Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com

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TACTICAL TRADER REPORT

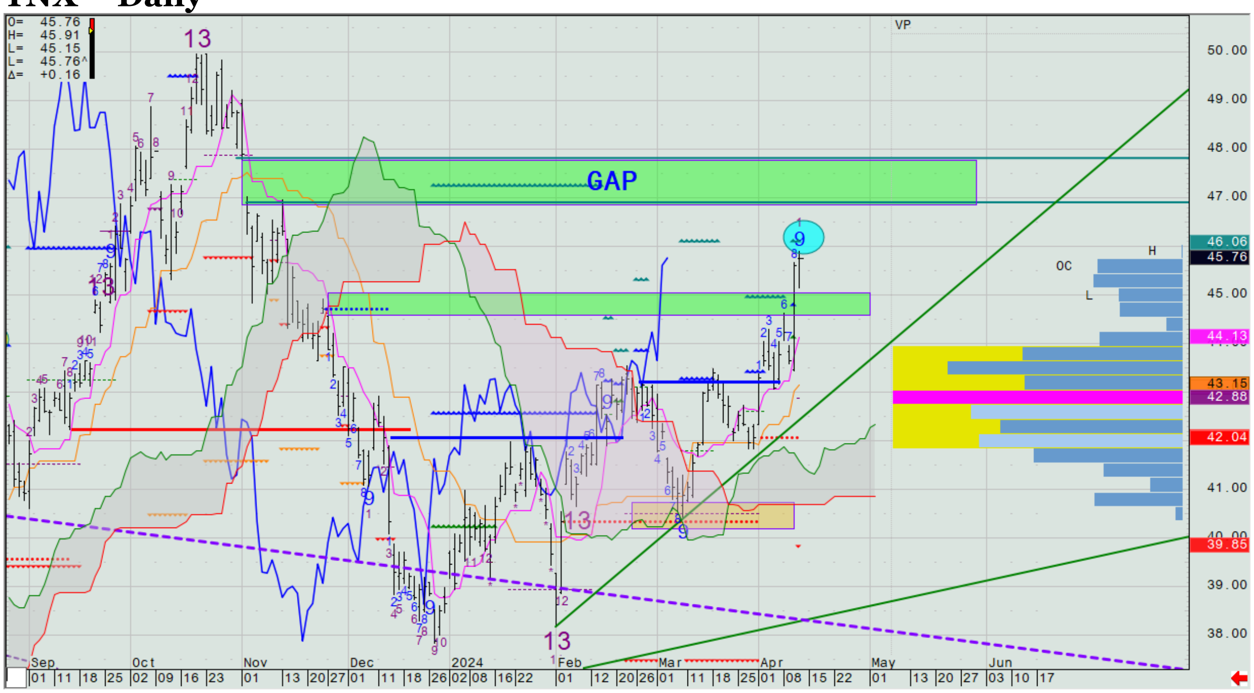
The Macro Picture

A few more scary down days since last week have been seen, fueled by higher rates, and then, really higher rates! The UST 10-yr. yield is up 27 bps. since I wrote last week's report. That's a game-changing move, as rates have broken above key resistance, and that should have some material effect on stocks going forward. I think the best way to pull the bigger picture together is to look at each of the key components we look at each week in the other major asset classes, and then come to a conclusion, so let's begin:

US RATES

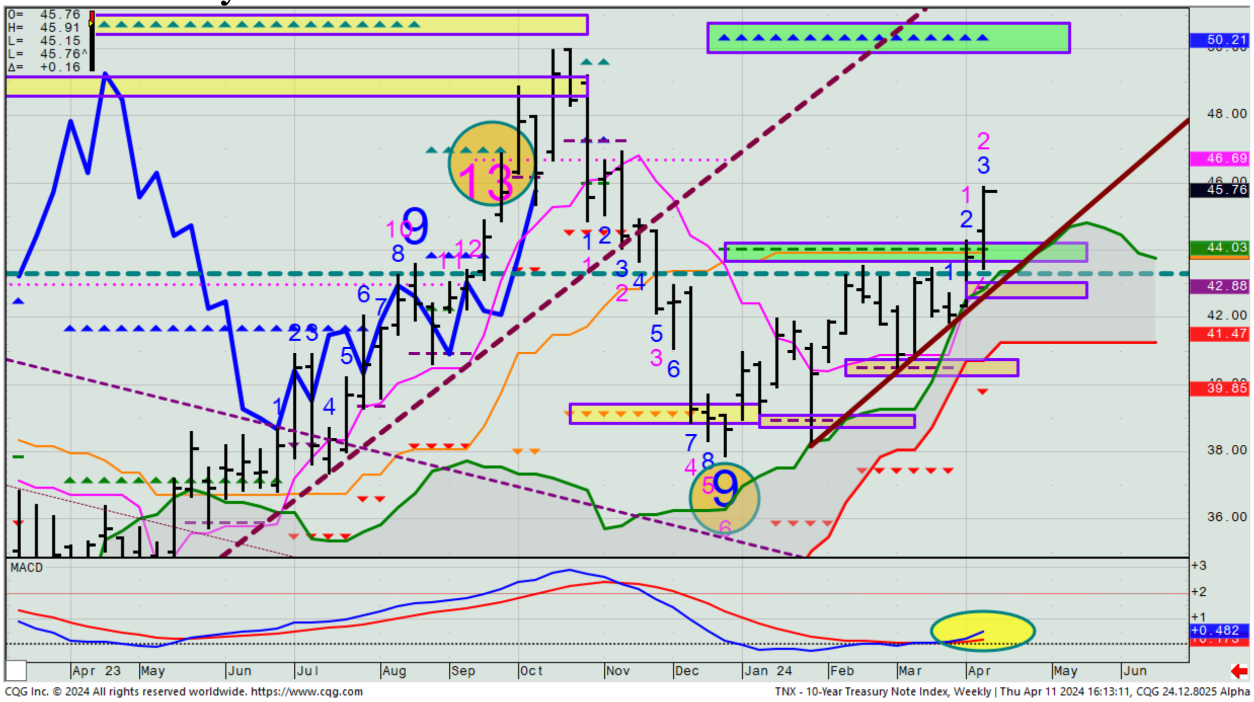
Last week I said that, "Odds get upped that it (i.e.; the breakout above 4.35%) leads to a test of 4.47%, and possibly even to the unfilled gap at 4.69% to 4.78%. Well, the first was already achieved after Wednesday's hot CPI number. Yesterday, the TNX marked a daily Setup +9. That suggests to me a likely near-term pause in the rate rally. However, the highlighted GAP area in the 4.7%s zone is still a very likely upside target to test.

