Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

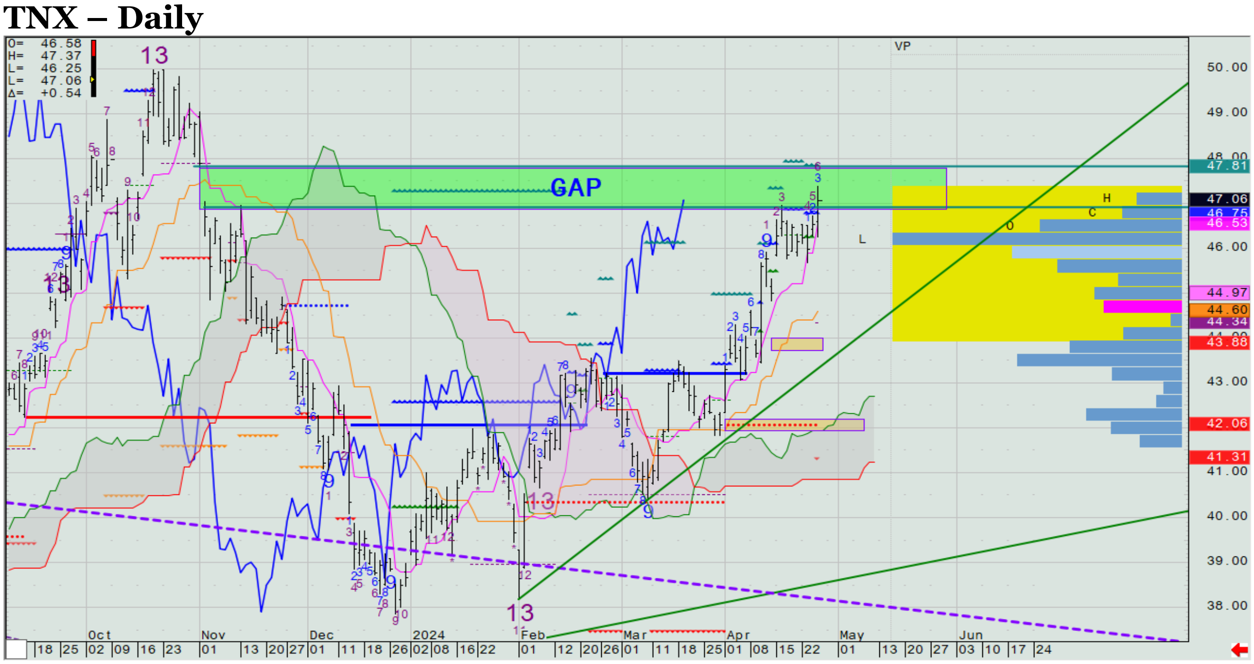
Higher rates along with a slew of missed earnings reports have really taken a toll on stocks, as investors have woken up to the fact that when Fed Chair Powell months ago said, "Higher for longer", he meant it. Stock jockeys had not wanted to believe him, previously frequently pushing equity indexes to new all-time highs. But the upside breakout above TNX 43.50 (i.e., 4.350%) was the big warning sign that rates could start another leg up to higher targets, and yesterday's move to new 2024 TNX highs – along with weak economic data released Thursday morning and META's earnings miss and lower forward guidance – was a lot of bad news to add to what was already a weakened market in April. Despite a down day yesterday, the SPX closed near its highs of the day – and more importantly, well off its lows. Also, after the close, I see that both MSFT and GOOGL had solid earnings beats.

Let's look at updated macro charts and how they are affecting stocks:

US RATES

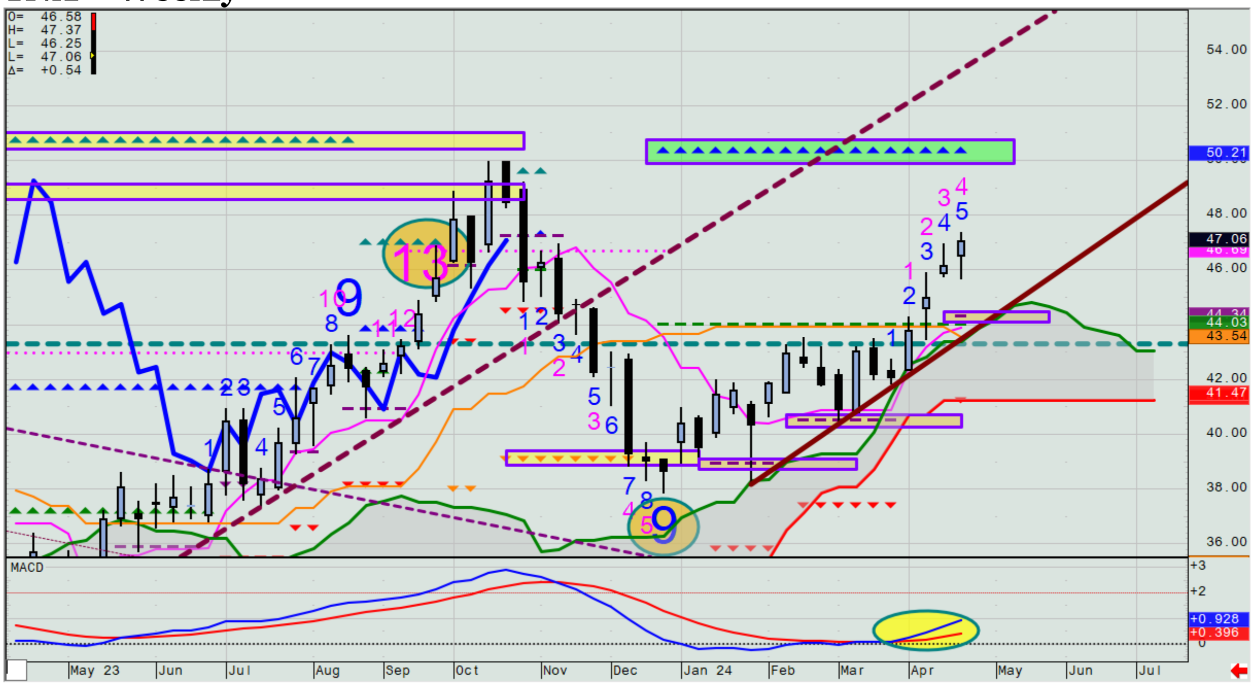
UST 10-yr. rates made new highs yesterday to 4.74%, which means that the daily Full Propulsion Exhaustion level of 4.722% has been achieved as measured from the lowest low in late-December. It happens to be within what was the gap range from 4.70% to 4.78%. This is the only major resistance level left before a test of the 5% high.

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 4.434%. 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. (But as I wrote above, the daily Propulsion target being met comes from within the range of the large Setup -1 bar down. This is a big level for bonds.)

