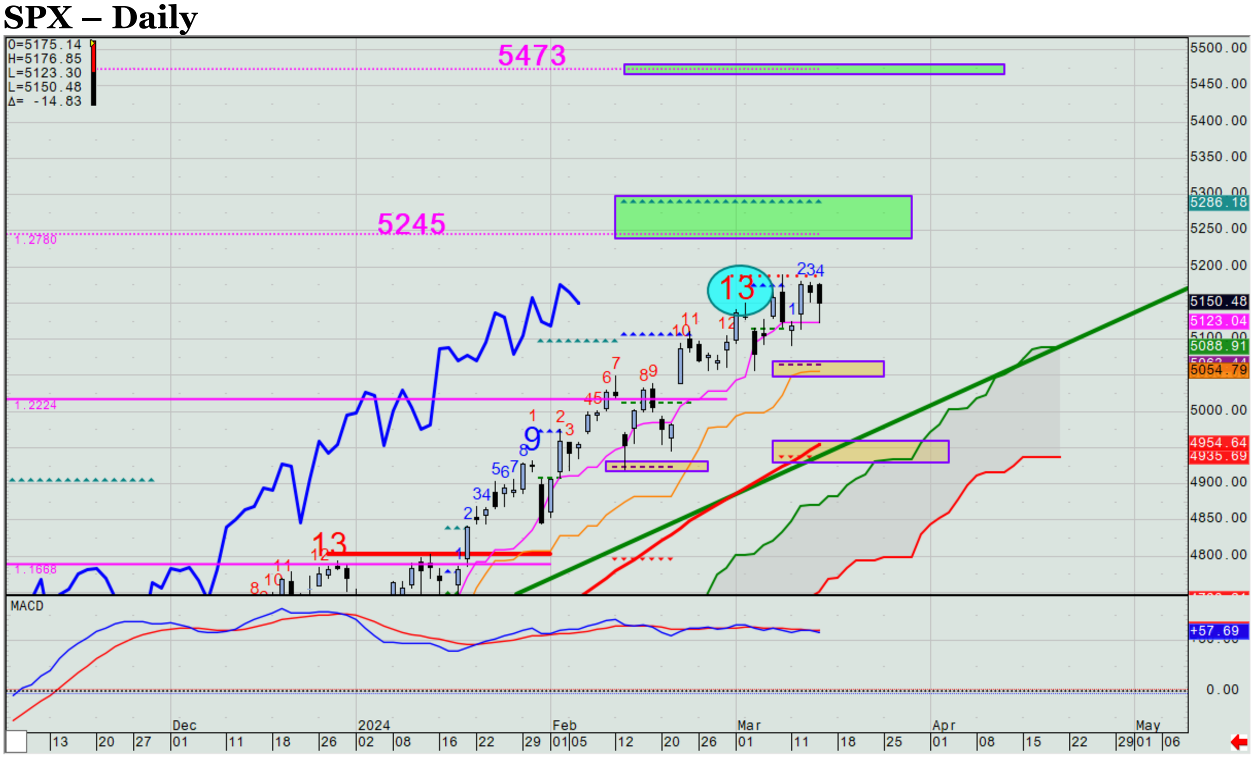
WTI Crude Oil – Active Daily Continuation



CLA - Crude Light - Combined, Active Daily Continuation (Delayed by 10 mins) | Thu Mar 14 2024 16:10:46, CQG 24.12.8025 Alpha

EQUITY INDEXES: The SPX continues to trade near regularly made all-time highs ty. Yesterday's very hot PPI number did not yet create any technical damage to the broad index, though so many stocks have way worse charts because of the skew created by this cap-weighted index dominated by a few behemoth names.