TNX – Daily



The weekly chart shows two times this year that the TNX sold off to a weekly chart's bearish Prop. Momentum levels – and both times proved to be the low of the move. That's usually occurs in a solid bullish run like we're still seeing. The newest one of those signal levels is now at 4.288%. So long as yields stays above there, this remains a bullish chart and targets a move to near 5.02% -- right by the highs made in Q4 '23.

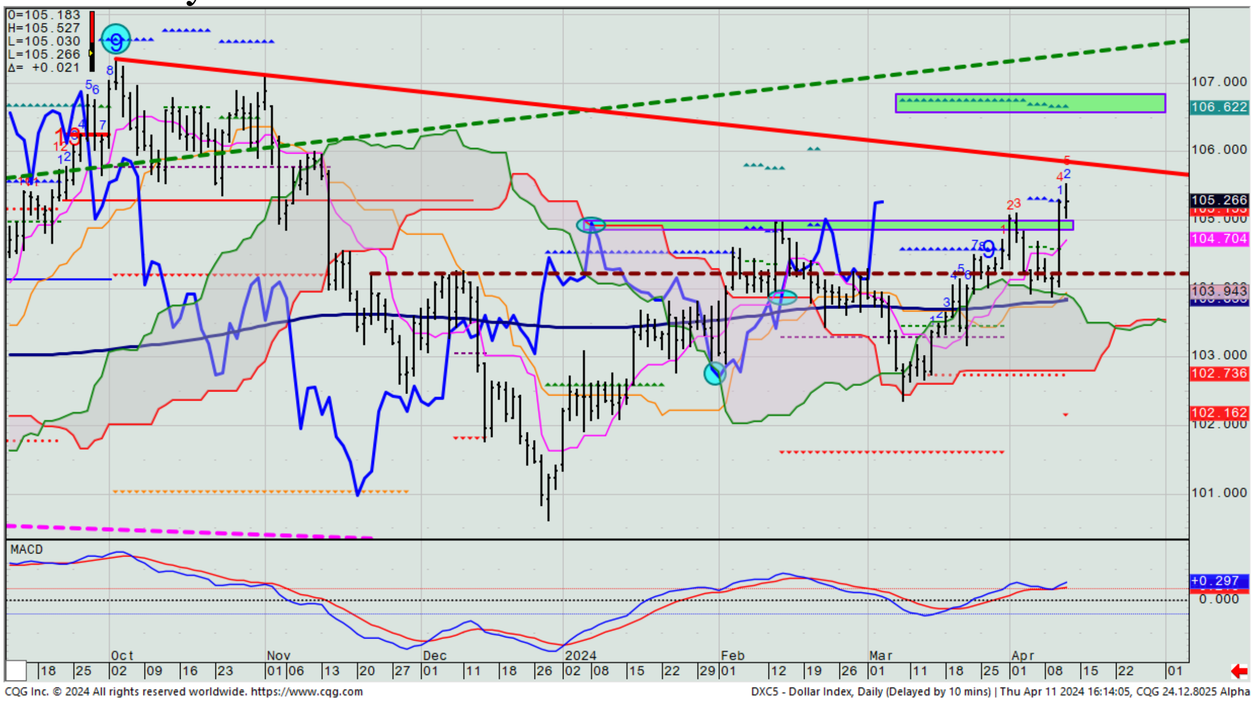
TNX – Weekly



Investment grade corporate credit spreads, my preferred credit spread index, made a new cycle low on Wednesday down to 89 bps. – just 3 bps. above the all-time low of 0.86%. (Remember, there's a one-day lag so we need today if they got a bump up yesterday), and the door remains open for the larger head-and-shoulders top to play out for a measured move to something near 0.70%. Credit spreads continue to show no stress in the system, and that continues to be a positive backdrop for stocks. I am, however, definitely wondering if this will continue, because the sharp upmove in rates may very well cause stress in the banking system that has yet to appear. It doesn't mean I am fading this downmove, but I will be watching how this spread moves the next few days to see if any bounce occurs – and more importantly – continues to bounce.

