Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

Last week I wrote about investors having turned far more comfortable with the "higher for longer" rates environment, and Wednesday's comments from Fed Chair Powell – most especially about taking down the Fed's balance sheet – gave investors what they wanted to hear, along with him still suggesting that there will be three rate cuts coming later this year. Though this is well beneath the seven cuts that traders had been betting on in January, the fact that the economy is humming along keeps investors willing to chase paying for new all-time highs.

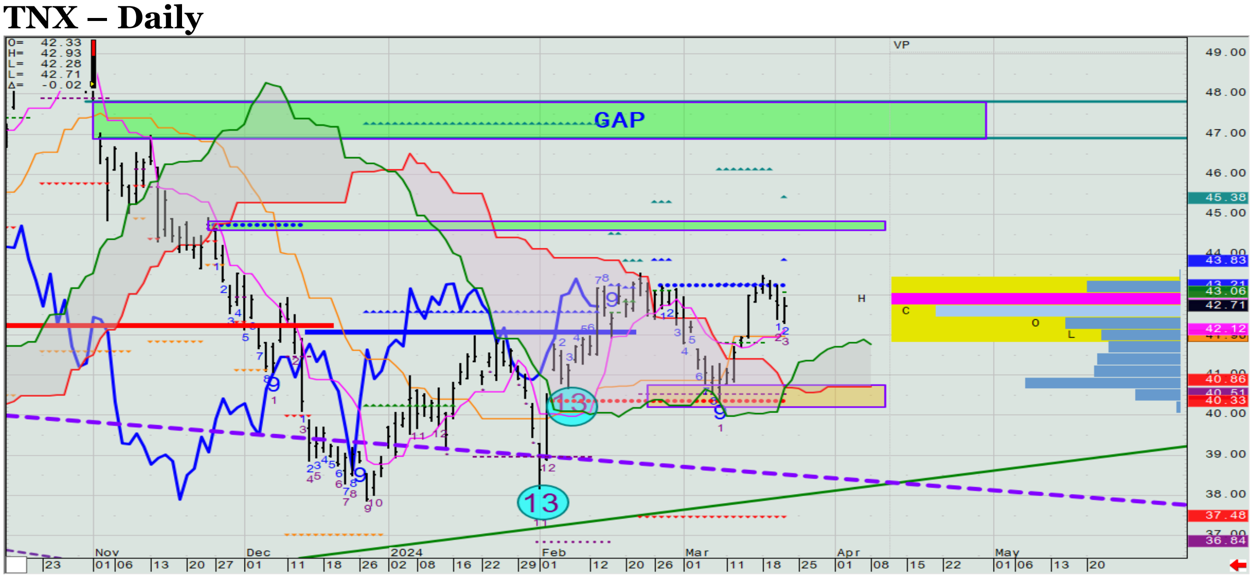
I'm not convinced that the Fed will actually lower rates if inflation doesn't fall further; they may just keep *saying* rate cuts are coming without them pulling the trigger to do so. But from the perspective of portfolio managers (and more and more from the public), stocks may continue pushing higher – despite what truly seems like the need for a decent correction.

Let's review what we're seeing in the macro environment:

US RATES

UST 10-yr. yields again halted in the 4.3%+ area, and actually did not make new 2024 highs over the past week before pulling back to as low as 4.23% yesterday. Though I still believe that the bigger picture for the TNX is unclear, seeing new 2024 highs probably leads to a test of 4.47%, and possibly even to the unfilled gap at 4.69% to 4.78%. Underneath, support still shows up in the 4.08% to 4.03% area.