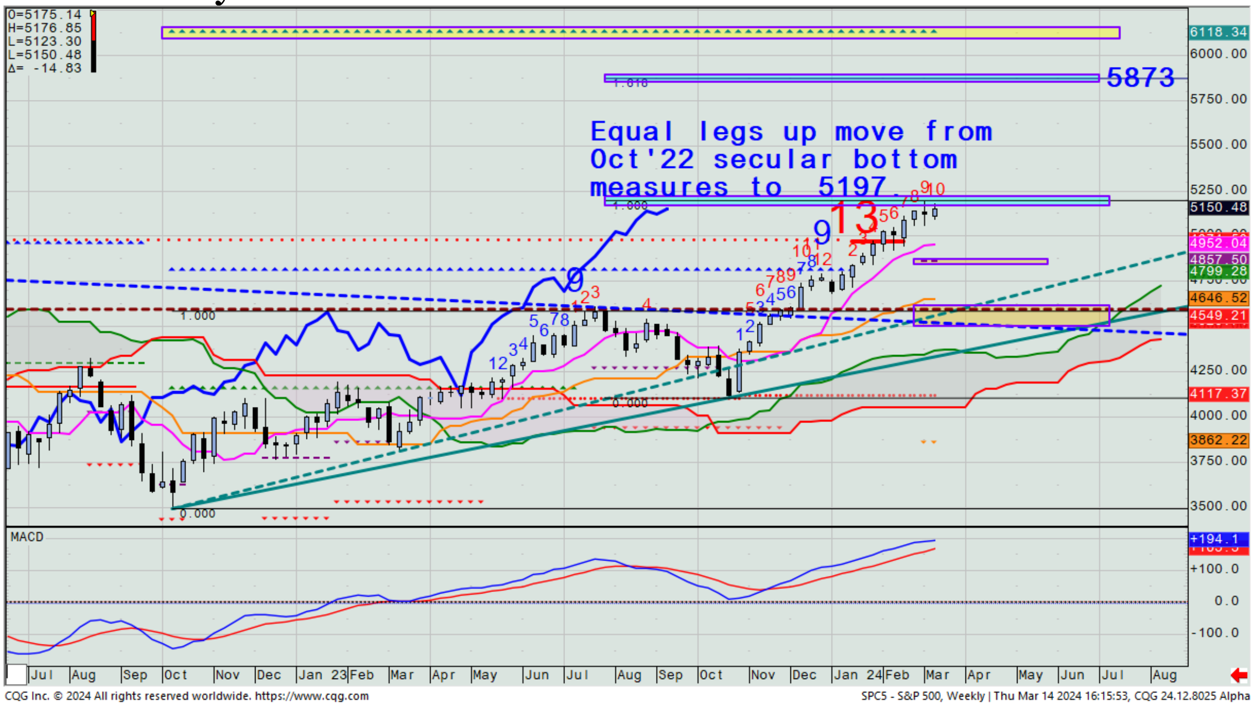
SPX – Daily



SPC5 - S&P 500, Daily | Thu Mar 14 2024 16:14:21, CQG 24.12.8025 Alpha

The bigger picture remains positive, with the weekly bearish Propulsion Momentum level now at 4858. Absent a break of that number, the overall bull scenario remains with other upside targets highlighted in blue or yellow rectangles below.

