



TACTICAL TRADER REPORT

The Macro Picture

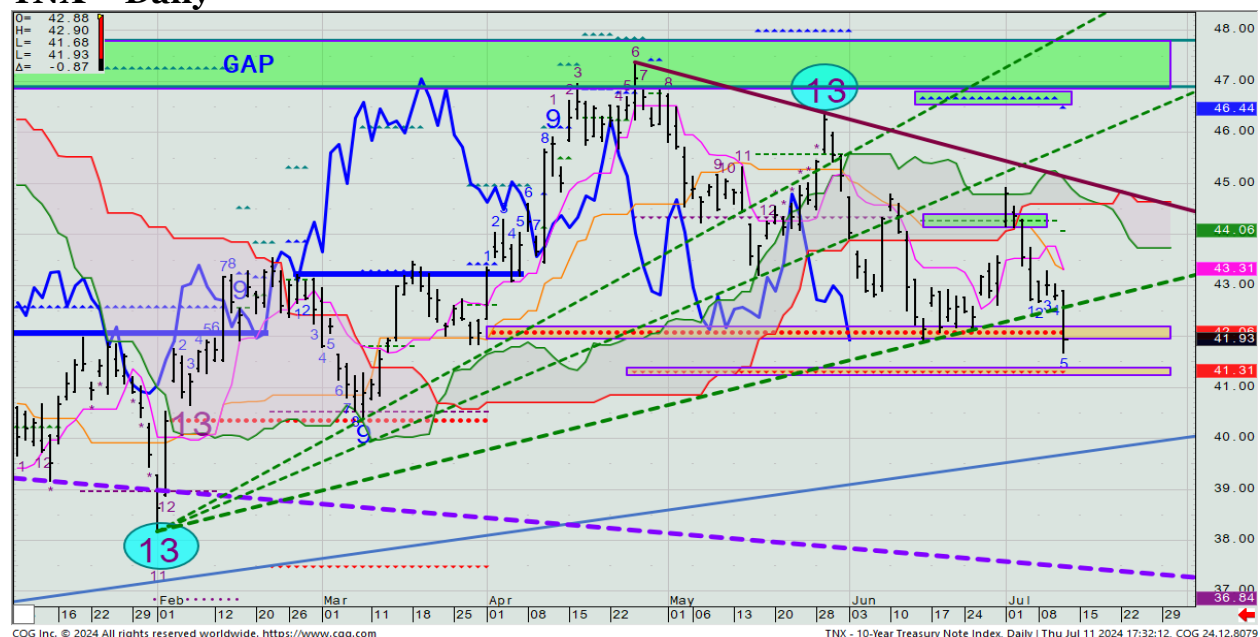
We have seen new all-time highs every day since July 2, as the recent surge has been fueled by more believing that Trump will not just win the presidency, but that Republicans could end up with all three chambers after November elections. And after yesterday's CPI number (that saw UST 10-yr. yields drop to their lowest level since March), investors are now believing that the Fed will actually cut rates at both the September and November meetings. But there is very likely change in the air for stocks, as Thursday's good news got met with some serious selling.

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

US RATES

UST 10-yr. yields have again entered what I have deemed to be the key support level of 4.21% to 4.13%. To me, this represents bond bulls last major hurdle point to conquer before we can conclude the "higher for longer" mantra is done with. You know that I have already called the three highs in yields this year as they occurred, and that for the past few months have been bullish bonds, with my belief that they will ultimately crack this highlighted zone to fall to a 3.53% target. Note the third uptrend line from the same low is now broken (i.e., that ups the odds of returning to the starting point at 3.82%).