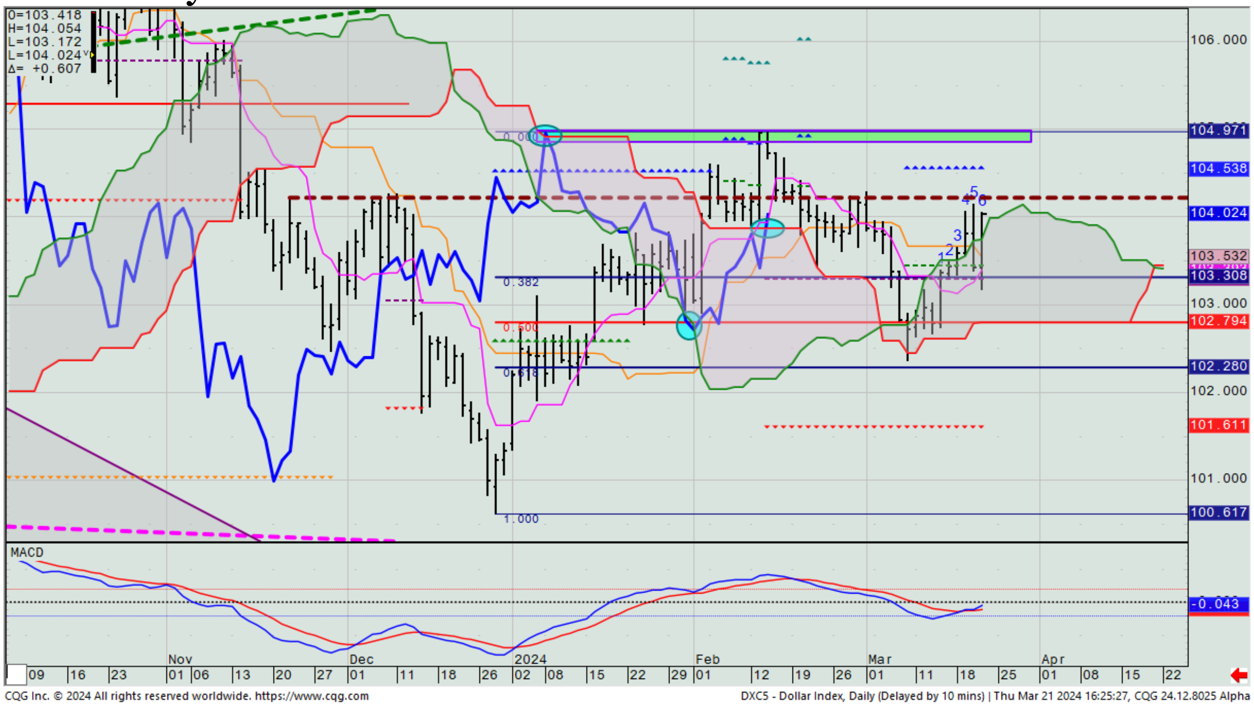
TNX – Daily



Investment grade corporate credit spreads, my preferred credit spread index, made new cycle lows at 92 bps. on Monday – just 7 bps. above the all-time low of 0.86%, (However, for some reason the Fed's website has not updated the figure since then, so I don't know where it is now.) but the door is now open 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 continues to be a positive backdrop for stocks.

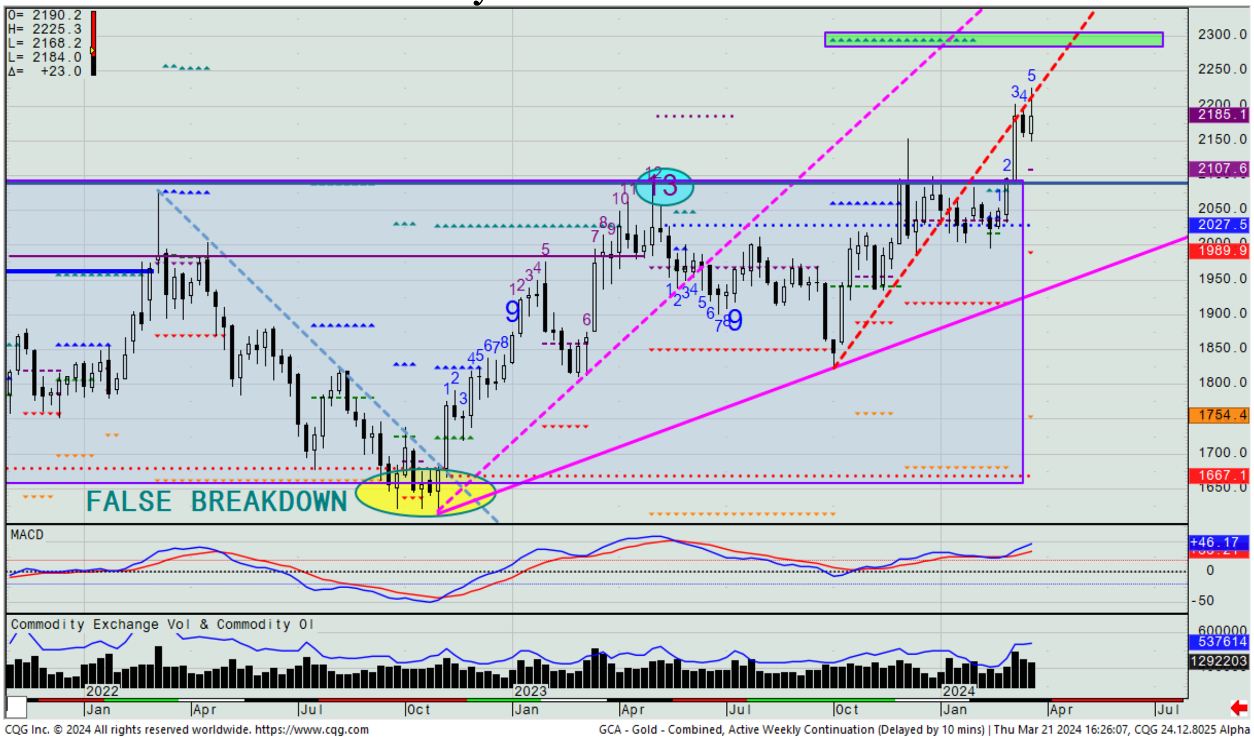
THE DOLLAR: The US Dollar Index (DXY) is on the cusp of a cloud model upside breakout, whereby the Lagging Line is poking above the top of its respective cloud high at 103.87. If this gets confirmation, it could be an early sign that rates are not headed lower.