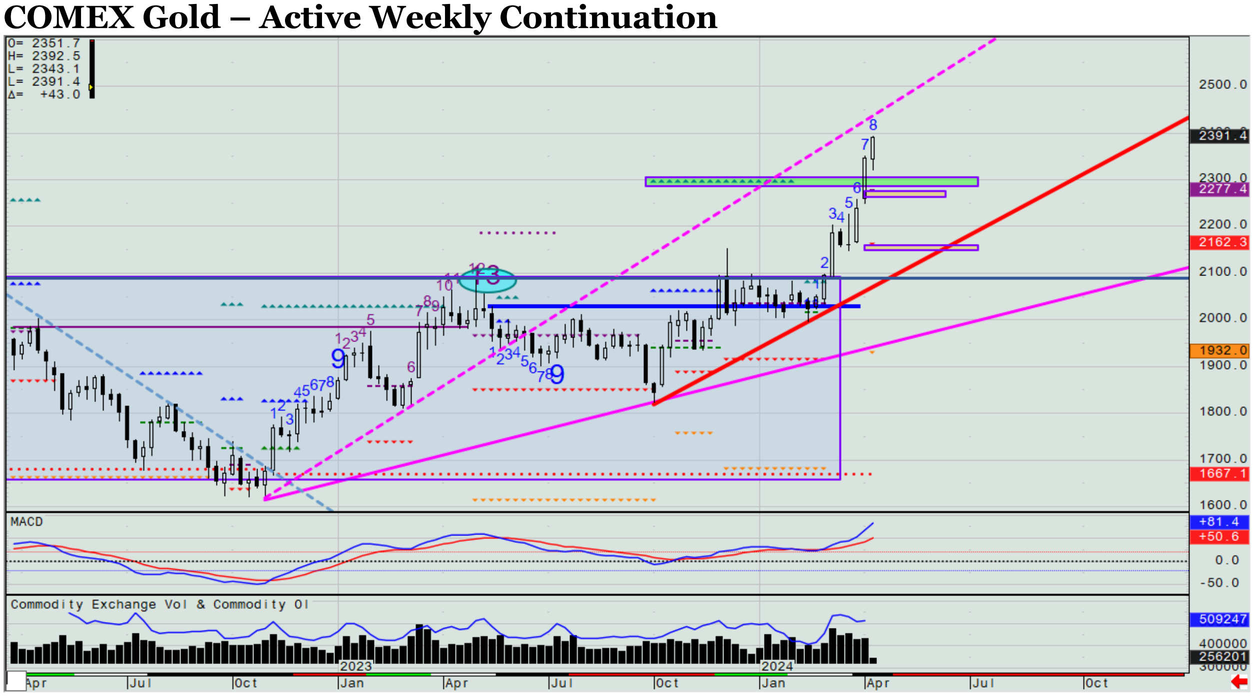
THE DOLLAR: The US Dollar Index's (DXY) cloud model upside breakout above 103.87 a couple of weeks ago ended up being a good precursor signal that rates weren't likely heading lower. The upmove now measures to extend to the 106.50+ area. Good support should now be found near 104. The weekly chart shows some important targets in the 107 to 107.75 area.

DXY – Daily



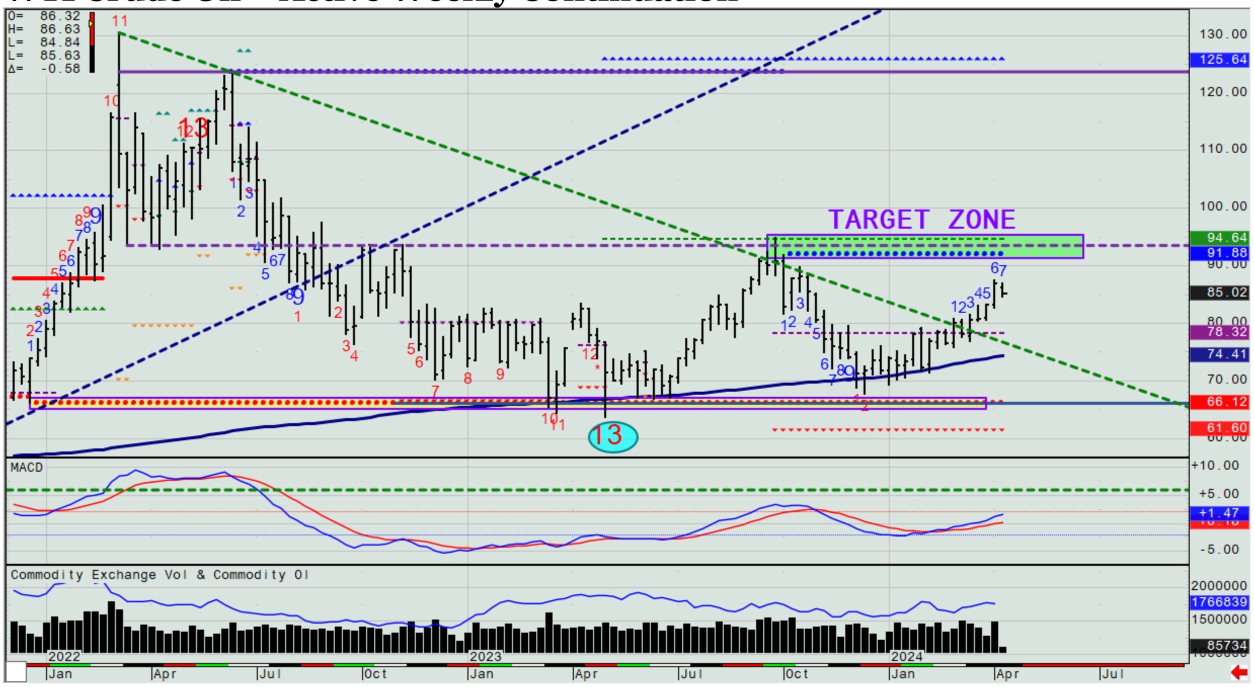
COMMODITIES: Gold's rally has continued – even with the dollar surge – and is quickly approaching a rough-measured move to somewhere north of $2400. The newest weekly bearish Propulsion Momentum level has again moved up, now to $2269. With the weekly Setup +9 count likely appearing next week, we're likely closer to some type of pause coming in the next few weeks.

