I'm Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

This past week was dominated by some large declines the biggest 2024 leaders: NVDA fell some 16% and SMCI fell about 20%. That would typically put investors on significant edge, but no, they seem hardly concerned. They chalked it up to a much needed tactical decline, and they barely seem to have blinked. US benchmark rates also moved up this week, with 10-yr. rates having held the key support zone of 4.21% to 4.13%. (More below on them.) And the Japanese yen made an over 30-yr. low vs. the US Dollar – making it an incredibly cheap place for Americans to visit.

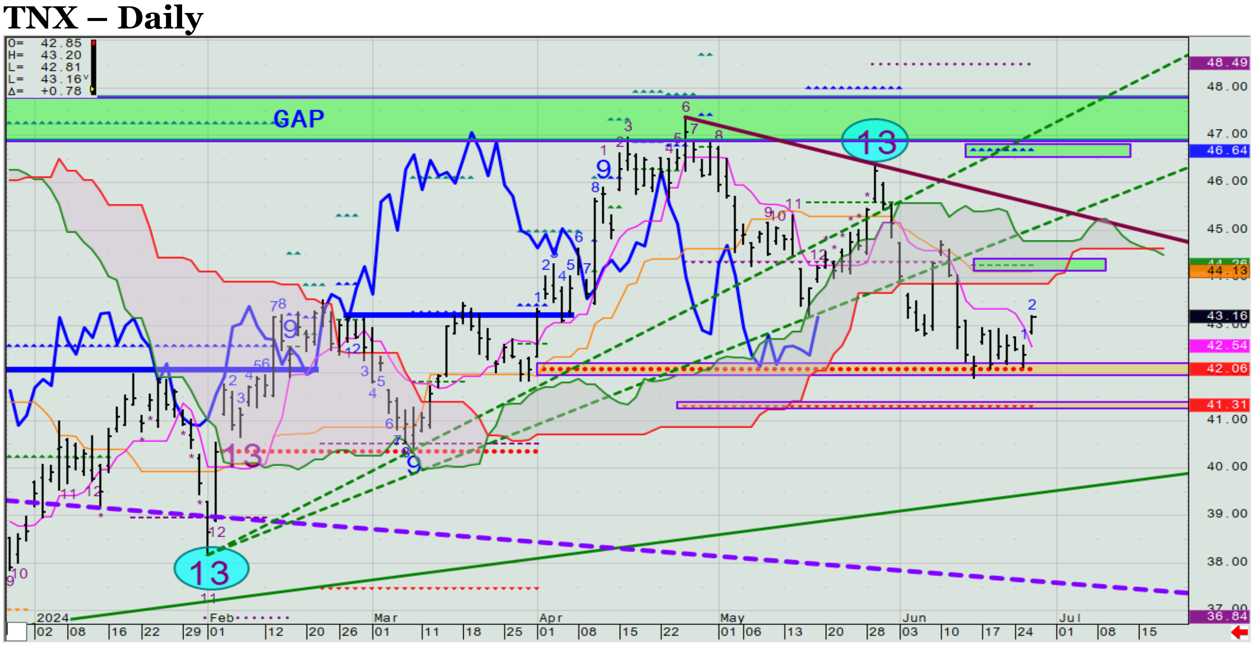
Last week I told you that I'm in the camp that the market can get some type of pullback over the summer, such that I personally bought a bunch of SPY put spreads last week. (I am looking to take off about 25% of them with a 25% profit, just to make back some of the premium laid out.

