I'm Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

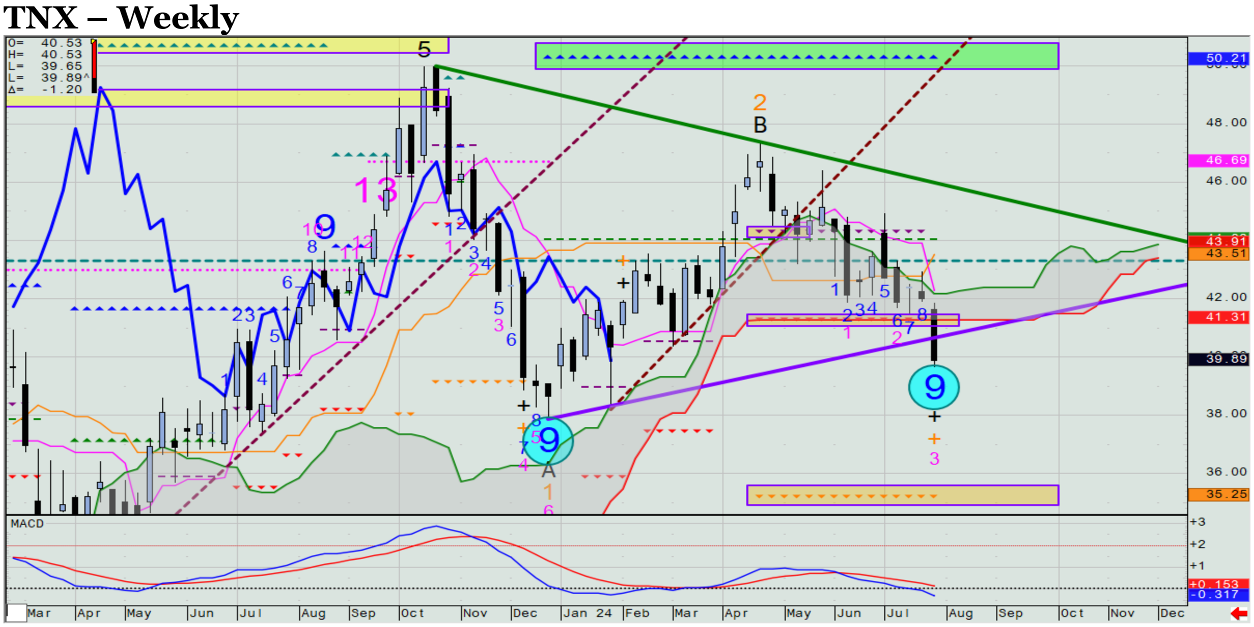
This week has seen a turnaround higher after a near-term SPY double-bottom and some solid earnings reports in large and mega-cap names, as well as the strengthening belief that the Fed will lower rates a few times this year starting with the September meeting. (There is no August one.) The question becomes if one wants to sell into this rally, or look at this past week's lows as THE trading lows to the already seen decline. (For Daily Tip Sheet subscribers, I had recommended for bears to look at the SPY $555 area to lean into the rally, if interested.)

As I do each week, let's look at other asset classes' charts first and how they may impact stocks going forward:

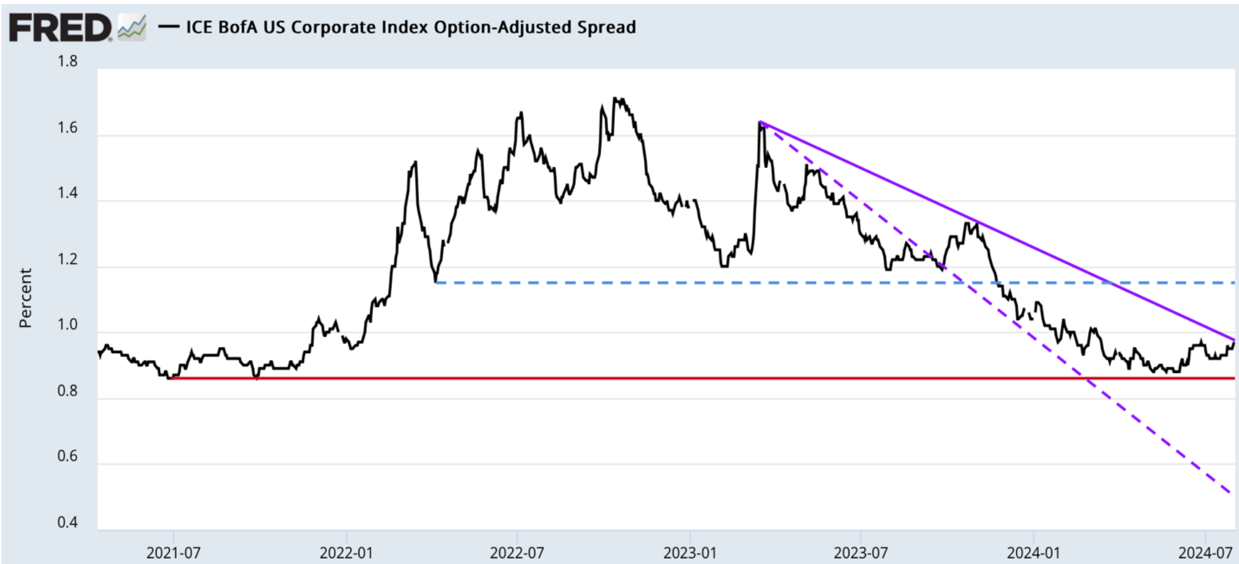
US RATES

For a few months I have written every week about the importance of the 4.13% support level in US 10-yr. rates, and that Friday closes beneath there – the more the better – would open the door for a bigger move down in them in the back half of the year. Thursday saw yields finally collapse under there, upping the odds that they can drift lower in the back half. However, because it has taken so long for this downdraft under 4.13% to finally happen, this week, by *bad* chance, also happens to be a weekly Setup -9 count. That could mean that the sell-off could easily be a washout that doesn't necessarily fall as much as the intended 3.53% target I declared a few months ago.

TNX – Weekly

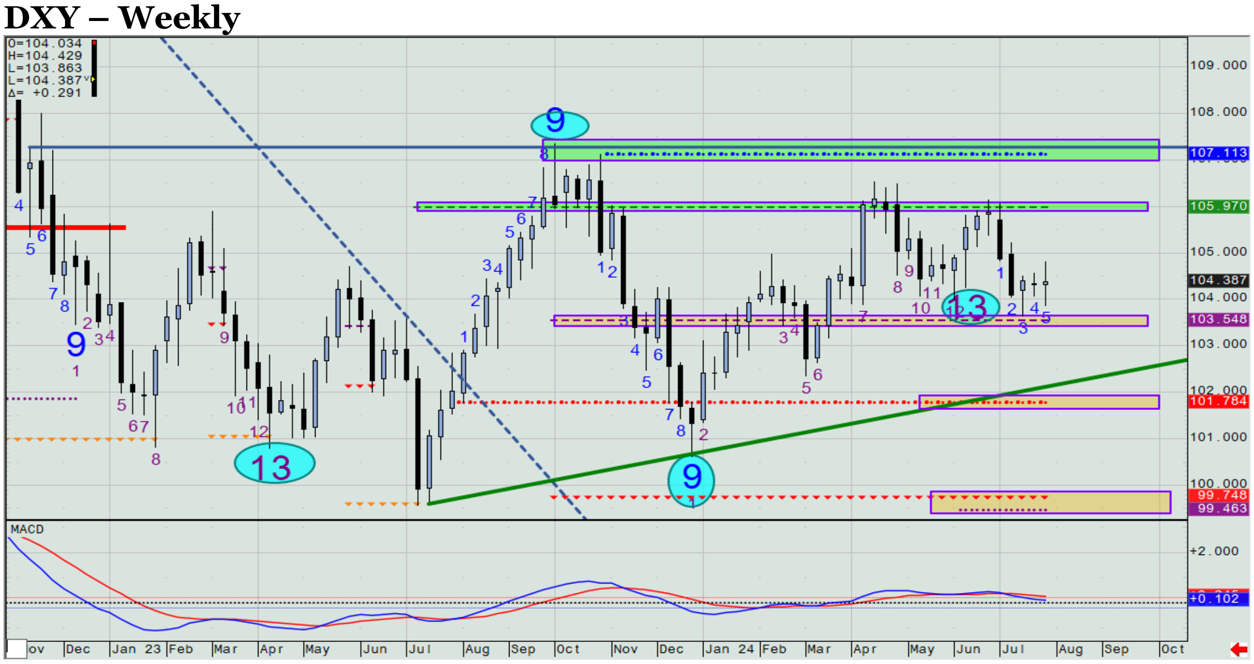


Investment grade corporate credit spreads, my preferred credit spread index, are at 97 bps. – up 4 bps from last week – and right at the downtrend line near 97 bps. The larger head-and-shoulders top still has a measured move to something near 0.70%, but a breakout above the downtrend line that stays above it suggests that the spread could make its way back up towards the prior horizontal breakdown level near 1.15%. That would likely be a negative for stocks. (This data is one day delayed, and does not include Thursday 8/1's spread level.)



