Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

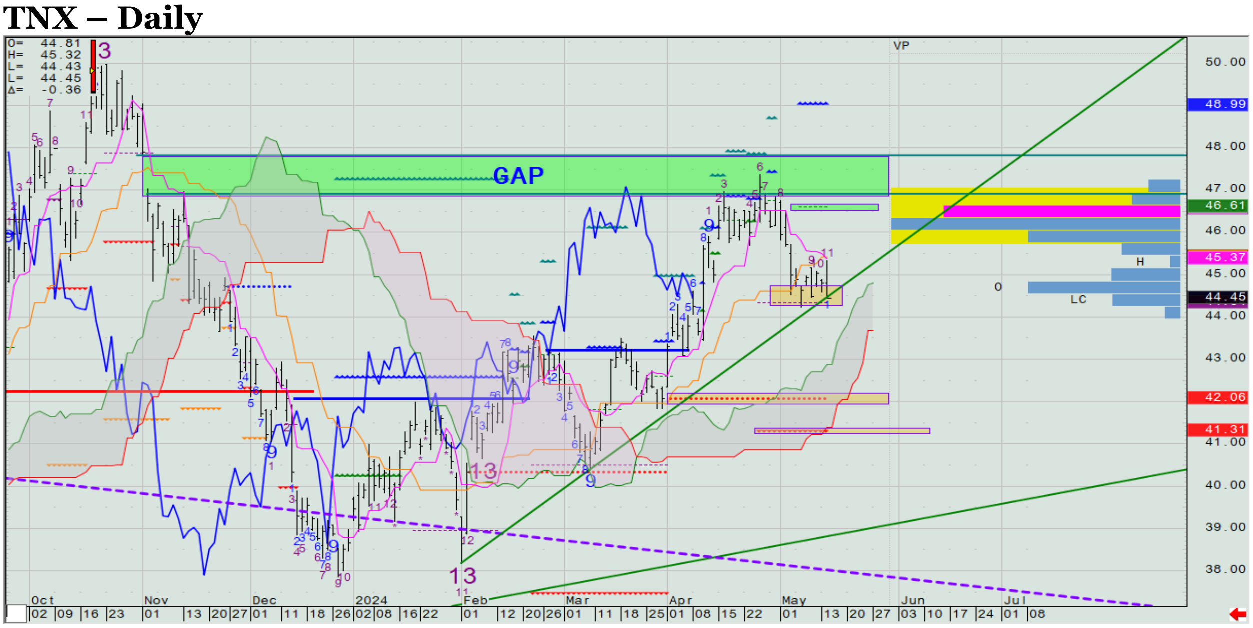
The major equity indexes have gained back almost all of April's declines, fueled by hopes of lower rates to come, and earnings reports that have been decent – though not stellar. Tuesday's PPI report came in higher than expected, but a downward revision from last month tempered the initial selling pressure that marked the low of the day in S&P futures right after the 8:30 am number was released. Fed Chairman Powell's comments really didn't do much for the market in either direction, and maybe investors are waiting for today's CPI numbers to confirm the hotter-than-expected inflation scenario that still poses a clearly unfinished task for Fed officials to get the numbers down to their target range. Next Wednesday's NVDA earnings report is also a key number that the Street is waiting for, and it single-handedly could become the biggest catalyst for the next directional move for stocks.

