Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

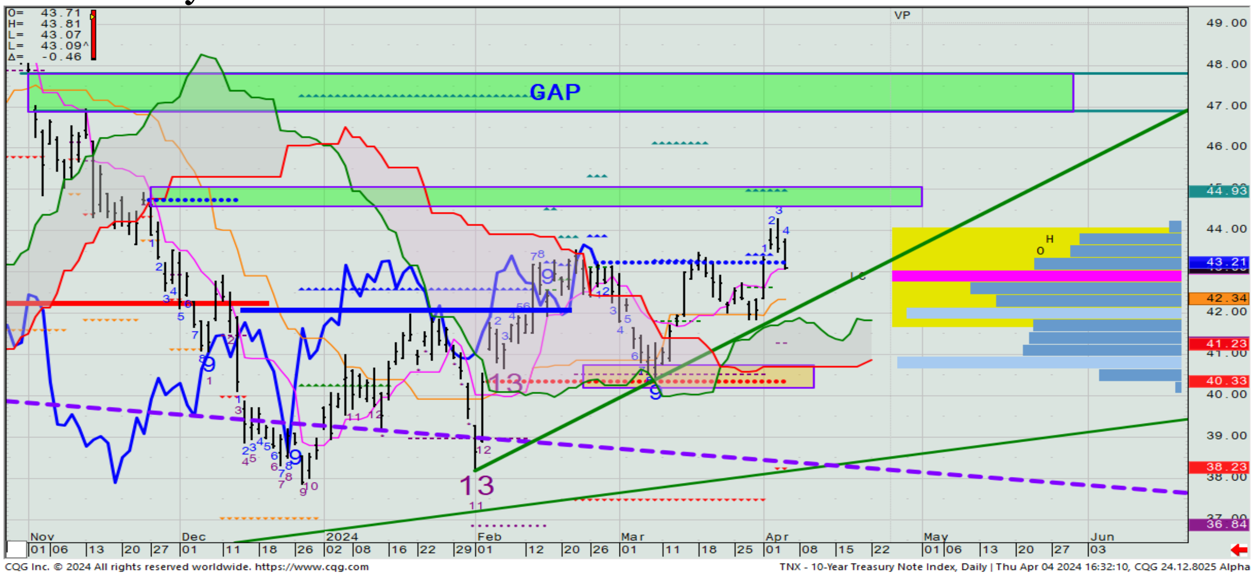
The new quarter's first week started with a single scary day (Tuesday), but as has what has been a regular event since last October's low, these large negative days tend to be a one- to maybe two-day event. And then the buying comes storming back in, which it did again this week until yesterday afternoon when unexpected new headlines (related to US/Israel and a whole bunch of Fed governors speaking (i.e. 7 of them), indicating that the Fed may not lower rates at all this year) turned what was a solid gain into an ugly loss. All major US stock indexes closed down over 1%, with the SPX off 1.23% and the NDX off 1.55%.

Here's what I'm seeing in the macro environment:

US RATES

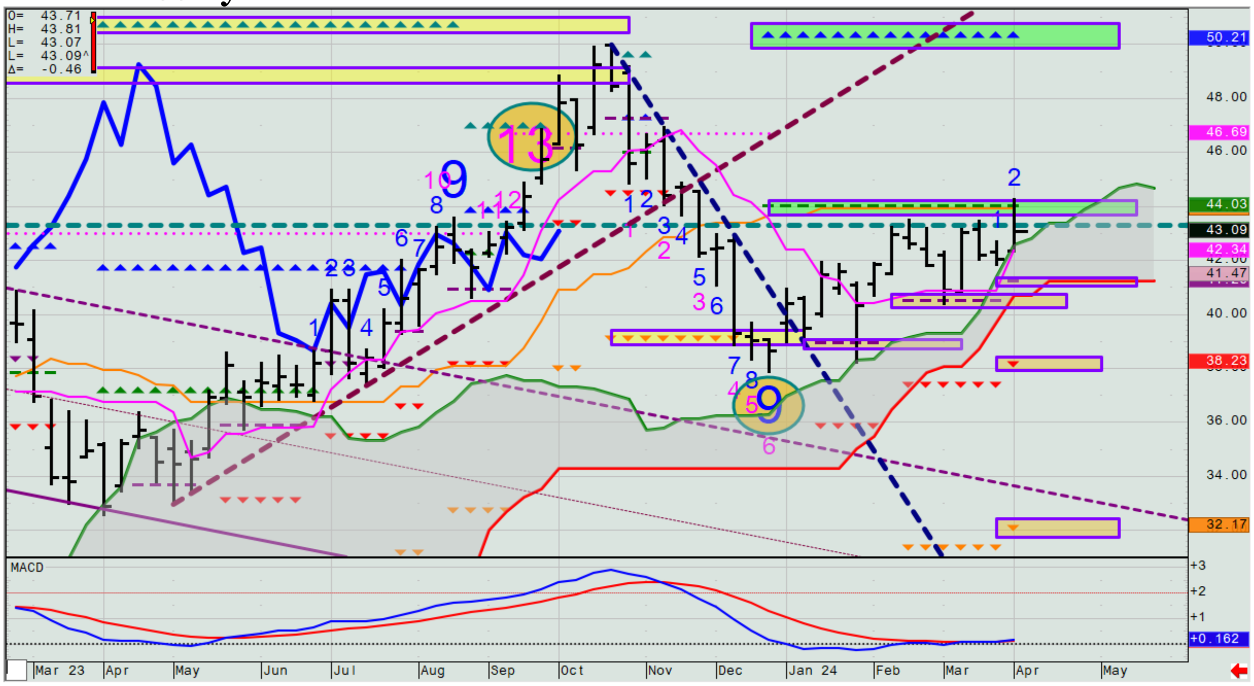
With our seeing new 2024 UST 10-yr. highs this week, odds get upped that it leads to a test of 4.47%, and possibly even to the unfilled gap at 4.69% to 4.78%. Underneath, tactical support still shows up in the just north of 4%. However, how they go out today does mean something to me, because not closing above what had been 3x stopping at 4.35% -- and then getting above there earlier this week – means that some bond longs were stopped out – but that a whole new slew of sellers *haven't* entered. And in general, I'd lower the odds of an upside yield surge coming if the TNX closes beneath 4.20%. (Certainly, yesterday's close at 4.30% saw flight-to-safety bond bidding from the afternoon headlines.)

TNX – Daily



The weekly chart still presents as a possible Wave B high, with a larger correction ultimately heading beneath the Wave A low of 3.78%. At the same time, the two times this year that the TNX sold off to a weekly chart's bearish Prop. Momentum levels – both times proved to be the low. That's usually occurs in a solid bullish run.