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.

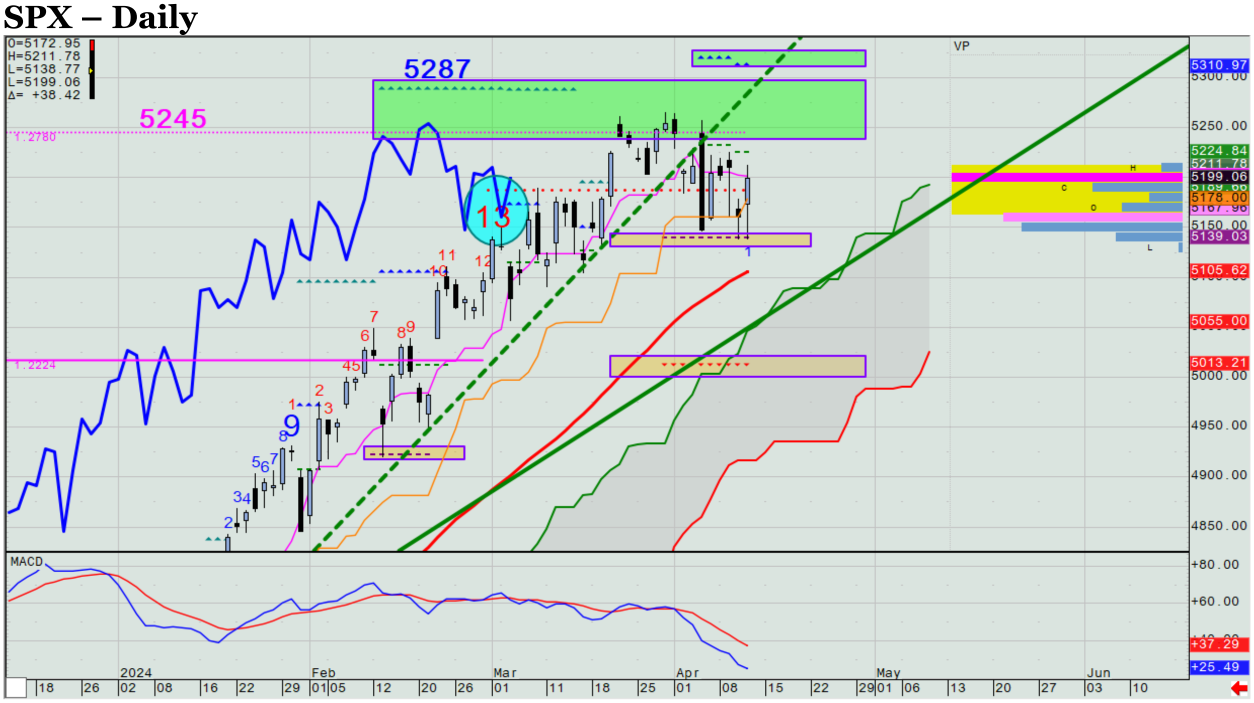
WTI Crude Oil – Active Weekly Continuation



CLA - Crude Light - Combined, Active Weekly Continuation (Delayed by 10 mins) | Thu Apr 11 2024 16:15:31, CQG 24.12.8025 Alpha

EQUITY INDEXES: The SPX's rally has continued to fail against the 5th DeMark Trend Factor up from the October low (5245) up to 5287. But the good news for bulls is that Wednesday's decline again held support at the daily bearish Propulsion Momentum level (5139), just as it had held against a prior similar model level on the February low. That's a good sign, and what you like to see in bull markets (i.e., failure to get sell signals).