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

US RATES

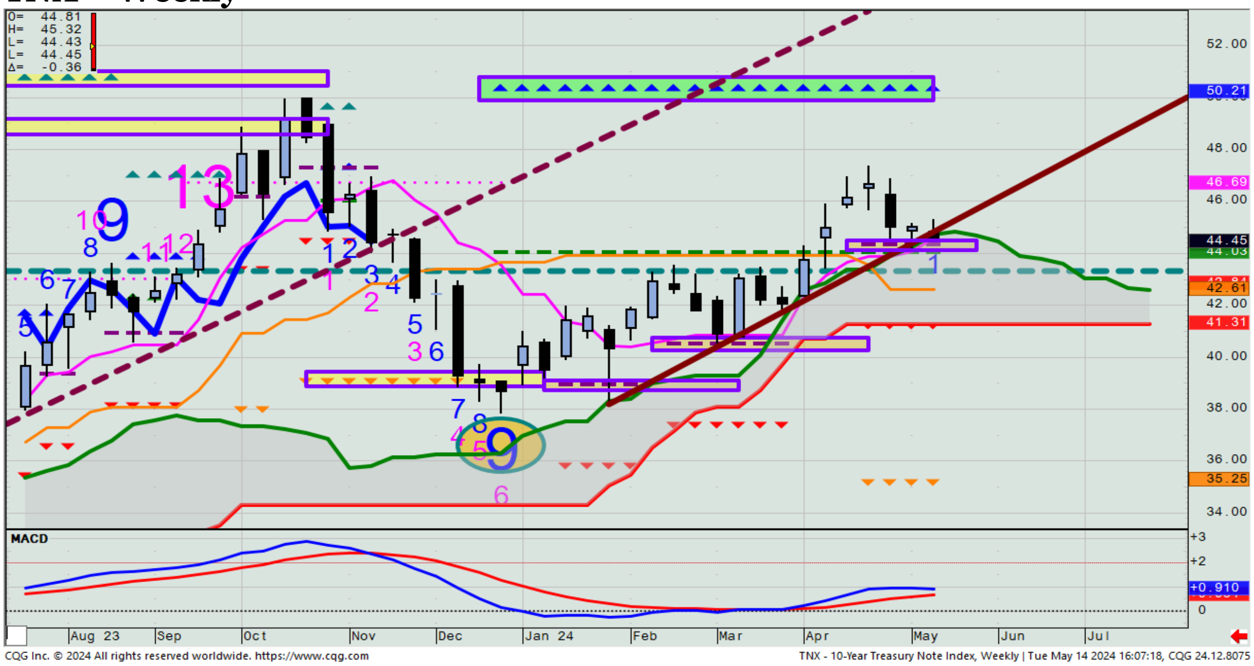
The call I put out two weeks ago for a TNX 30 bp. decline from what was a top just two bps. above the bullish Propulsion Full Exhaustion level of 4.72% has been achieved, with the subsequent low of the move at 4.42%, and our still seeing the bearish Propulsion Momentum level at 4.43% holding as support. (That level is the same for both daily and weekly charts.)

