I'm Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

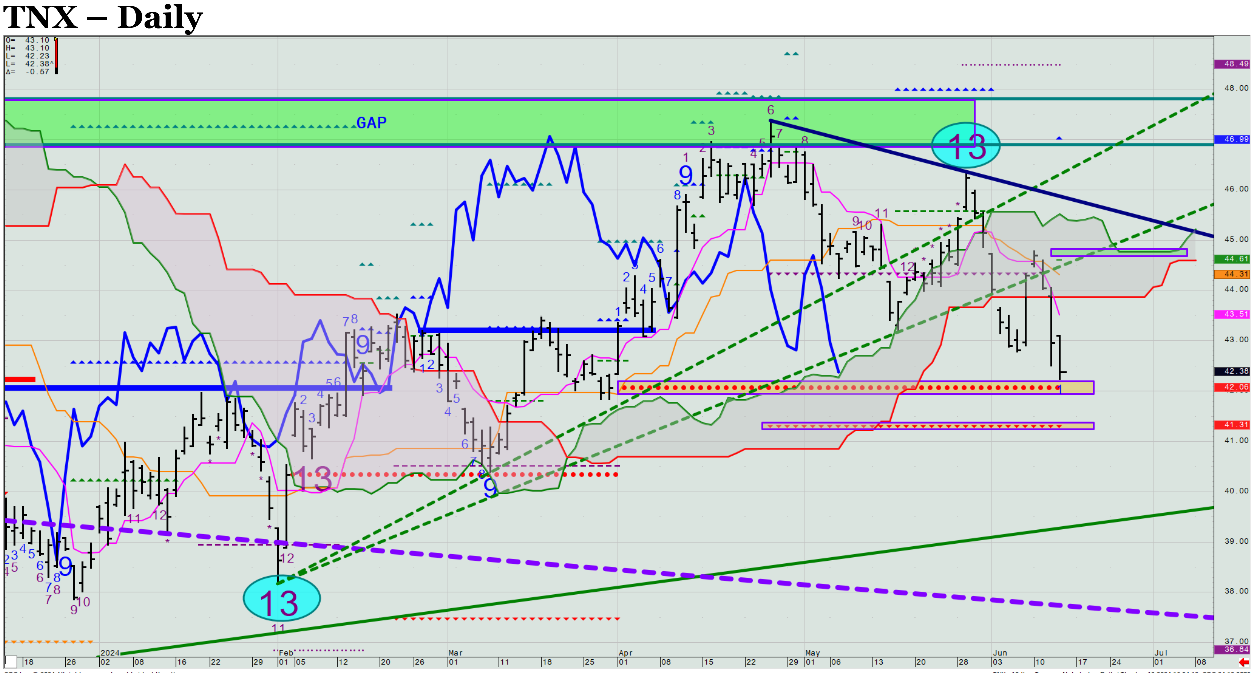
Better-than-expected CPI and PPI figures gave stocks a boost this week, and with rates also having quickly rallied and then fallen to new two-month lows, stocks enter today at a very interesting position of being right by all-time highs, but also on the heels of some decent resistance in both time and price terms.