SPX – Daily

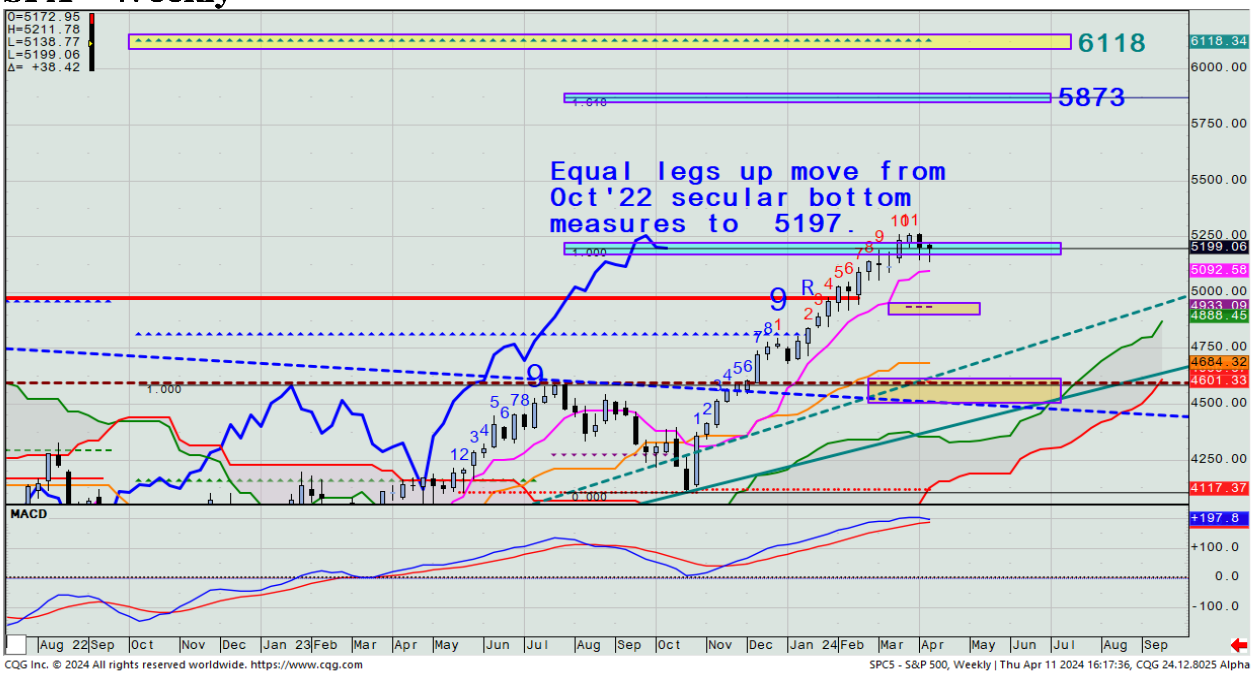


SPC5 - S&P 500, Daily | Thu Apr 11 2024 16:16:51, CQG 24.12.8025 Alpha

In conclusion, even with higher rates, the overall technical picture remains positive. However, the significantly higher rates that we now see will take its toll on earnings over the next few quarters – especially in smaller cap names. It doesn't mean the market takes a dive, but I do think the market will no longer progress higher with any of the same time momentum it has since the October low.

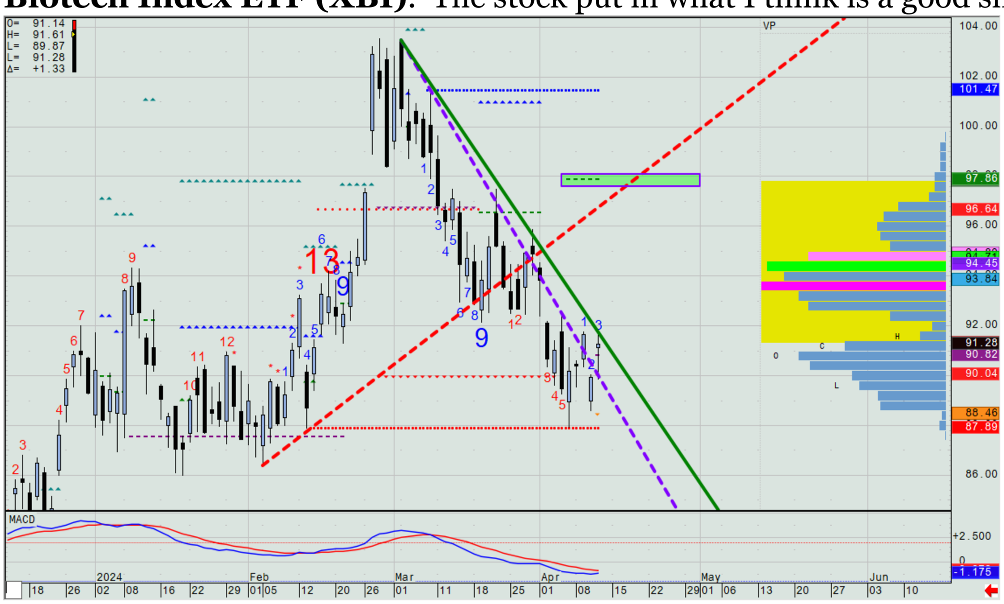
For the SPX, the weekly bearish Propulsion Momentum level remains at 4933. Absent a break of that number on a Friday close, the overall bull scenario remains, with other upside targets highlighted above current prices.

SPX – Weekly



[New ETF Trade Idea]

Here's an idea I just came across that presents ~ 2x potential reward relative to the risk we'll take, and could be getting a breakout higher any day now. Let's look at the **S&P Biotech Index ETF (XBI)**. The stock put in what I think is a good short-term bottom last Friday at its TDST line. A breakout above the green downtrend line could be the catalyst for a run up to the bullish Propulsion Momentum level highlighted in the bright green rectangle.