TNX – Daily

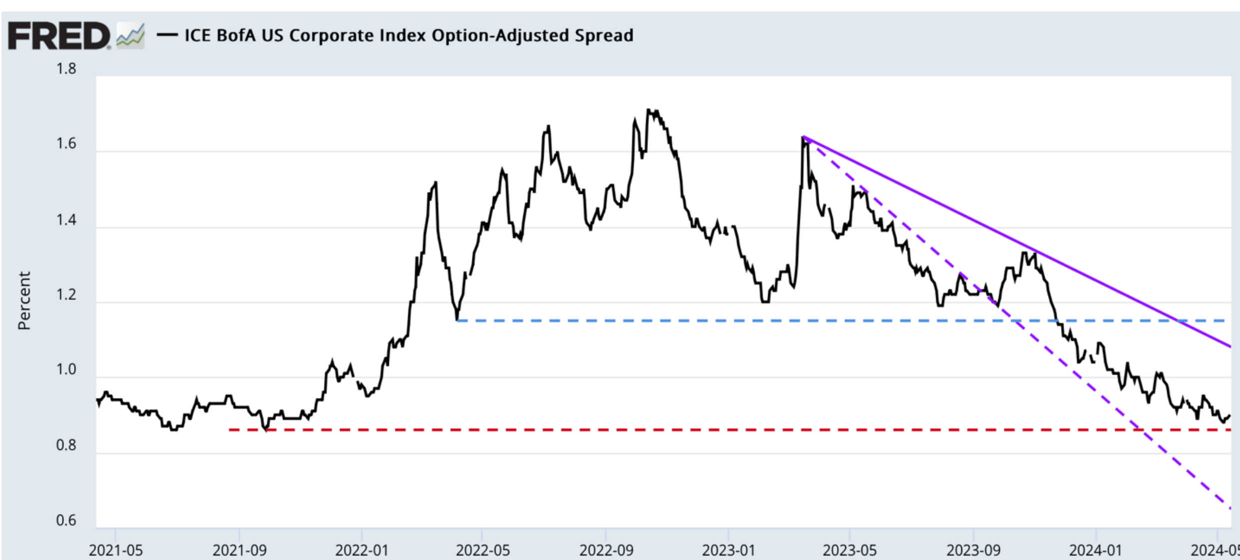


The weekly chart shows two times this year that the TNX sold off to a weekly chart's bearish Prop. Momentum levels – and both times proved to be the low of the move. That's usually occurs in a solid bullish run like we're still seeing. The current one of those signal levels is at 4.434%, so for now, it's the third time holding one of these. 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%. (I'm more apt to think that there might be one run up in yields, that doesn't make a new 2024 high, and then a move that properly breaks under 4.43%.

TNX – Weekly

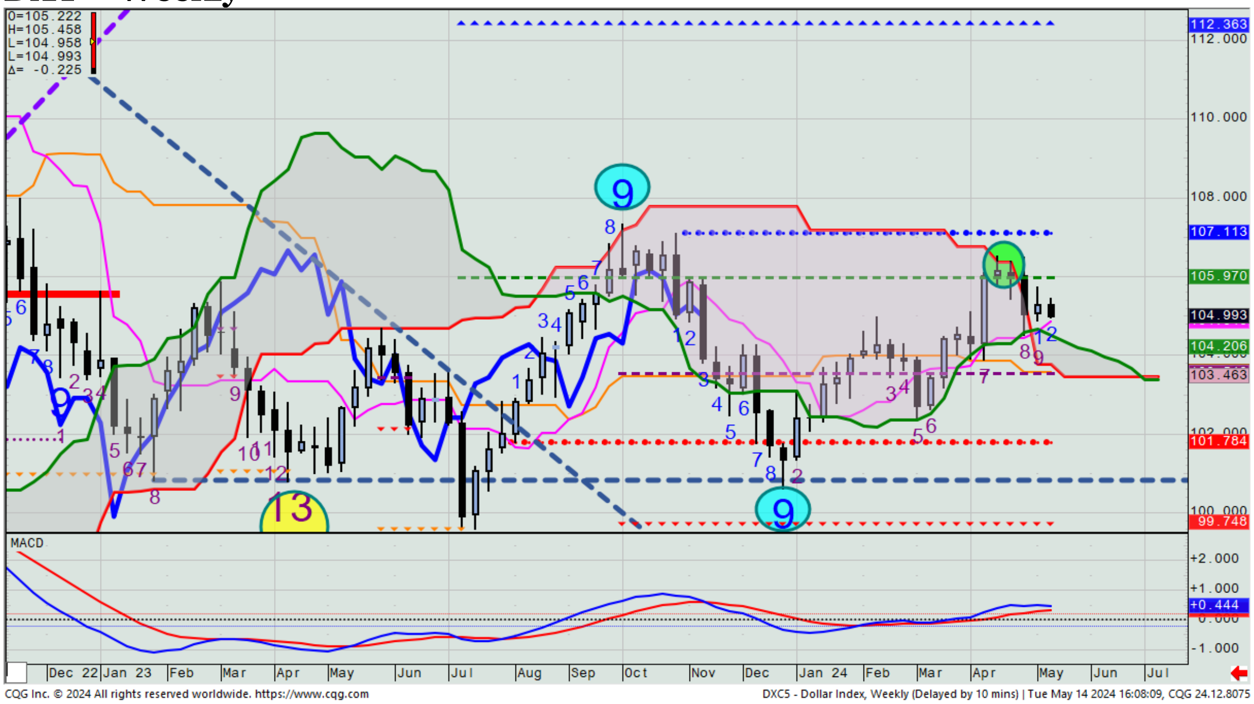


Investment grade corporate credit spreads, my preferred credit spread index, made a recent new cycle low on Tuesday to 88 bps. (just 2 bps. above the all-time low of 0.86%) and is now at 90 bps. The larger head-and-shoulders top still has a measured move to something near 0.70%, but the test near all-time lows that haven't yet made new ones is surely noted by me. Spreads are not at all 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.



