Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

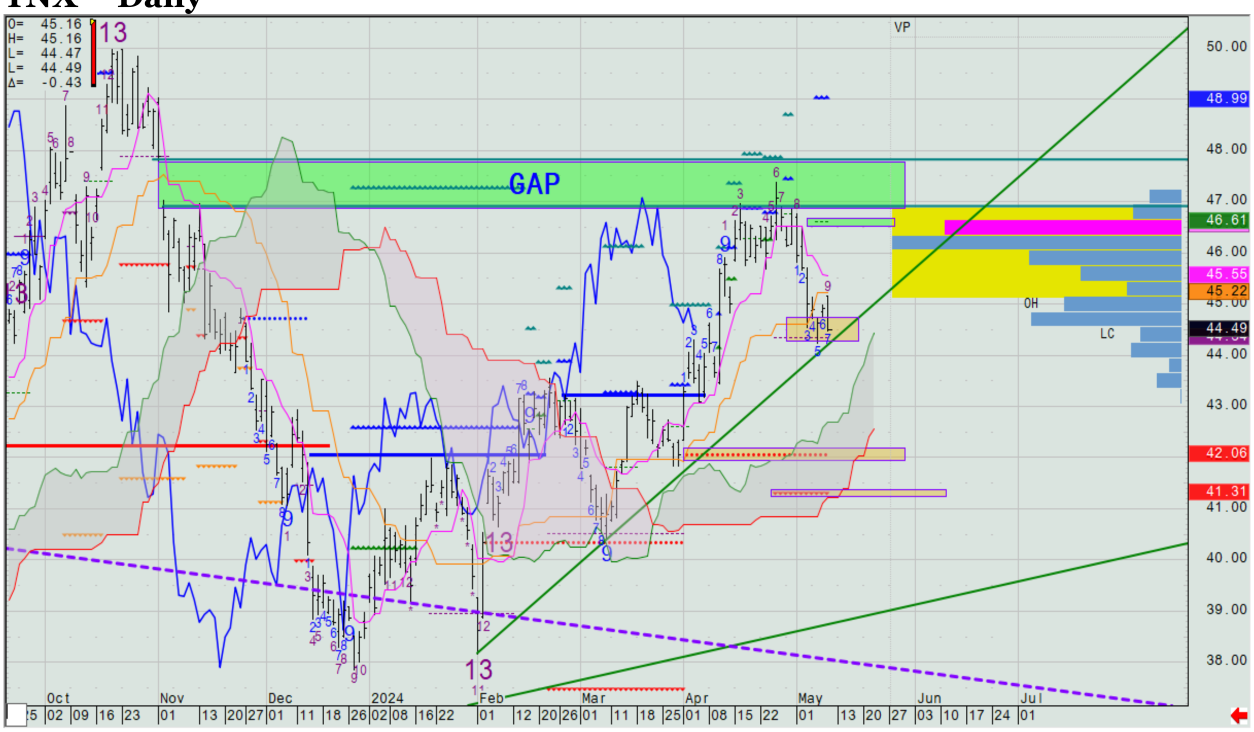
Stocks gained back the bulk of April declines, fueled by a combination of overall earnings beats and lower rates. Over coming weeks, we'll see whether this general test of the highs leads to a sustained breakout higher, or to another move down towards April lows and a trading range environ. The bigger picture remains with a bullish view (from a trend perspective), but in a consolidation phase since March/April and the weekly Sequential +13 signal that is still active.

Let's look at updated charts of the tradable securities that most impact equities over time:

US RATES

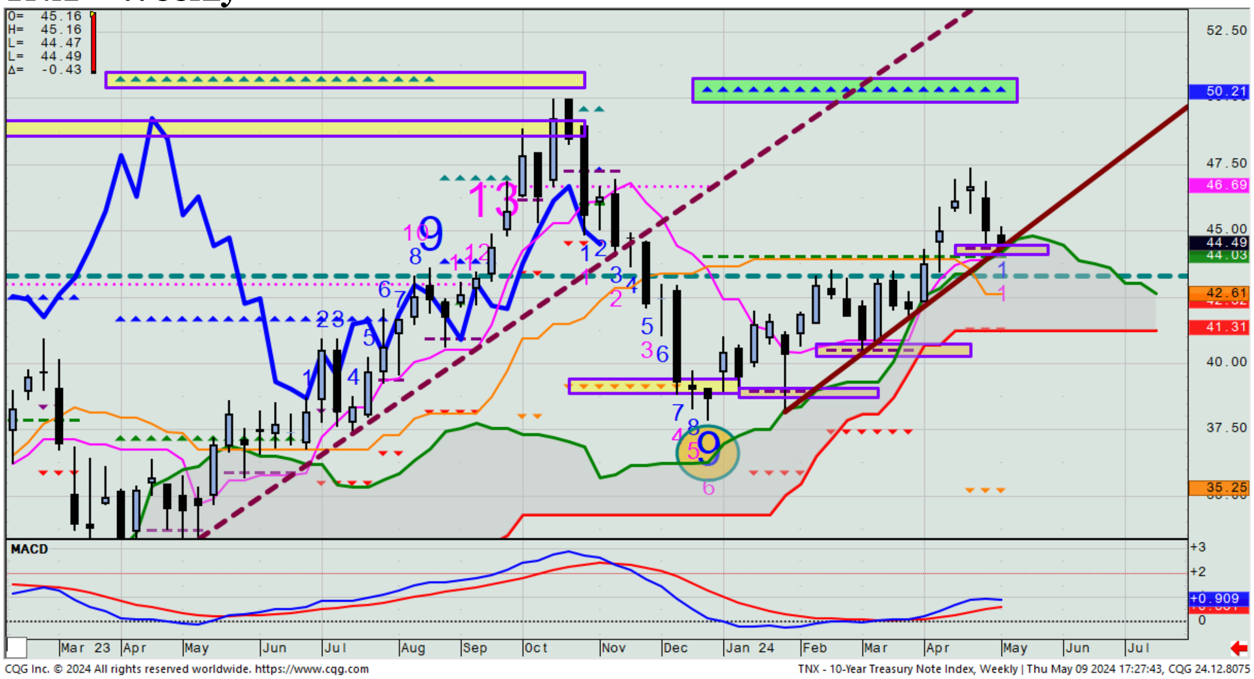
My call that rates would fall to under 4.50% from the 4.72% Propulsion Full Exhaustion target was timely, as this week's low hit the bearish Propulsion Momentum level at 4.43%. Coming into today, we see a Setup -7 count, potentially seeing a near-term bottom come by Monday or Tuesday. (And that could easily come from beneath that 4.43% level.)

