Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

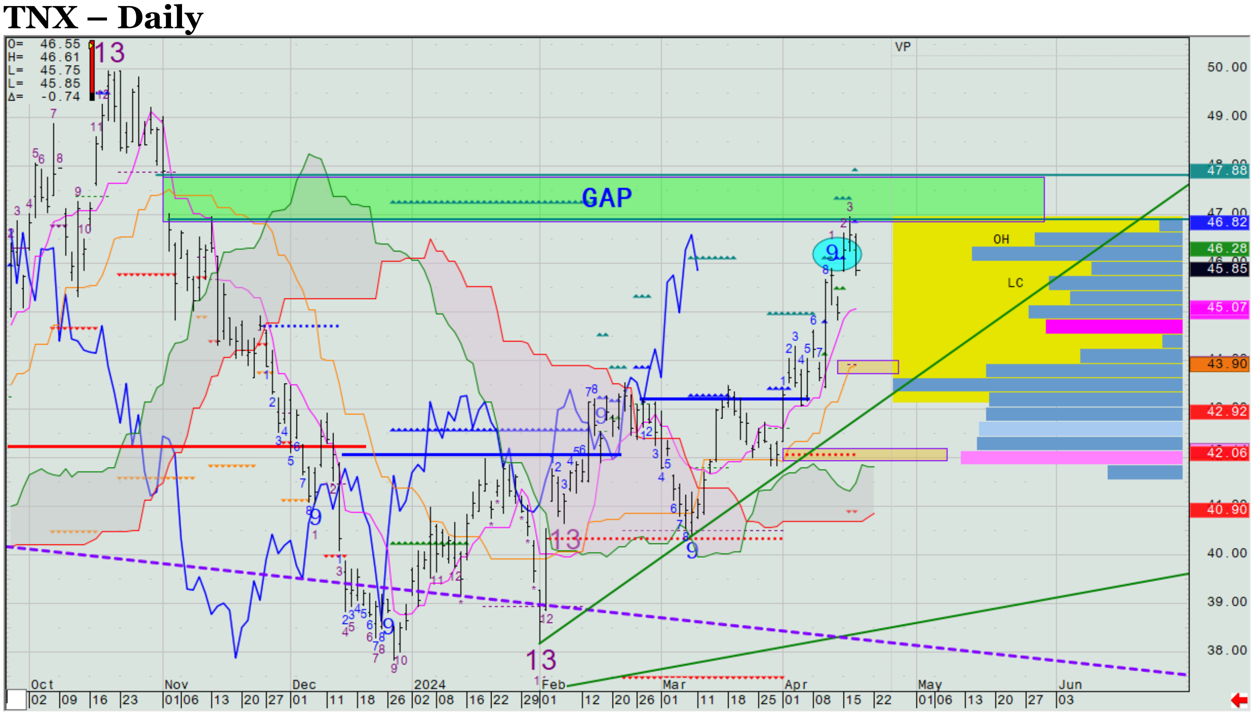
Investors have finally woken up to the toll that higher rates will take on corporate profits, as well as the fact that the fuel for the huge rally seen since last October was the belief that the Fed would cut rates multiple times this year. The reality that they were very wrong on that call is leading into some real profit-taking – and essentially stated so on Tuesday by Fed Chair Powell – was enough to continue keeping stocks under pressure and to the lowest levels seen since late-February.

Let's look around the horn at the other major asset classes before tackling the SPX:

US RATES

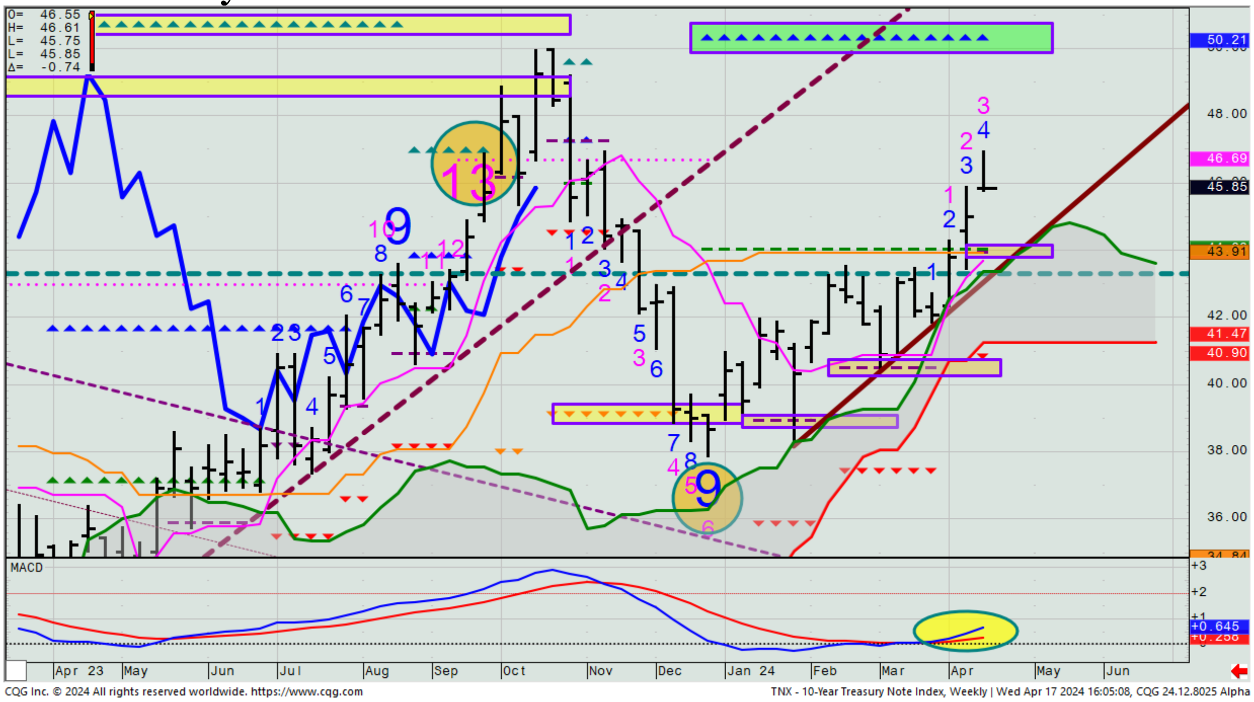
The call I made two weeks ago that, "Odds get upped that yields test 4.47%, and possibly even to the unfilled gap at 4.69% to 4.78%" has so far played out enough to see an intra-day high to the move up to 4.696% on Tuesday. Within that gap, at 4.722%, is the Propulsion Full Exhaustion upside target established back at the October low.

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 4.393%. 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

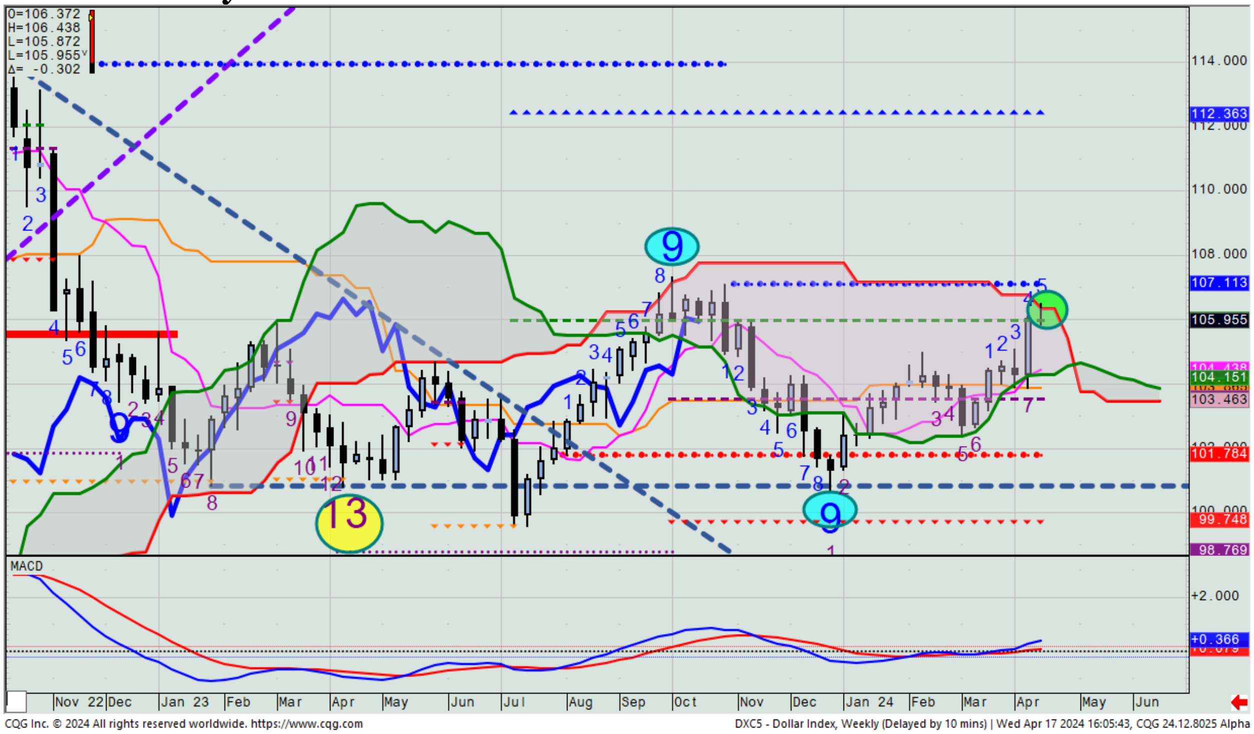


Investment grade corporate credit spreads, my preferred credit spread index, made a new cycle low a week ago at 89 bps. (just 3 bps. above the all-time low of 0.86%) but has rallied this week up to 95 bps. The larger head-and-shoulders top still has a measured move to something near 0.70%, but the upmove from testing near all-time lows is not to be dismissed. I can't make a case that the spreads are yet showing stress in the system, but without making new all-time lows, I'd not be aggressively yet looking for this to narrow.