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

US RATES

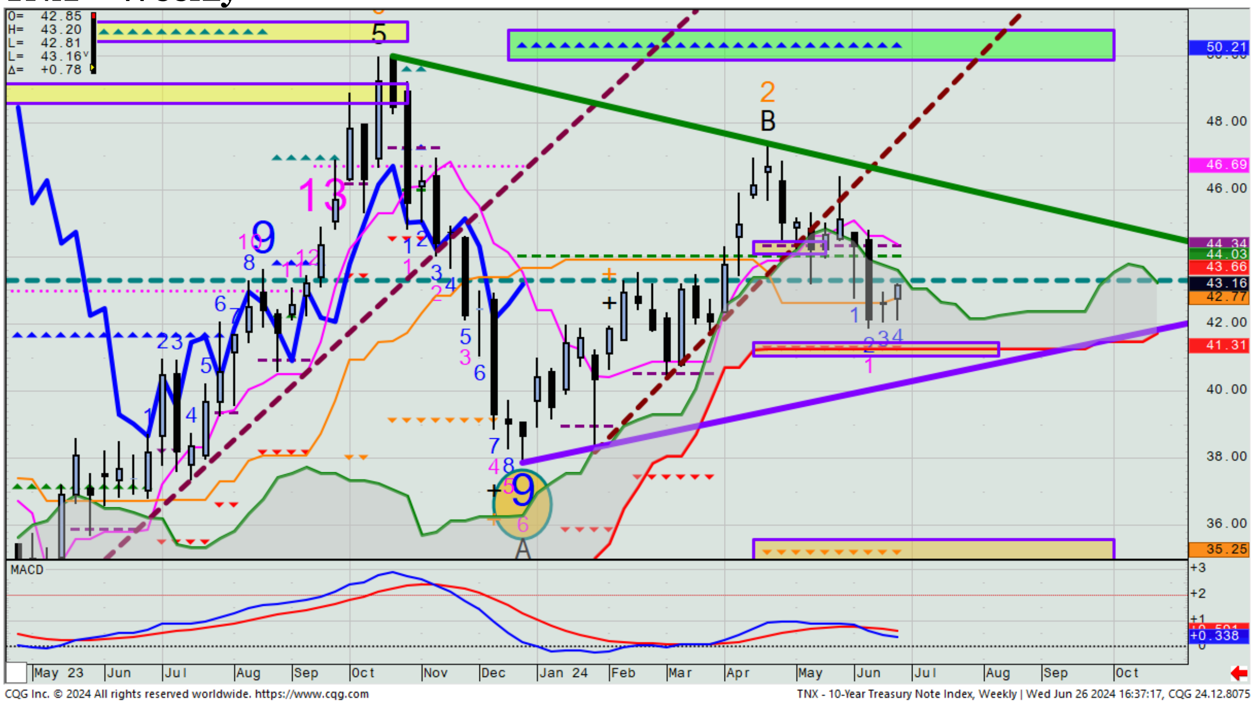
I announced my bond bullishness precisely at the low price of the year, and then again, a month later on the last move down in price. The trading targets from those calls have been met, with the latter one having me aim for rates to fall to the 4.21% to 4.13% zone.