TNX – Daily

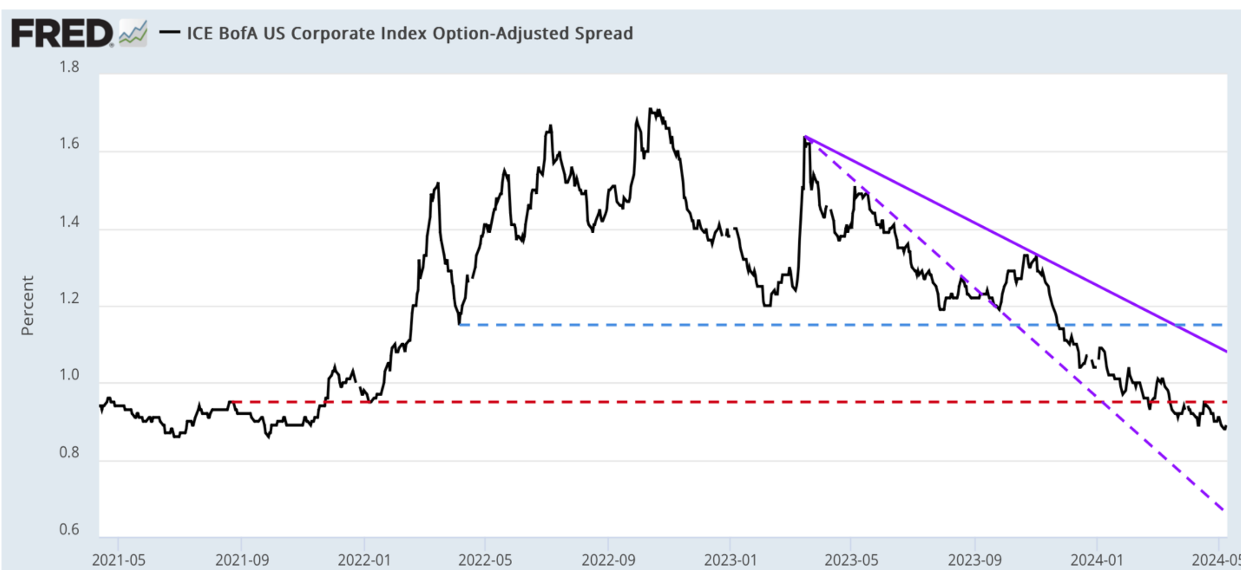


The weekly chart shows two times this year that the TNX sold off to a weekly chart's bearish Prop. Momentum levels – and both times proved to be the low of the move. That's usually occurs in a solid bullish run like we're still seeing. The current one of those signal levels is at 4.434%. So long as yields stays above there, this remains a bigger bullish chart and targets a move to near 5.02% -- right by the highs made in Q4 '23. Get under there, and then you're talking the chance to get to 4.33% to 4.13%. A move like that would likely completely blow away bond traders, who have already had a very tough year.

TNX – Weekly

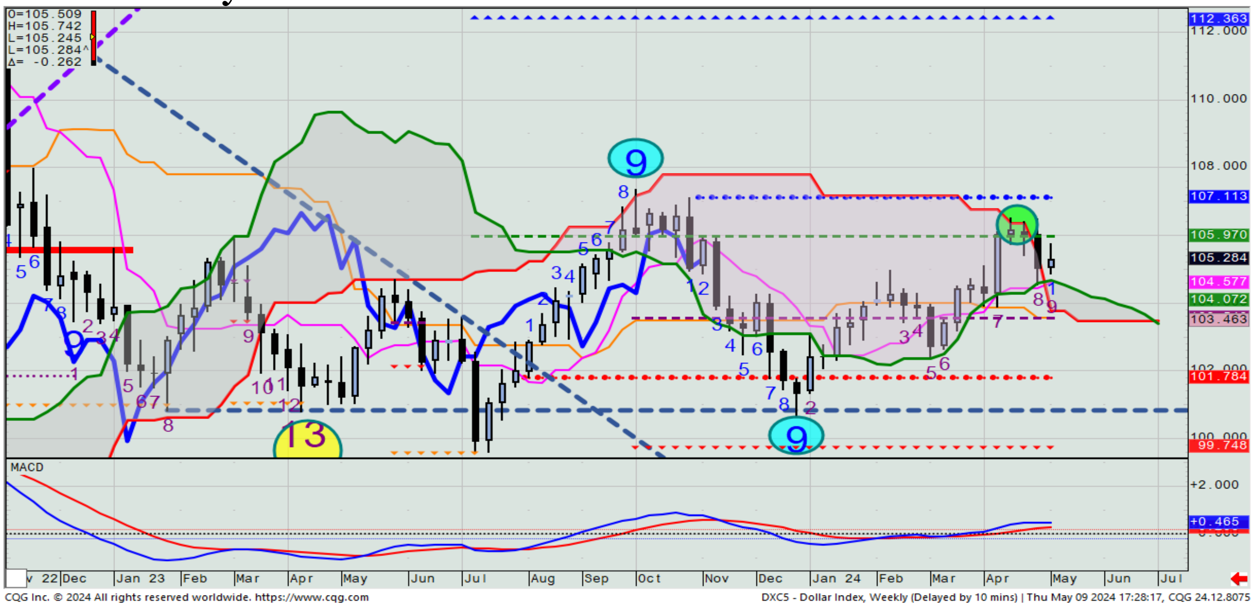


Investment grade corporate credit spreads, my preferred credit spread index, made a recent new cycle low on Tuesday to 88 bps. (just 2 bps. above the all-time low of 0.86%) and is now at 89 bps. (down 2 bp. since last week's report). The larger head-and-shoulders top still has a measured move to something 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, and staying beneath 0.86%, I'd not be aggressively looking for this to narrow here and now, either.



