I'm Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com

July 3, 2024

TACTICAL TRADER REPORT

The Macro Picture

This past week has been about "the debate"; a partly line-voting Supreme Court that has given POTUS virtual unlimited immunity from wrongdoing while in office; a surge higher in rates; and a US stock market that continues to hold up in newfound optimism that the far right move in France's elections will be similar here – giving investors a likely Republican president who is pro-business and taxing-the-rich adverse.

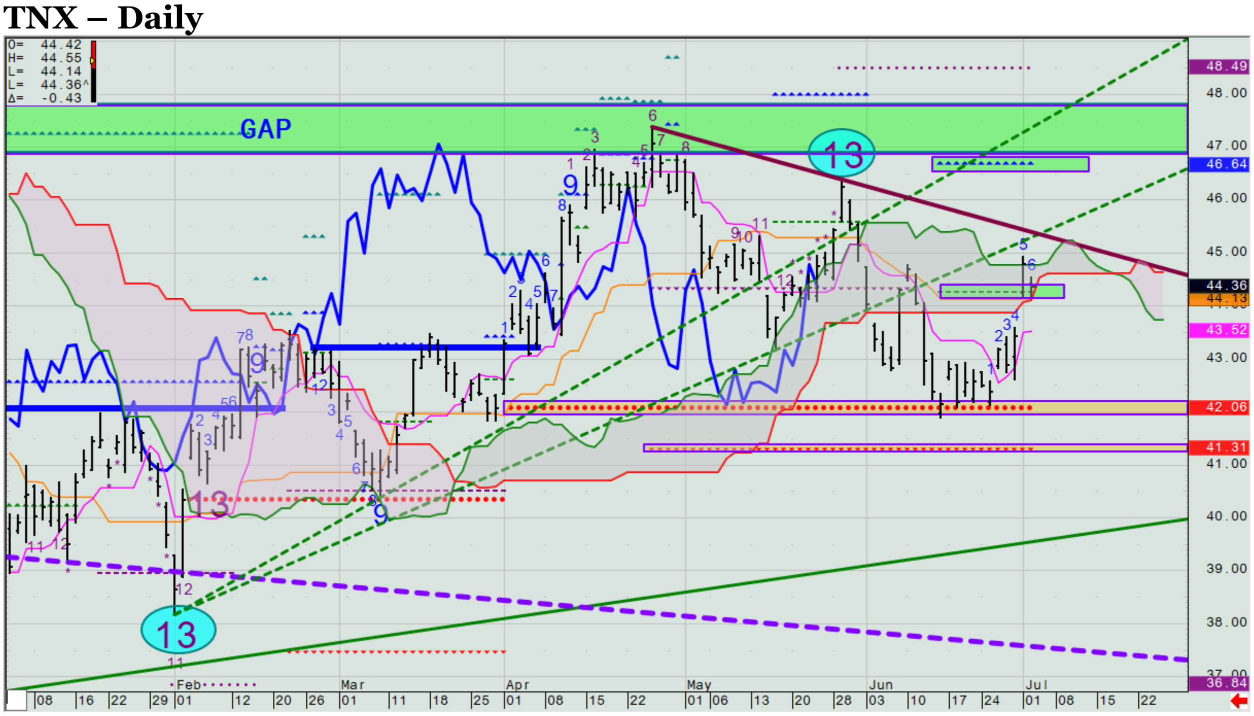
I have recently been vocal about a likely market decline stemming from the SPY $548 to $555+ area – one we're still seeing price action hug. It's refusal to break says lots about the demand for the mega-cap names – despite NVDA's pullback from highs. (AAPL and TSLA are very much helping to offset the former's sell-off with their own recent surges.)

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

US RATES

The UST 10-yr. key support levels I highlighted as 4.21% to 4.13% zone has more than held the past few weeks; it has acted as the launch level for a significant rally the past week, with an intraday high of the move at 4.49% on Monday.