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

US RATES

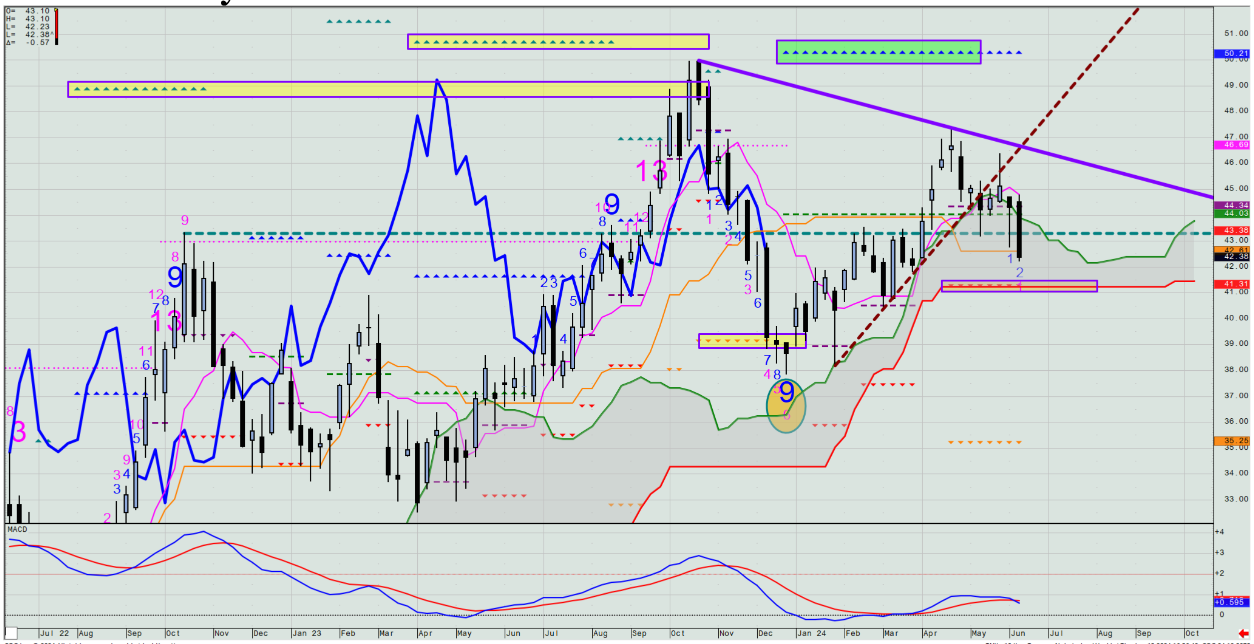
Bond bottomed last Thursday to make a quick move up earlier this week to resistance at where both the daily Conversion and Base lines were, to then make a large drop after Wednesday's CPI figure. That brings them within striking distance of two downside tactical targets of 4.21% and 4.13% (highlighted in orange rectangles on the below chart).

TNX – Daily



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 what I'm playing for with my own long bond positions. If we get down there, I'd likely exit ALL bond exposure in all accounts, as I think that rates are heading higher over the next 5-10 years.