TNX – Daily

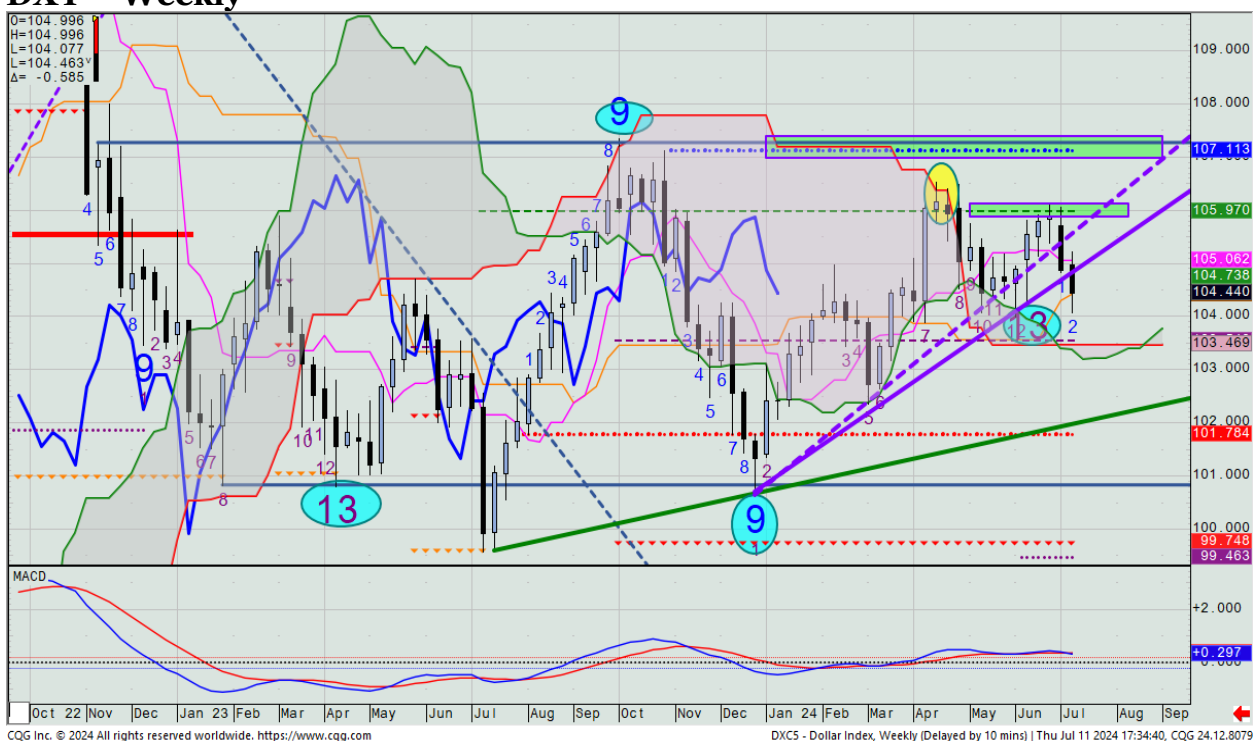


Investment grade corporate credit spreads, my preferred credit spread index, are now at 92 bps. – down 4 bps. from last week’s high of 96 bps. The larger head-and-shoulders top still has a measured move to something near 0.70%, but for now, the spread remains above support of 86 bps. and beneath downtrend line resistance near 1.0%.



THE DOLLAR: The US Dollar Index’s (DXY) again failed at the weekly bullish Propulsion Momentum level (105.97). With rates falling and possibly falling further, the dollar is likely going to have a tough time holding up.