TNX – Daily

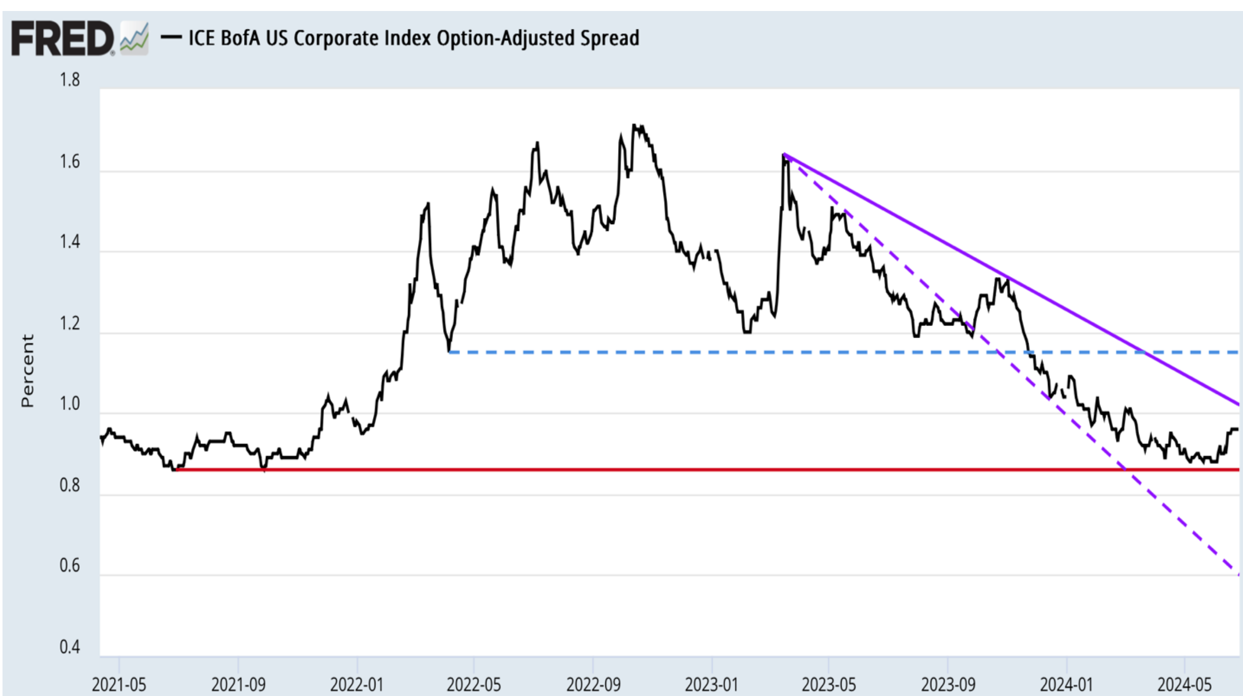


As of now, the low has been 4.19%, but yesterday's large upswing puts them at 4.32%. The key daily chart resistance is now from 4.43% to 4.53%. Using the below weekly chart, if the 5% high remains the secular high, then an A-B-C corrective move down measures to 3.53%.