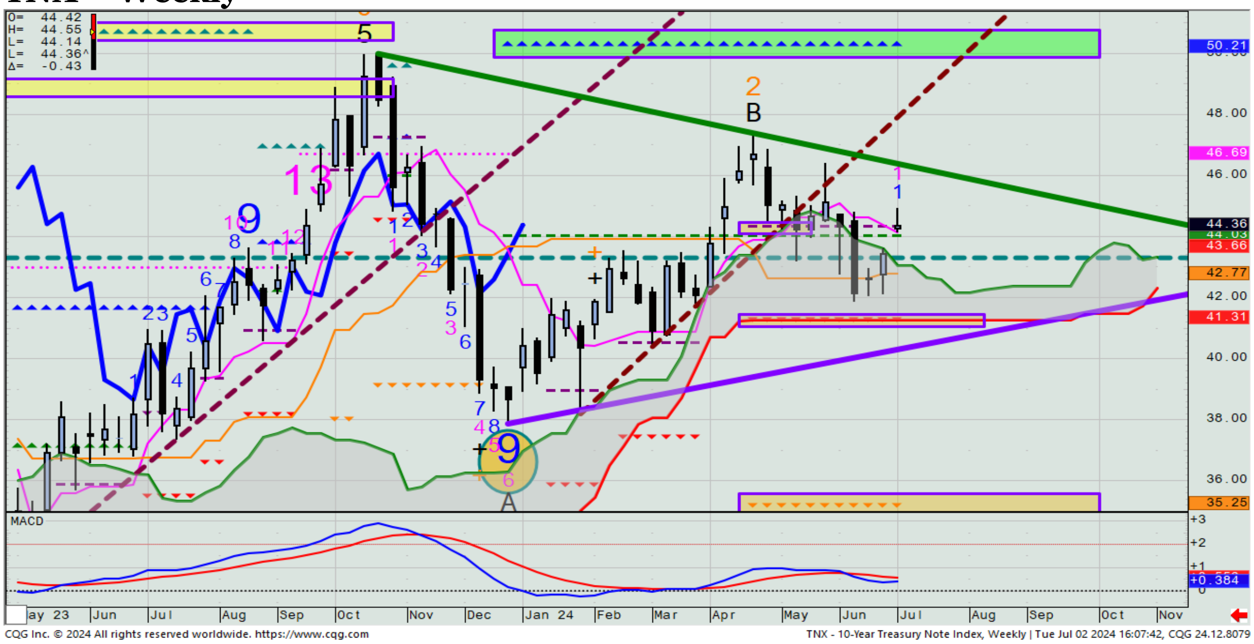
TNX – Daily



TNX - 10-Year Treasury Note Index, Daily | Tue Jul 02 2024 16:06:51, CQG 24.12.8079

The important daily chart resistance is from 4.43% to 4.53%. Getting above there for more than a day or two doesn't change the bigger picture of an A-B-C corrective move down measuring to 3.53% (if the 5% high remains the secular high). In fact, there's a chance that a daily Setup +9 gets made this coming Monday – along with a possible trading top with it. But I won't kid you – yields moving up like this is challenging for fixed income PMs – who have already been put through the ringer in 2024 with their immense bullishness to start the year.

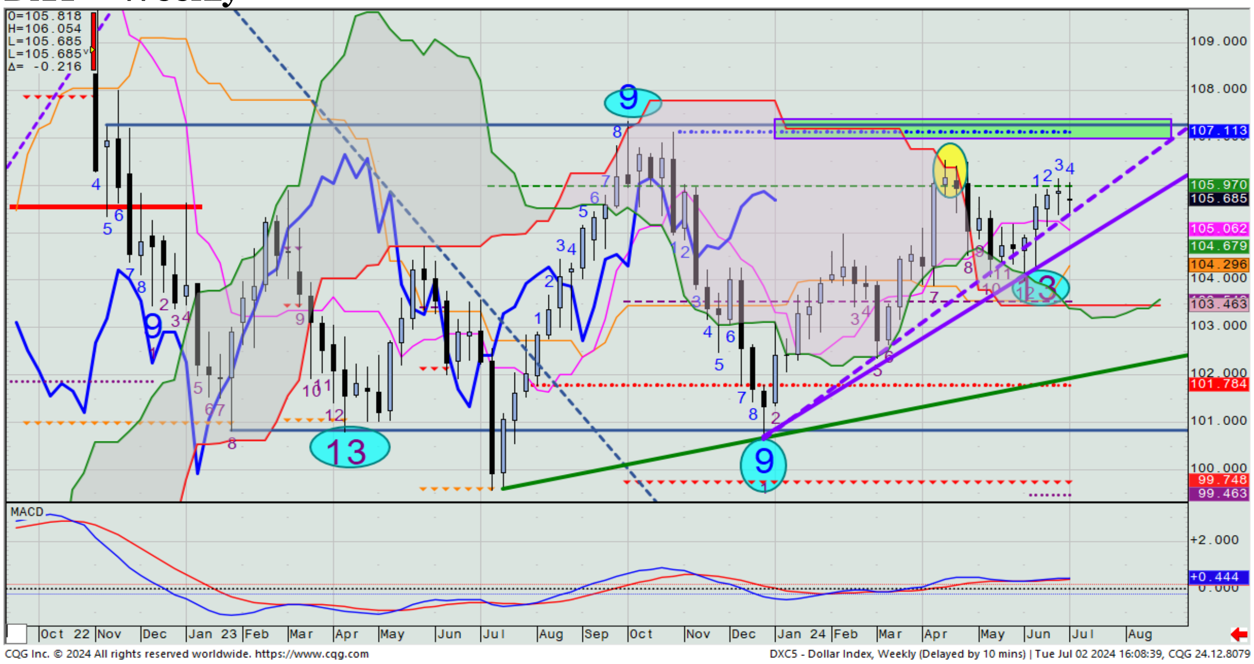
TNX – Weekly



Investment grade corporate credit spreads, my preferred credit spread index, were at 94 bps. as of Monday – down 2 bps. since last Thursday. 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, the downtrend line is at about 1.00%, with a secondary target at the dotted horizontal light blue line near 1.15%.