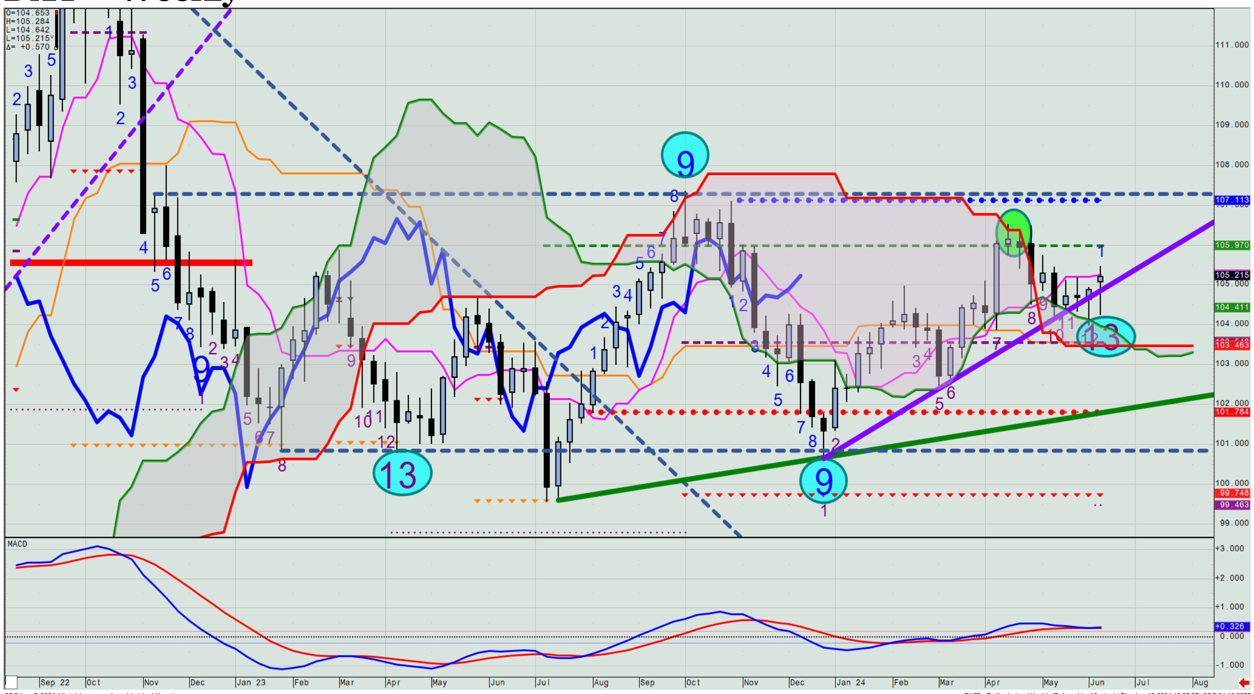
TNX – Weekly



Investment grade corporate credit spreads, my preferred credit spread index, are at 90 bps., down a single bp. 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 first now be putting that idea on, either.

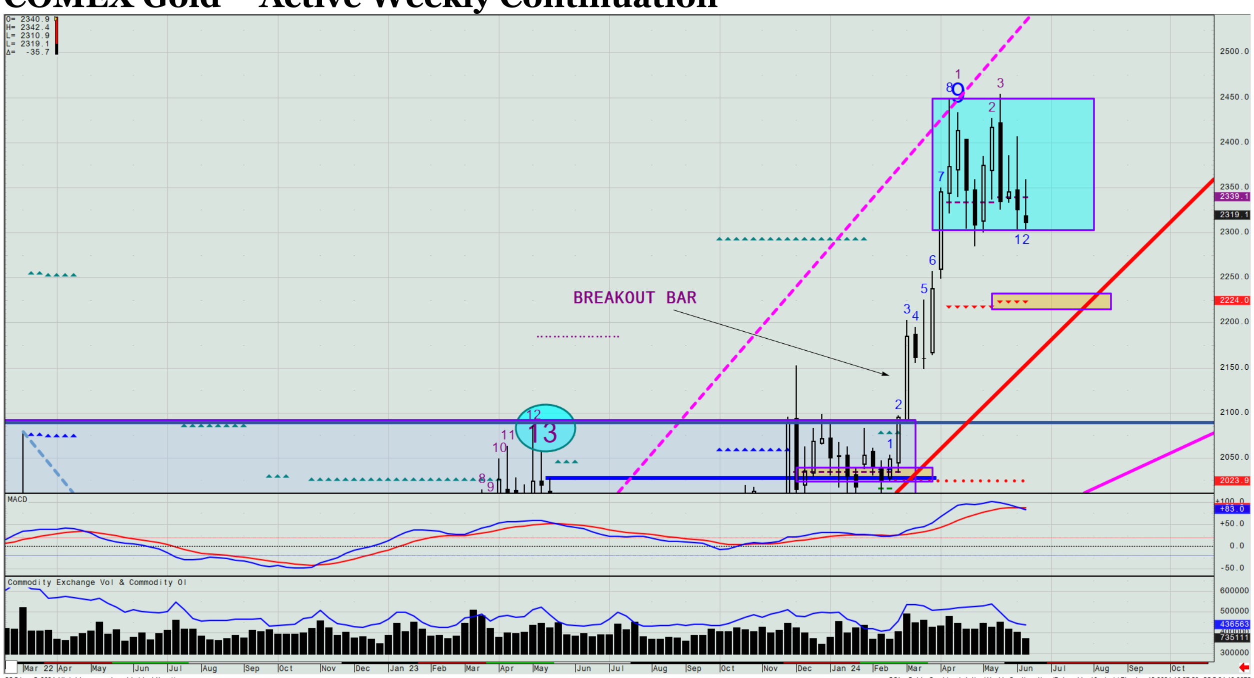
THE DOLLAR: The US Dollar Index's (DXY) topped eight weeks ago at its weekly cloud top (see neon green circle), and subsequently declined to intra-week poke beneath the uptrend line from the late-December low. Today is potentially the third week in a row that the "poke" was nothing more than that, as the Friday closes were above that line. Moreover, this week also marked a new Aggressive Sequential -13 count, which potentially is an early warning signal that the dollar may not fall – even if rates do. I'm not throwing in the towel on my call that they will generally move in the same direction, but this is something that could alter it going forward.