THE DOLLAR: The US Dollar Index's (DXY) continued higher to reach the top of its weekly cloud (circled in bright green on the below chart). That high is also right in a resistance zone from the bullish Propulsion Momentum level (dashed green line) to the

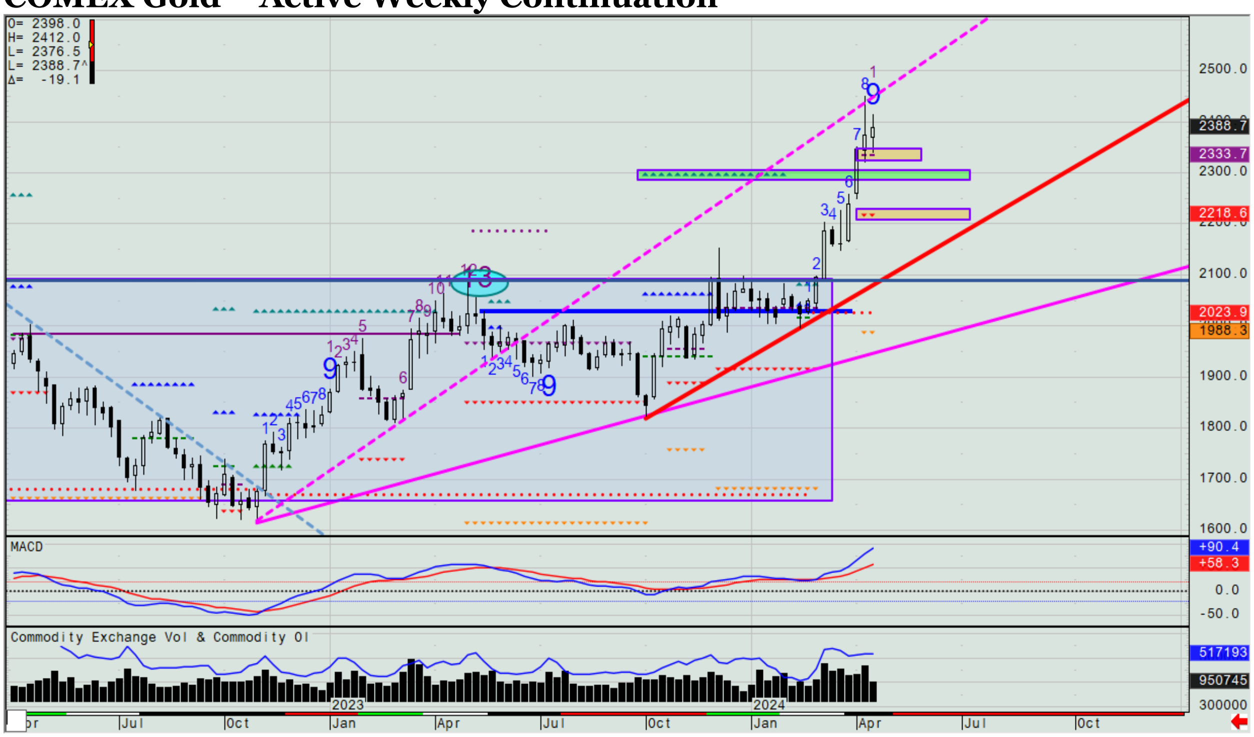
TDST resistance line (in blue). Thus, a likely pause in here. I continue to believe that the dollar will generally run in the same direction with the TNX.