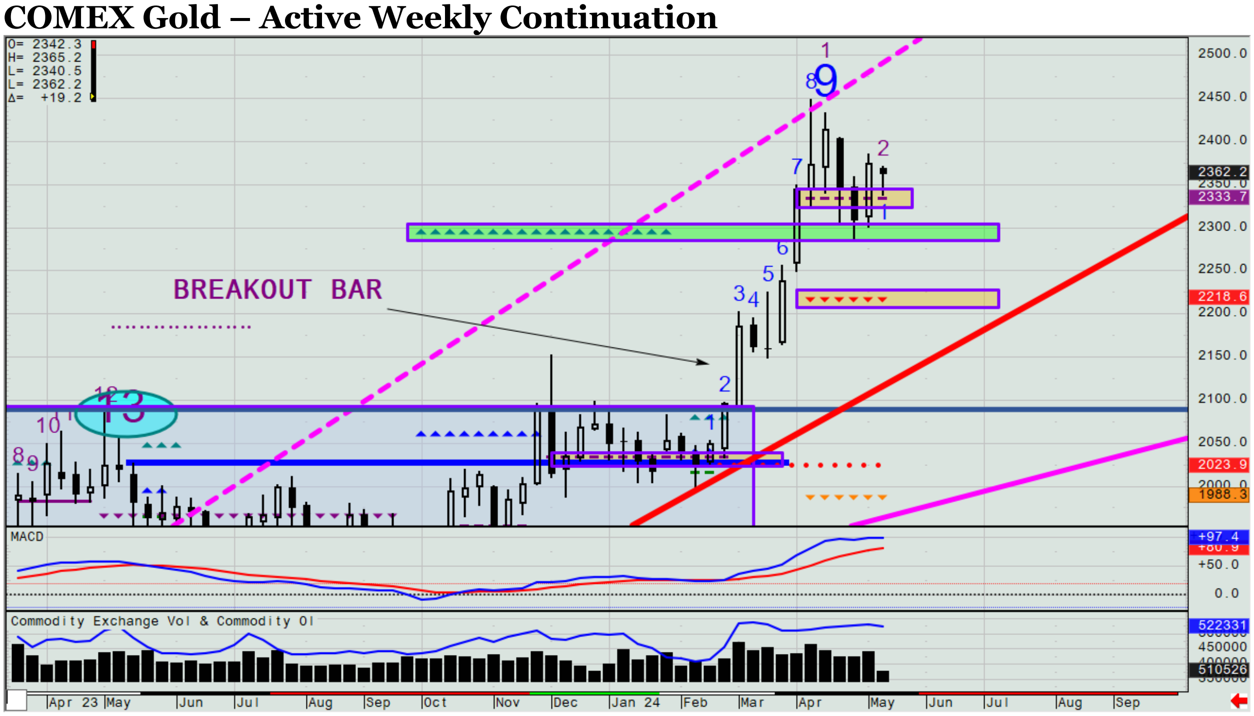
THE DOLLAR: The US Dollar Index's (DXY) topped four weeks in a row at its weekly cloud top while also marking a daily +13 signal. It's been down since. The dollar remains rangebound in the intermediate picture. I remain in the camp that it will likely move in the general direction of US rates.

DXY – Weekly



COMMODITIES: The pullback in gold never got a new *qualified* bearish Propulsion Momentum signal, and after last week's big snapback higher, this week's low is that same Prop. Momentum level at $2334. That keeps things bullish for now.