DXY – Weekly



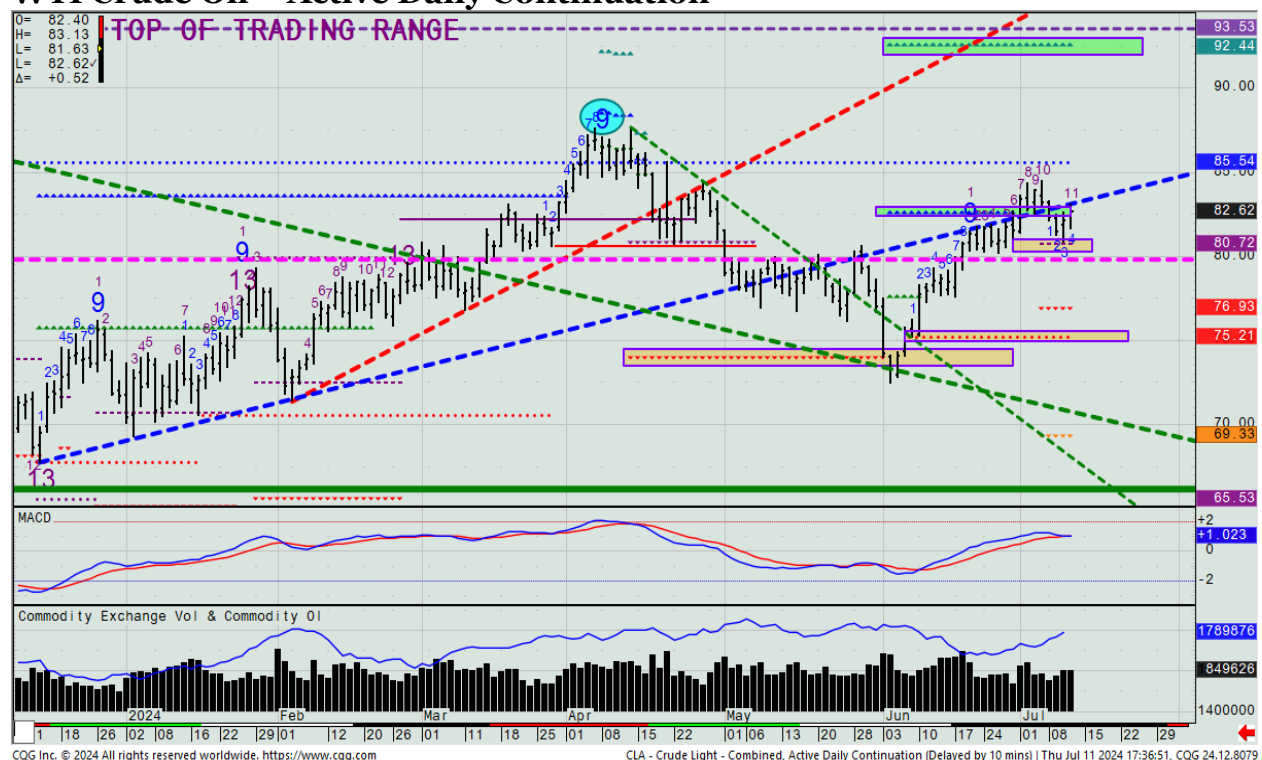
COMMODITIES: Gold held above the weekly bearish Prop. Momentum level of \$2339, and has gotten a recent boost on dollar weakness. A test of all-time highs seems likely, as could a whole new leg higher be, too (especially if the dollar cracks).

COMEX Gold – Active Weekly Continuation



WTI Oil had a minor pullback this week to within 9 cents of the newest bearish Propulsion Momentum level (\$80.72) and bounced. So long as price stays above that level, there's a minor bullish bias. Personally, I'm not convinced that this rally gets to the \$90 mark some sell-side firms are calling for.

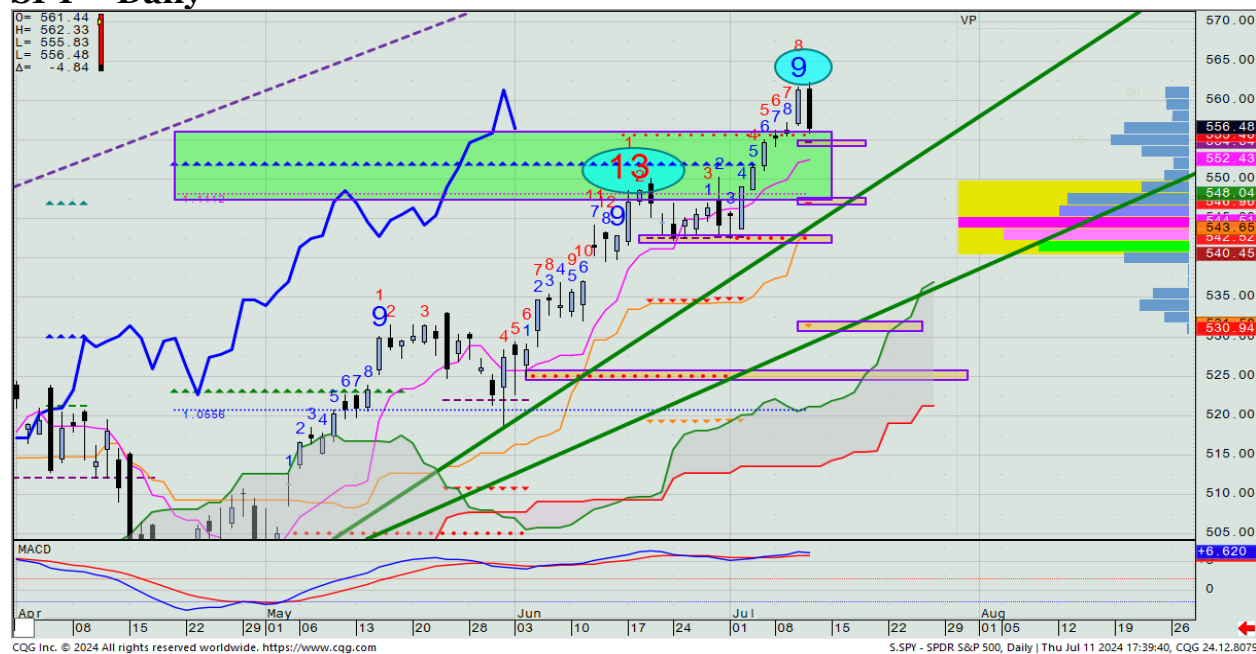
WTI Crude Oil – Active Daily Continuation