TNX – Weekly

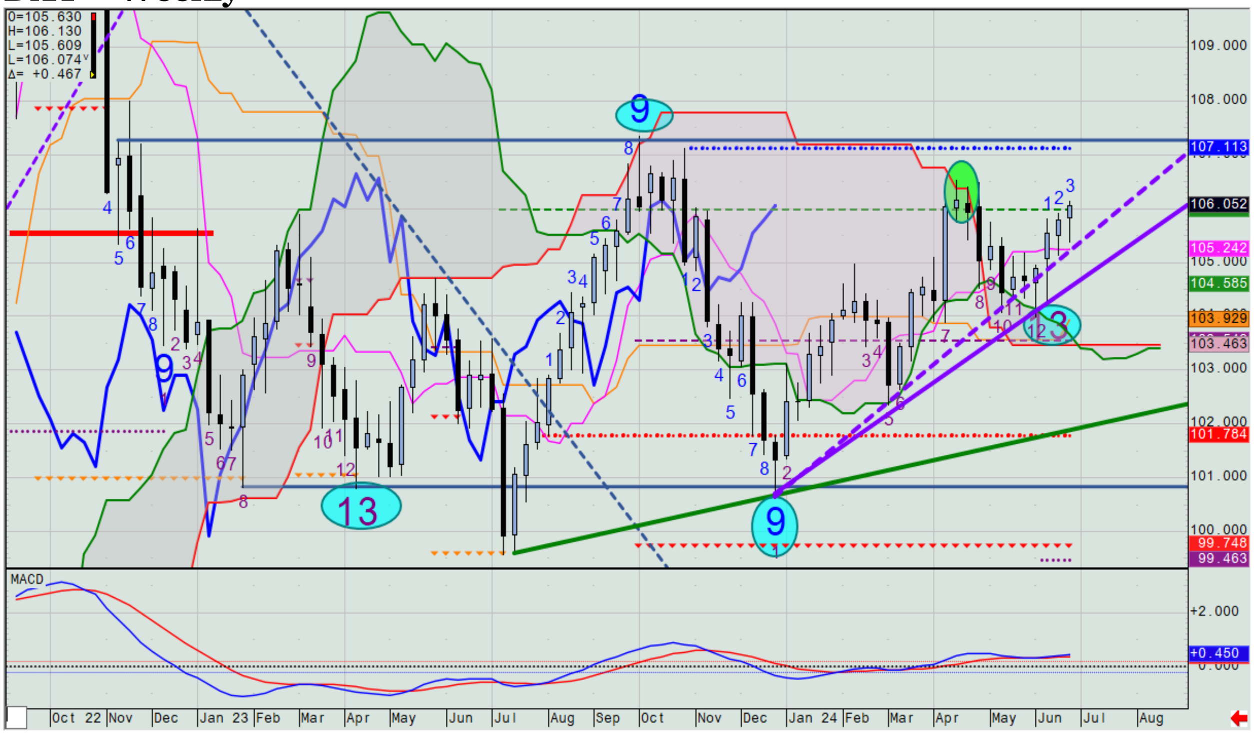


Investment grade corporate credit spreads, my preferred credit spread index, are still at 96 bps., unchanged since last week. The larger head-and-shoulders top still has a measured move to something near 0.70%, but for weeks I'd noted the inability to make new all-time lows beneath 86 bps., was a warning not to have been aggressively putting new narrower spreads on down there. Right now, it looks like spreads will widen to reach the downtrend line, with a secondary target at the dotted horizontal light blue line near 1.15%.



THE DOLLAR: The US Dollar Index's (DXY) topped ten weeks ago; sold off; and then two weeks ago marked a new Aggressive Sequential -13 count, which potentially is an early warning signal that the dollar may not fall – even if rates ultimately do. For now, both held support and are inching upward, but the dollar is doing the quicker crawling.

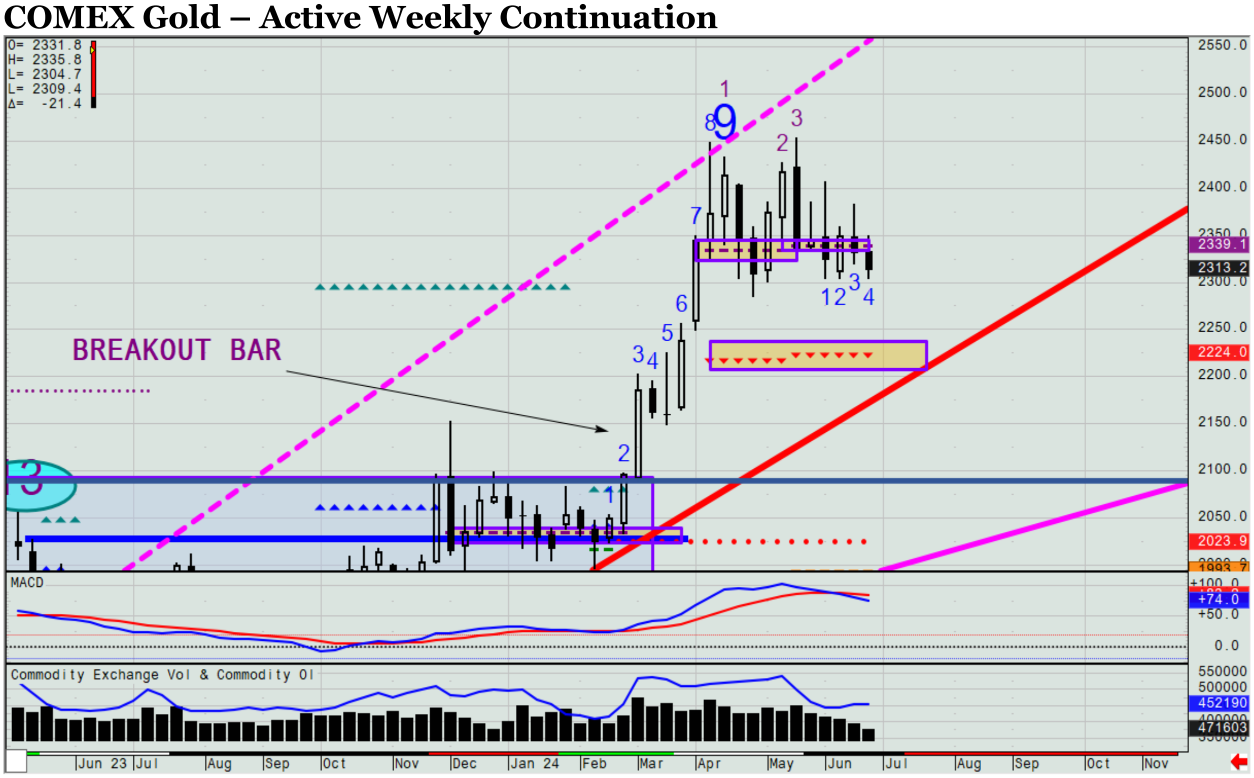
DXY – Weekly



DXC5 - Dollar Index, Weekly (Delayed by 10 mins) | Wed Jun 26 2024 16:37:55, CQG 24.12.8075

COMMODITIES: Gold continues to consolidate for a few months already. A break targets $2224, which depending upon how long it takes to get there, also may line up with the uptrend line. Continued dollar strength will not be a help for the yellow metal.