COMEX Gold – Active Weekly Continuation



WTI Crude oil continues to play with its uptrend line, not really bouncing nicely from it, or yet really cracking down from it. Today's oil inventory number at 10:30am ET may very well be the deciding data point. (I'm more apt to think this heads lower than higher, but it's just a hunch.)

WTI Crude Oil – Active Daily Continuation

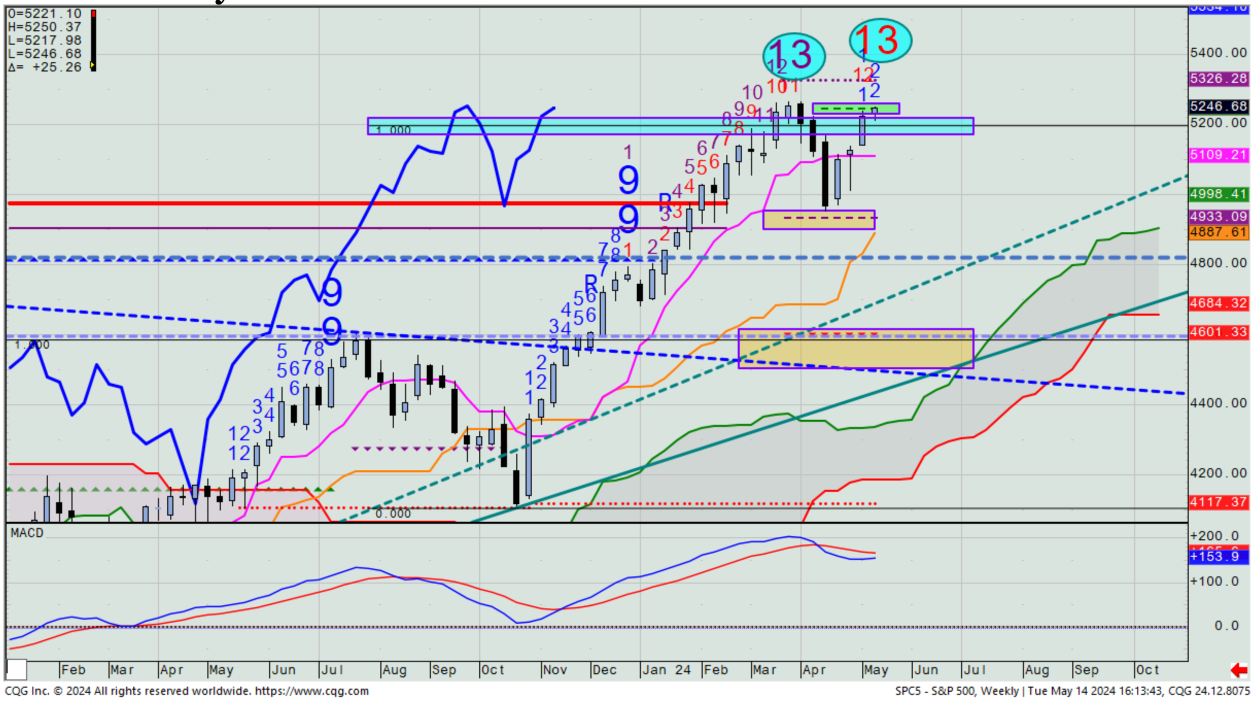
EQUITY INDEXES: The total erasing of the April decline is, indeed, impressive: no question about it. But today likely marks a Setup +9 count while this week has already marked a fresh weekly Sequential +13 signal. Sure, the market could run higher, but no, I will not be chasing it today given this lineup of non-bullish timing signals.

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 having appeared for this week – the risk vs. reward to being fully invested is no longer what it had been.