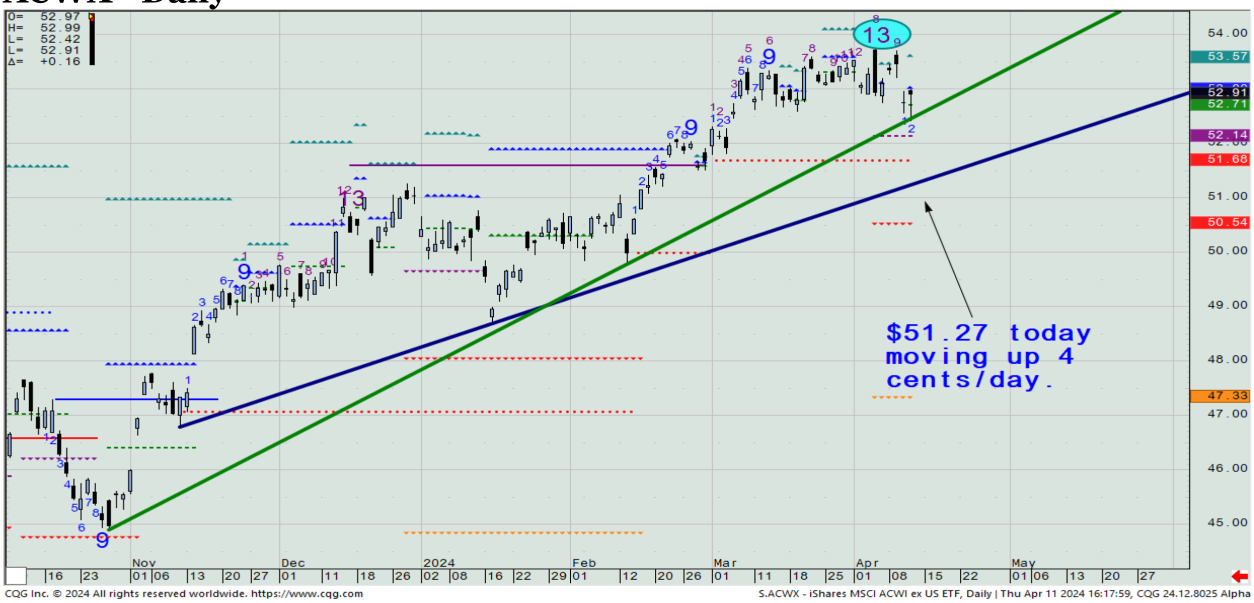
As such, let's look to get long one unit on any daily close above yesterday's high of $91.61. I'll target a move up to $97.70 to $97.90, and we'll sell-stop this out on a close beneath $87.93.

Other Open Recommendations and Positions

Long ACWX

Last week's idea was to buy a pullback to near the dark blue-colored uptrend line if the opportunity came. So far, it looks like it's the green-colored line that is acting as support. For now, we'll leave the recommendation as is.