EQUITY INDEXES: The past week has seen continuous new highs every single day, and a hurdling of what I deemed important resistance from SPY \$548 to \$555+. It has been something to see and watch with wonder, as I did not expect that to occur. And although I have raised cash the past few weeks by reducing long positions in my investment portfolio, I continually also find beaten down names to get into vs. selling out of some big winners that may very well now struggle to keep putting up gains like they have. (Daily Tip Sheet subscribers have seen many of these same ideas, like recent longs in AMD, TSLA, ARGT, BLDR, etc.)

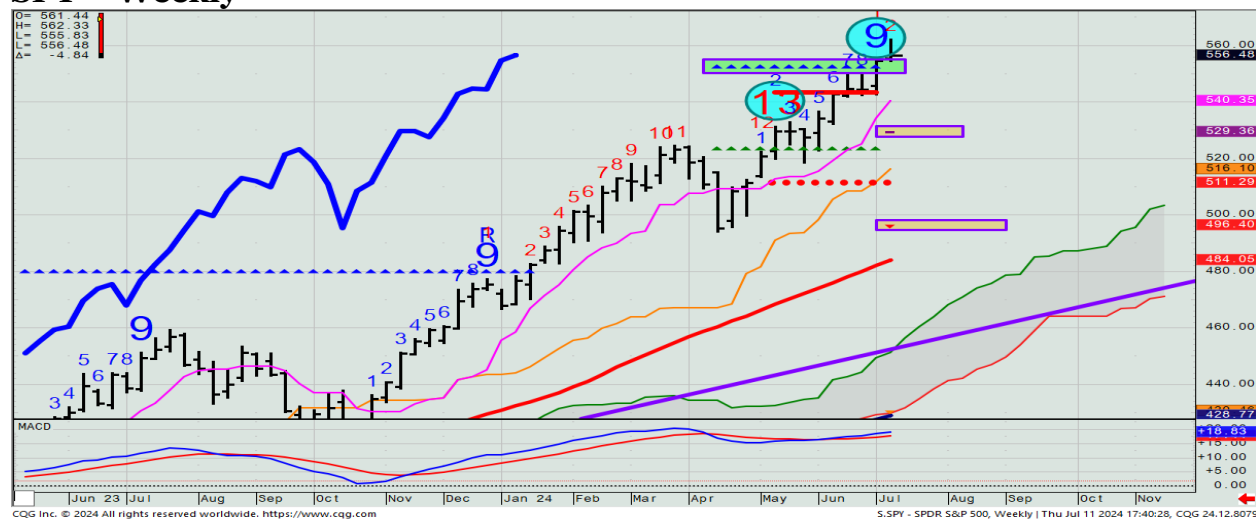
I did buy some SPY put spreads for myself earlier this week, and although I got out of some with a small loss on Wednesday, yesterday brought the balance right back to near breakeven. Today should be an interesting session after what happened yesterday.

SPY – Daily



The weekly SPY bearish Propulsion Momentum level is now at \$529+. 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 experience a pullback to regroup the 10-month advance and determine the next sector leaders.