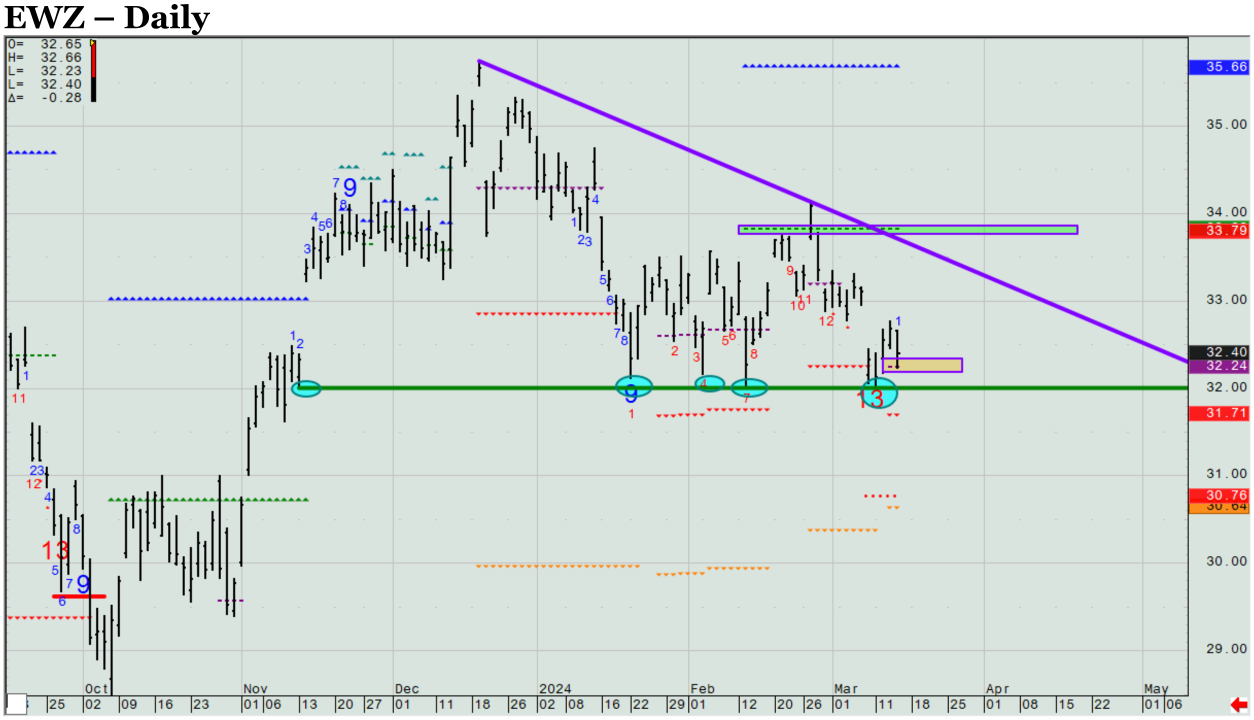
SPX – Weekly



New ETF Trade Idea

The highly-traded Brazil stocks ETF, EWZ, has a daily chart with 4 roughly equal lows, with one of those lows marking a Setup -9 count, and the other the terminal -13 count to that Setup. With yesterday's low halting at the bearish Propulsion Momentum level of $32.24, let's look to get long one unit for another test of the $33.82 bullish Propulsion Momentum level, while risking to a close beneath $31.70.

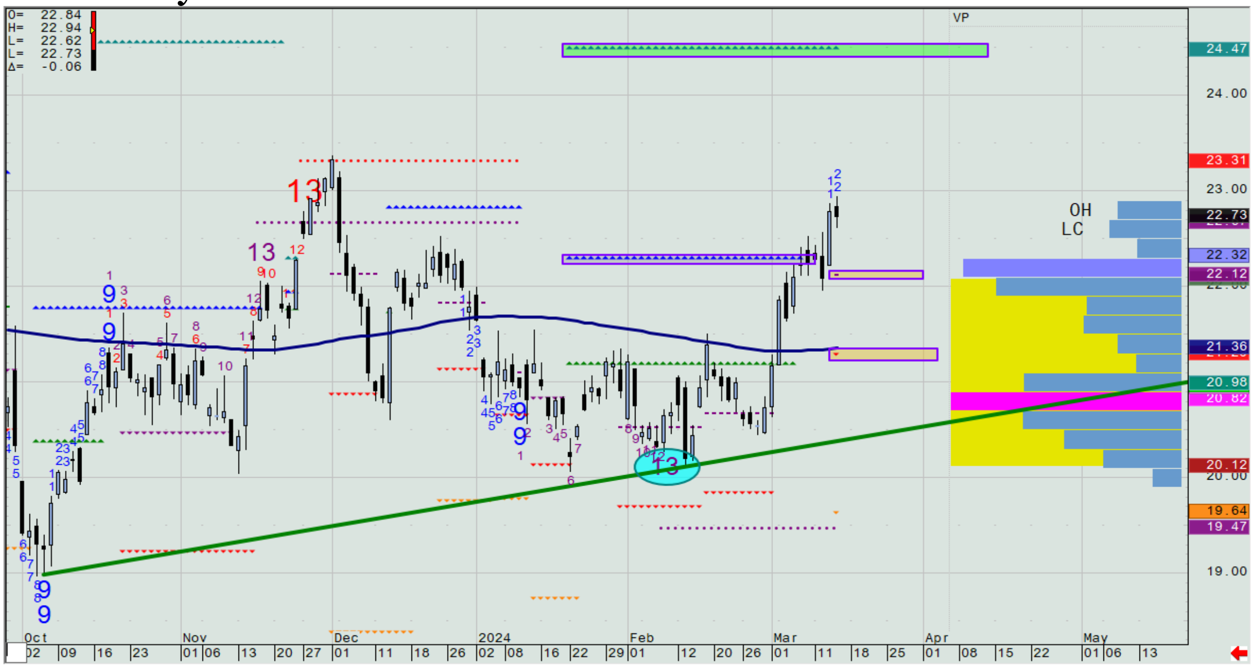
EWZ – Daily



Other Open Recommendations and Positions

Long SLV
We were trying to get long in the $22 to $21.50 range. The low on Tuesday this week was at $21.96, so let's assume we have a 50% long position on. We'll play for a mid-$24 Propulsion Exhaustion target. Raise the sell-stop to breakeven and do not look to add the other half.