DXY – Weekly



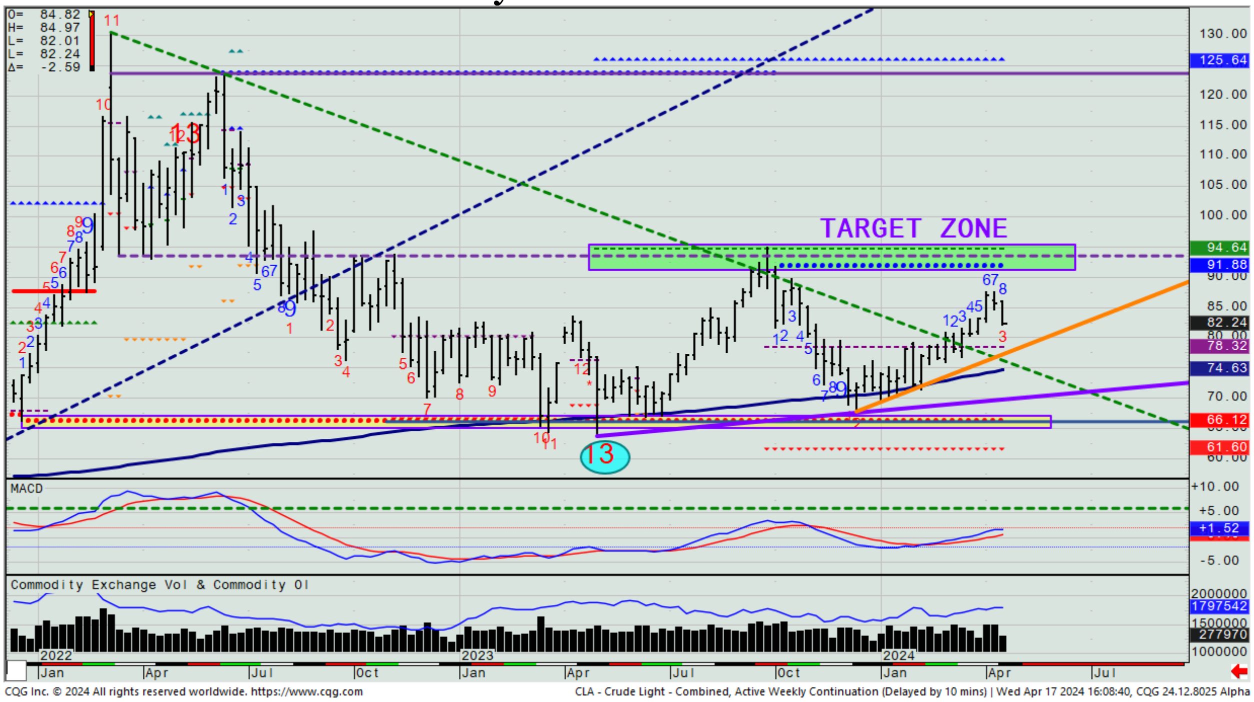
COMMODITIES: Gold has reached the rough-measured target move to ~ $2450 (based upon the $400 range it traded in for a few years, added to the approx. $2050 high over the course of that time). The newest weekly bearish Propulsion Momentum level has again moved up, now to $2334. This week marks a Setup +9 count, so we're likely closer to some type of pause and refresh.

COMEX Gold – Active Weekly Continuation



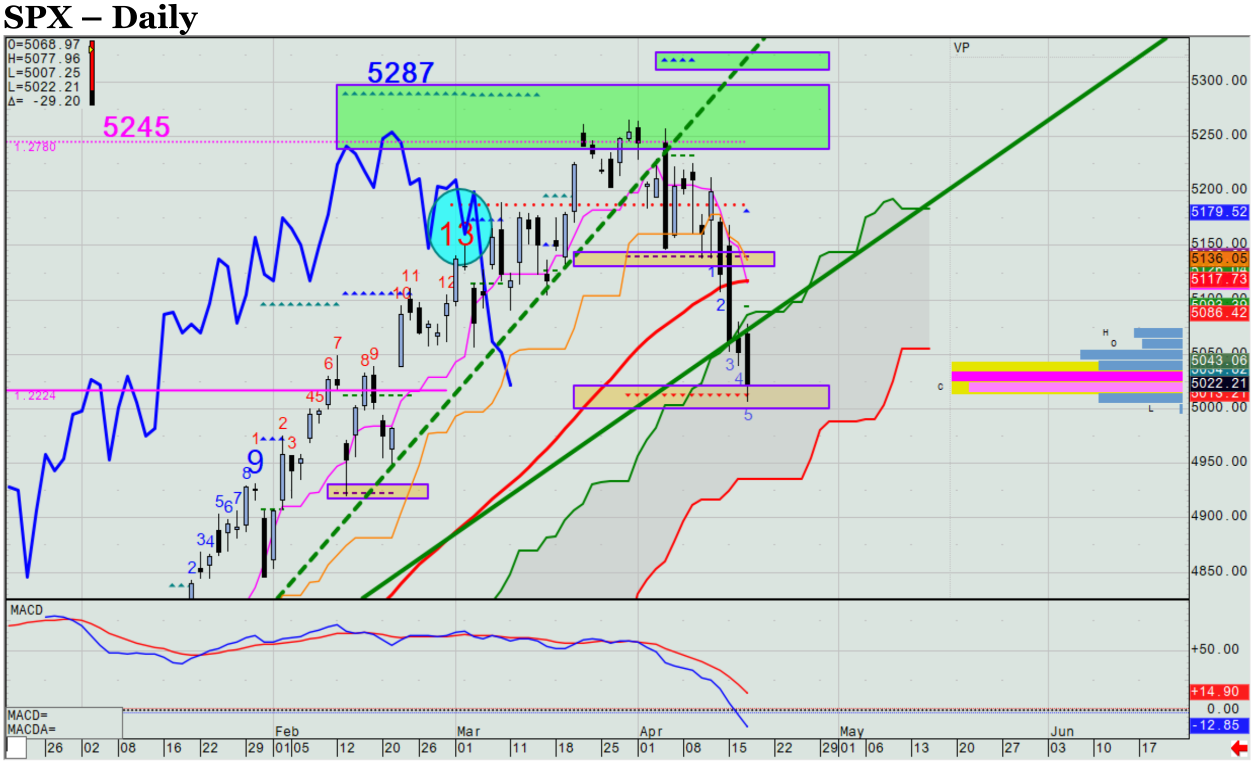
Mideast tensions at a high kept WTI Crude up through last weekend's Iran attack on Israel proved to have far less than expected impact, and oil has slid this week. The labeled Target Zone in the low- to mid-$90s remains a major resistance zone.