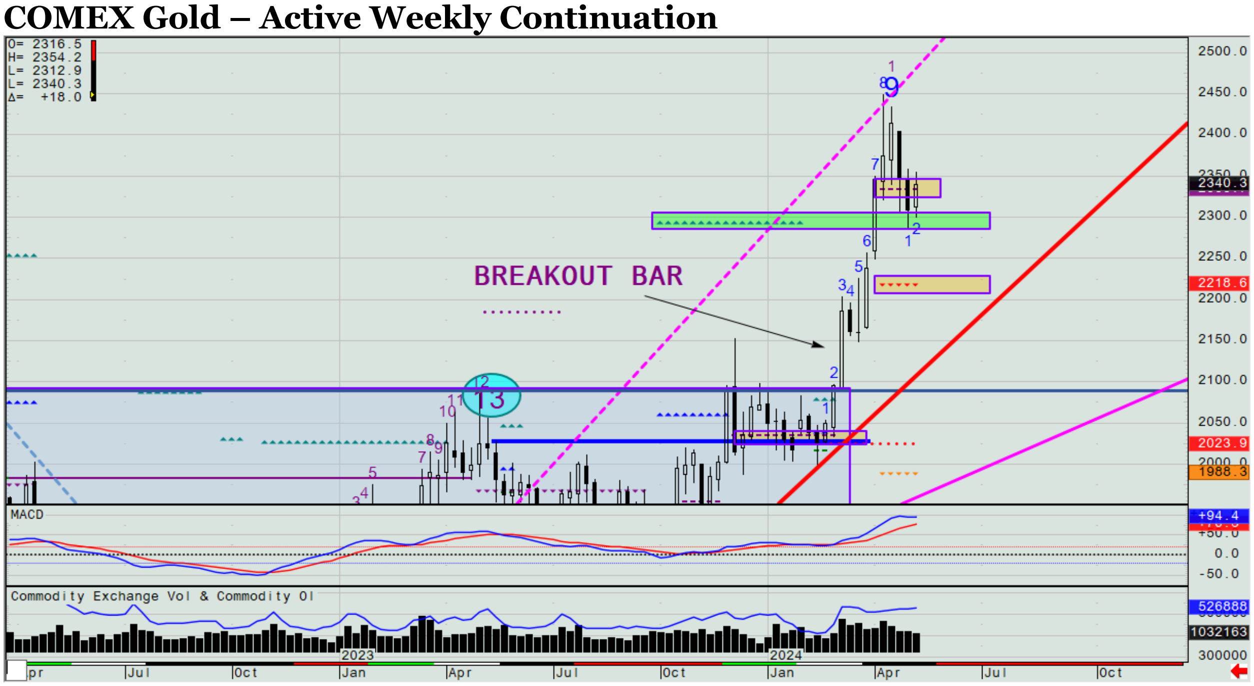
THE DOLLAR: The US Dollar Index's (DXY) topped three weeks in a row at its weekly cloud top (see neon green circle), and now has sold off to reach the bottom of its cloud (and now top of the now flipped cloud). I can't quite decide which way this is next moving, but I will stick with what I've said for a long while that I believe that the dollar will generally run in the same direction as rates.