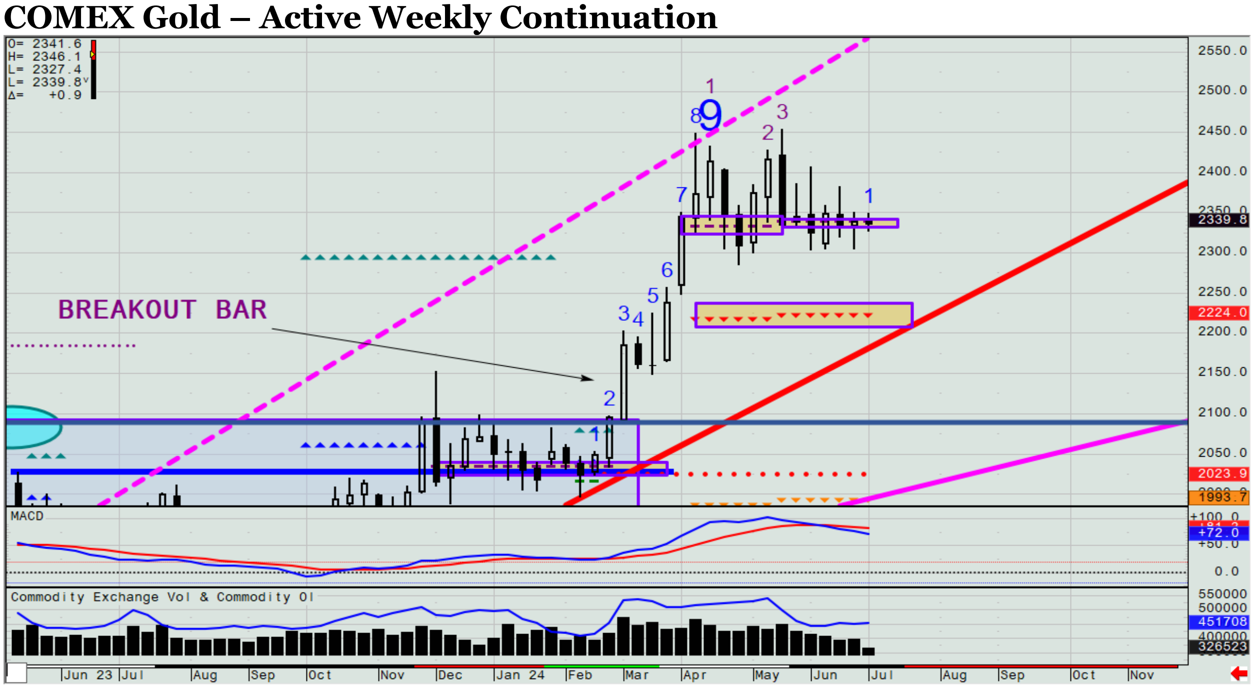
THE DOLLAR: The US Dollar Index's (DXY) topped a few months back at its cloud top, and subsequently bottomed on a somewhat rare mid-range weekly -13. In hindsight, it was an early warning sign that rates weren't likely ready to head beneath the key support level I had laid out down to 4.13%. For now, it's still having trouble getting a proper upside breakout above its weekly bullish Prop. Momentum level of 105.97.