TNX – Weekly

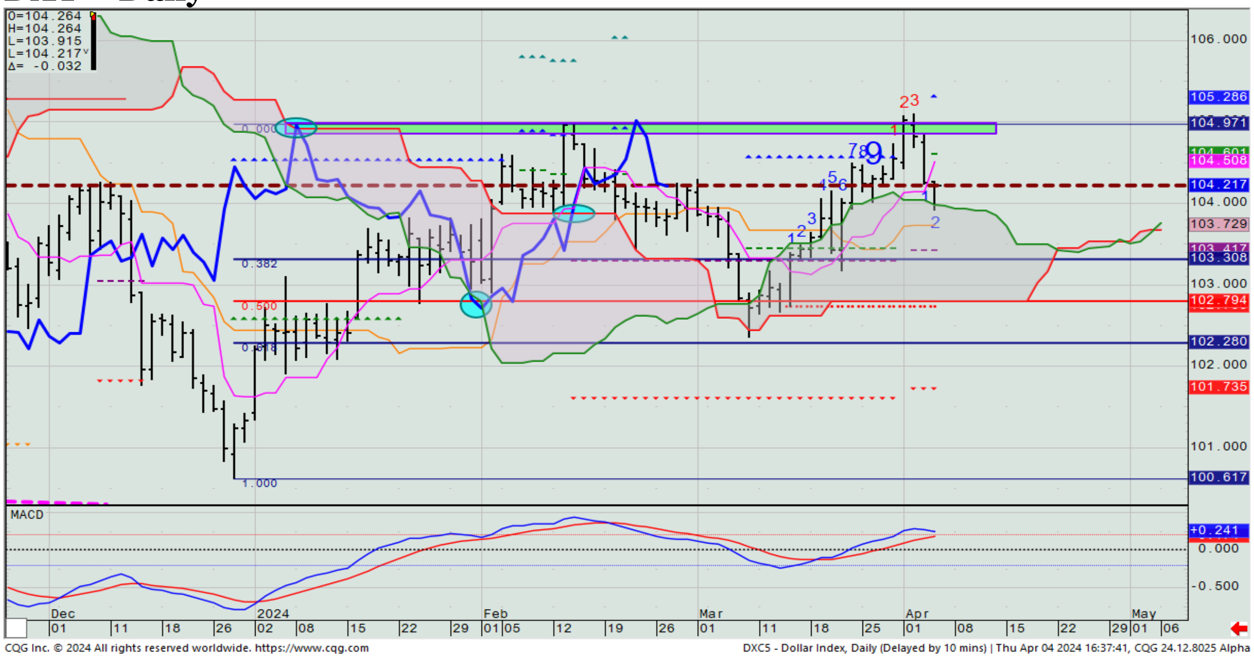


CQG Inc. © 2024 All rights reserved worldwide. https://www.cqg.com   TNX - 10-Year Treasury Note Index, Weekly | Thu Apr 04 2024 16:35:56, CQG 24.12.8025 Alpha

Investment grade corporate credit spreads, my preferred credit spread index, made a new cycle low two weeks ago at 91 bps. – just 5 bps. above the all-time low of 0.86%. The most up-to-date figure is at 92 bps., and the door remains 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.

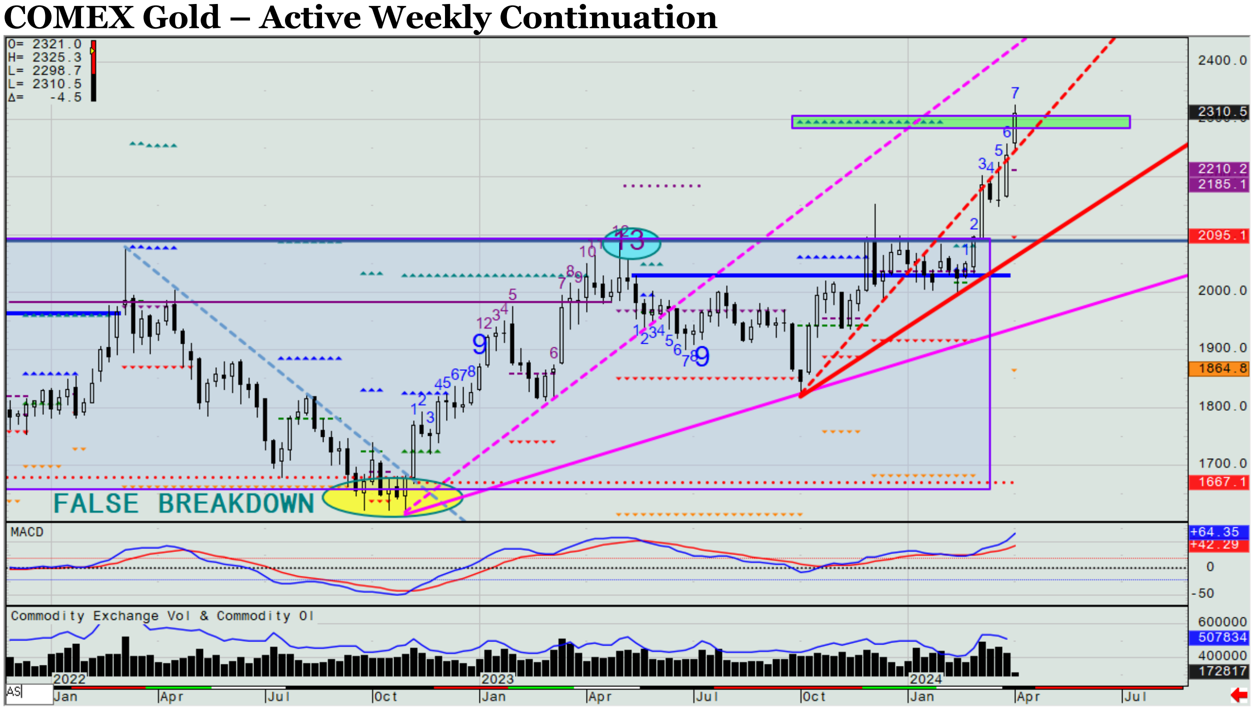
THE DOLLAR: The US Dollar Index (DXY) got a daily cloud model upside breakout above 103.87 and extended to test the mid-Feb high. It's since seen a 3-day sell-off to fall to its cloud top at yesterday's low, but then afternoon headlines sent buyers right back into the safety of the greenback. In one view, this is just pure range trading; in another, one would look to buy this decline. I am not playing this directly right now, as I'm still in the camp that the dollar and rates will generally move in the same direction – and both are unclear – so I'm on the sideline.

