I'm Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

<u>The Macro Picture</u>

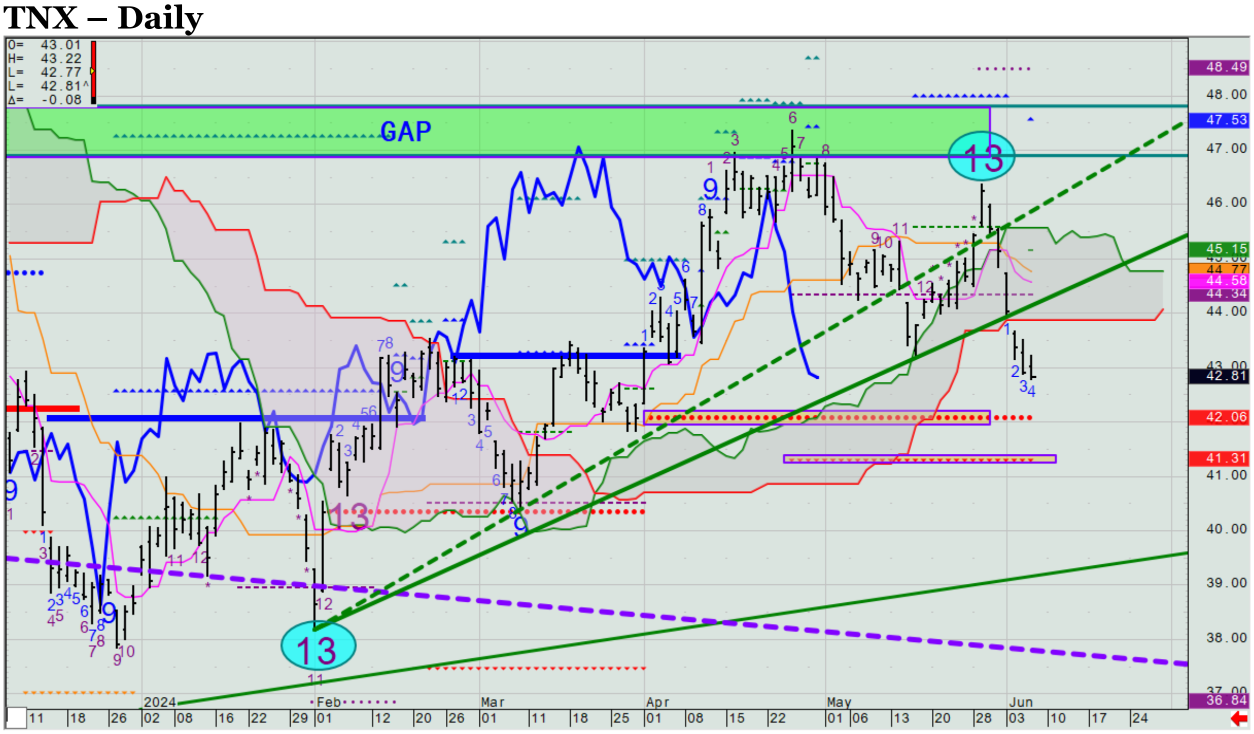
If we look at the two biggest reasons that stocks made new all-time highs again this past week – right up through yesterday – I'd say it was the combo of NVDA taking another leg up to now be the second biggest capitalized stock there is, and the fact that UST 10-yr. rates fell 27 bps. since last week's TTR issue. Yesterday, the ECB lowered rates by 25 bps. for the first time since 2019 – following the Bank of Canada having done the same on Wednesday. That doesn't mean our Fed will shortly do the same the same, but it does convince me that Jay Powell and Co. will <u>not</u> be raising rates this year (and depending upon how much the front of the yield curve falls, as well as what the shape of the curve is, do these two central banks' moves up the odds that we see a cut in '24)?

Let's look at the major asset classes' charts and how they may impact stocks going forward:

<u>US RATES</u>

Bond yields fell right from the 4.55% to 4.65% I had stated as not only an area I want to be a bond buyer in, but that it was probably the last rally to be able to buy into before rates fall to what I have a trading target to 4.21% to 4.13% over the summer.