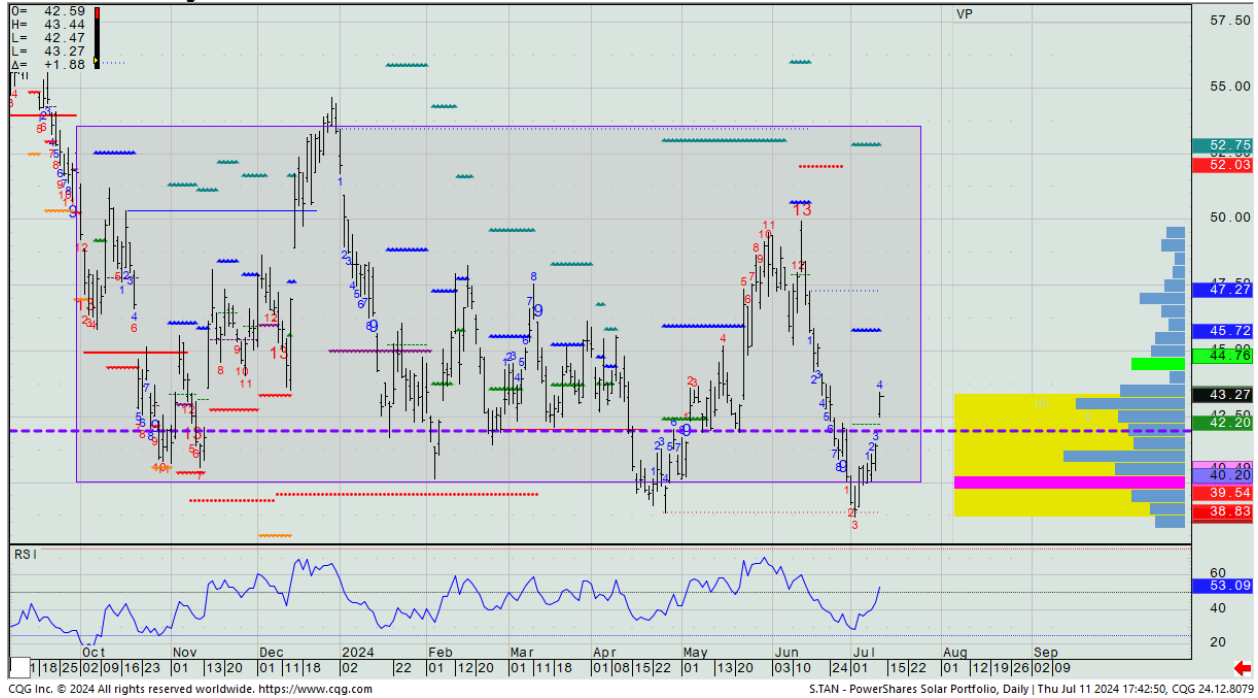
SPY – Weekly



New ETF Trade Idea

Solar has been a lousy investment for a while, but I kind of like the way the **PowerShares Solar Portfolio ETF (TAN)** chart looks. It's been trading in a large range since last October, and with the recent price action near the bottom of the zone, I think it has good chances to trade higher again. As such, let's get long one unit today, looking for a move to reach the low-\$50s. We'll stop out on a close < \$38.98.

TAN – Daily



Other Open Recommendations and Positions

Long EWZ

Last Wednesday, we got long this at an avg. price of \$27.88 (it had a large gap up that day, but it is what it is). **I had a 50% target exit at \$28.65 (already achieved)**, and the other 50% to exit at \$30.25 to \$30.50.