DXY – Weekly



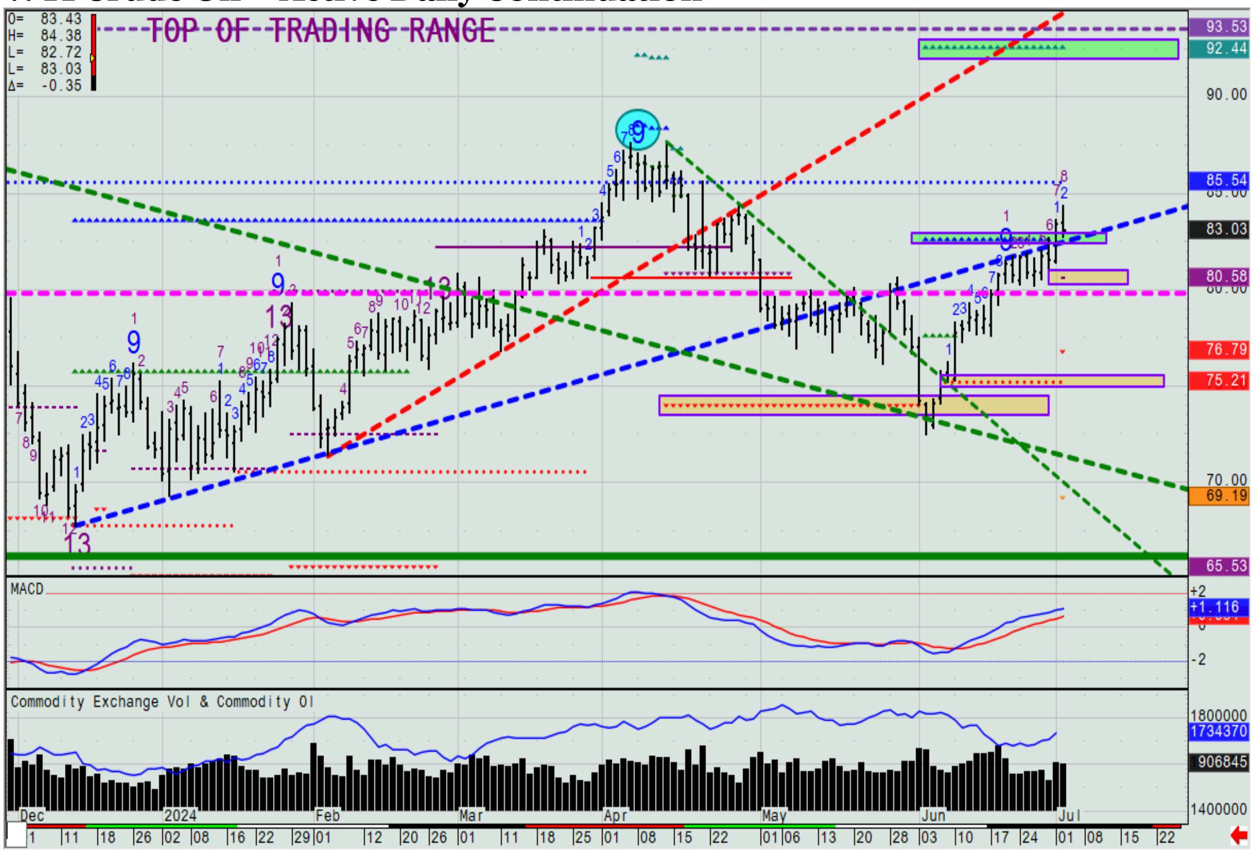
COMMODITIES: Gold continues to consolidate for a few months already. A not-yet-to-occur bearish Prop. Momentum break under $2339 targets $2224, which depending upon how long it takes to get there, also may line up with the uptrend line. Continued dollar strength will not be a help for the yellow metal.

COMEX Gold – Active Weekly Continuation



WTI Oil found support at its TDST line and 200-WMA and rallied to reach its Propulsion Exhaustion level at $82.46. If the rally is real, bulls should consider buying on a pullback to near $80.60. A dear friend of mine – a professional oil trader – told me that Goldman Sachs just turned bullish this week with a $90 target. But they had turned bearish two months ago at ~$75 with a $60 target. Are they that bad, or simply getting out of their own positions by putting out calls like that to make their exiting easier? You decide.