DXY – Daily



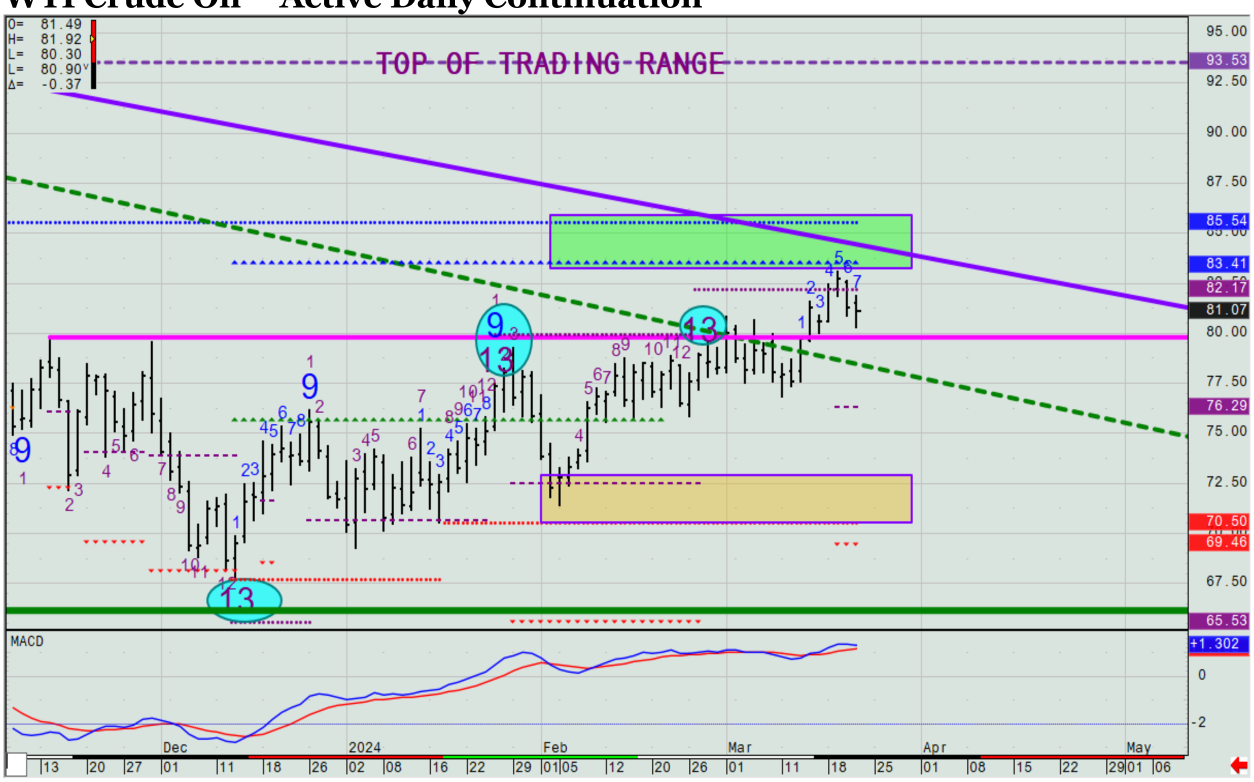
COMMODITIES: Gold's breakout from a few weeks ago is now confirmed, with a near-term upside target at $2291, and a bigger measured move to somewhere north of $2400. The newest weekly bearish Propulsion Momentum level is at $2108.