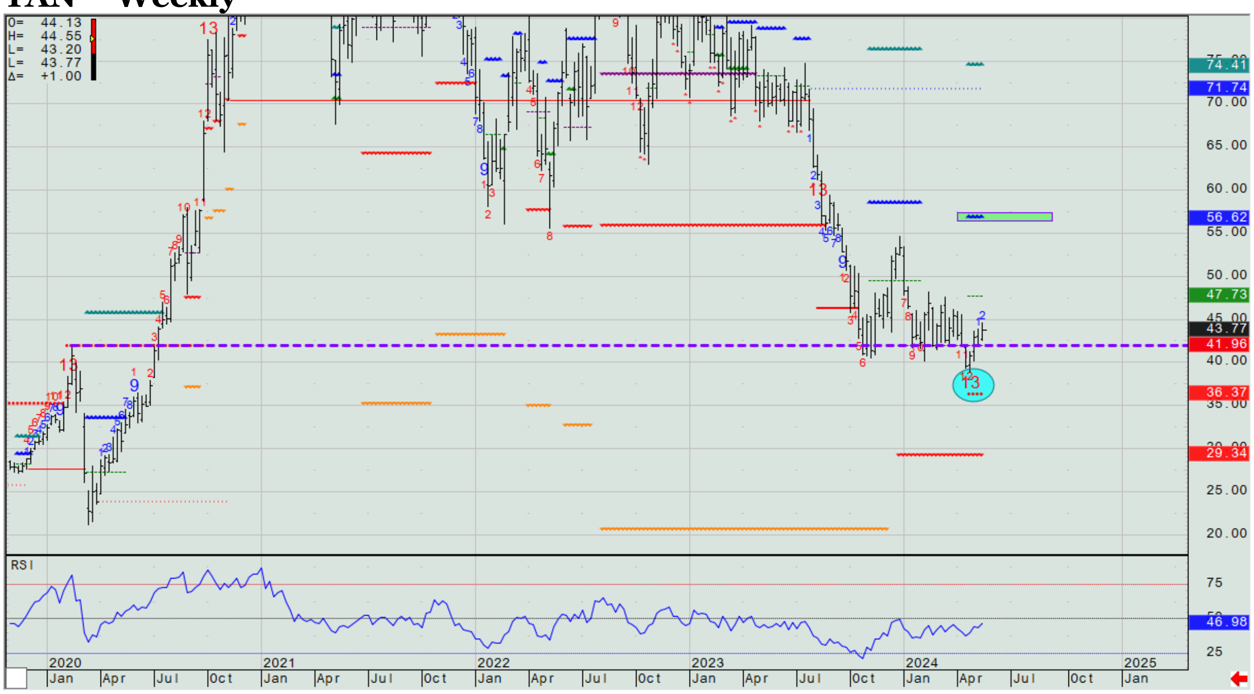
SPX – Weekly



New ETF Trade Idea

Solar names have been crushed the past few names, and collectively, one of the most prominent ETFs in that area – the PowerShares Solar Portfolio (TAN) has lost as much as 73% off its secular peak in 2021. We see that the April low marked a weekly Sequential -13 count, and that price is now back above the dashed horizontal dashed purple-colored line that marked the early peak in 2020 before the Covid decline.