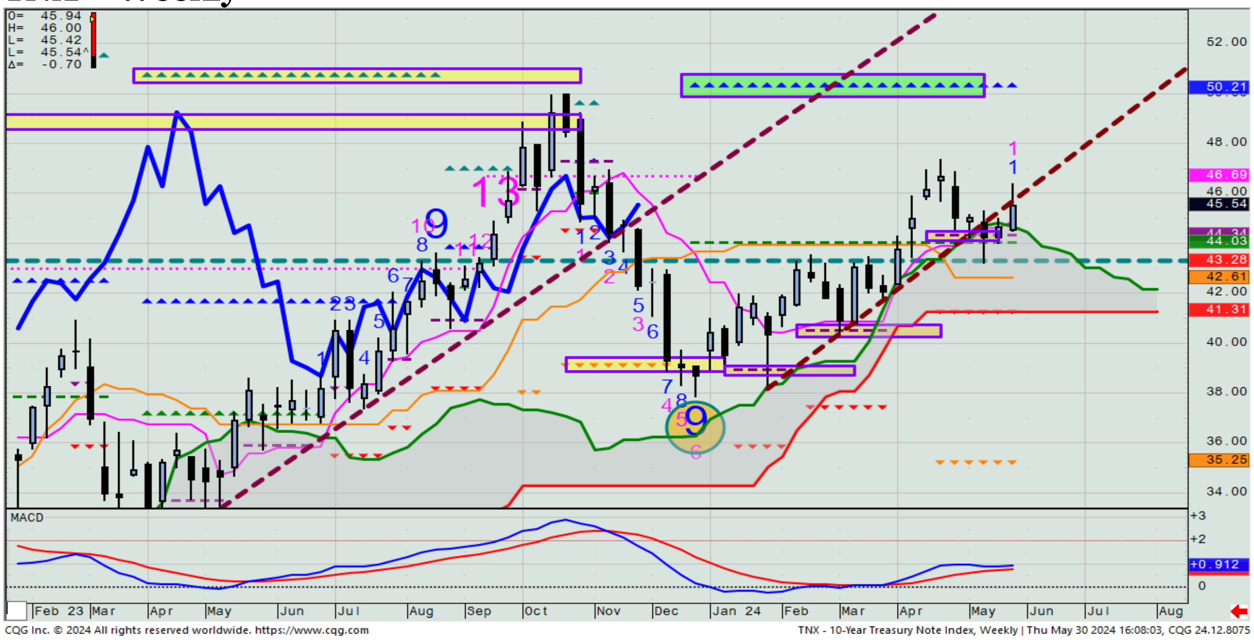
TNX – Daily



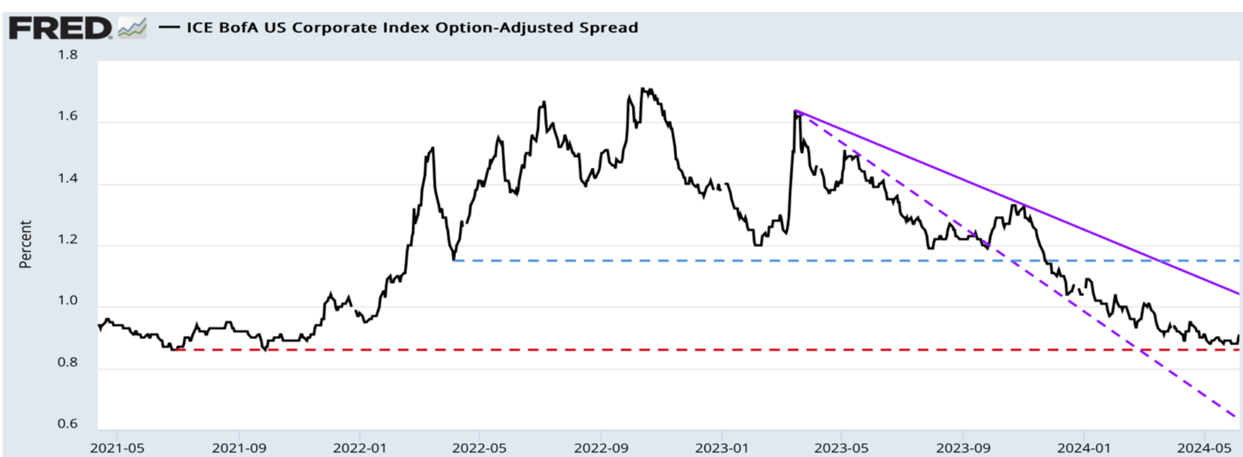
TNX - 10-Year Treasury Note Index, Daily | Thu Jun 06 2024 16:34:44, CQG 24.12.8075