<u>THE DOLLAR:</u> The DXY failed at the weekly bullish Propulsion Momentum level (105.97), but still hasn't gotten a proper sell signal beneath the bearish Propulsion Momentum level (103.55). In general, I think the greenback will continue to move with rates (unless a major exogenous event makes people buy the dollar for safety, while also buying US bonds for their associated safety. In that scenario, rates will go down as the dollar goes up.) Though that outside event hasn't taken place, we're already seeing a dollar bid occur while rates break. That's a signal that something is amiss somewhere, and the investors are concerned about higher odds of some negative event happening.

DXY – Weekly

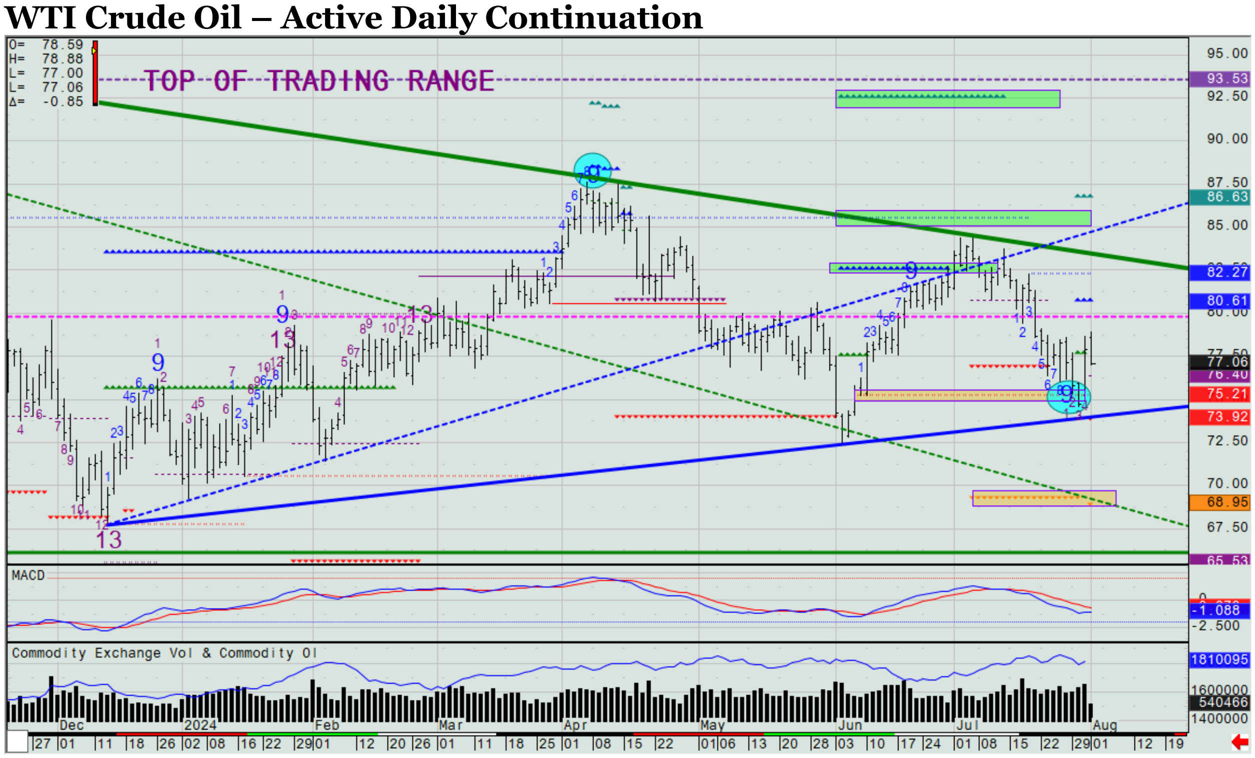


COMMODITIES: **Gold** again bounced on its weekly bearish Propulsion Momentum level to make new all-time highs on Thursday. The more it could stay above the horizontal green line, the better. Downside risk is to the red uptrend line.