DXY – Weekly



COMMODITIES: Gold is back down to the bottom end of its recent trading range. A break targets #2224, which depending upon how long it takes to get there, also may line up with the uptrend line. I personally sold some of my GLD ETF holdings on the test of the high a month ago. I've put some back on about 5% lower from where I sold, and I'd likely put the balance back into play by that Propulsion Exhaustion level in the orange rectangle.

COMEX Gold – Active Weekly Continuation

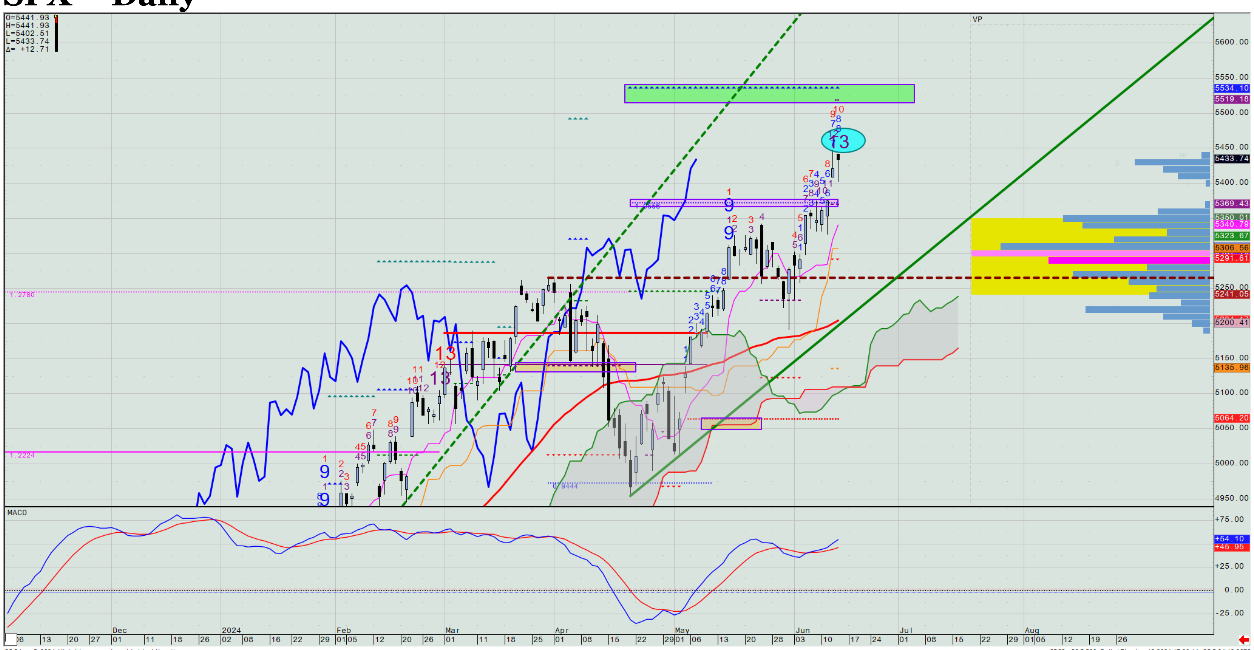


WTI Oil is on a weekly Setup -7 count towards a -9, but has found support at its TDST line and 200-WMA. I'm not doing anything in it right now, and have minimal exposure to the related oil names in my own account, too.

WTI Crude Oil – Active Weekly Continuation

EQUITY INDEXES: Mega-cap names continue to push the SPX higher, especially helped this past week with AAPL flying to new highs for the first time all year. NVDA's price split has not brought in "sell the news" folk, and the stock is already bouncing nicely since the 10:1 split went into effect on Monday this week.