If we look as the 2023 high at 5% and the move to the December low at 3.79% (a total of 121 bps.), and take the same 121 bps. away from the May high of 4.64%, I come up with a bigger downside target of 3.43%. That's just 10 bps. beneath the weekly bearish Propulsion Full Exhaustion level, and that, dearest readers, is what I'm playing for with my own long bond positions. The only major number I see in between is 4.13%, which is both the bottom of the weekly cloud over the summer as well as the bearish Propulsion Exhaustion level.

TNX – Weekly

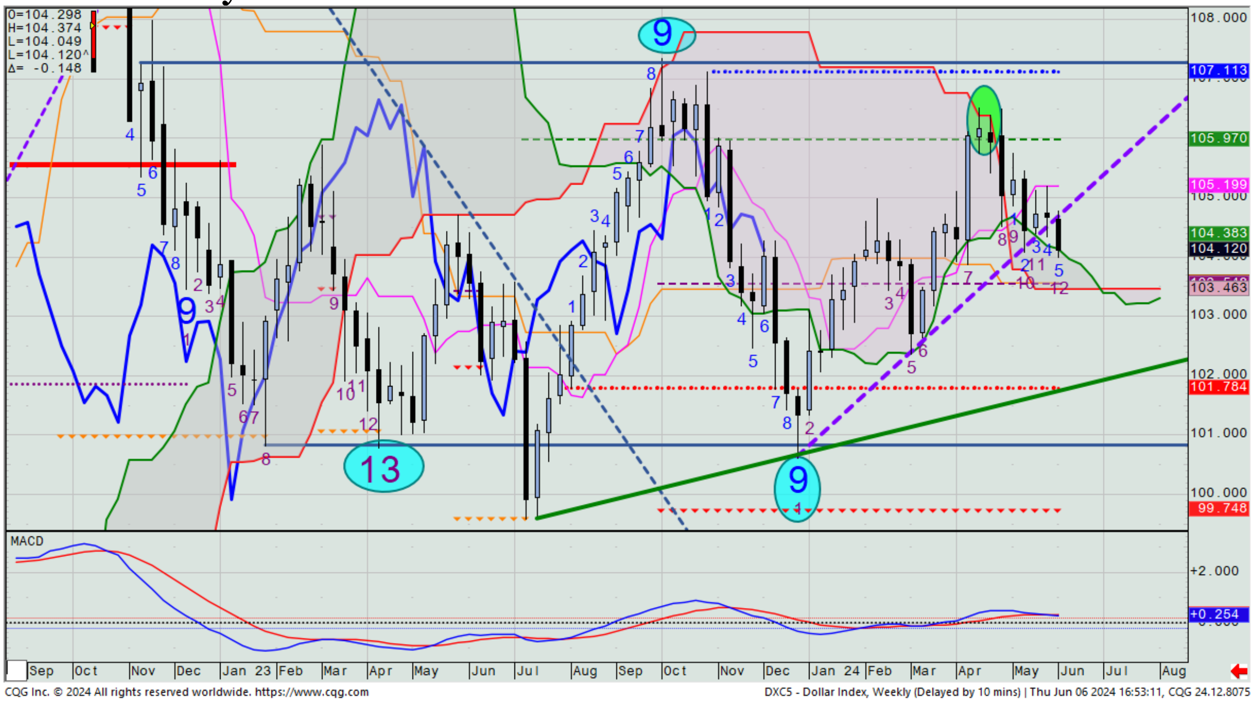


Investment grade corporate credit spreads, my preferred credit spread index, are at 91 bps., up 3 bps. since last week, but they remain with a cycle low of 88 bps. (which is just 2 bps. above the all-time low of 0.86%). The larger head-and-shoulders top still has a measured move to something near 0.70%, but