COMEX Gold – Active Weekly Continuation

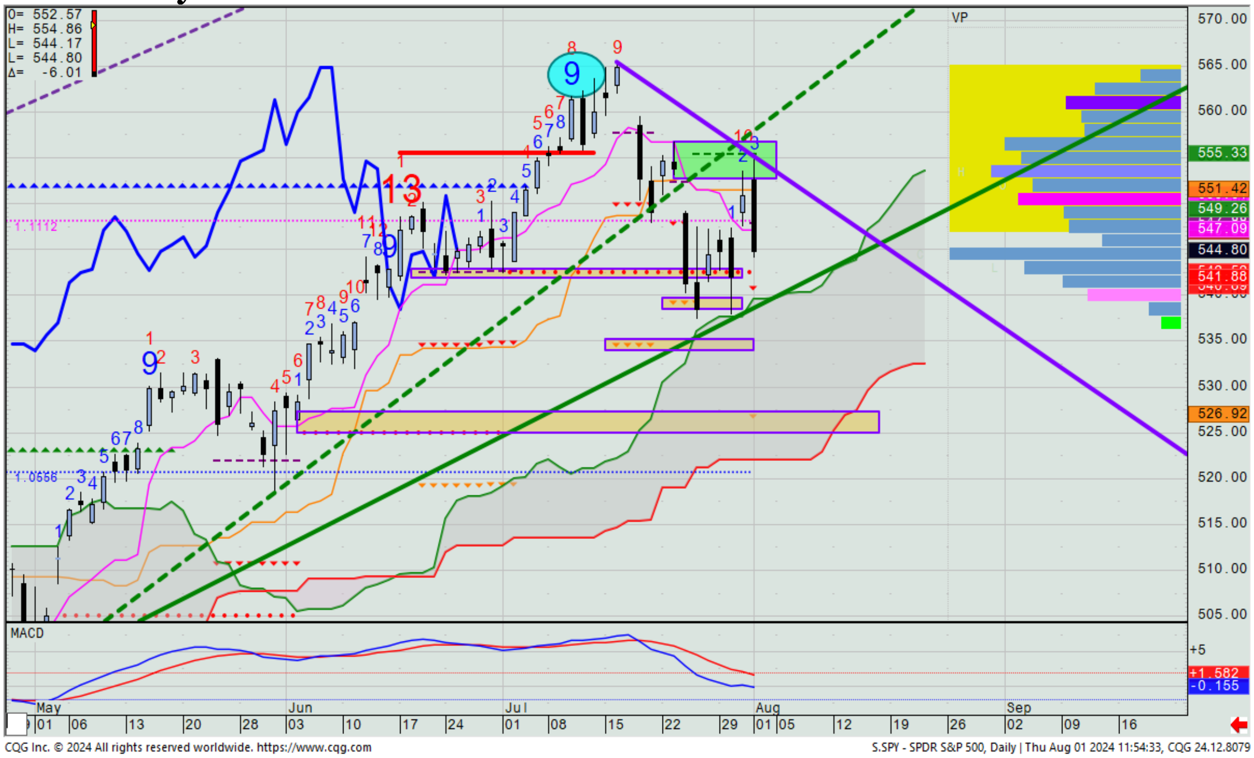
WTI Oil made new lows this week, but then shot up on Wednesday on increased Mideast tensions. I don't have any major opinion on it, but right now there is risk premium being built into upped chances for a Mideast war that would affect output from the region.