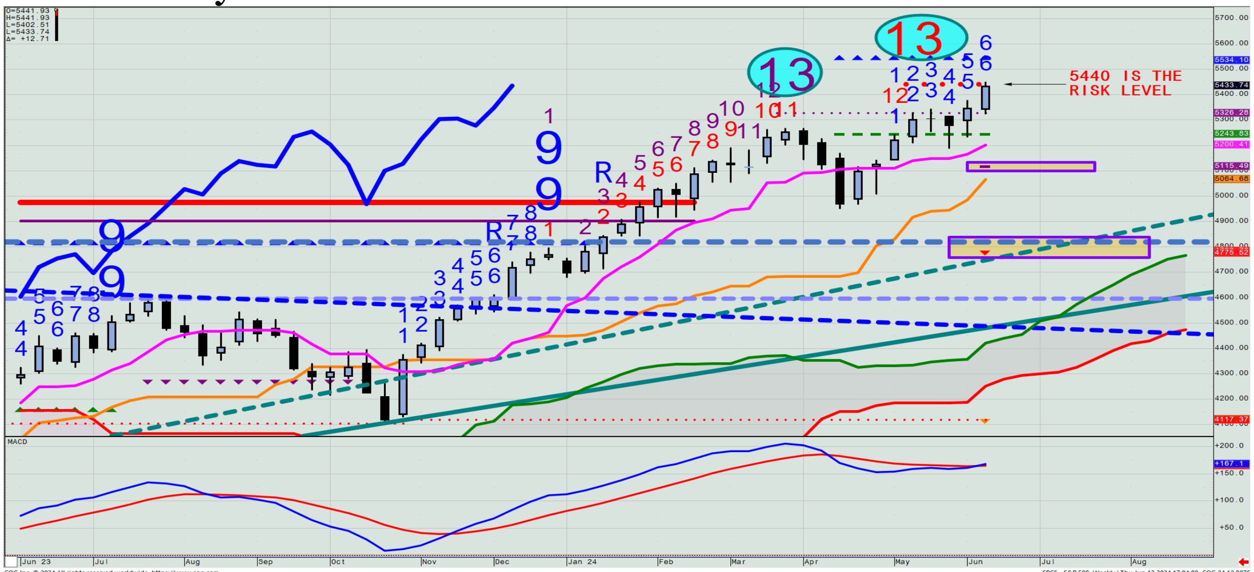
SPX – Daily



But what does concern me as we shortly head into summer are some upside exhaustion signals and targets nearby, at the same time that the daily chart could get its newest timing signals for a potential trading top. (Also, the SPY and SPX don't similarly line up, making it less convincing to know to what degree one might want to do some selling.)

Underneath prices, the weekly bearish Propulsion Momentum level has moved up to 5015. Absent a break of that number on a Friday close, the overall bigger bull scenario remains. It's also very possible that leadership stays with the mega-cap Mag 7 type names, and that many other stocks simply don't come close to performing along with the benchmark index returns.