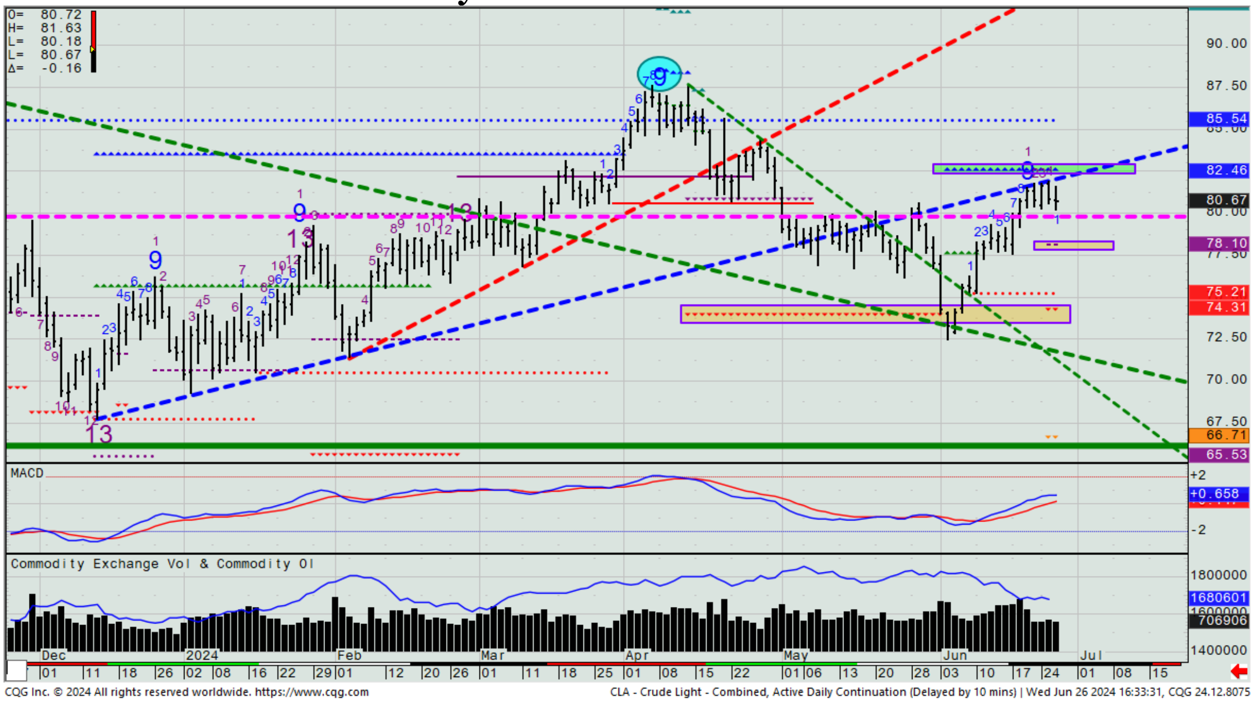
COMEX Gold – Active Weekly Continuation



GCA - Gold - Combined, Active Weekly Continuation (Delayed by 10 mins) | Wed Jun 26 2024 16:38:38, CQG 24.12.8075