COMEX Gold – Active Weekly Continuation



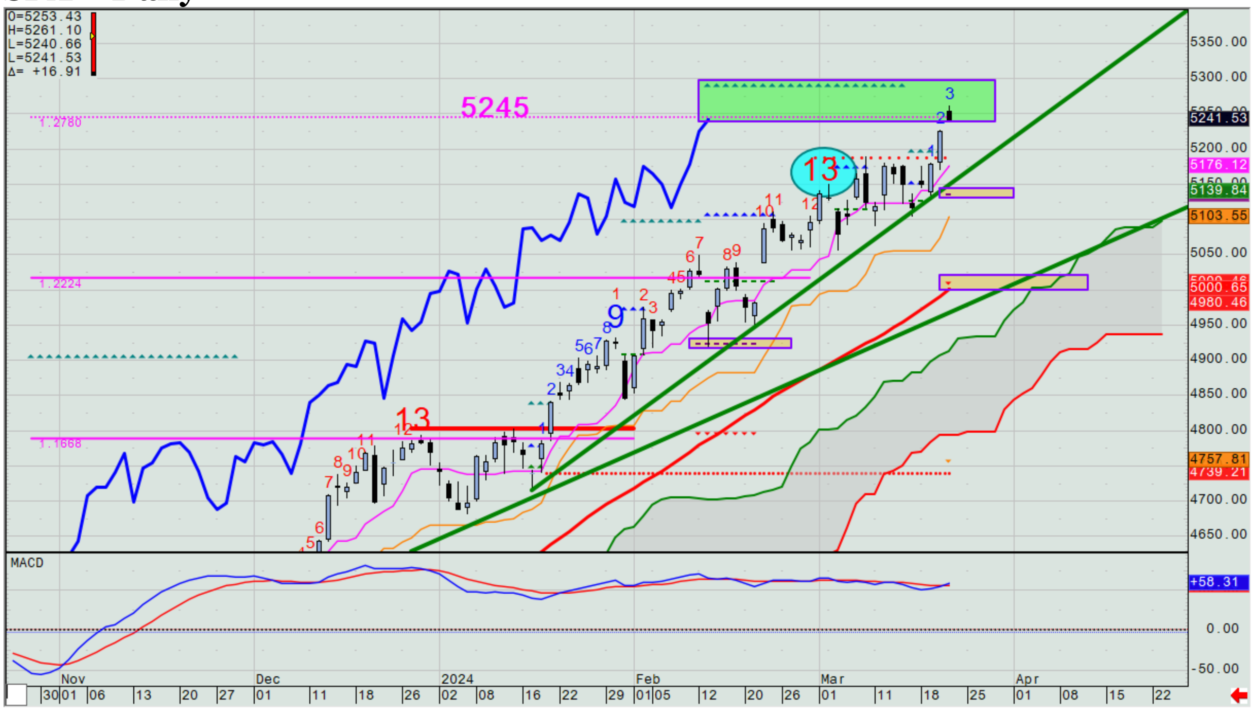
WTI Crude Oil's trading targets above and below current price are shown in colored rectangles. There's still an active Aggressive Sequential +13 that has not yet been stopped out on the rally; the prior two 13 signals were good ones.