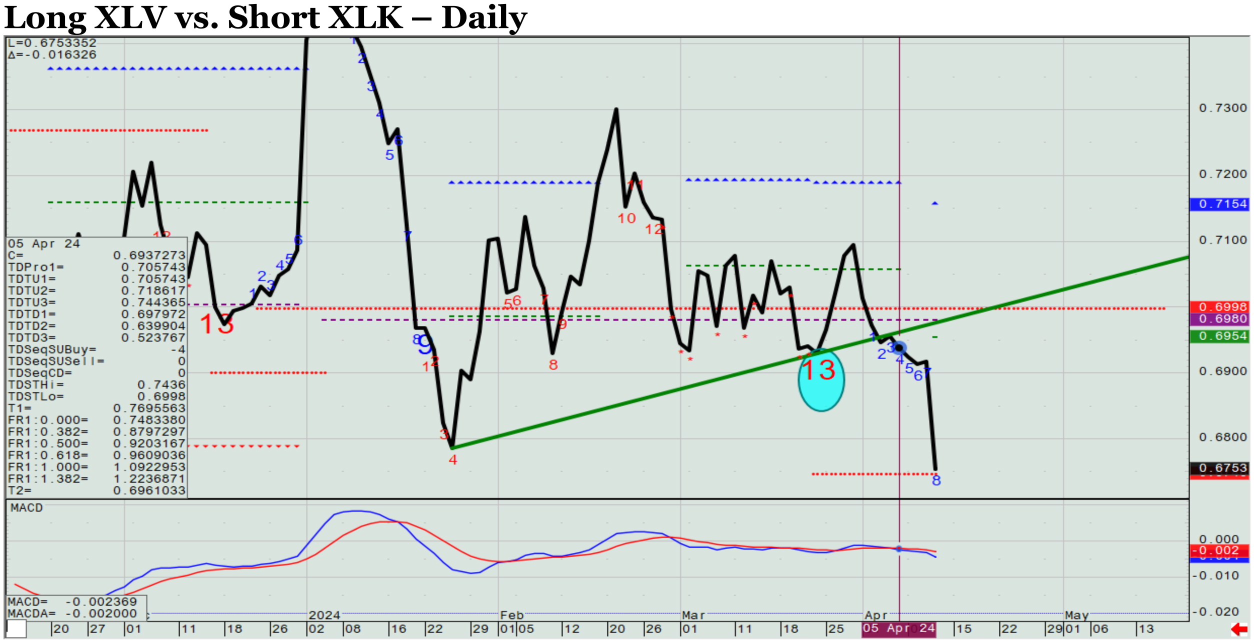
ACWX - Daily



Long XLV vs. Short XLK

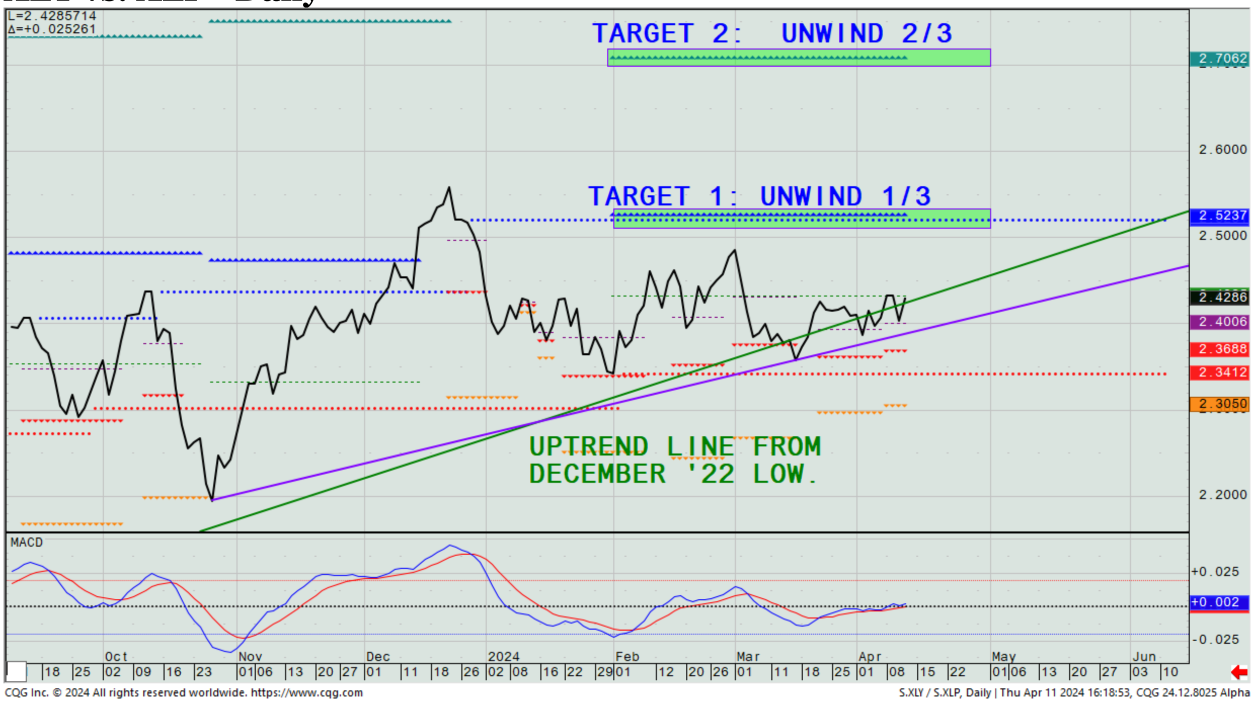
We got into this last Friday at an avg. price of 0.7104. The really bad HMO-related news out early this week reduced the chance of this trade working. Our sell-stop was a Friday close under 0.6965, which we saw last Friday with a close of 0.6937. We exited then (thankfully), and lost 2.35%.