WTI Crude Oil – Active Daily Continuation



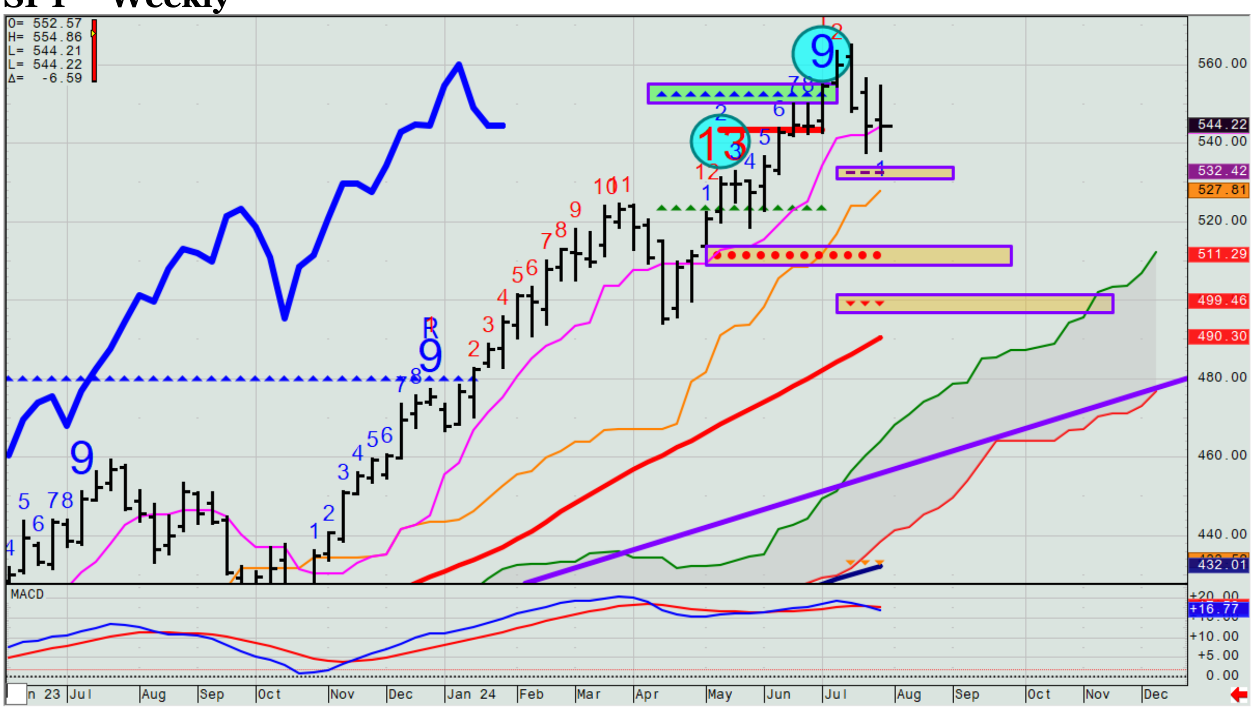
EQUITY INDEXES:

SPY – Daily



The weekly SPY bearish Propulsion Momentum level is still at $532+. Absent a break of that number on a Friday close, the overall bigger bull scenario remains. If and how that level breaks will determine how to play the index going forward. In the meantime, with AMZN and AAPL reporting after Thursday's close, Thursday's reversal of Wednesday's rally could reverse again if these two surprise upside, or continue the decline if they disappoint.