WTI Crude Oil – Active Daily Continuation



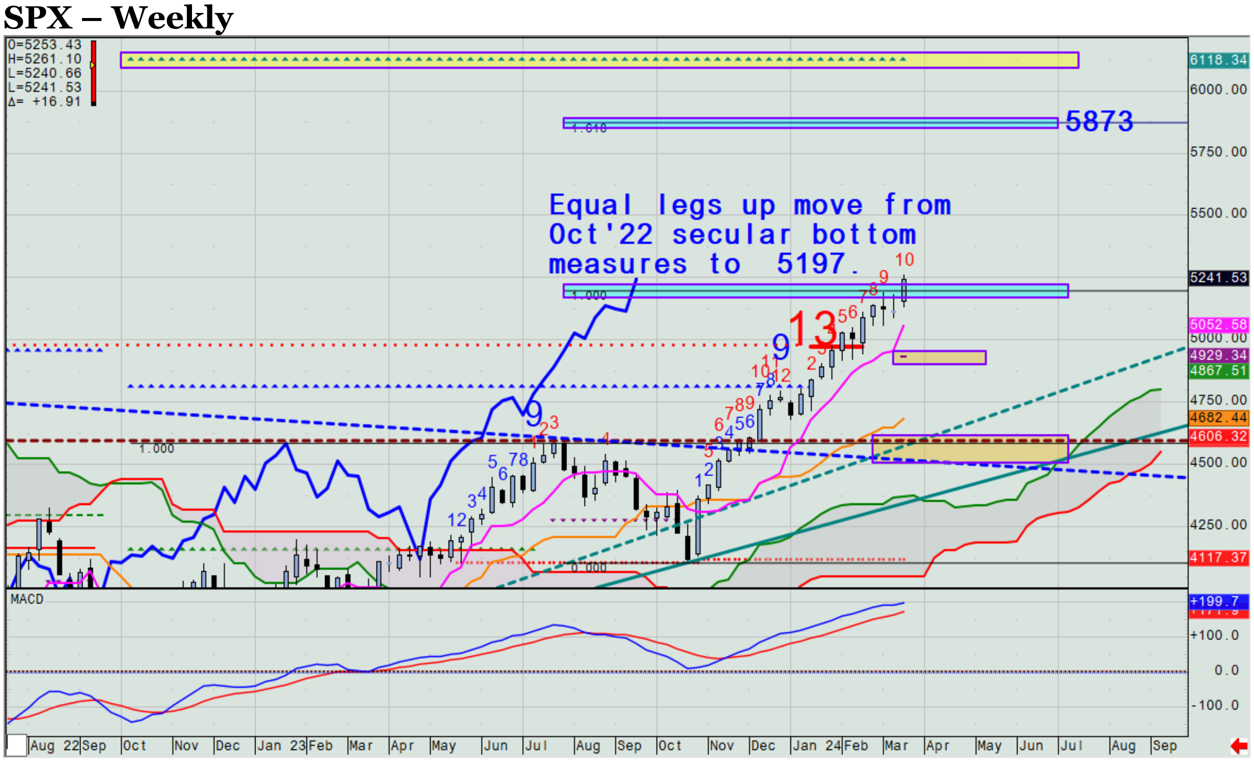
EQUITY INDEXES: The SPX makes new all-time highs frequently, with yesterday another one of them. All significant short-term support levels have held on any of the very short-lived (i.e., usually 1 to 2 day affairs) declines. Yesterday hit the 5th Trend Factor up from the October low, without even a 3% decline from what was any temporary peak. Certainly, a decline can happen anytime, but heck, that's some rally!

SPX – Daily



The bigger picture remains positive, with the weekly bearish Propulsion Momentum level now at 4929. Absent a break of that number, the overall bull scenario remains with other upside targets highlighted in blue or yellow rectangles below.