WTI Crude Oil – Active Daily Continuation



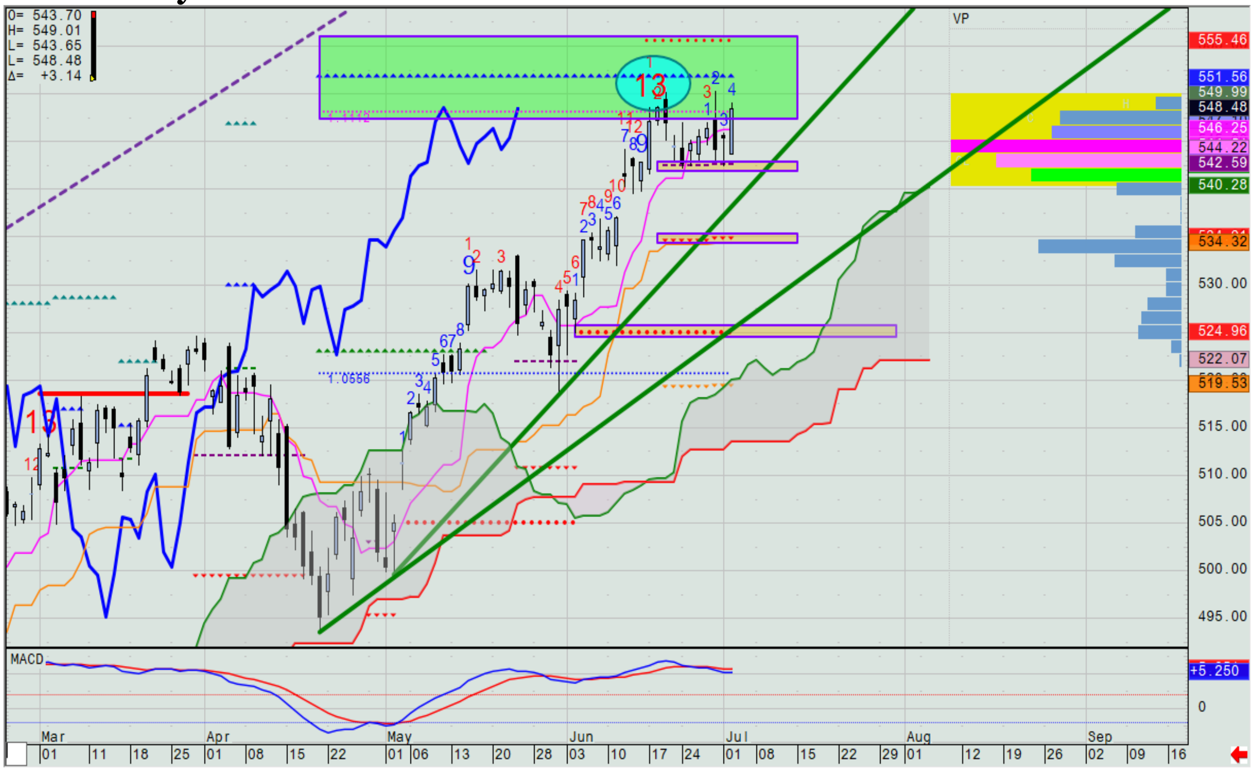
CLA - Crude Light - Combined, Active Daily Continuation (Delayed by 10 mins) | Tue Jul 02 2024 16:09:40, CQG 24.12.8079

EQUITY INDEXES: Two things of note remain in my mind, and they are conflicting – at least short-term. Firstly, the two Trend Factor (~11%) up move in the SPY and three Trend Factor (~16.5%) rally in the QQQ from the April low was a heck of a lot to run up in what was just a two-month span. I'll stick with my "too much; too quickly" scenario as to why the SPY $548 to $555.60 area still poses what should be meaningful resistance.

But secondly, I can't help but notice that the SPY's daily chart has continuously found support at its bearish Propulsion Momentum level for the past 1.5 weeks – almost daily. And thus, no new bearish signal has kicked in to help me think that the potential decline I see is right at hand. (Though with so many days having up closes vs. the prior day's, any of those "next days" that closes beneath 542.59 ups the odds that a sell-off is at hand.) But until that happens, I'll hold off doing more selling of names until we either rally more or break beneath that level.

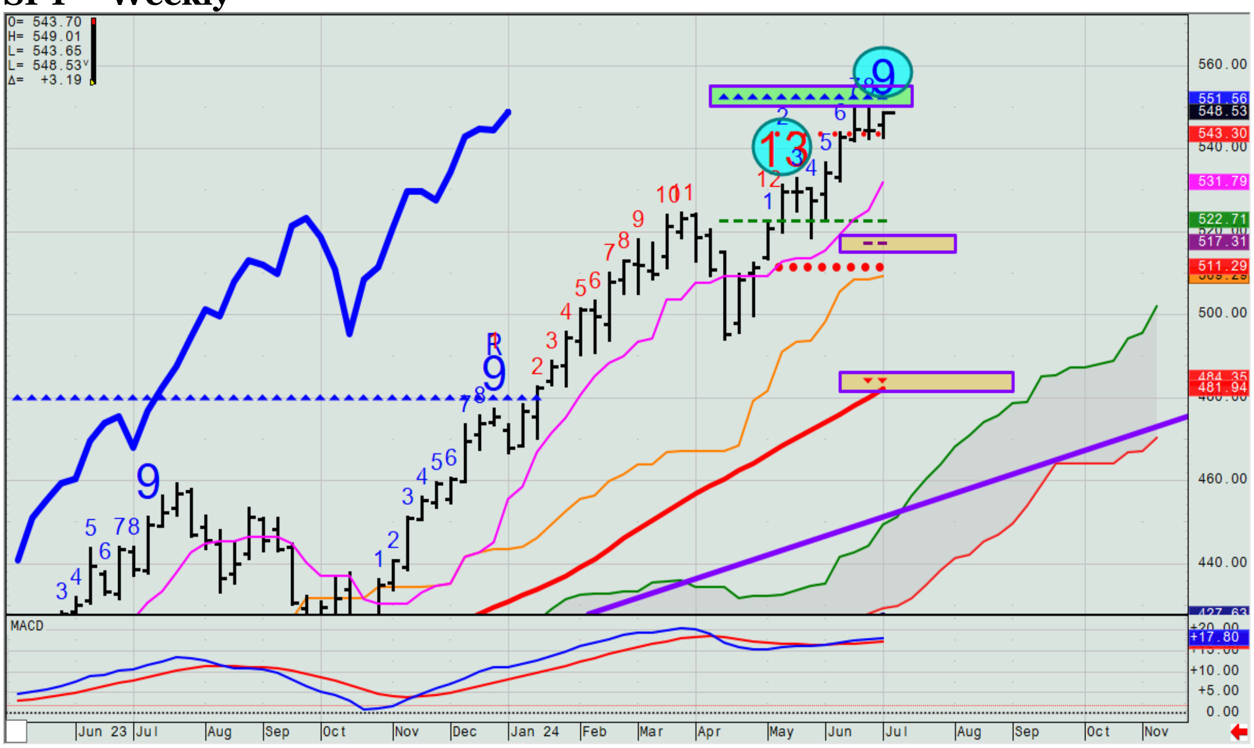
The weekly bearish Propulsion Momentum level is still at $517+. Absent a break of that number on a Friday close, the overall bigger bull scenario remains. But sooner or later – and I think the former – the market will likely have some pullback to regroup and determine the next sector leaders.