WTI Crude Oil – Active Weekly Continuation



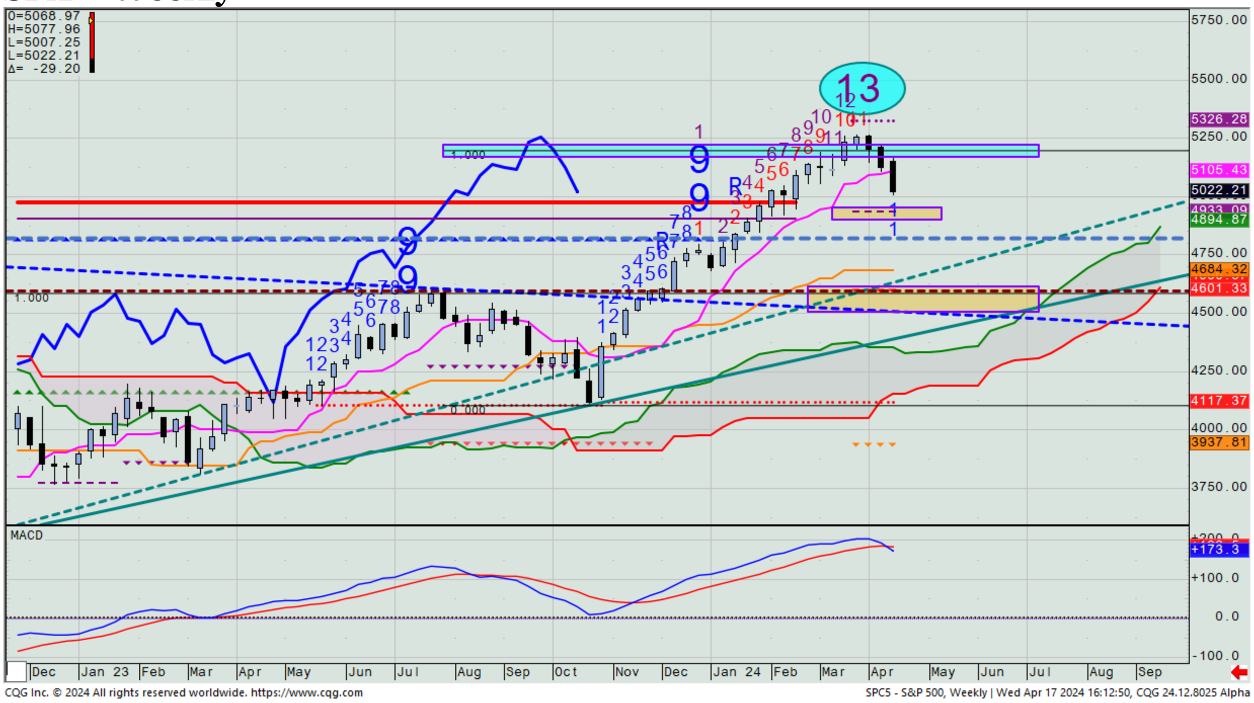
EQUITY INDEXES: The SPX has fallen through the bearish Propulsion Momentum level (5139) to hit its associated Exhaustion level (5013) right by yesterday's low. It ended yesterday on a daily Setup -5 count, so it's possible we get a trading bounce today and/or tomorrow, but not necessarily kill the downward count and still finish it off on Wednesday next week.

SPX – Daily



The weekly bearish Propulsion Momentum level remains at 4933. Absent a break of that number on a Friday close, the overall bull scenario remains, but certainly there are many who have chosen to take some profits as the rate rally has changed the perception of just how much more the SPX has left in it on this initial leg higher from October's low – especially that the high was also marked with an Aggressive Sequential +13.