TNX – Weekly

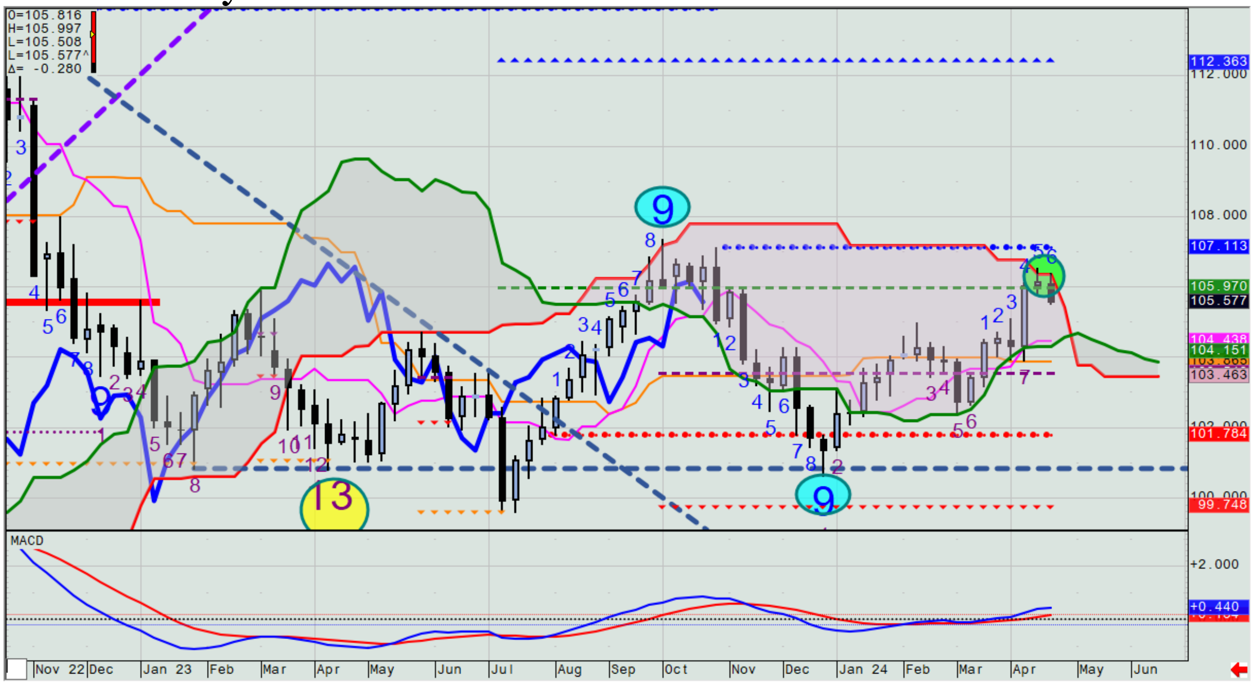


CQG Inc. © 2024 All rights reserved worldwide. https://www.cqg.com TNX - 10-Year Treasury Note Index, Weekly | Thu Apr 25 2024 16:27:44, CQG 24.12.8025 Alpha

Investment grade corporate credit spreads, my preferred credit spread index, made a recent new cycle low at 89 bps. (just 3 bps. above the all-time low of 0.86%) and is now at 92 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 must be noted. 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 looking for this to narrow here and now, either.

THE DOLLAR: The US Dollar Index's (DXY) has now topped two weeks in a row at its weekly cloud top (see neon green circle). 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 general direction as rates do.

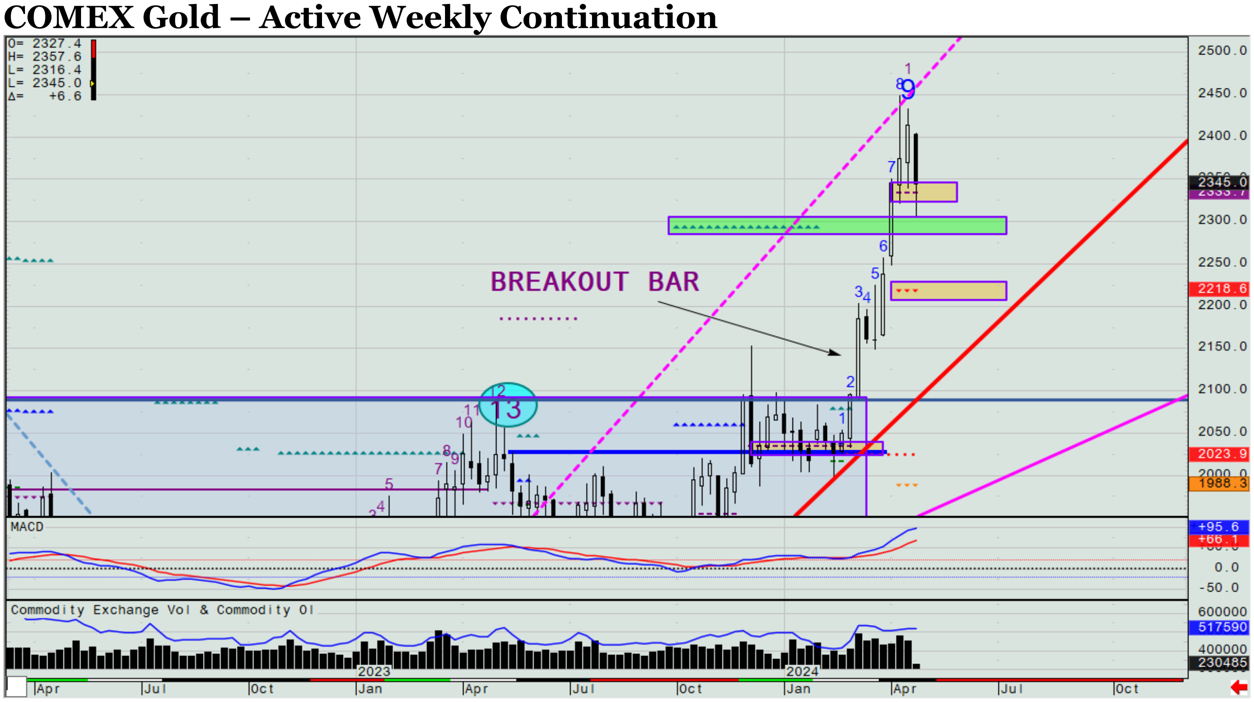
DXY – Weekly



CQG Inc. © 2024 All rights reserved worldwide. https://www.cqg.com DXC5 - Dollar Index, Weekly (Delayed by 10 mins) | Thu Apr 25 2024 16:28:56, CQG 24.12.8025 Alpha