the inability to make new all-time lows must be noted. I can't make a case that the spreads are yet showing any stress in the system, but without making new all-time lows, and then staying beneath 0.86%, I'd not be aggressively looking for this to narrow here and now, either.



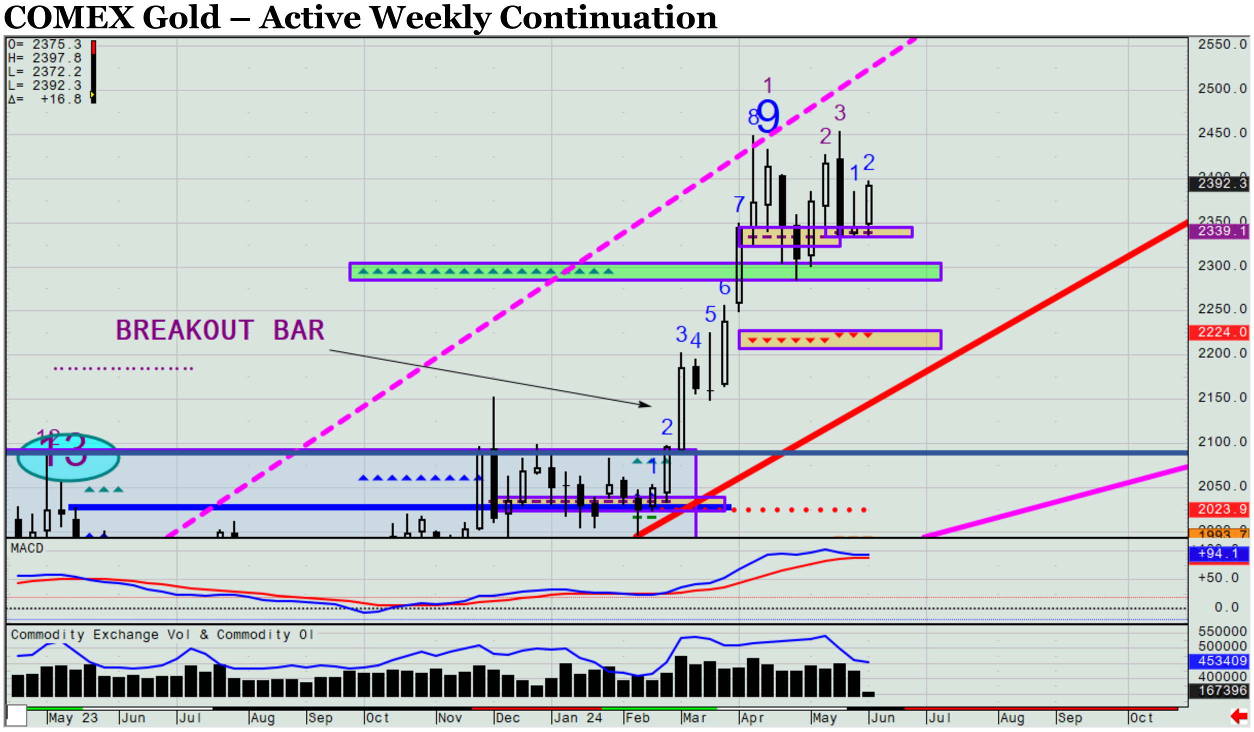
THE DOLLAR: The US Dollar Index's (DXY) topped seven weeks ago at its weekly cloud top (see neon green circle), and subsequently declined to now poke beneath the uptrend line from the late-December low. I've made it clear to you that I think the dollar will continue to follow rates, which in general, to me, means they're both heading lower over the summer. (Do note that this is showing a weekly -12 now, meaning that next week could easily mark a -13. But until the current bearish Setup count also would get nullified, I'd not likely be buying next week's probable -13.)