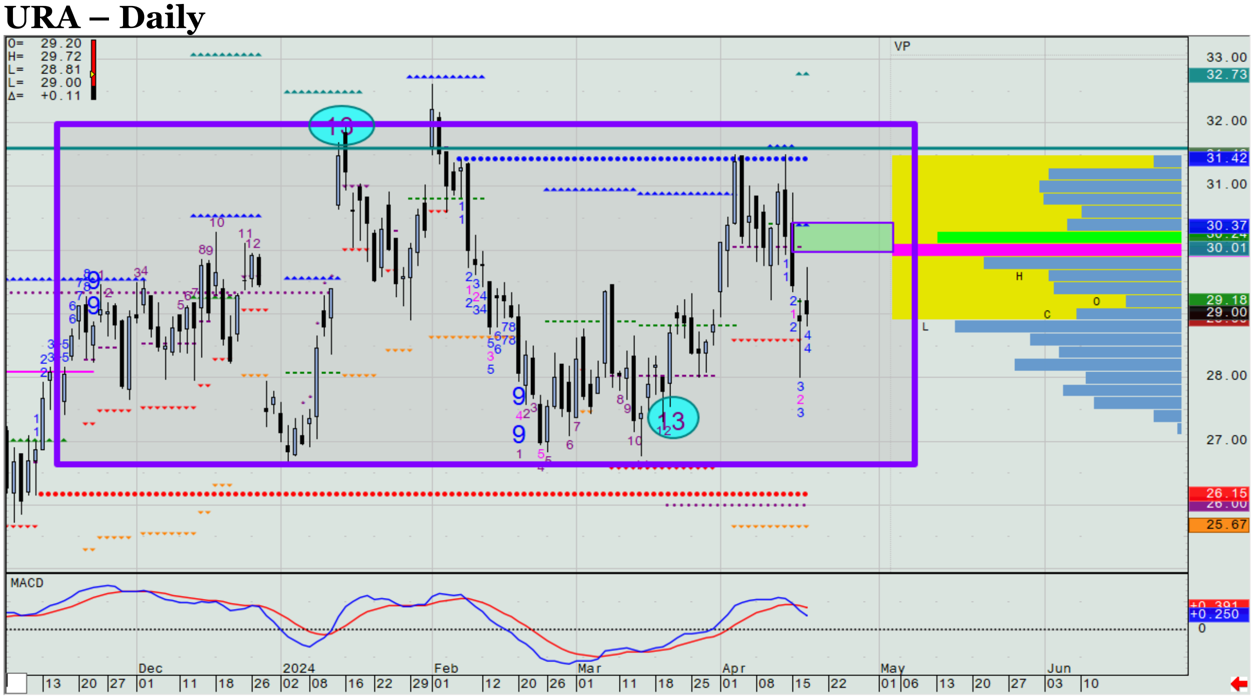
SPX – Weekly



[New ETF Trade Idea]

Since November, the **Global X Uranium ETF (URA)** has been in a trading range, with 13's at the top and bottom turns, and not a ton going on since.

URA – Daily

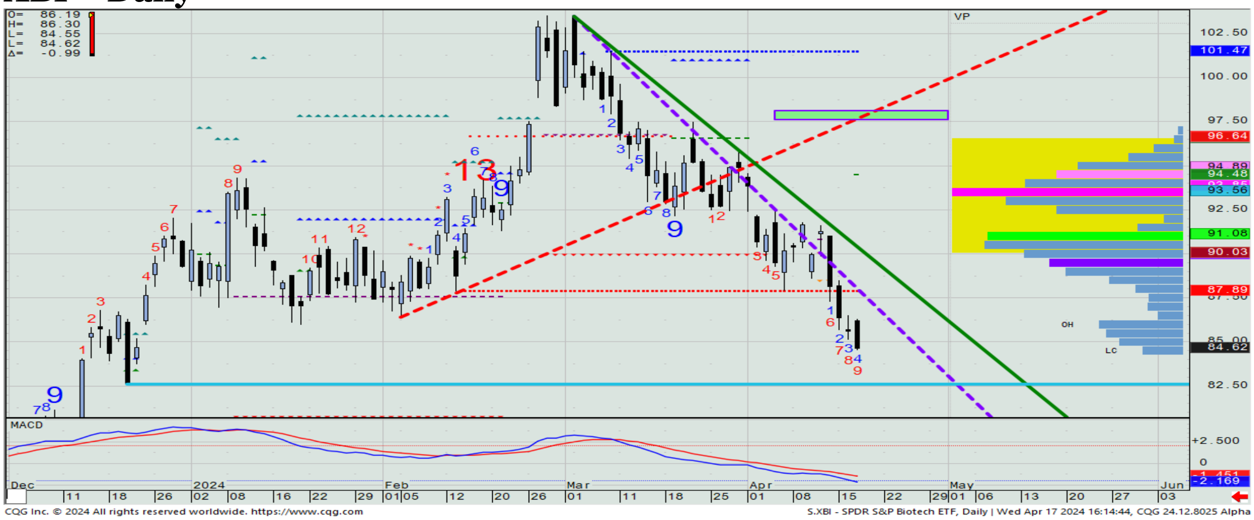


However, looking at the general range, I'd be fine on selling a rally to the Point of Control level ($30.00) to the Propulsion Exhaustion level ($30.37). After being filled, I'll look to cover near 2/3 at $27.80 and 1/3 from $26.20 to $25.70. Place a buy-stop above $31.72.