SPY – Daily



S.SPY - SPDR S&P 500, Daily | Tue Jul 02 2024 16:12:31, CQG 24.12.8079

SPY – Weekly

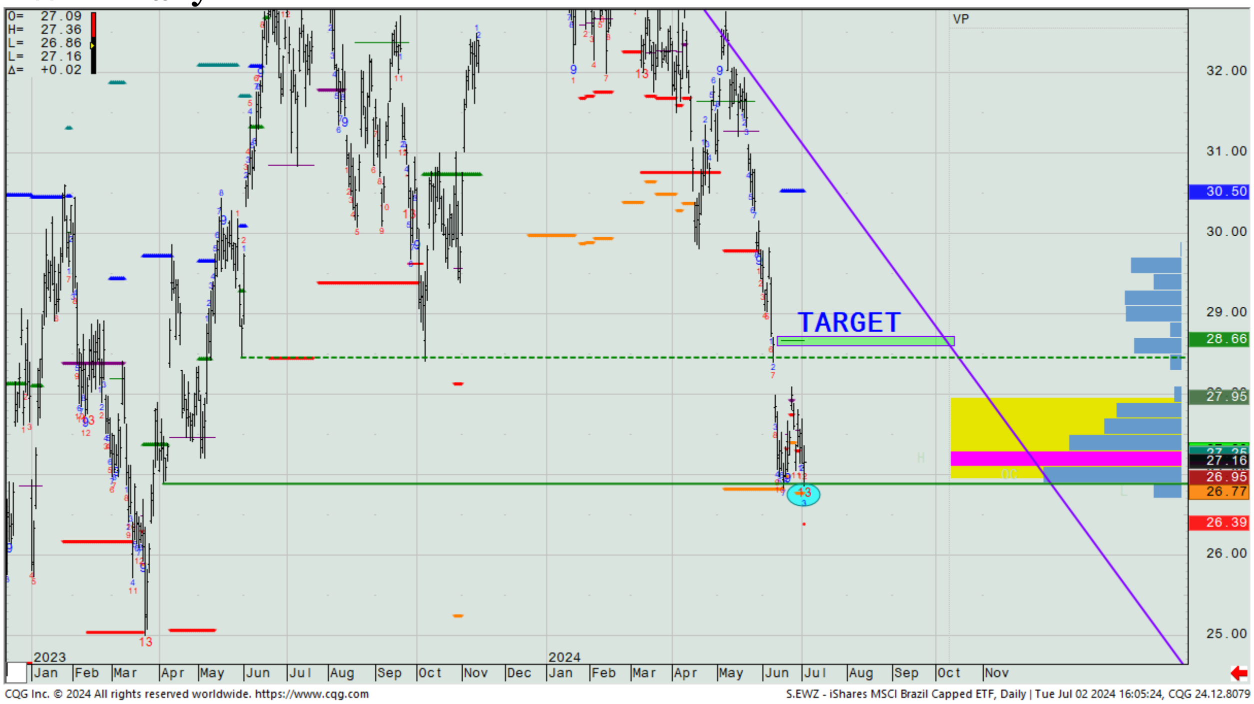


S.SPY - SPDR S&P 500, Weekly | Tue Jul 02 2024 16:12:55, CQG 24.12.8079

New ETF Trade Idea

Given the daily -13 count yesterday in the popularly-traded Brazil ETF (EWZ) that also reached its Propulsion Full Exhaustion level from the May 7th high, let's look to get long unit today and play for two targets: 50% at $28.60 to $28.70 and 50% at $30.25 - $30.50. We'll risk consecutive Friday closes beneath $26.39 as our sell-stop.