COMMODITIES: Gold reached the rough-measured target move to ~ $2450, and as I said last week, that along with the weekly Setup +9 count had me call for a likely "pause and refresh" downmove, which obviously happened over the past week with a move down to the weekly bearish Propulsion Momentum level at $2334. So far, it's acting as support, as the last one did near the start of the year.

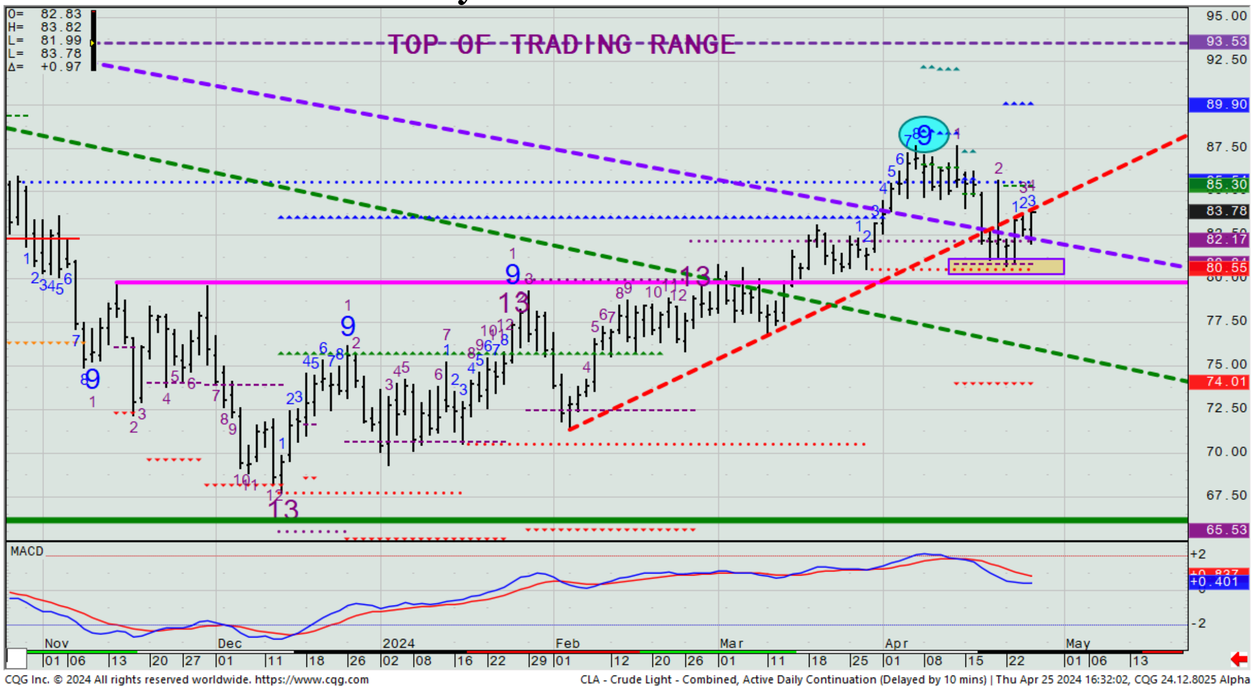
COMEX Gold – Active Weekly Continuation



CQG Inc. © 2024 All rights reserved worldwide. https://www.cqg.com GCA - Gold - Combined, Active Weekly Continuation (Delayed by 10 mins) | Thu Apr 25 2024 16:30:07, CQG 24.12.8025 Alpha