Other Open Recommendations and Positions

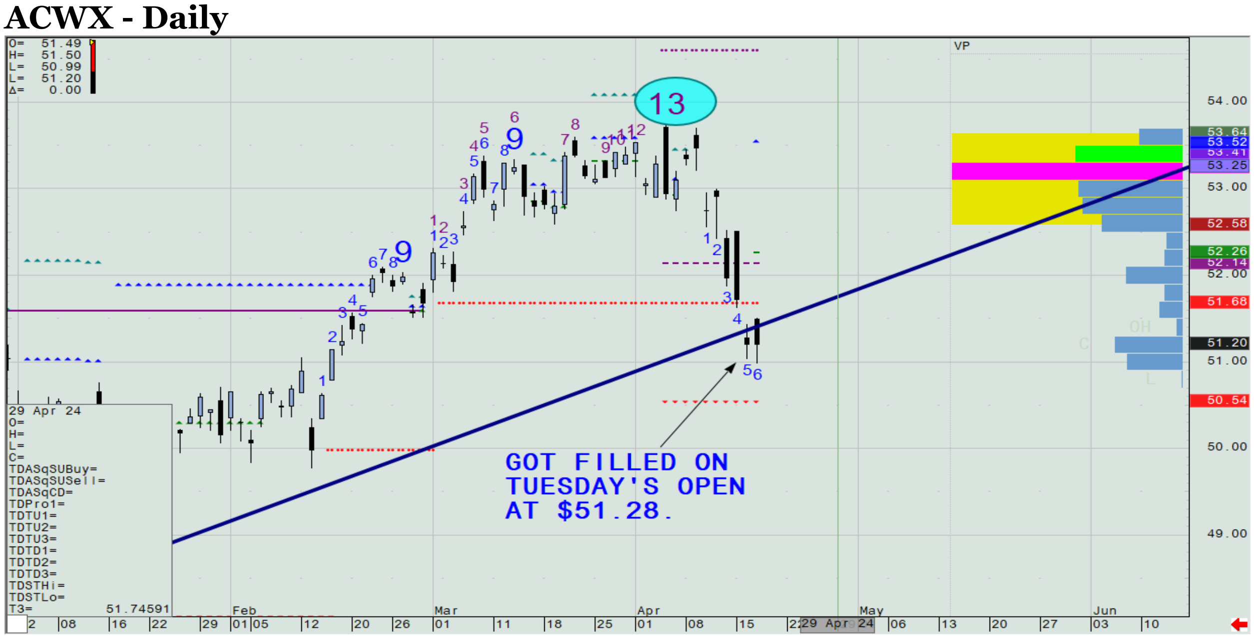
Long XBI
Last week's play was to get long if we saw a close above $91.61. We thankfully did not, as the ETF has fallen sharply this week – and well more so than did the market. I'll cancel this idea.

XBI – Daily



Long ACWX
Two weeks ago, my idea was to buy a pullback to near the dark blue-colored uptrend line if the opportunity came. We got that on Tuesday's open that gapped just beneath the trendline, with our entry at $51.28. With the changing picture in the market, let's just look for a quick hit-and-run by exiting at $51.95 to $52.27. The sell-stop will be a tight one, so let's exit if we see consecutive hourly closes beneath yesterday's low of $50.99.