EWZ – Daily

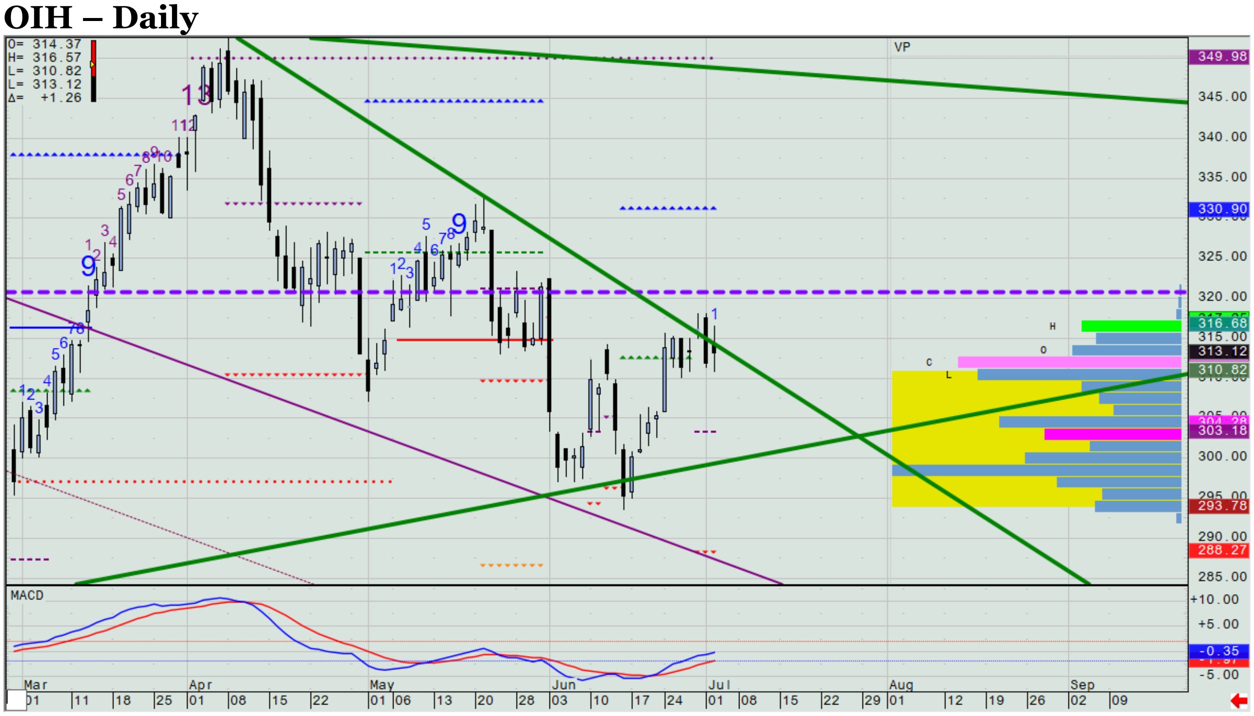


Other Open Recommendations and Positions

Short OIH

Last Friday we shorted one unit of this at an avg. price of $316.52. We'll target to cover 50% at $301.50 to $301.25 and 50% at $289. The buy stop is a daily close above $321.98.