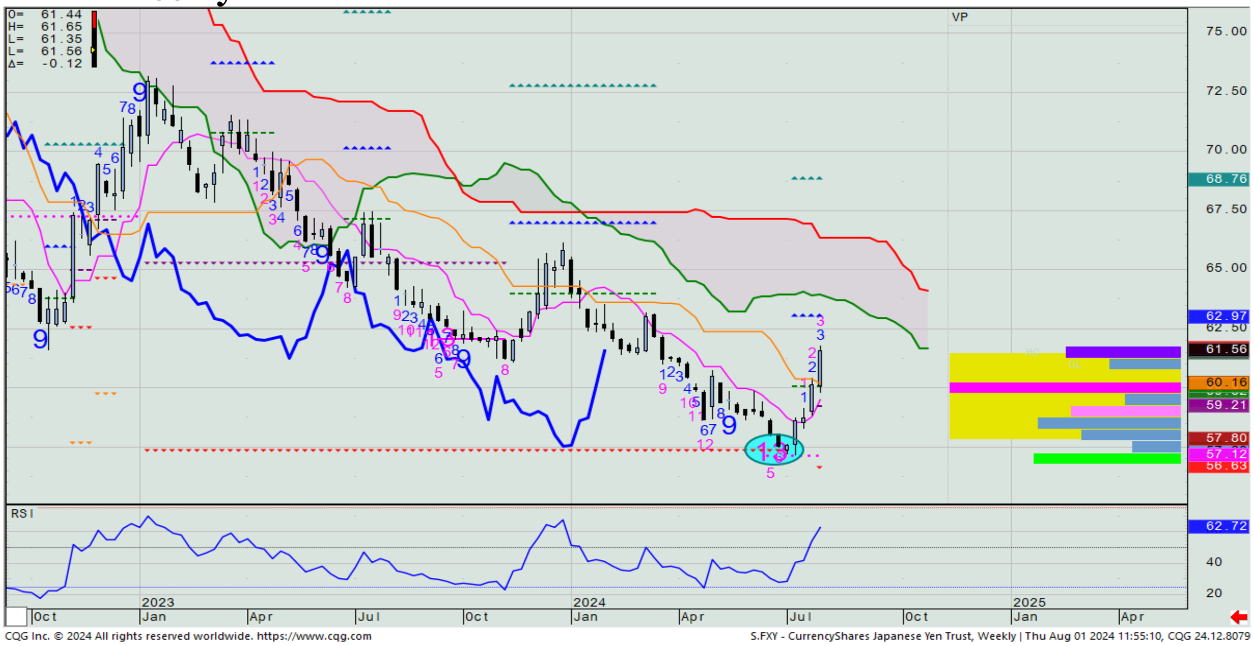
SPY – Weekly



New ETF Trade Idea

After potentially bottoming on a weekly Combo -13 signal that also occurred at its Propulsion Exhaustion level, the **Japanese Yen ETF (FXY)** has rallied, fueled by Bank of Japan intervention in June, and then their raising rates earlier this week.

FXY – Weekly



Let's look to buy a two-unit position on a pullback to the $59.62 to $59.23 area, with an upside target of $62.97 +/- 12 cents. Our sell-stop will be a weekly close beneath $57.80.

Other Open Recommendations and Positions

Long KRE

We were looking to get long on a pullback to the mid-channel line, but we haven't gotten that opportunity yet. It's now at $54.88, moving up 7 cents per day. The target hasn't changed; it's still ~$62.27, to the top of the channel ($62.40. moving up the same nickel per day). The sell-stop is a close or two under $52.50.