DXY – Weekly



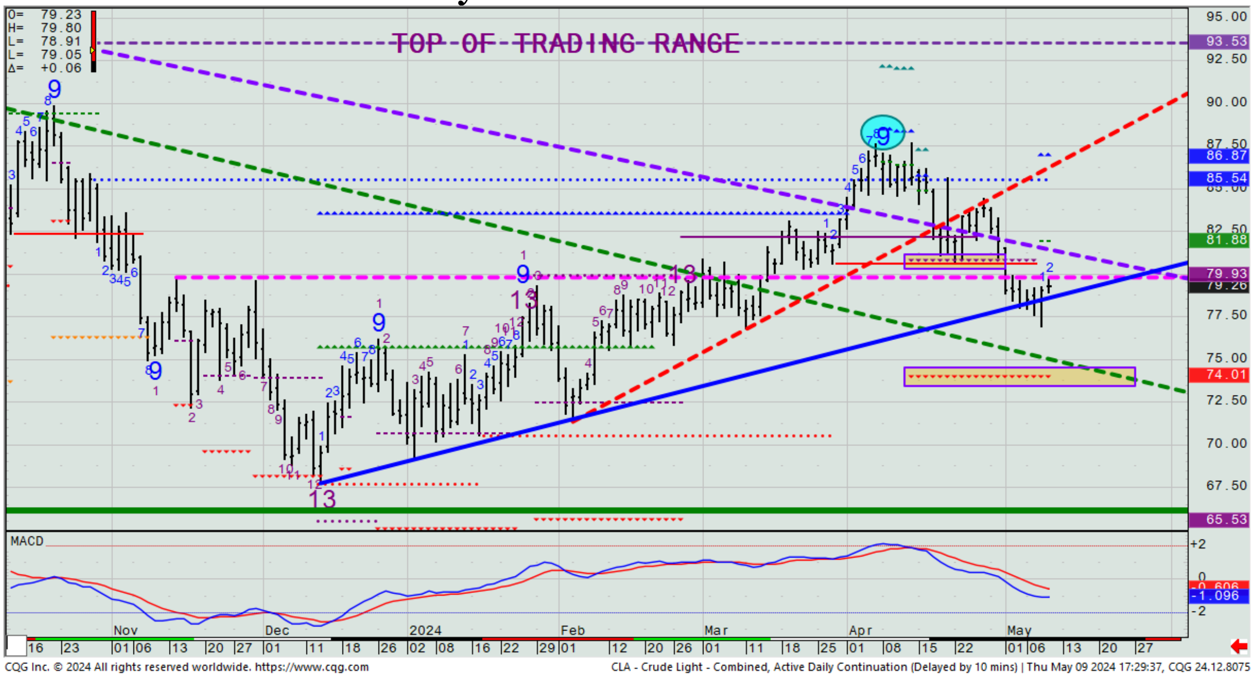
COMMODITIES: Gold reached the rough-measured target move to ~ $2450, and as I said two three ago, that along with the weekly Setup +9 count had me call for a likely "pause and refresh" downmove, which obviously happened. The weekly bearish Propulsion Momentum level at $2334 was exceeded, but not in a fresh sell signal way because it wasn't "qualified". (See Explanations of Terms at the end of this report to understand how a "qualified and confirmed" breakout/breakdown gets made.) This week appears to likely be an up close (week-over-week), which then opens the door for a close next Friday, 5/17, to potentially mark a qualified downside breach of $2334.

COMEX Gold – Active Weekly Continuation



WTI Crude oil tested and for now, held support at the major uptrend line (in bold blue). Right now, you have a battle between an active qualified and confirmed bearish Propulsion Momentum sell signal, and those buying against the uptrend line.