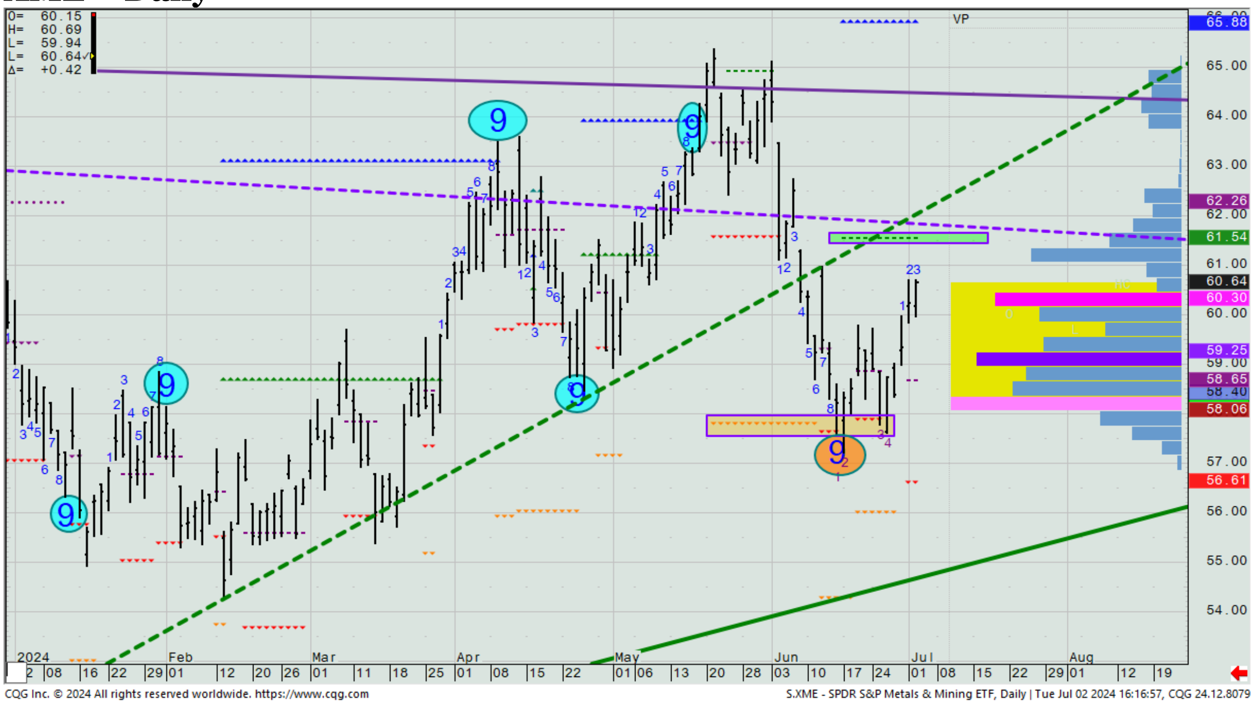
OIH – Daily



Long XME

We bought two units of this at $58.73. I'm targeting a potential move to ~$61.50 or a daily Setup +9 count – whichever one comes first. Our sell stop is on a simple daily close < $57.90.

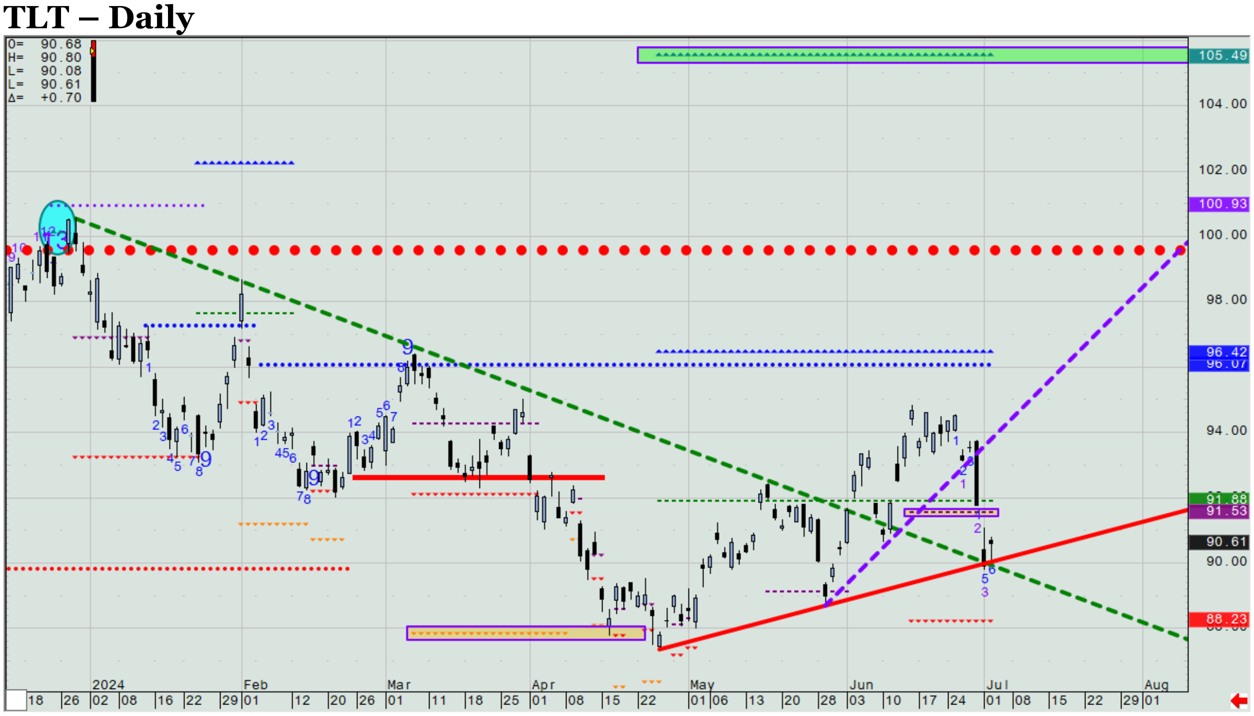
XME – Daily



Long TLT

Three weeks ago, we bought this (avg. price was $94.54) with a bigger upside target in mind of $105 to $106. We had two sell-stops: exit half on a close and following day's open that were both beneath $91.53 (we sold this out on yesterday's open of $90.68), and the other half) to now be on an updated close < $89.84.

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