DXY – Weekly



COMMODITIES: Gold bounced from support near $2334 and now the past two weeks from that slightly upped level of $2339. It continues to consolidate its significant gains. I still do like gold for the long-term, but even the monthly chart (not shown) made a +13 signal in April and is on a Setup +9 for May, suggesting that a summer peak may be in order – and first buying gold now comes with much higher than normal risk for drawdown.

COMEX Gold – Active Weekly Continuation



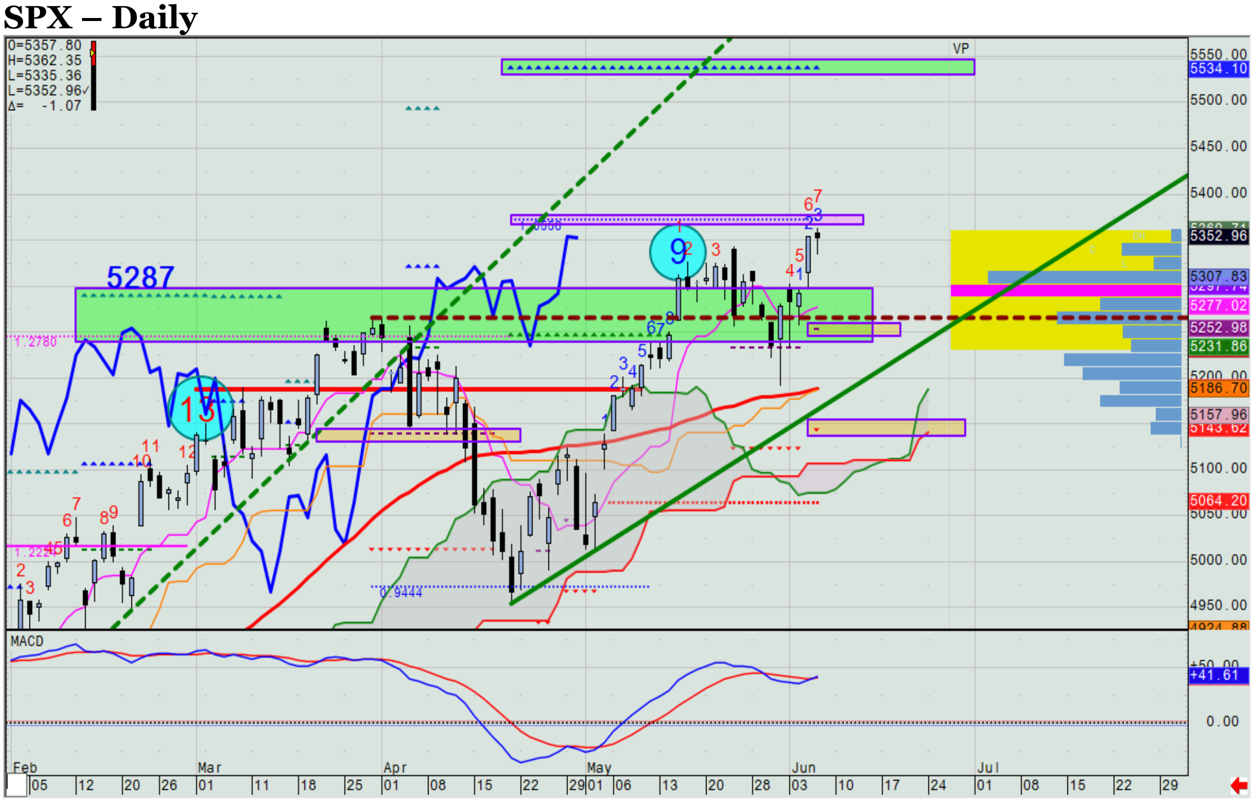
WTI Crude broke own earlier this week, though it bounced yesterday. I'm more bearish than bullish, especially as open interest hasn't materially fallen – even though there appears to be many trapped longs from Mideast tension buyers the past couple of months.