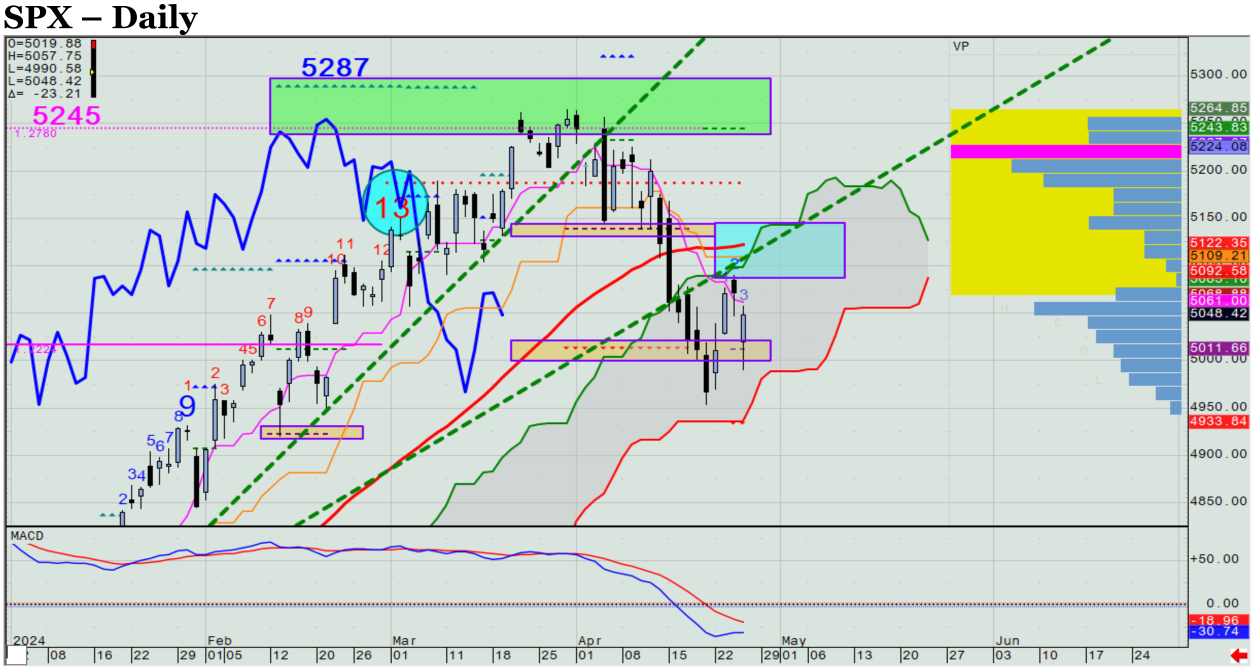
WTI Crude fell off after the Israel/Iran attacks on each other ended quickly (at least for now). Notice that the red-colored uptrend line broke to wash out some longs, only to hold support against the bearish Propulsion Momentum level. (That happens a lot in bull markets, so give the edge to bulls right now because of that.) The labeled Target Zone in the low- to mid-$90s remains a major resistance zone.