DXY – Daily



COMMODITIES: Gold's confirmed breakout this week reached its near-term upside target at $2291, and a bigger measured move to somewhere north of $2400. The newest weekly bearish Propulsion Momentum level moved up to $2209. Stay above there and the bull case persists.

COMEX Gold – Active Weekly Continuation

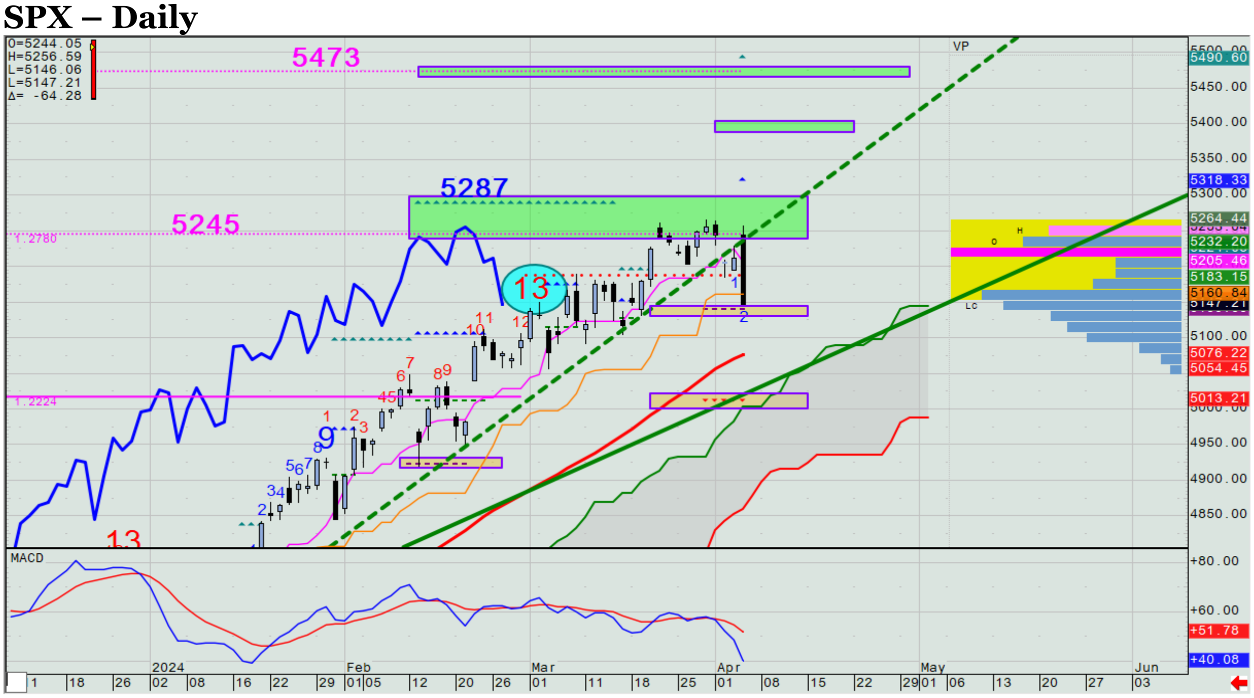


WTI Crude has a nice rounded bottom in place since late '23, and is setting up for a potentially bigger bullish cup and handle pattern if it can break above the labeled Target Zone in neon green (and then stay above it). The upside momentum continues on the weekly chart. (And yesterday's news, as well as a possible Iran retaliation against Israeli targets and/or the West, keeps this bid for.)