WTI Crude Oil – Active Weekly Continuation

CLA - Crude Light - Combined, Active Weekly Continuation (Delayed by 10 mins) | Thu Jun 06 2024 16:59:31, CQG 24.12.8075

EQUITY INDEXES: The SPX has pushed to new highs, really fueled by NVDA taking off again. But even though the Mag 7 represent a whopping 30% of the index, when I look at the MAGS ETF chart, I still see another 8% or so until its next measured target.

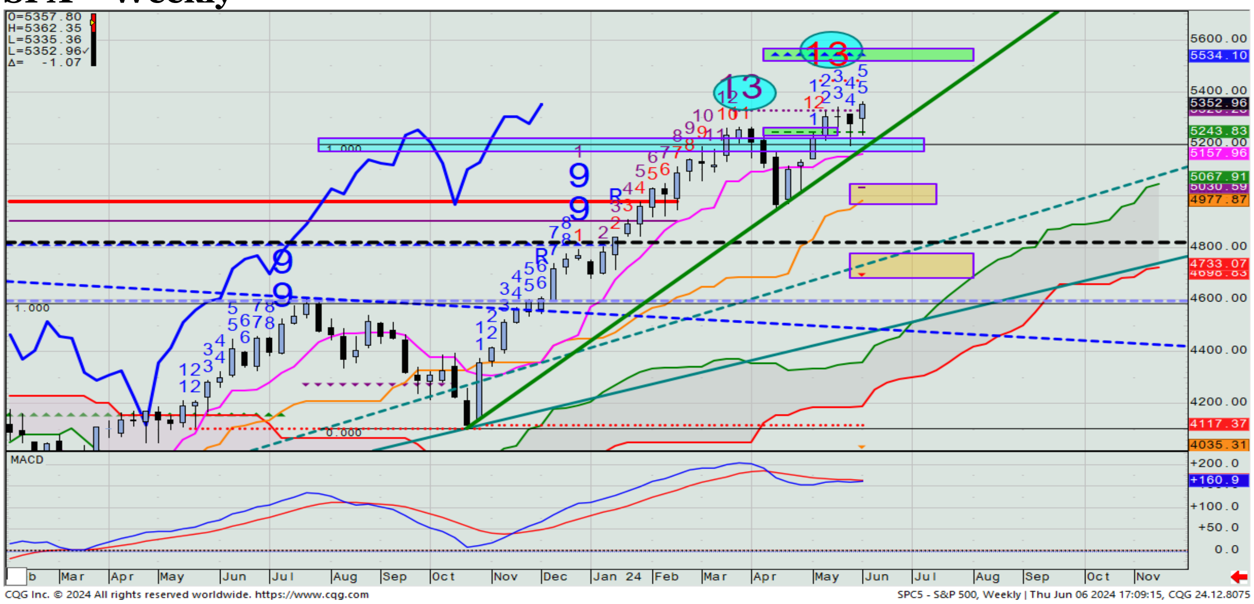
SPX – Daily



SPC5 - S&P 500, Daily | Thu Jun 06 2024 17:07:13, CQG 24.12.8075

The weekly bearish Propulsion Momentum level has moved up to 5010. Absent a break of that number on a Friday close, the overall bigger bull scenario remains. However, the weekly chart has also recently posted a standard Sequential +13 count (the most watched of all the +13 signals), which means that there will be a slew of PMs who will be willing to find reasons to lighten exposure. If I'm right that rates will not make a whole new leg higher, then a potential decline in them will likely keep stocks from their own material decline. But with a possible negative divergence made along with the +13 that came in when the initial +13 hit its Risk level, I'd not be buying many stocks right now.