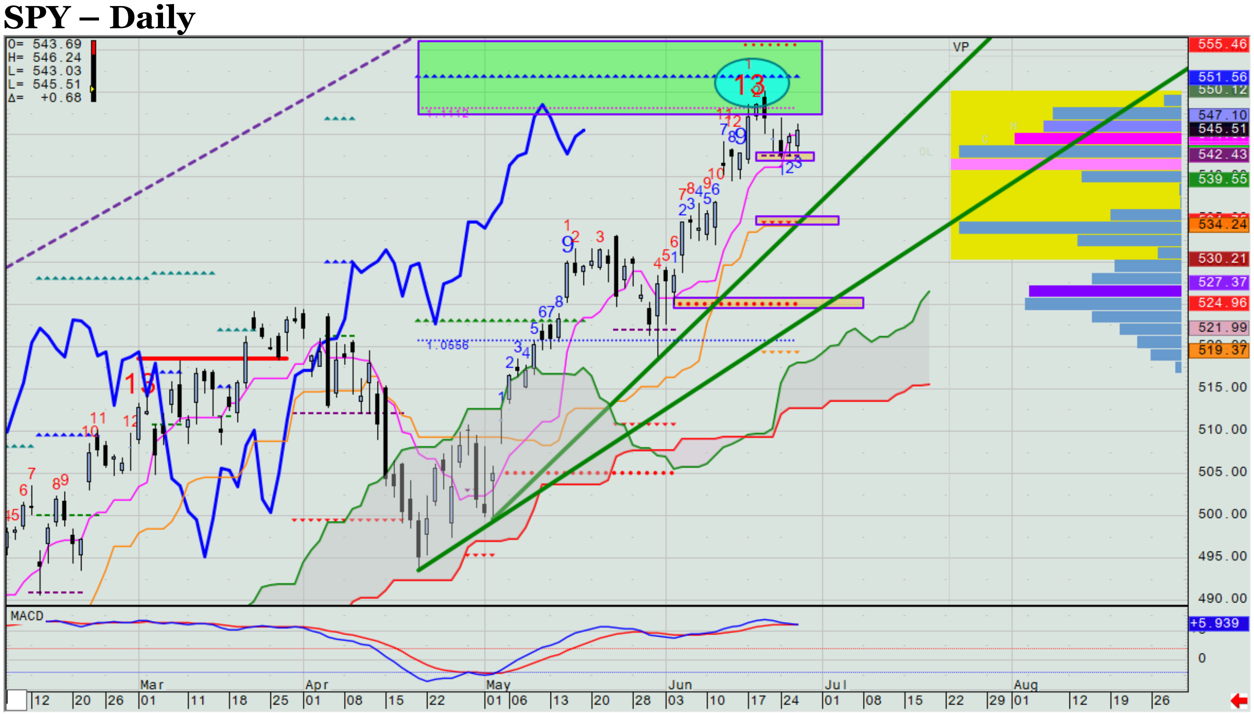
WTI Oil found support at its TDST line and 200-WMA and now bounced. I'm not doing anything in it right now, and have minimal exposure to the related oil names in my own account, too. I'd now look at individual names to see if there are any of interest.

WTI Crude Oil – Active Daily Continuation



EQUITY INDEXES: The recent all-time highs were basically, by chance, also two Trend Factors up from the April low in the SPY, and just over three Trend Factors up for the QQQ. I told you, my institutional clients, the press – and basically anyone who would listen -- that it is "too much, too quickly", especially given that the Fed has still yet to do any easing in 2024 (and, of course, that was the supposed reason given in the first place for the mega rally started last October). I remain unwilling to now buy high-