WTI Crude Oil – Active Weekly Continuation

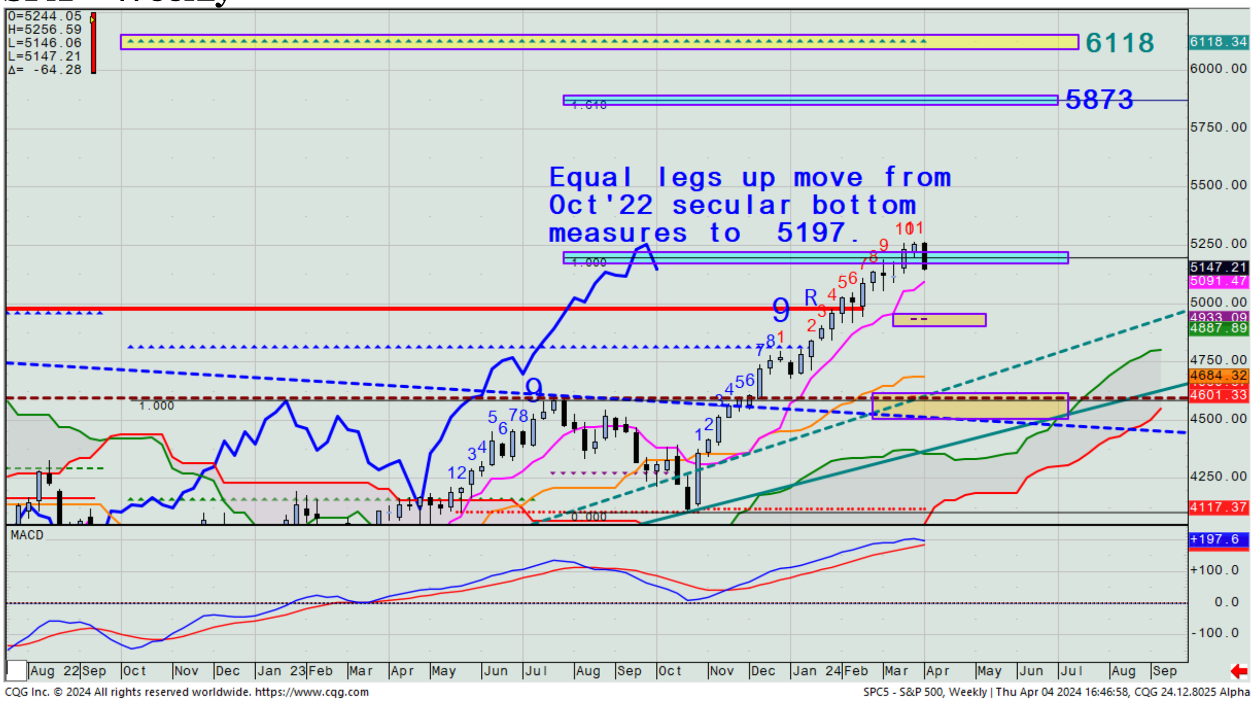
EQUITY INDEXES: The SPX's rally yesterday again failed at the 5th DeMark Trend Factor up from the October low (5245). The whole afternoon decline changed this picture quickly with price selling down to within 7 pts. of the bearish Prop. Momentum level at 5139. If anything, else goes wrong from geo-politics, this likely sells down to the associated Propulsion Exhaustion target at 5013.