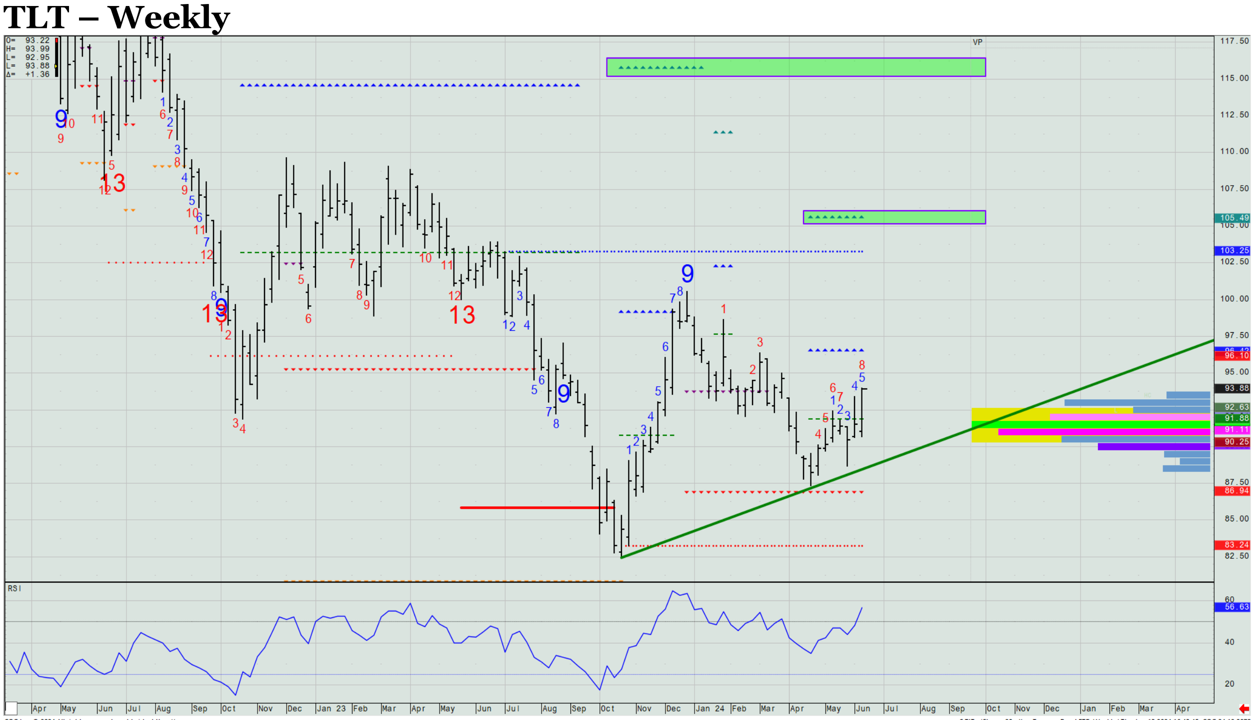
SPX – Weekly



New ETF Trade Idea

As we unfortunately got stopped out of our bullish bond position in BIV on last Friday's big move up in rates, let's look to replace a long bond position with that of the very actively traded **iShares 20yr. US Treasury ETF (TLT)**. Below is the weekly chart, which a few weeks ago bounced near its uptrend line. (That was the equivalent of when I turned bullish the UST 10-yr bond at the 4.59% area.)

TLT – Weekly



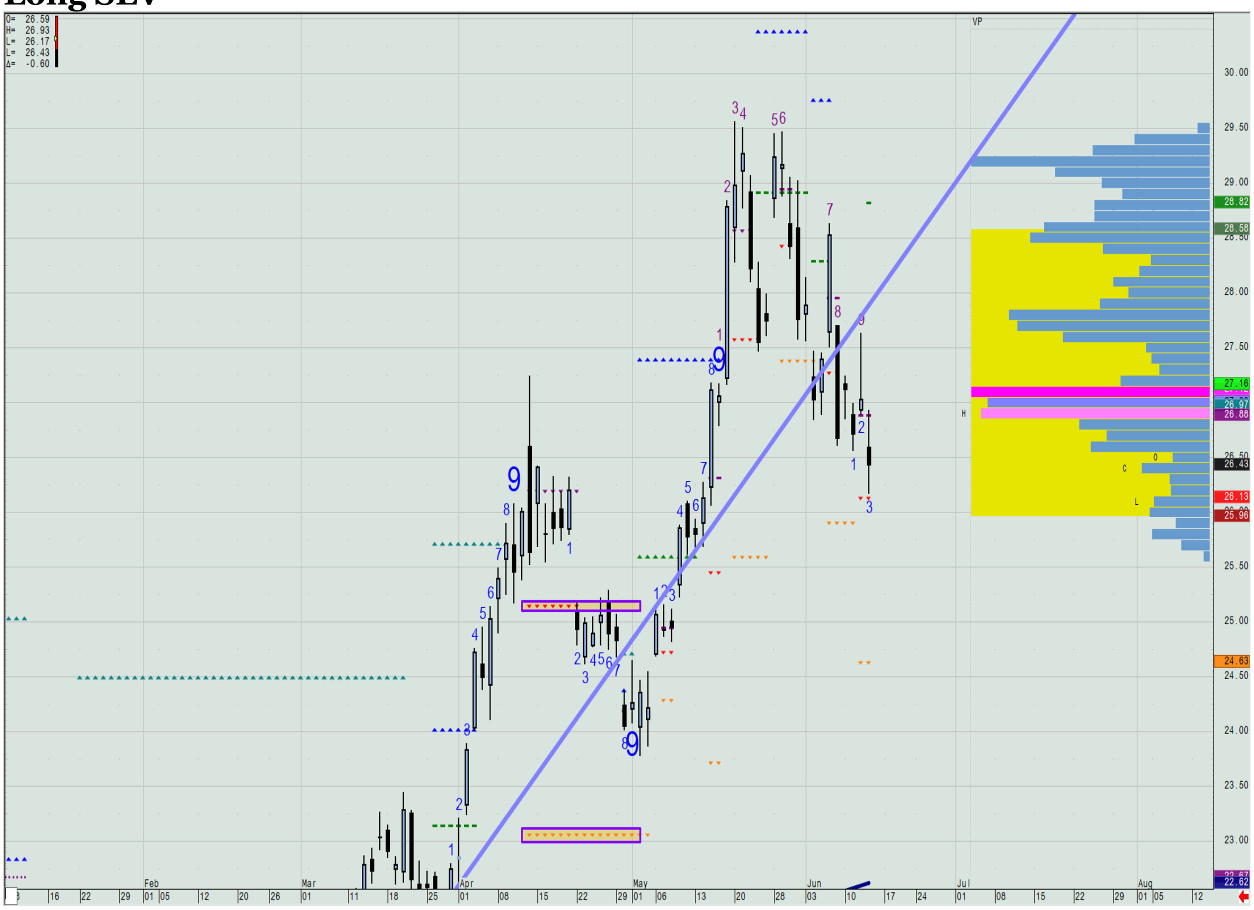
As we need to risk down to near $88 (~7% from here) on this (until it further breaks out upside and I can adjust the sell-stop), we'll need look for a payday of double that, which works out well considering the first of two bigger upside targets we'll play for is in the $105 to $106 zone. (It's the current weekly Propulsion Full Exhaustion target.) In a bigger move up (i.e., major move down in rates), I'd look for a move that targets that same Prop. Full Exhaustion target, but from the October low, which measures to $115.66.