WTI Crude Oil – Active Daily Continuation

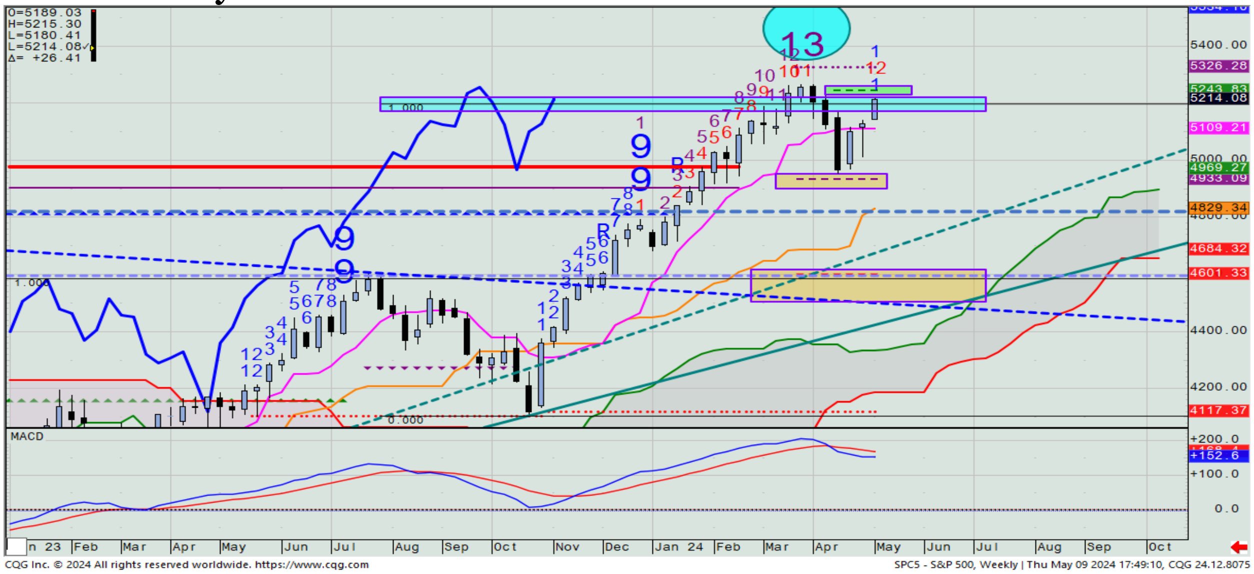


EQUITY INDEXES: The SPX bottomed at its first Trend Factor down from all-time highs; bounced right to the resistance zone I had highlighted two weeks ago, but then on last Friday's jobs number mega move higher brought this back to test the area of the ATHs. Though the SPX can certainly make new ATHs, the likelihood that the Fed will only cut rates zero to two times this year – down from what was expected to be seven times in January – makes it hard to think that those strategists calling for the SPX to end this year at 5500 are going to be right.

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 – and a standard Sequential +13 likely coming as early as next week – the risk vs. reward to being fully invested is no longer what it had been.

SPX – Weekly



[New ETF Trade Idea]

The **S&P 500 Biotech Index ETF (XBI)** is virtually flat on the year, clearly underperforming the broad market in '24. The sharp 20% decline in March and April bottomed on a daily Sequential -13 signal a couple of weeks ago. Based upon where the Volume Profile is showing its bottom Value Area from the past 30 days of trading, we'll look to get long on a pullback to the $86.00 to $85.00 area, then looking for an upmove to reach my labeled "Target Zone" of $93.75 to $95.75. Once filled, the sell-stop would be on a Friday close under $83.30.

XBI – Daily

Other Open Recommendations and Positions

Long EWH

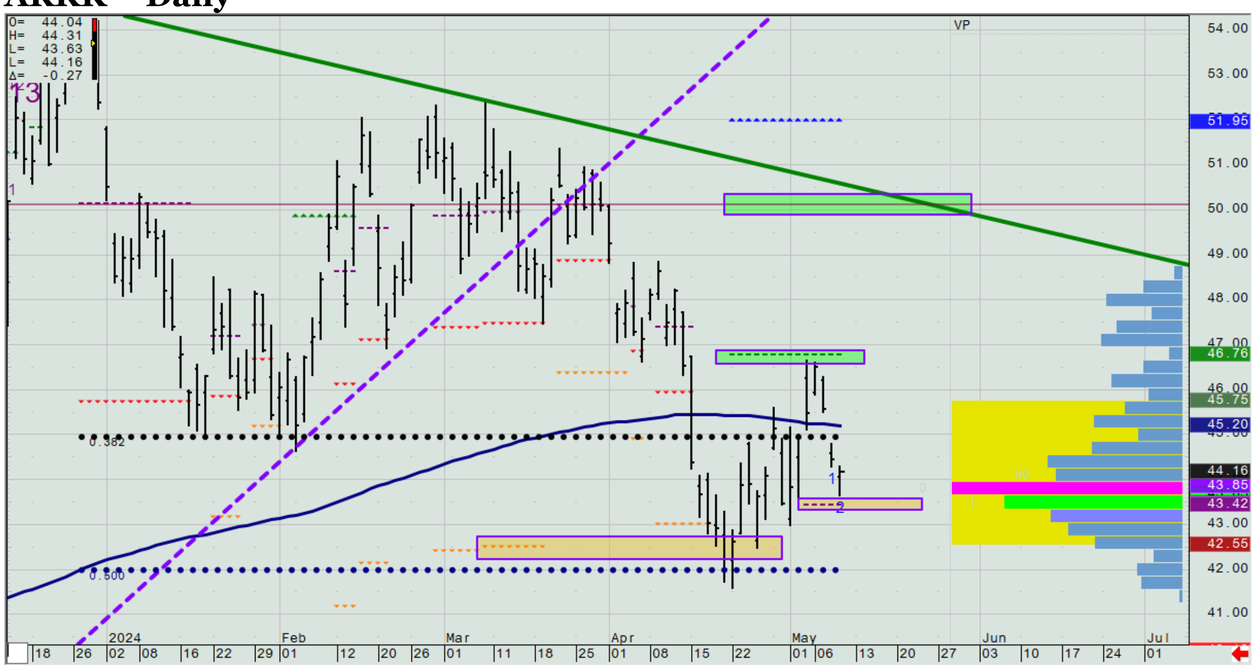
Last Friday we got long ¾-unit (avg. entry price $16.89), and are still looking to get long another ¾-unit on a pullback to what I'll now call the $16.15 to $16.05 range. I'm targeting the $18.84 to $19.25 range to scale out of the trade. A new sell-stop is to exit on consecutive down closes under $16.05.