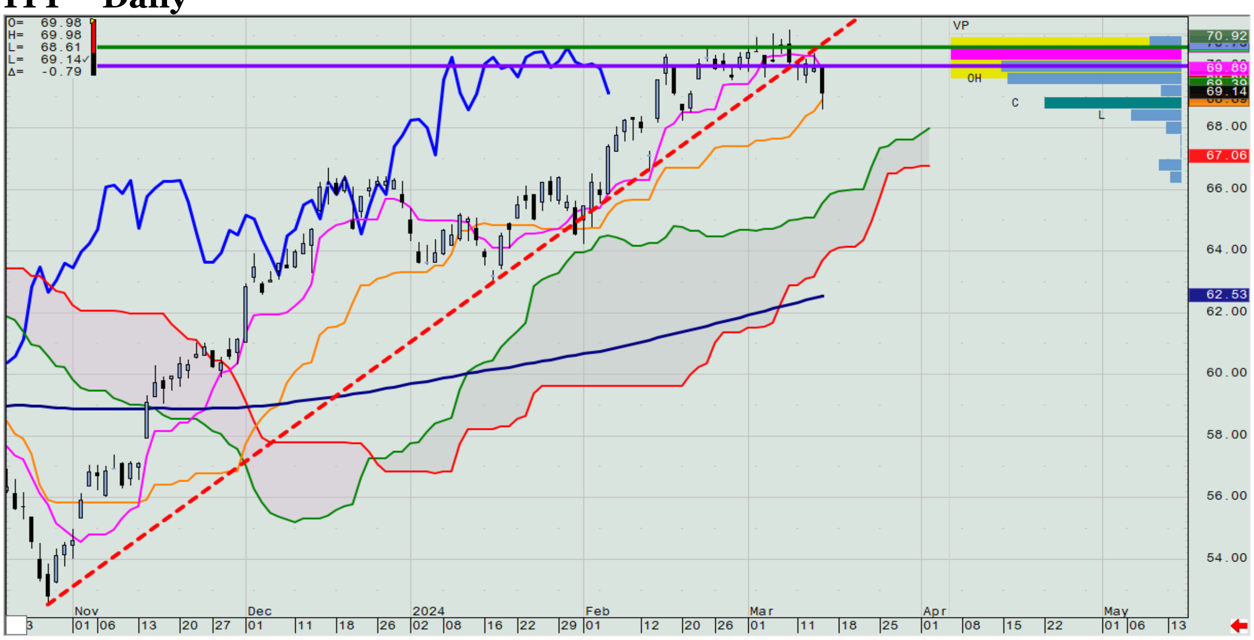
SLV – Daily



S.SLV - iShares Silver Trust, Daily | Thu Mar 14 2024 16:26:42, CQG 24.12.8025 Alpha

Long IYT
Three Fridays ago, we bought IYT (avg. entry price was $70.19), but in last week's report I said to exit on a close beneath $70.31. That happened last Friday at $70.14, so we lost a nickel and are now flat.