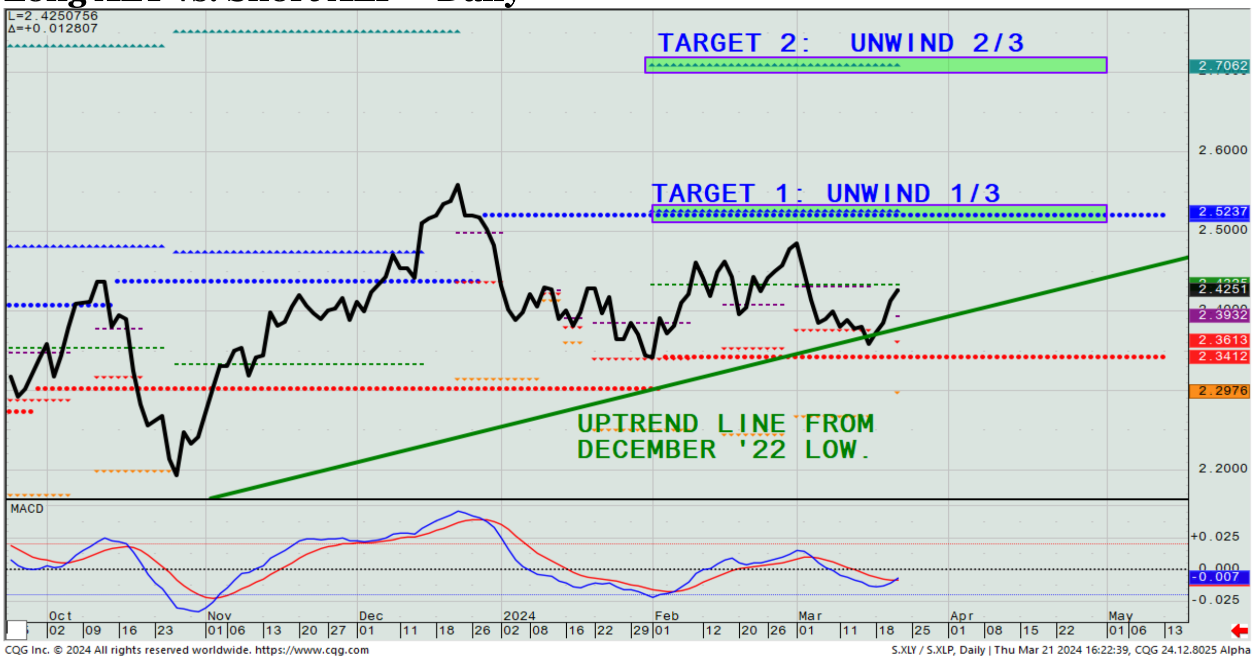
SPX – Weekly



New ETF Trade Idea

Consumer Discretionary (XLY) names should be doing better than **Consumer Staples (XLP)** names in a strong market. In general, they are, but the chart is not nearly as bullish looking as one might thing. Despite that, the low in the spread a few days ago bounced right on the uptrend line that stemmed from the December 2022 major low, and as such, we'll look get long one unit of XLY and short one unit of XLP against it. Remember: in a pair trade, you do the same notional dollar amount on both sides; not equal share amounts.