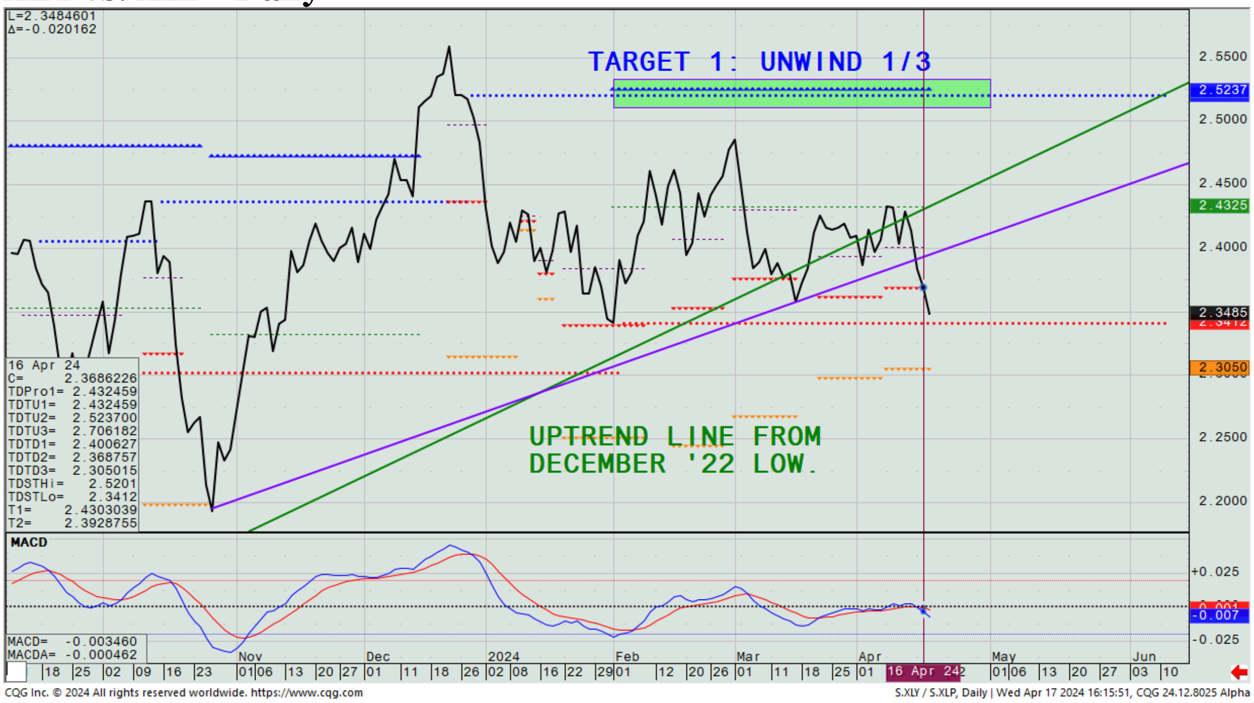
ACWX - Daily



Long XLY vs. Short XLP

Four 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 was to exit on consecutive daily closes beneath 2.393, which we saw on Monday and Tuesday this week. We exited at 2.3686, and lost 1.64%.

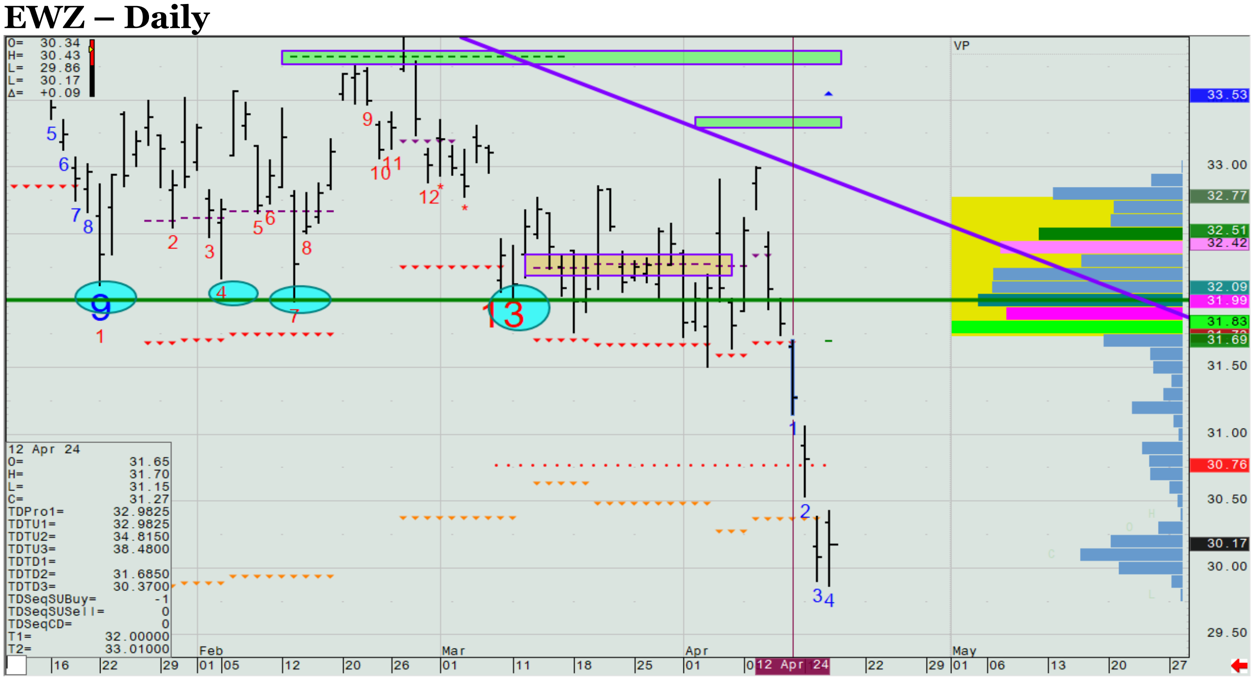
XLY vs. XLP - Daily



Long EWZ

Five weeks ago, we got long one unit at an avg. price of $32.18. Our sell stop was a close under $31.70, which happened last Friday with a close at $31.27. We lost 2.83%.

EWZ – 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.

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