IYT – Daily

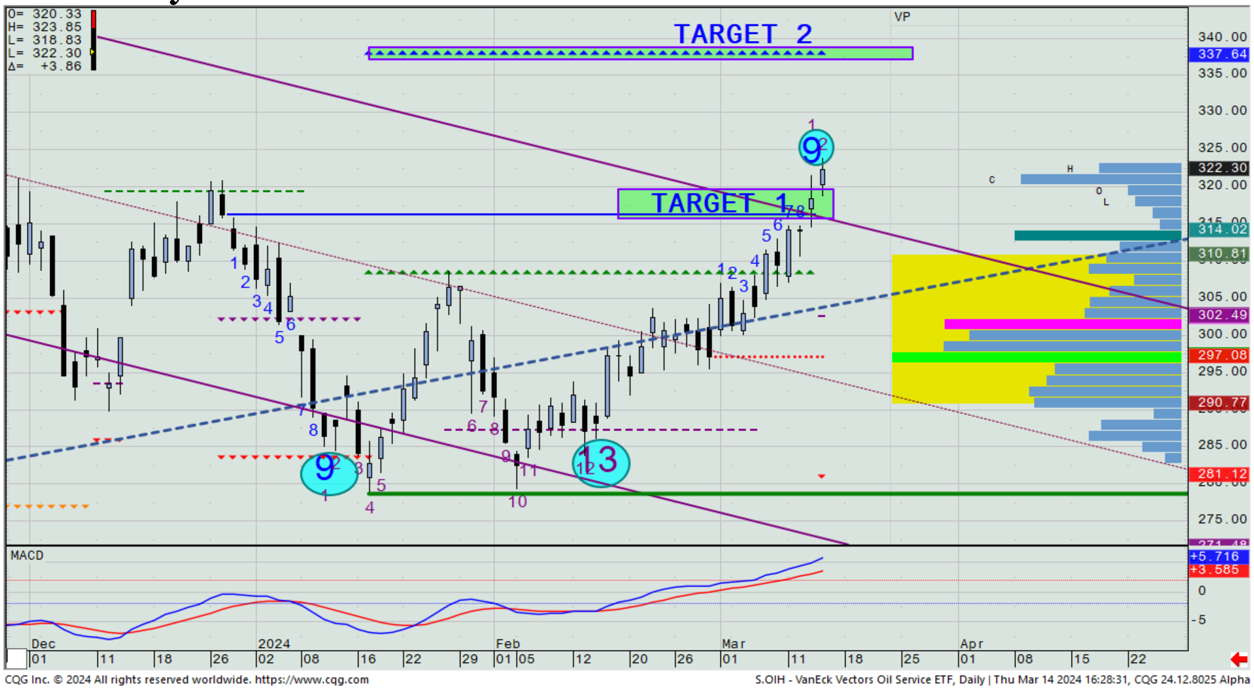


S.IYT - iShares Transportation Average ETF, Daily | Thu Mar 14 2024 16:27:44, CQG 24.12.8025 Alpha

Long OIH

Four 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 (now achieved), and the other half at $337/$338. Raise your sell-stop up to consecutive closes beneath $308.13.

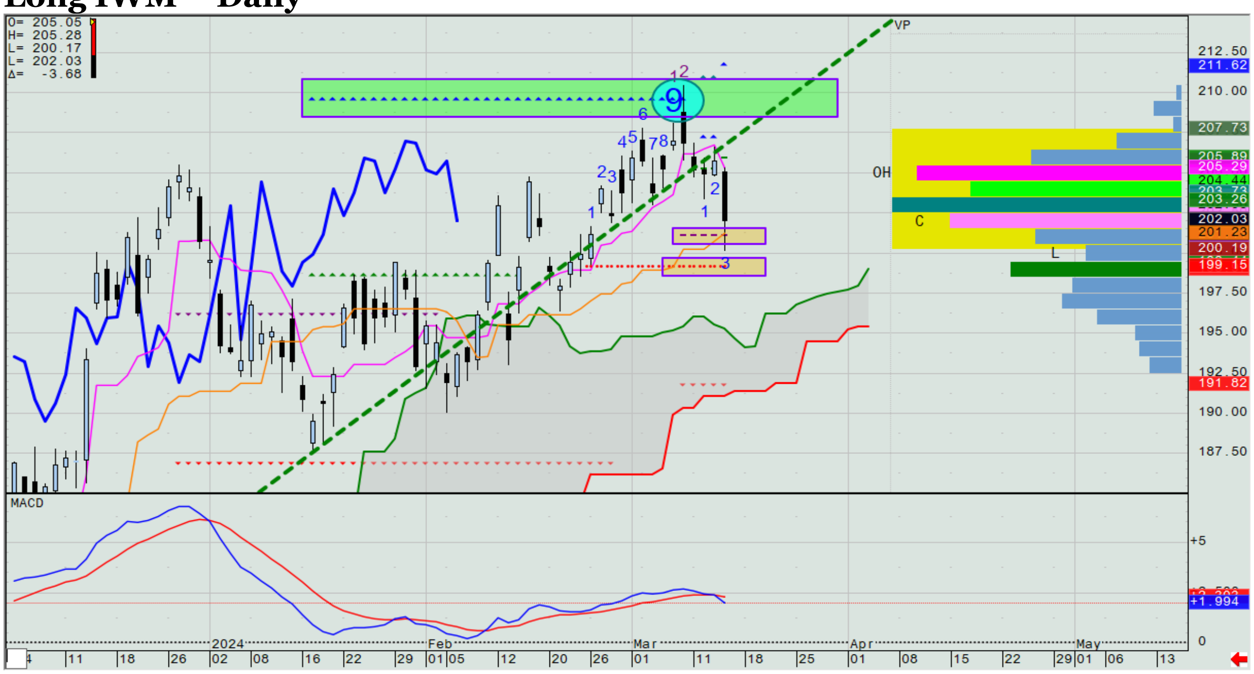
OIH - Daily



Long IWM

Five weeks ago, I suggested getting long one unit (our avg. entry price was $198.00). We sold half last Friday at an avg. price of $208.10. and the other target is near $231. Raise your sell-stop to breakeven entry.

Long IWM – 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