SPX – Daily



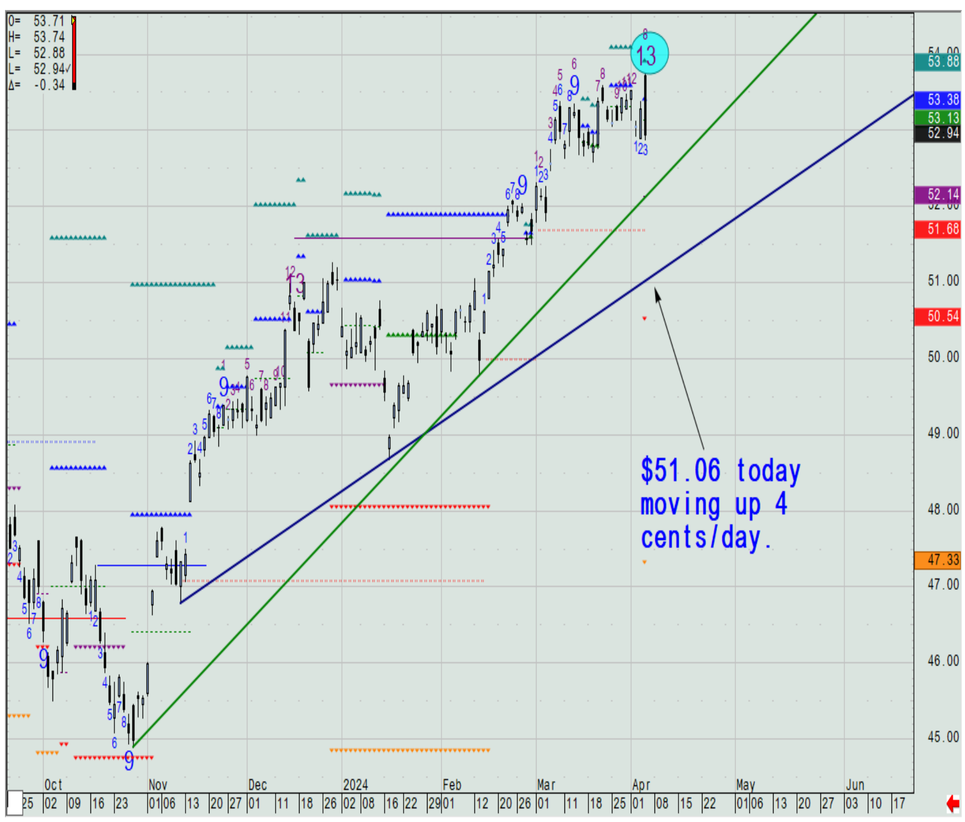
The bigger picture remains positive, with the weekly bearish Propulsion Momentum level inching up a tad to 4933. Absent a break of that number on a Friday close, the overall bull scenario remains with other upside targets highlighted in blue or yellow rectangles.

SPX – Weekly



[New ETF Trade Idea]

The market may very well be in flux; yesterday's decline took out the prior 11 days' closes in a single session. As such, I don't want to do anything right here, but I'll take chances that if we see a further decline, we may very well be able to find a place to do some buying. As such, we'll look to get long the **ACWI All-World Index (sans the US); ticker ACWX**. The dark blue uptrend line from last fall is what we'll be looking to lean on, and we'll get long one unit if we decline to near it over the next week. Today, the line's value is at $51.06, and that moves up 4 cents per day.



Other Open Recommendations and Positions

Long XLV vs. Short XLK

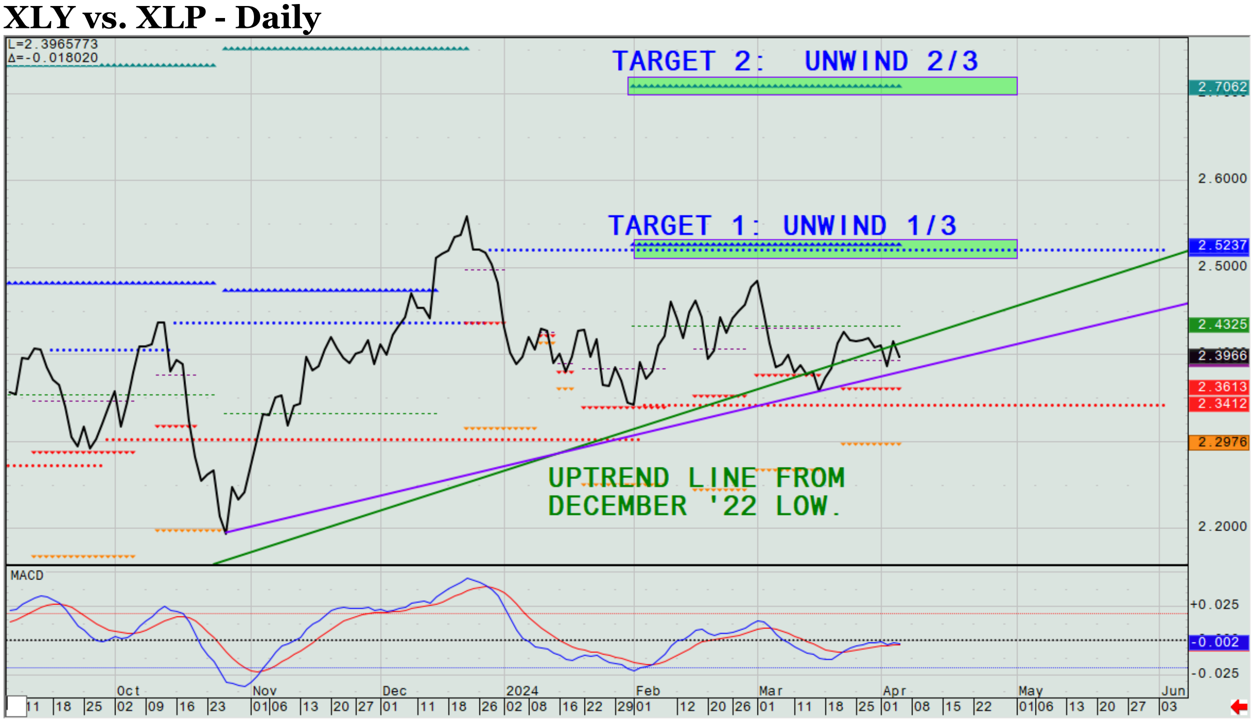
We got into this last Friday at an avg. price of 0.7104. The really bad HMO-related news out early this week reduced the chance of this trade working. Our sell-stop was a Friday close under 0.6965, which it's right near now. Be prepared to exit today.