EWH – Weekly

Long ARKK

Two weeks ago, we got long this ETF at an avg. price of $43.50. I had posted two upside targets of $48.76 (+/- 10 cents.) and $50.11 (+/- 10 cents); take off 50% at each. Last week's high was $48.66, but I can't assume we got that sale off.) The sell-stop is now raised to a daily close under $43.42.

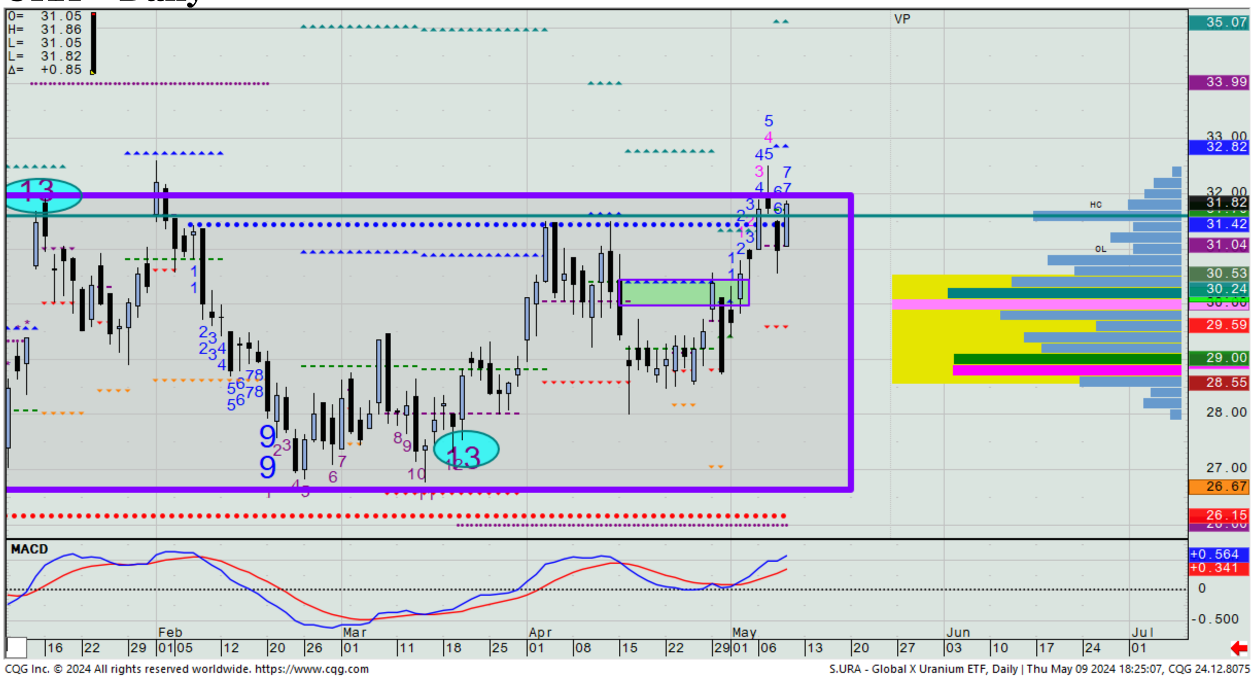
ARKK – Daily



Short URA

We got short at an avg. of $30.19. Last week I changed our exit to cover on any Friday close above $30.62 (which happened last Friday with a close at $30.83.) We lost 2.08%.

URA – 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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