WTI Crude Oil – Active Daily Continuation



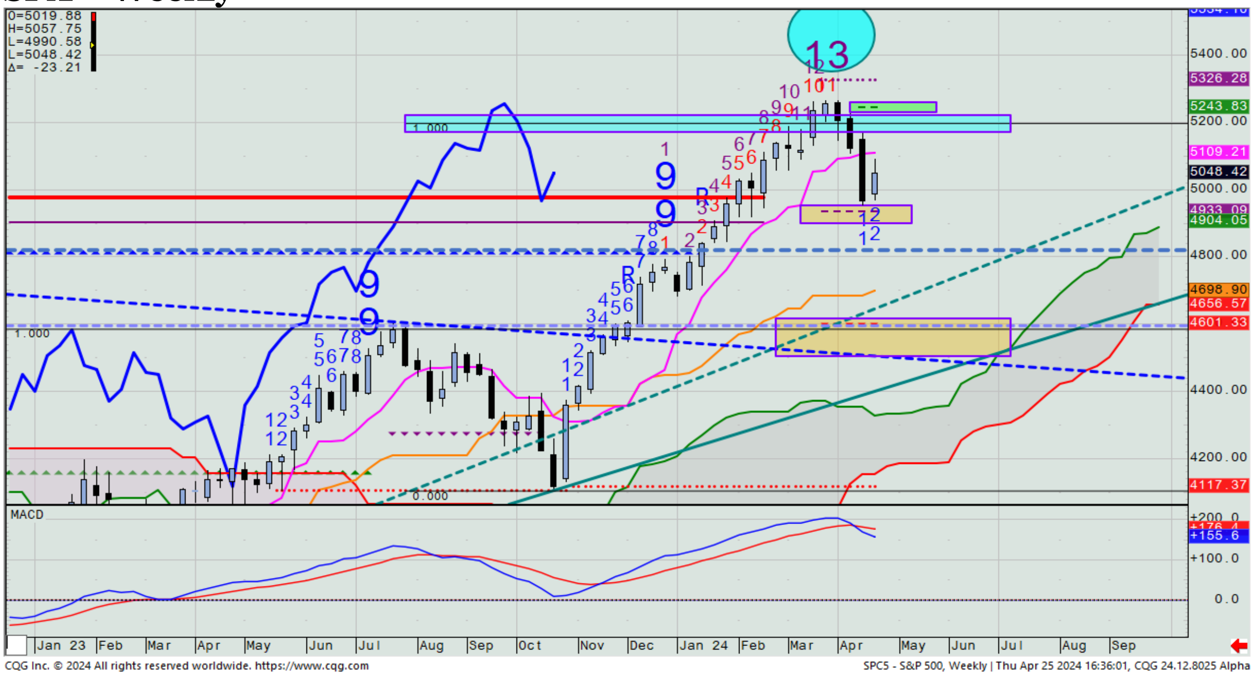
EQUITY INDEXES: Selling pressure last week brought the market down to its first Trend Factor down from the highs (i.e. a 5.56% decline) that then bounced up to the low end of a zone I told Daily Tip Sheet subscribers I'd be leaning into to lighten overall portfolio exposure. Yesterday's initial weakness did find support at what was the qualified bearish Propulsion Momentum level, so for now, no new sell signal, and maybe even the start to another run higher as MSFT and GOOGL just beat earnings estimates.

SPX – Daily



The weekly bearish Propulsion Momentum level remains at 4933. Absent a break of that number on a Friday close, the overall bigger bull scenario remains. With the current high having been marked with an Aggressive Sequential +13, the risk vs. reward to being fully invested is no longer what it had been; keep that in mind.