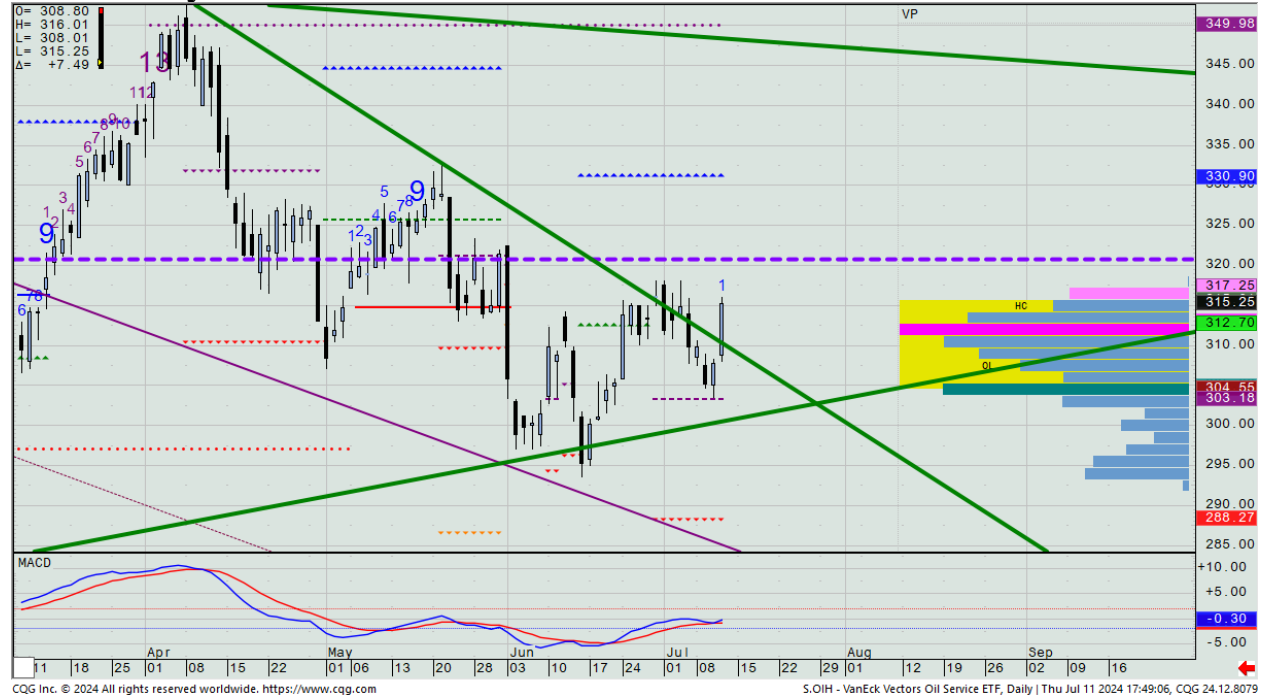
EWZ – Daily



Short OIH

Two weeks ago, we shorted one unit of this at an avg. price of \$316.52. I'd targeted to cover 50% at \$301.50 to \$301.25 and 50% at \$289. Price got to \$303+ and then rallied to last night's close of \$315+. I'm changing the buy stop to now exit on consecutive daily close above \$312.85. (Yesterday was the first.)

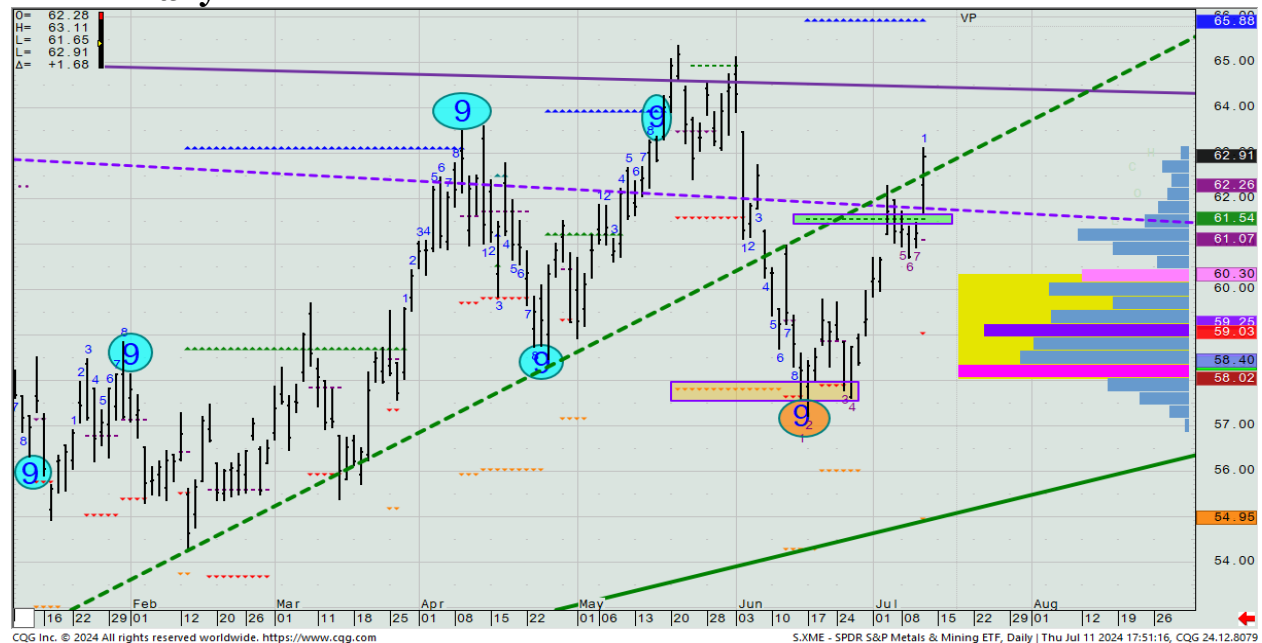
OIH – Daily



Long XME

A few weeks ago, we bought two units of this at \$58.73. I was targeting a potential move to ~\$61.50 or a daily Setup +9 count – whichever one comes first. The latter came first (on July 3rd). We made 4.72% on capital, but because we had on a double-long position, we made 9.43% in equal-dollar P&L terms.

XME – Daily



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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