Long XLY vs. Short XLP – Daily

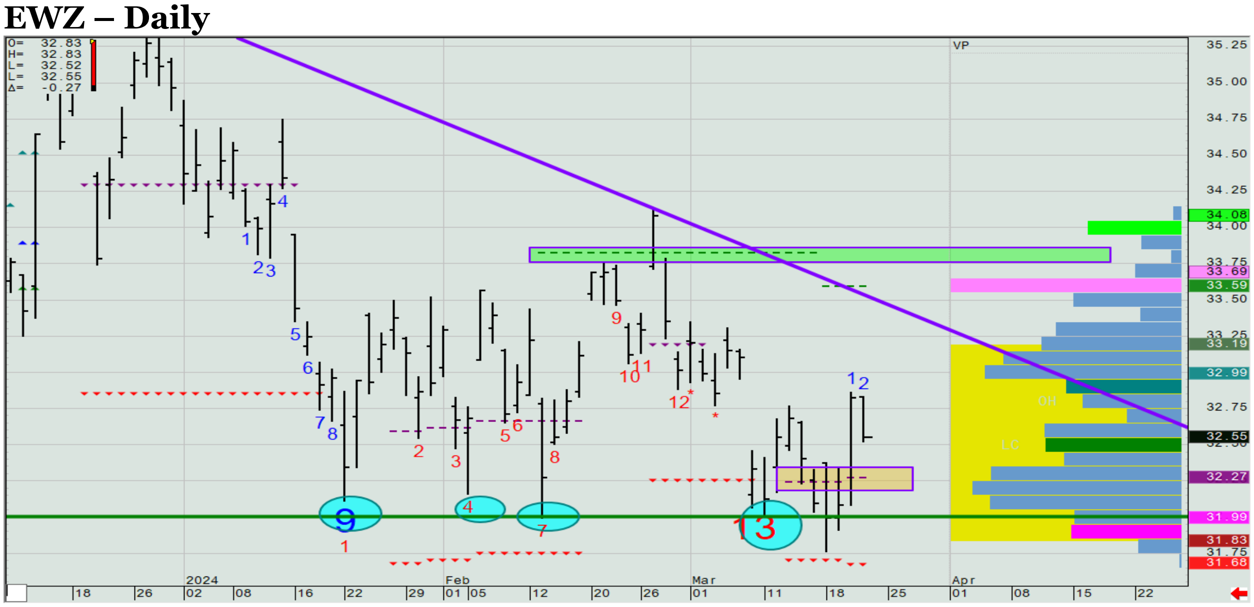


Other Open Recommendations and Positions

Long EWZ

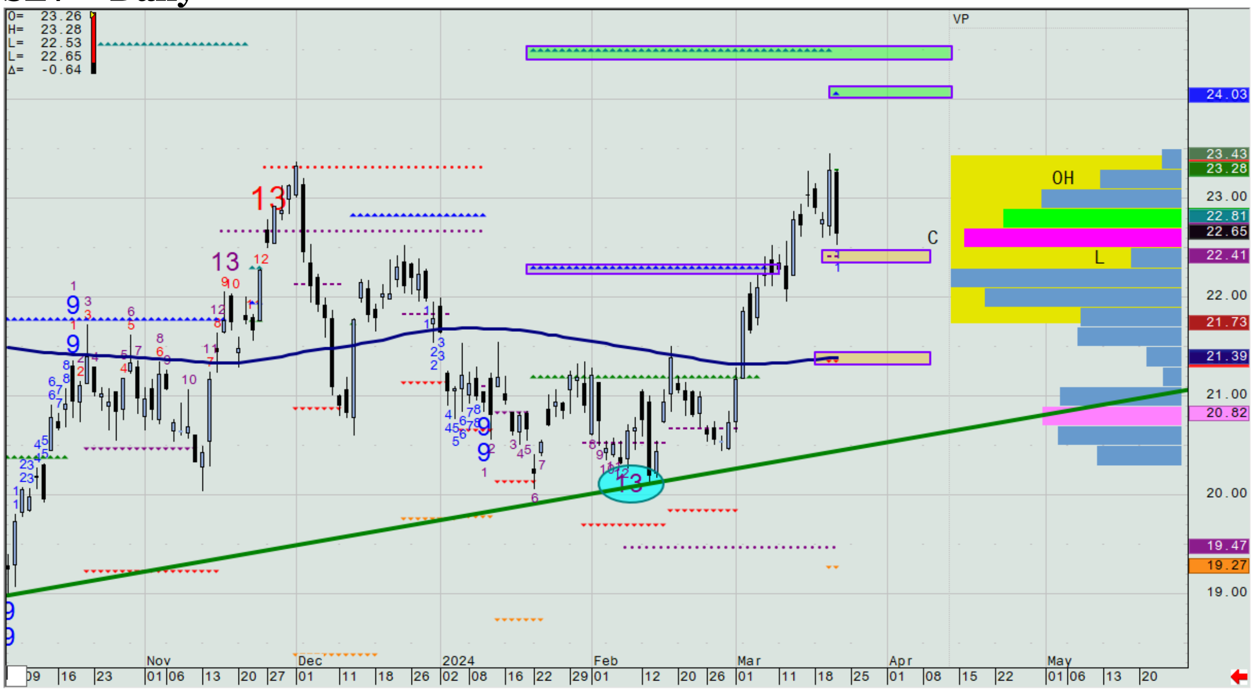
Last Friday we got long one unit at an avg. price of $32.18. Our trading target is a test of $33.82, risking a close under $31.70.

EWZ – Daily



Long SLV
We are long a 50% position from $21.50 from two weeks ago.   We'll play for the two green highlighted Propulsion Exhaustion targets; take half off right near each. I've already raised the sell-stop to breakeven and do not look to add the other half.