TAN – Weekly



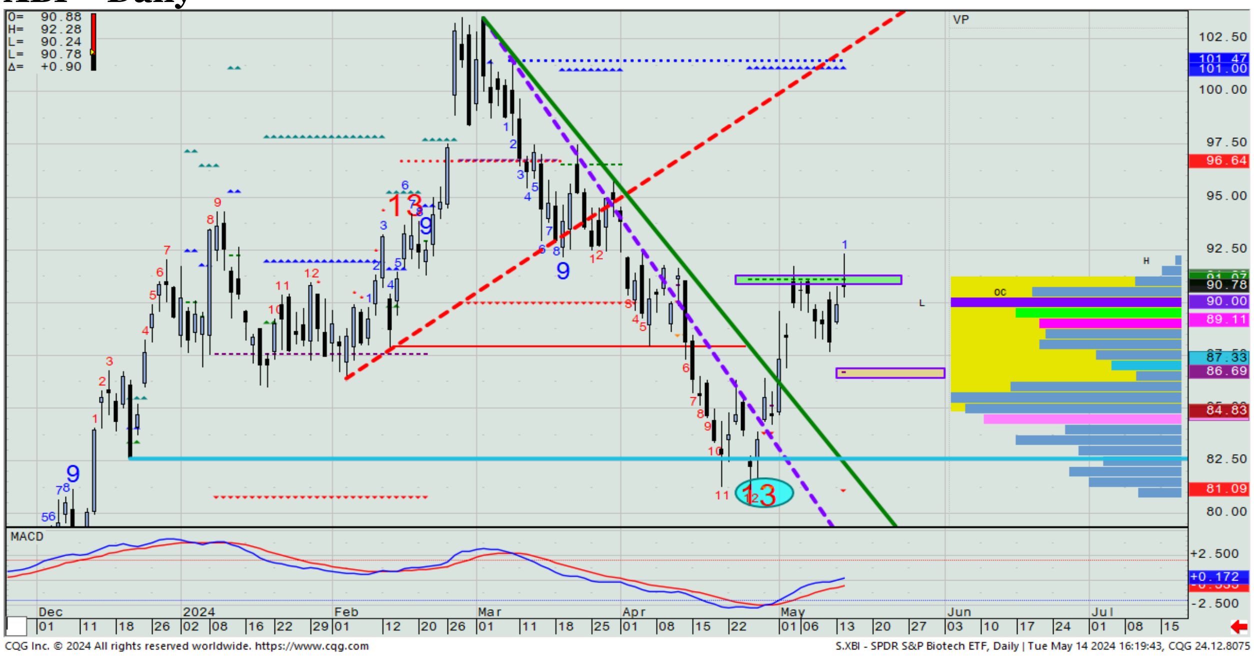
Put these all together, and I can make the case that we want to be long this ETF for a measured move up to the $56.62 area. We'll risk down to a new 2024 low, so I'll let you determine if you want to do a one-unit trade or something smaller.

Other Open Recommendations and Positions

Long XBI

We are now looking to get long on a pullback to the $87 to $86.50 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 $84.70.