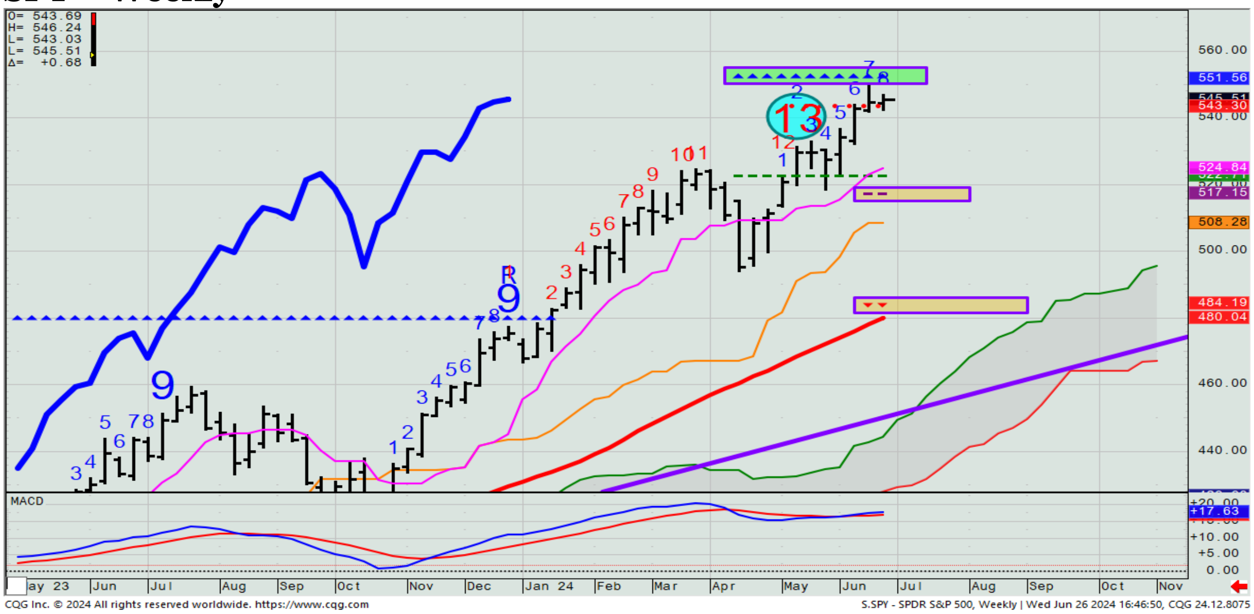
SPY – Daily



flying large/mega cap names that are on/near their individual chart highs. Many are due for some type of wash-out move to do some cleaning up of weak-handed longs.

The weekly bearish Propulsion Momentum level is at $517+. Absent a break of that number on a Friday close, the overall bigger bull scenario remains. But sooner or later – and I think the former – the market will need to pullback and regroup, and this are up to $551.56 is where it can/will come from.

SPY – Weekly



New ETF Trade Idea

As I mentioned earlier, I own almost no energy names, and am not a big fan of the sector. The **Van Eck Vectors Oil Services ETF (OIH)** has rallied to its downtrend line, and into the same range of its major breakdown bar in late-May/early-June.

OIH – Daily

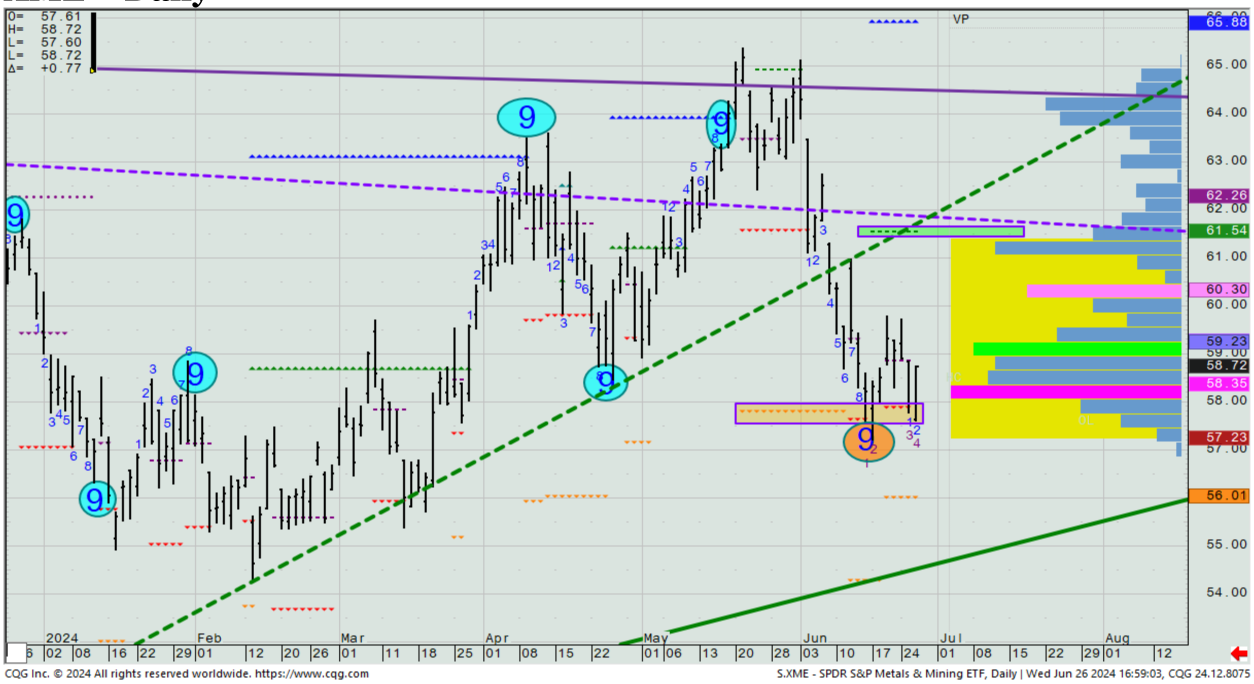
Let's look to get short one unit today. I'll target to cover 50% at $301 and 50% at $286. The buy stop is a daily close above $321.98.