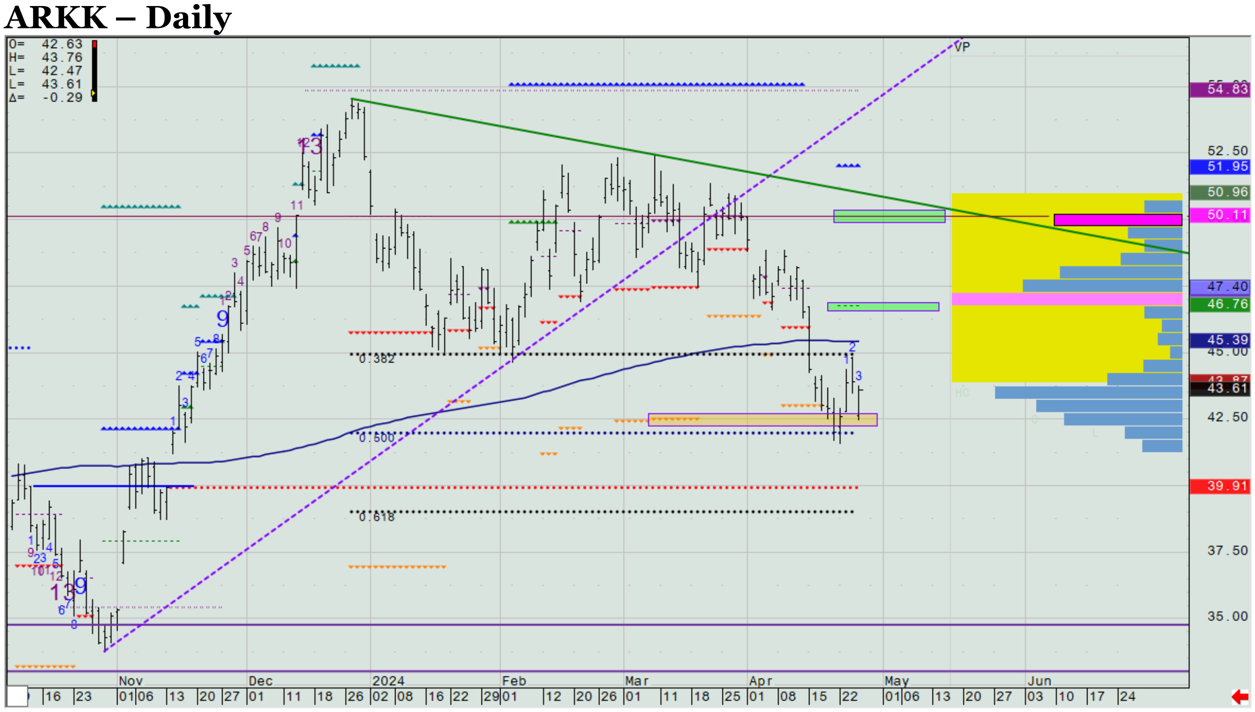
SPX – Weekly



[New ETF Trade Idea]

Cathy Woods –and her funds – have been left for dead (according to an article I read earlier this week on her and the several ETFs she manages). Withdrawals have been large, and rightly so, as the bulk of her funds have badly lagged the broad market's return. So, I have a bearish play on her main fund, **ARKK,** right? Nope; the opposite.

ARKK – Daily



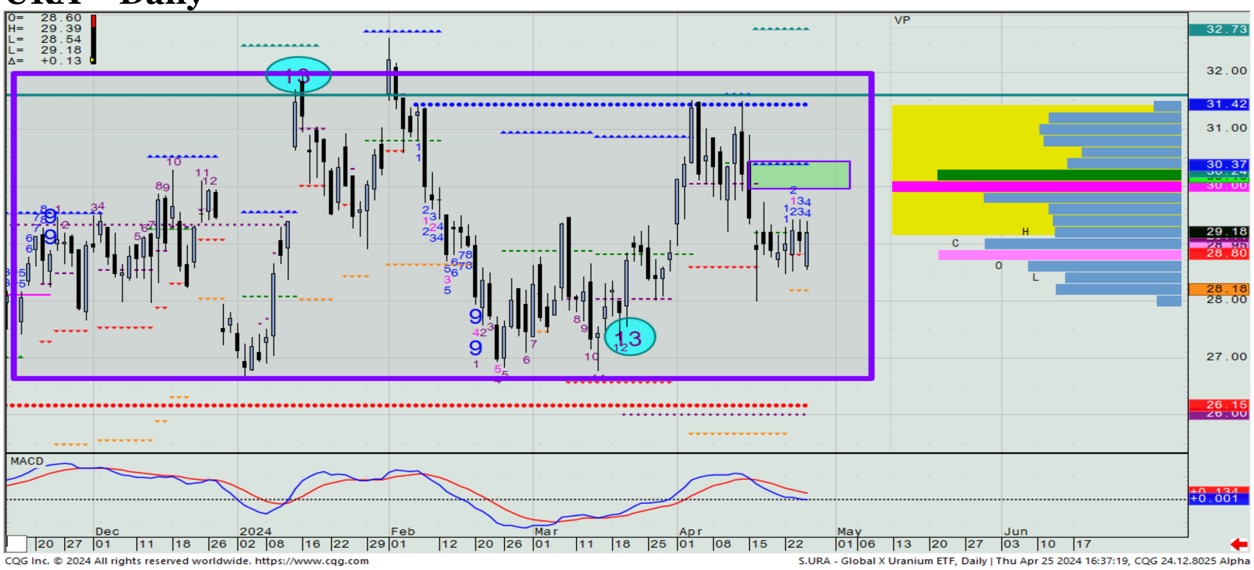
You can see that price just precisely corrected 50% of its rally from last fall, as well as hit the bearish Propulsion Full Exhaustion level (in the orange rectangle). I think a rally could take it to the two neon green highlighted target areas, while only risking a new low. As such, we'll look to get long now at $43.87 or better (I suspect it will gap higher today), and sell 50% at each of the two targets of $48.76 (+/- 10 cents.) and $50.11 (+/- 10 cents). Risk a new low beneath $41.57 (either absolute or on closing basis – your choice).

Other Open Recommendations and Positions

Short URA

I'd still 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.

URA – Daily



Long ACWX

Three weeks ago, we got long 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. We saw that on Tuesday this week, so we exited at an avg. price of $52.11 and made 1.62%.

ACWX - 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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