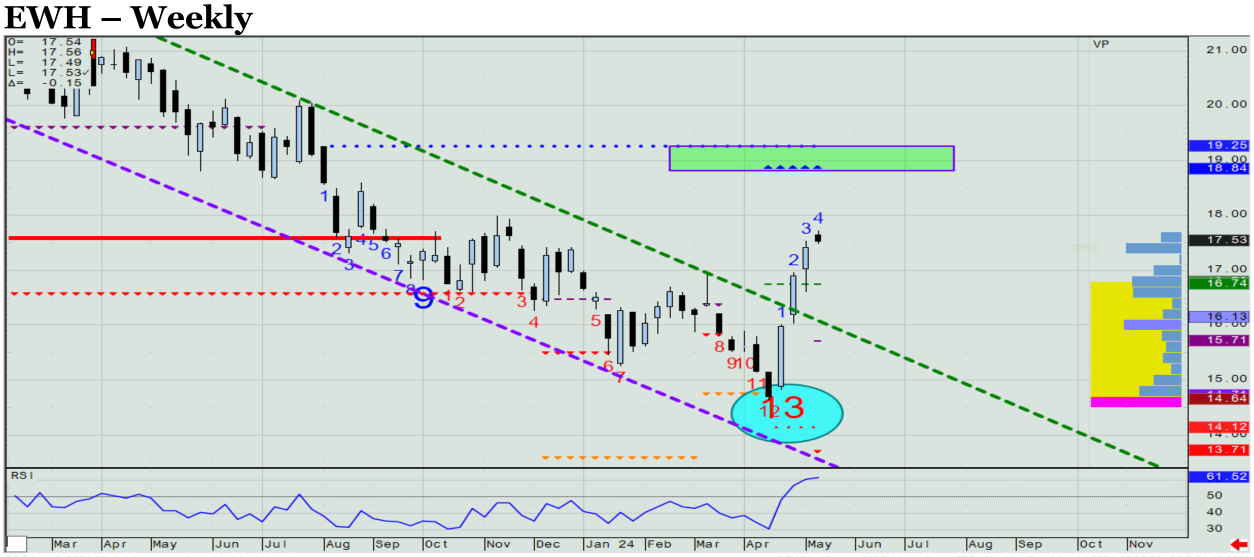
XBI – Daily



Long EWH

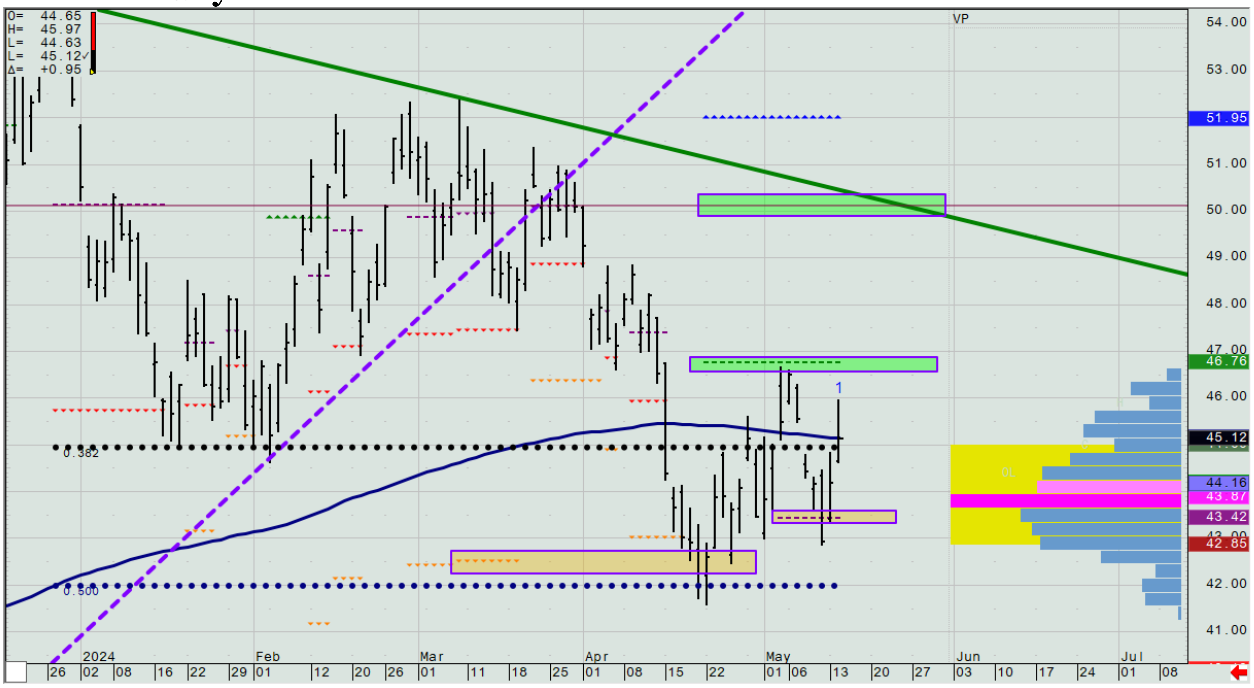
Two Fridays ago, we got long ¾-unit (avg. entry price $16.89), and are still looking to get long another ¾-unit on a pullback to what I'll now call the $16.15 to $16.05 range. I'm targeting the $18.84 to $19.25 range to scale out of the trade. A new sell-stop is to exit on consecutive down closes under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

EWH – Weekly



Long ARKK
Three 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. The sell-stop was a daily close under $43.42. That happened on Friday, which unfortunately, marked the low after a gap higher on Monday; we lost 1.33%. Though I'm not making this an official new trade, the price action suggests you want to be long.

ARKK – 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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