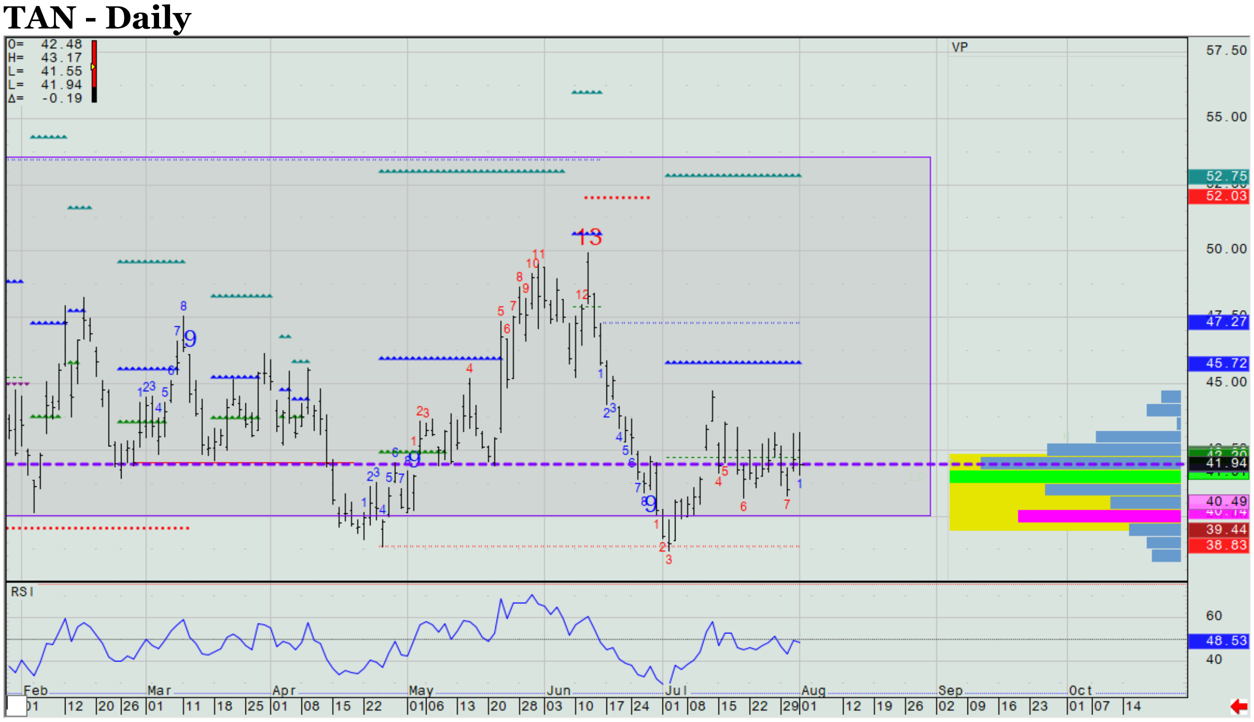
KRE – Daily

Short SMH
Two weeks ago, we were looking to sell a rally to $264 to $270.54, and I'm still apt to use a rally to that zone to short into. The target is $223 to $217.50. The buy-stop is a close above $277.46.

SMH - Daily

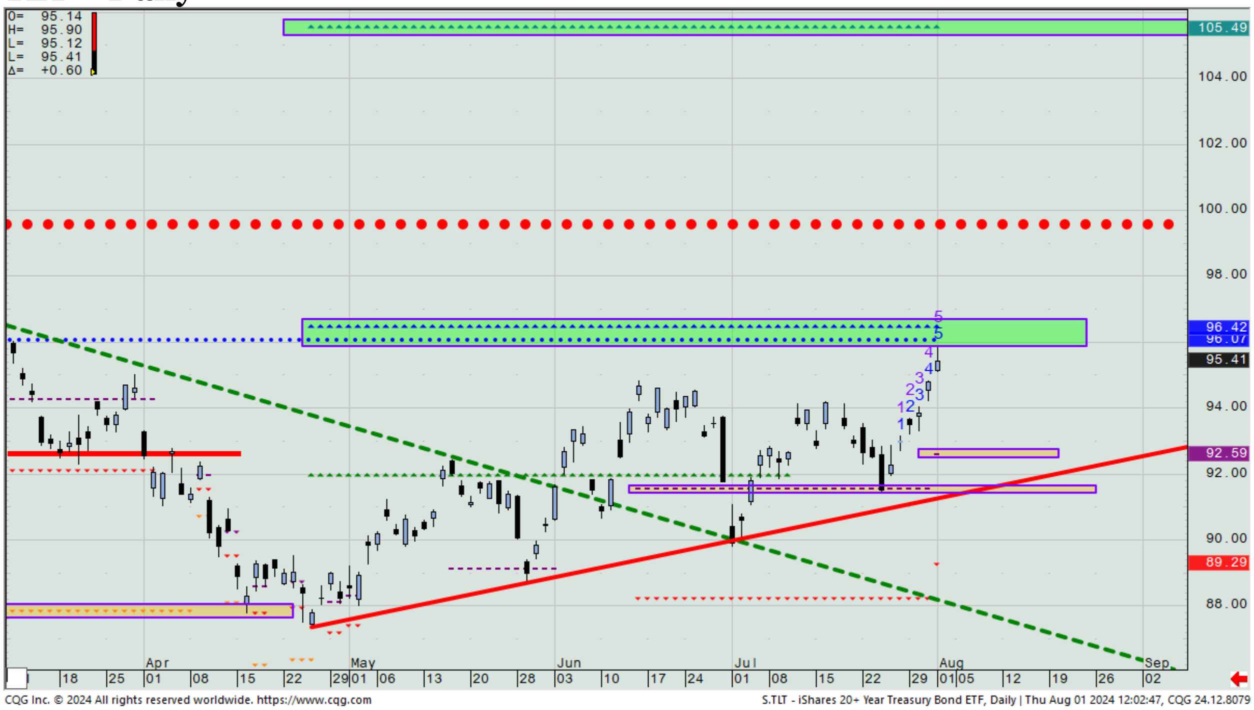
Long TAN
We're long this from early-July at an avg. price of $44.17. (It's unfortunate when we bought into a large gap higher.) I'm looking for a move to reach the low-$50s. The sell-stop is on a close < $40.14.

TAN - Daily



Long TLT
In June, we bought this (avg. price was $94.54) with a bigger upside target in mind of $105 to $106. We subsequently got stopped out on half at $90.68, and the other half we'll exit on a sell-stop on a close < $91.87. Otherwise, we still want to be holding bonds for what I think will be a decent rally in the back-half of '24.

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.

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