Long XLV vs. Short XLK – Daily

Long XLY vs. Short XLP

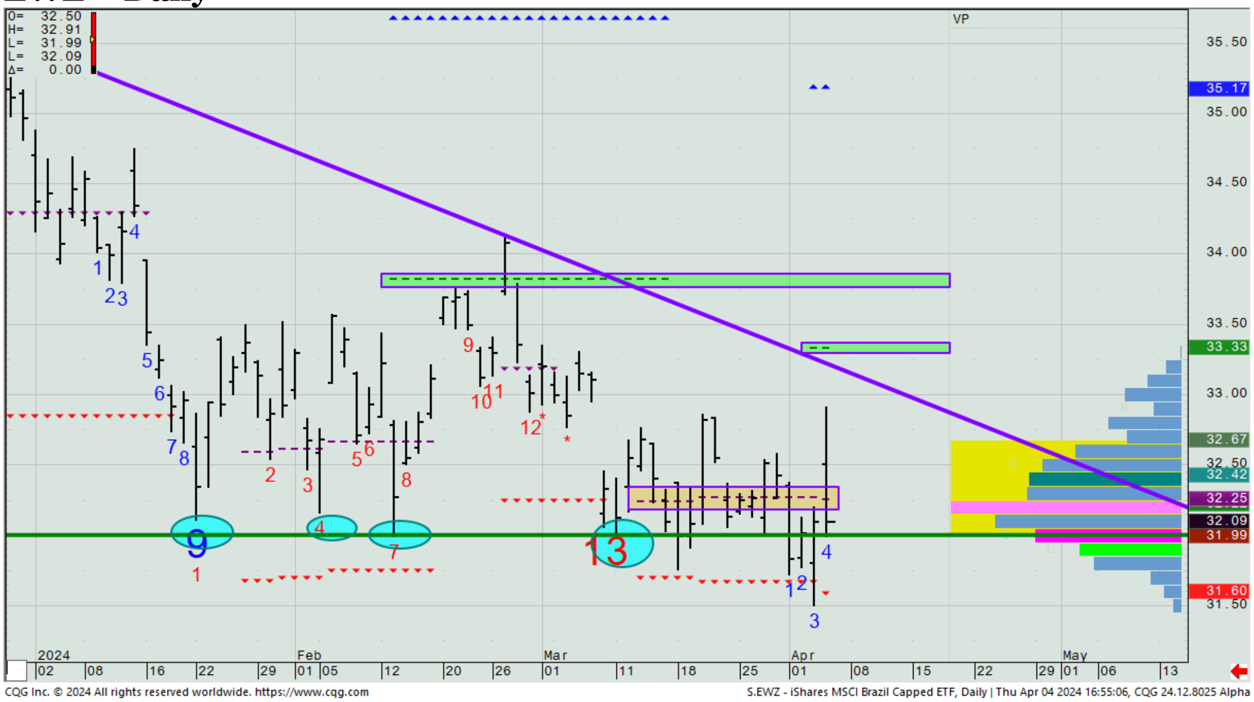
Two weeks ago, we got long at an avg. price of 2.408. The two upside targets are labeled on the chart with ratio price levels on right scale. Our sell-stop is to exit on consecutive daily closes beneath 2.393. If today is another day like yesterday that sees a decent market decline, then I'd just exit this trade on today's close.