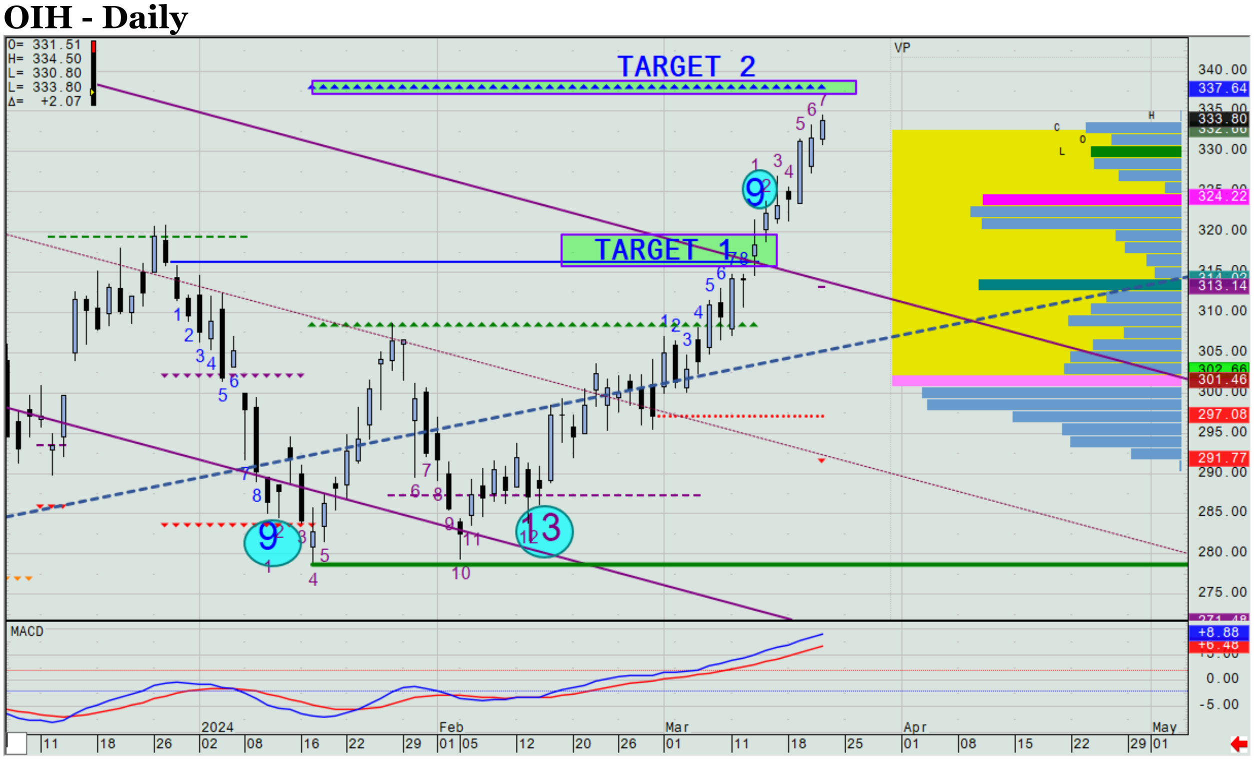
SLV – Daily



S.SLV - iShares Silver Trust, Daily | Thu Mar 21 2024 16:31:55, CQG 24.12.8025 Alpha

Long OIH
Five weeks ago, we got filled on ~2/3 of our total buy idea at an avg. price of $296.59. We exited half of our position between $316 and $319, and the other half at $337/$338. Again, we'll raise our sell-stop up to consecutive closes beneath $321.41.

OIH - Daily

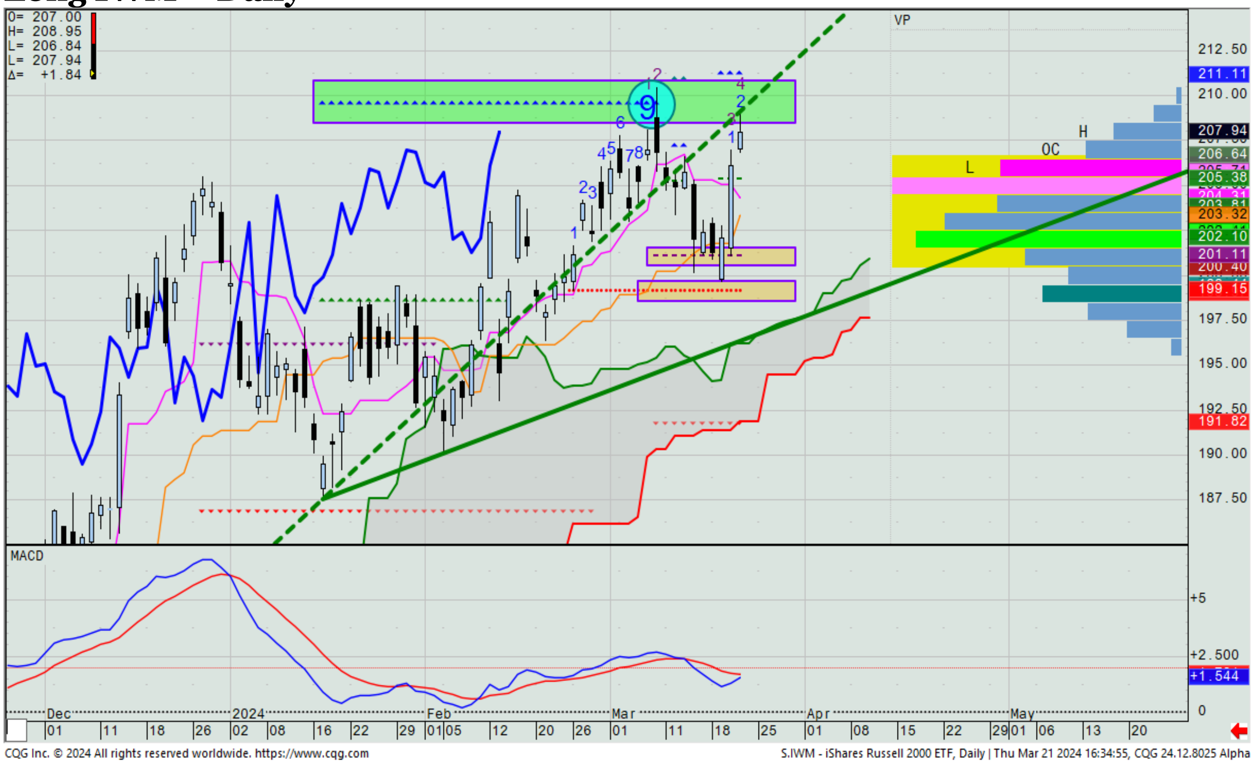


S.OIH - VanEck Vectors Oil Service ETF, Daily | Thu Mar 21 2024 16:33:33, CQG 24.12.8025 Alpha

Long IWM

In February, I suggested getting long one unit (our avg. entry price was $198.00). We sold half at an avg. price of $208.10; our other target is near $231. Again, raise your sell-stop – this time to a close beneath $200.90, or breakeven on an intraday basis.

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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