Other Open Recommendations and Positions

Long XME

We bought two units of this at $58.73. I'm targeting a potential move to ~$91.50 or a daily Setup +9 count – whichever one comes first. Our sell stop is on a simple daily close < $57.90.

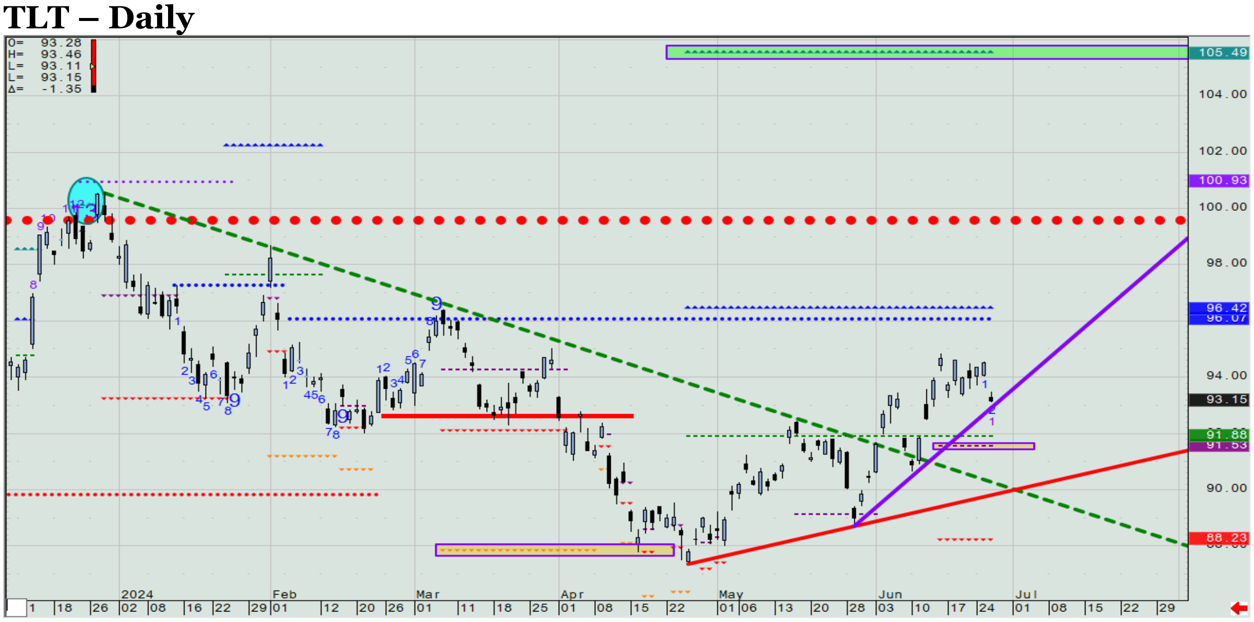
XME – Daily



Long TLT

Two weeks ago, we bought this (avg. price was $94.54) with a bigger upside target in mind of $105 to $106. I'm changing the sell-stop to exit half on a close and following day's open that are both beneath $91.53, and half near the $88 level.

TLT – 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