XLY vs. XLP - Daily



Long EWZ
Three weeks ago, we got long one unit at an avg. price of $32.18. Our trading target will be changed to take 25% profits each at near $33.33 and $33.82, and the remaining 50% TBD. Our sell stop remains as a close under $31.70.

EWZ – Daily

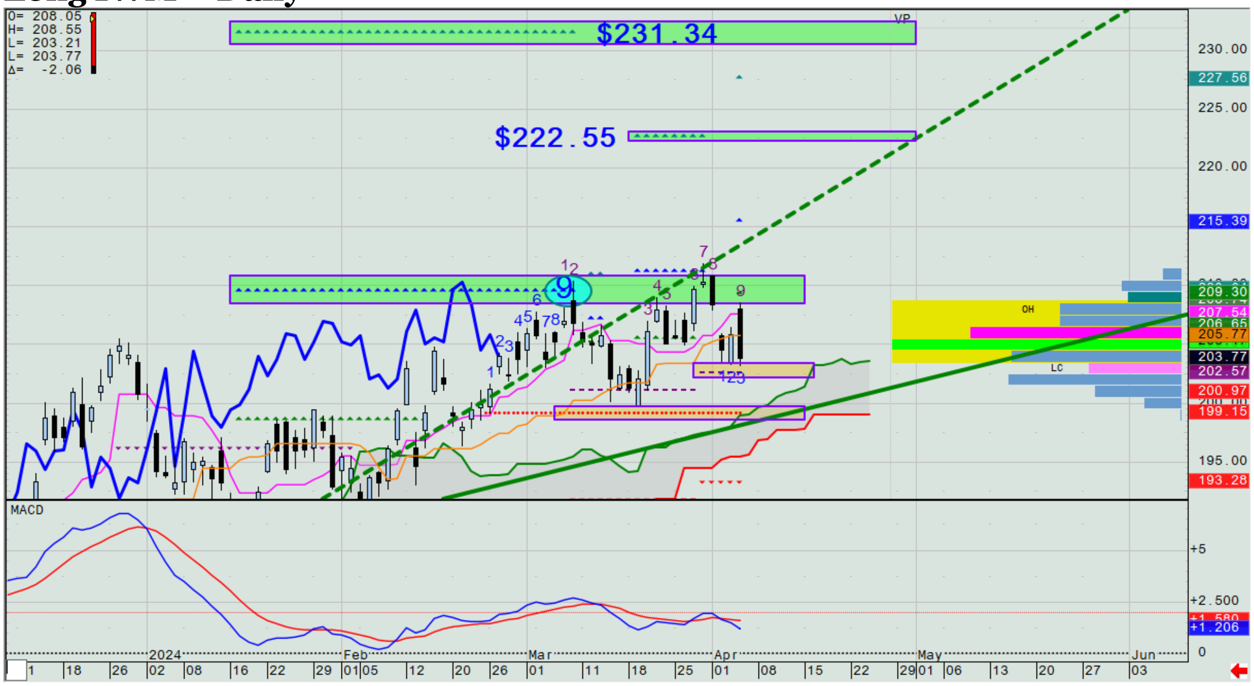


Long SLV
We are long a 50% position from $21.50 from four weeks ago, and we added another 50% on Monday this week at an avg. price of $22.92 (giving us an avg. one unit long position at $22.21. We were playing for the three green highlighted Propulsion targets; taking 25% off at the lowest and highest ones, and half off near $24.47. We've now gotten the first two targets, so we've sold 75%. Raise your sell-stop on the last 25% to a close beneath $23.24.

SLV – Daily

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. Other upside targets to remove 25% upon reaching each; one near $222/$223 and one near $231/$232. Keep the sell-stop as consecutive daily closes beneath $205.71. (Yesterday was the first of those two, so today could easily be the second one. Barring a gap down beneath our entry price, do stop yourself out at no worse than where you got in (i.e. $198.00). And if it does gap beneath entry price on today's open, do your best to minimize downside risk.

Long IWM – Daily



CQG Inc. © 2024 All rights reserved worldwide. https://www.cqg.com S.IWM - iShares Russell 2000 ETF, Daily | Thu Apr 04 2024 17:15:44, CQG 24.12.8025 Alpha

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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 <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.

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