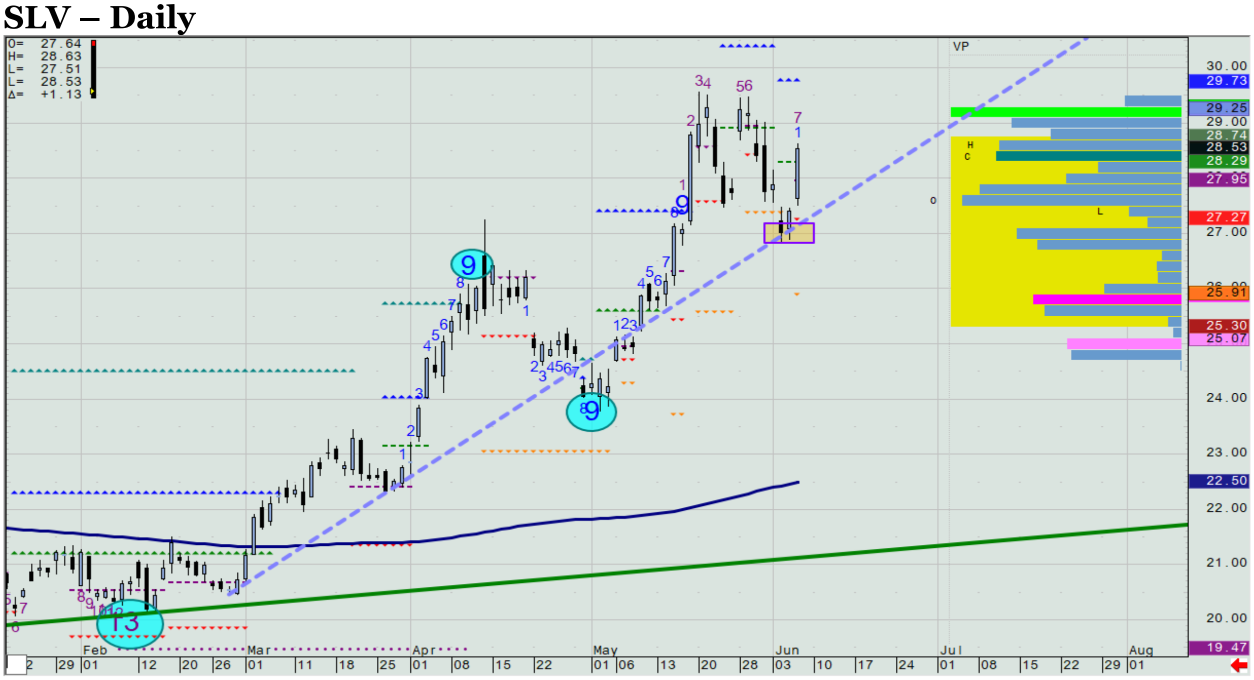
SPX – Weekly



New ETF Trade Idea

Let's again take a look at the silver market, via the **iShares Silver Trust ETF (SLV)**. Earlier this week it made a new two-week low, only to find support at what had been a previously broken uptrend line.

SLV – Daily



Let's look to get long today, and play for this to reach an Aggressive Sequential +13 to exit. (That will come in a minimum of another 6 to 8 trading sessions including today's.) If there is a big gap up or down today because of the job report, you may want to cut your size trade in half.

Other Open Recommendations and Positions

Long BIV
My recommendation was to buy this intermediate term corporate bond fund on a new Setup +1 day, which took place last Friday; we were filled on the close at $74.40. The initial target is at $76.12 +/- 10 cents. (In reading over last week's report now, I realize that I didn't mention to up your size on this idea, as I almost always do on fixed income trades. I'll treat this like it is but a standard one-unit trade, but hopefully you bought more than that more typical equity sized trade.) For now, I'll mark our sell-stop as what was our breakeven entry.

BIV – Daily

Long EWH
We're long ¾-unit (avg. entry price $16.89). Unfortunately, we got stopped out last Friday at $16.72. We lost 1.01%. However, I'd come right back in again today and stop out under the Setup -9 day's low of $16.56. The target remains right near $76.12.

EWH – 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.

Disclaimer