Long XLV vs. Short XLK – Daily



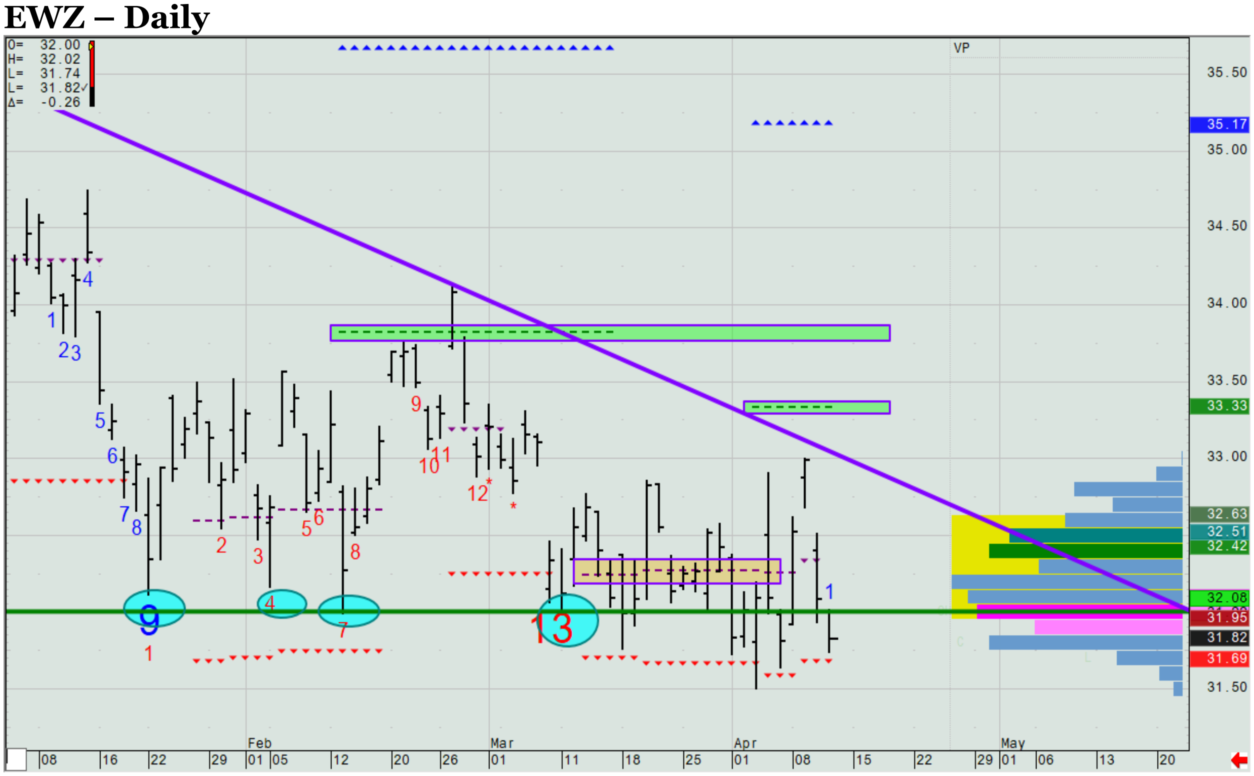
Long XLY vs. Short XLP
Three weeks ago, we got long at an avg. price of 2.408. The two upside targets are labeled on the chart with ratio price levels on right scale. Our sell-stop is to exit on consecutive daily closes beneath 2.393.

XLY vs. XLP - Daily



Long EWZ
Four 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



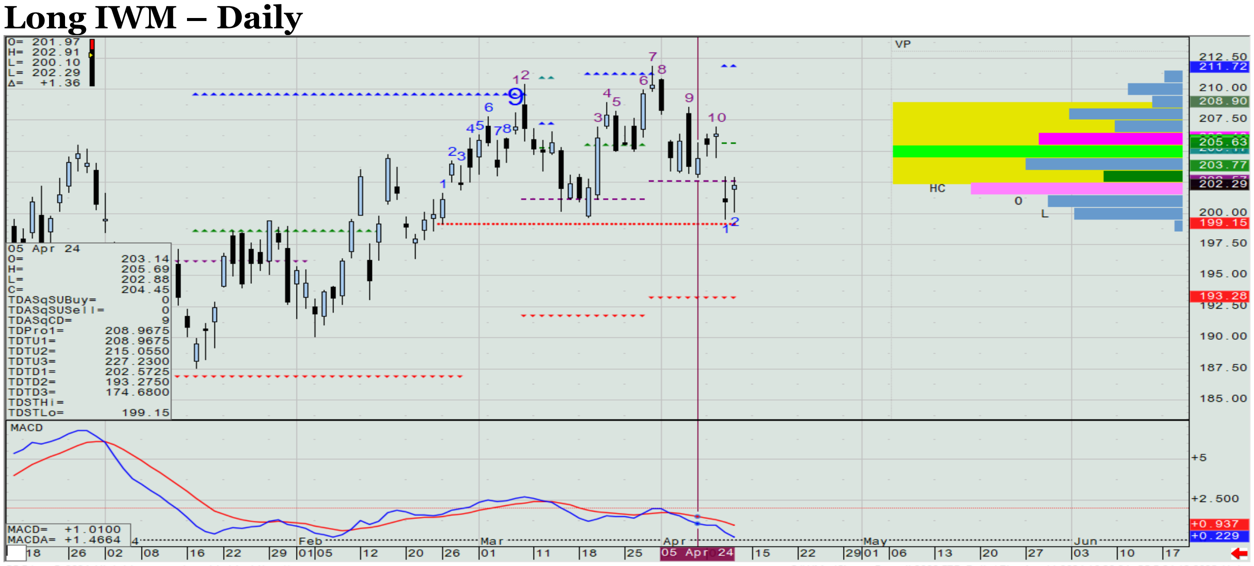
Long SLV
We are long a 50% position from $21.50 from five weeks ago, and we added another 50% on Monday last week at an avg. price of $22.92 (giving us an avg. one unit long position at $22.21). We were playing for the three green highlighted Propulsion targets; taking 25% off at the lowest and highest ones, and half off near $24.47. We have now seen all three targets met, and have exited the trade. Our average weighted exit was $24.655 and we made a total of 11.01%.

SLV – Daily

S.SLV - iShares Silver Trust, Daily | Thu Apr 11 2024 16:19:52, 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. Other upside targets to remove 25% upon reaching each; one near $222/$223 and one near $231/$232. Our sell-stop was consecutive daily closes beneath $205.71. We saw that occur on last Thursday's and Friday's closes. Thus, our average exit price was $206.275, and we made 4.18% on the trade.

Long IWM – Daily



S.IWM - iShares Russell 2000 ETF, Daily | Thu Apr 11 2024 16:20:24, 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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