Other Open Recommendations and Positions

Long SLV

Last week's idea was to get long silver, but I caveated the recommendation by saying if the ETF had a large gap on Friday's open, to cut the size in half. (I realize that I didn't include a sell-stop – surely an oversight.) I hope that you only bought half, if any, on the large gap down, and that you exited by the close with what was a new low close and beneath the ones made just days before that. I apologize for the missed sell-stop, but hopefully by now you know that I would have stopped it out under last Tuesday's low. I'll chalk this up as a loss of 1.80%, but only 90 bps. on an equal 1-unit trade basis.

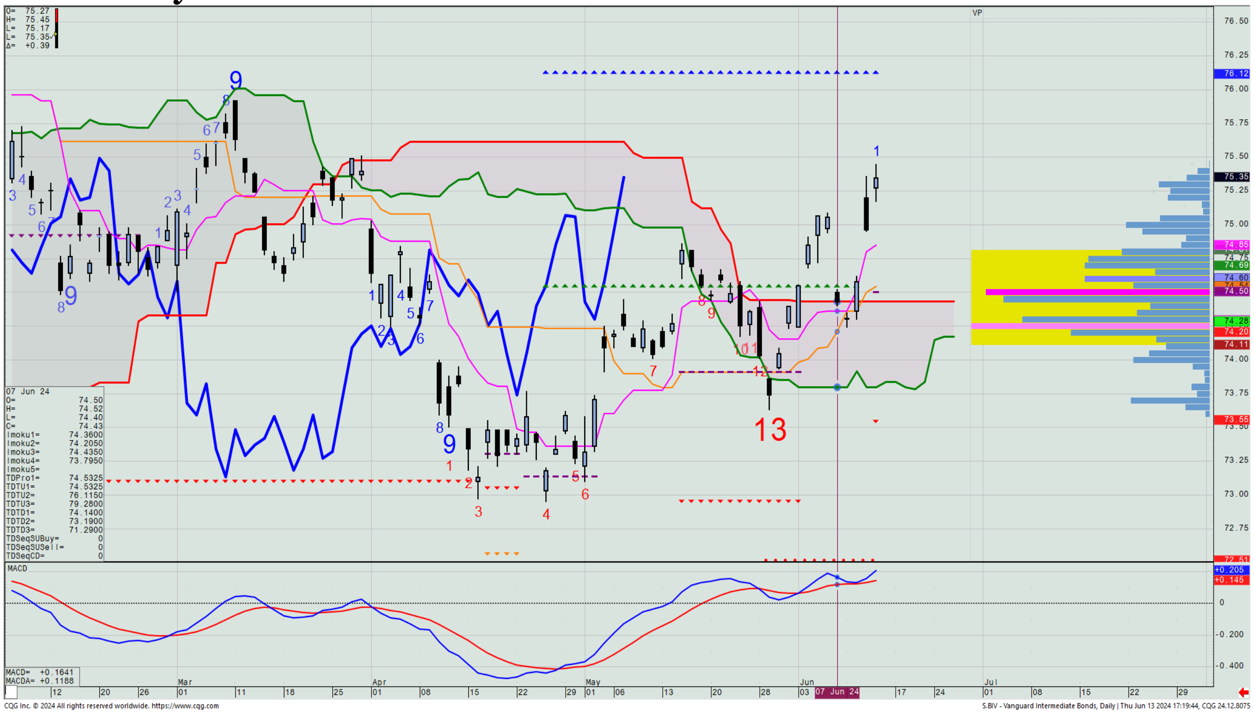
Long SLV



Long BIV

Two Fridays ago, we went long at $74.40. The initial target was at $76.12 +/- 10 cents. I had our sell-stop as breakeven entry, which was hit on last Friday's large gap down. We scratched the trade. (Bummer.)

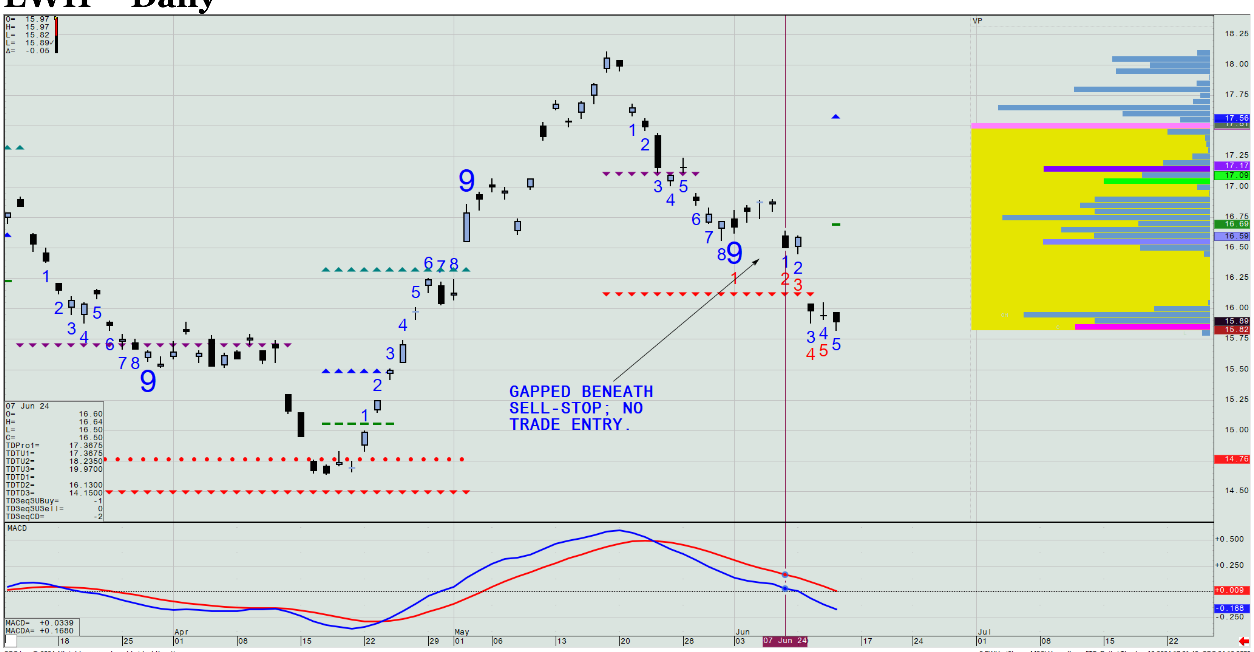
BIV – Daily



Long EWH

Last Friday we would have bought this, but it gapped down beneath our stop out level so there was no trade to put on.

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