I'm Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

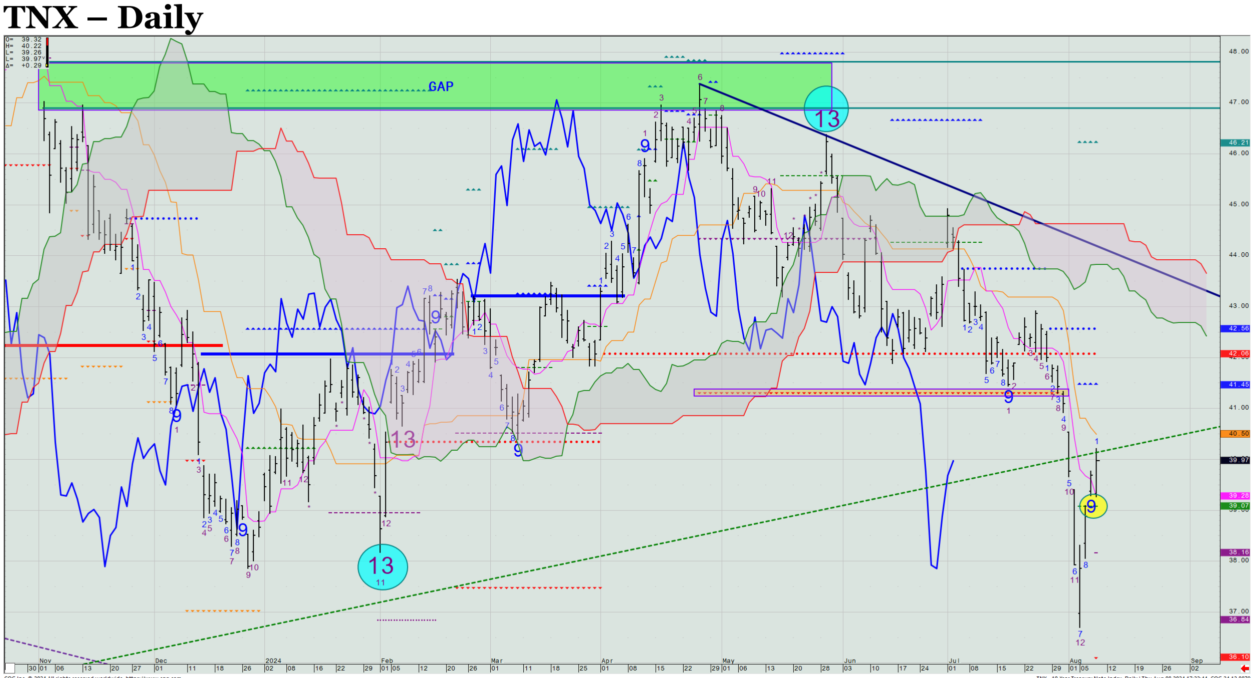
What a week it's been: Monday's massive drop has been mostly recouped vs. last Friday's close – a sure win for the bulls. But the looming question that overhangs all this is whether or not the unwind of the yen carry trade is done, and if not, how much more is left to go – and what are its implications for investors?

I will address many of these answers as I make my way through the other asset classes' charts that we look at each week:

US RATES

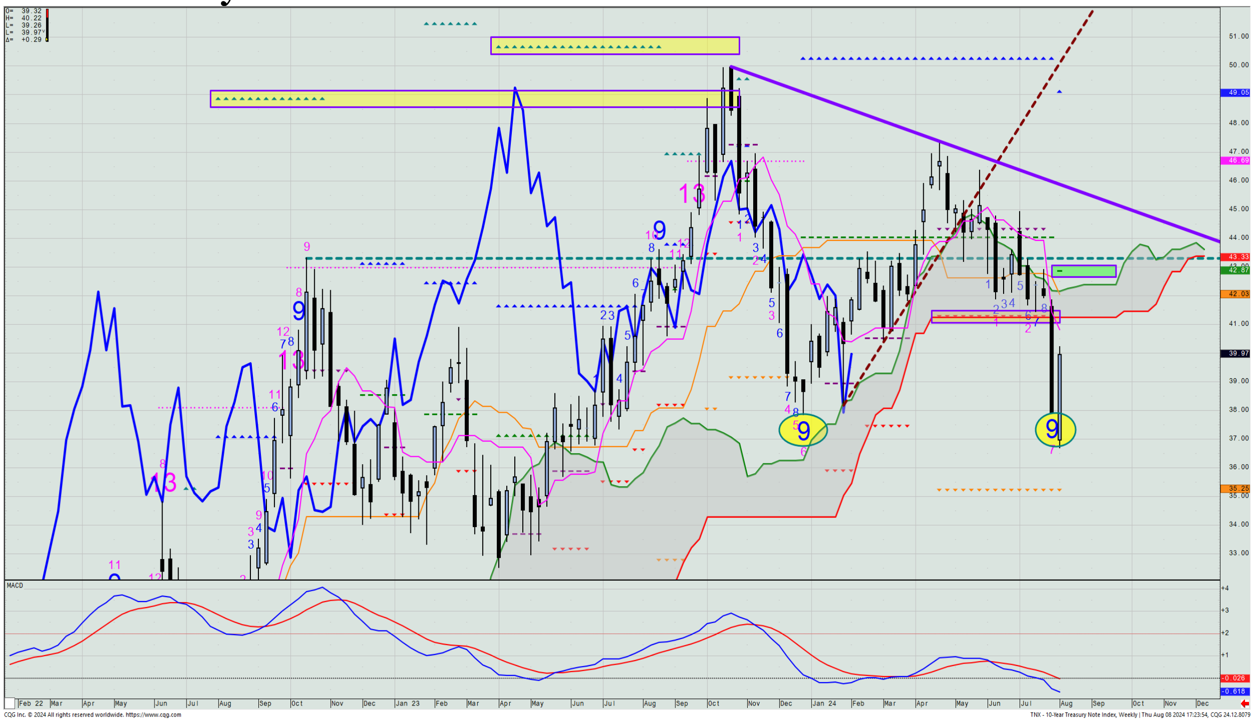
Firstly, my exact words from last week: *"However, because it has taken so long for this downdraft under 4.13% to finally happen, this week, by bad chance, also happens to be a weekly Setup -9 count. That could mean that the sell-off could easily be a washout that doesn't necessarily fall as much as the intended 3.53% target I declared a few months ago."*

TNX – Daily



Over the weekend, I told my institutional clients to **exit their bond longs at 3.68%** if that opportunity came. It reached there on Monday's rate washout, with the low of the move at 3.67%. Thus, in yield terms, we sold the TNX chart at the precise April and May highs, and covered that trade on Monday's low. We took out 100% of the possible money to make with ZERO drawdown. Without a doubt, that was my biggest and best call of 2024.

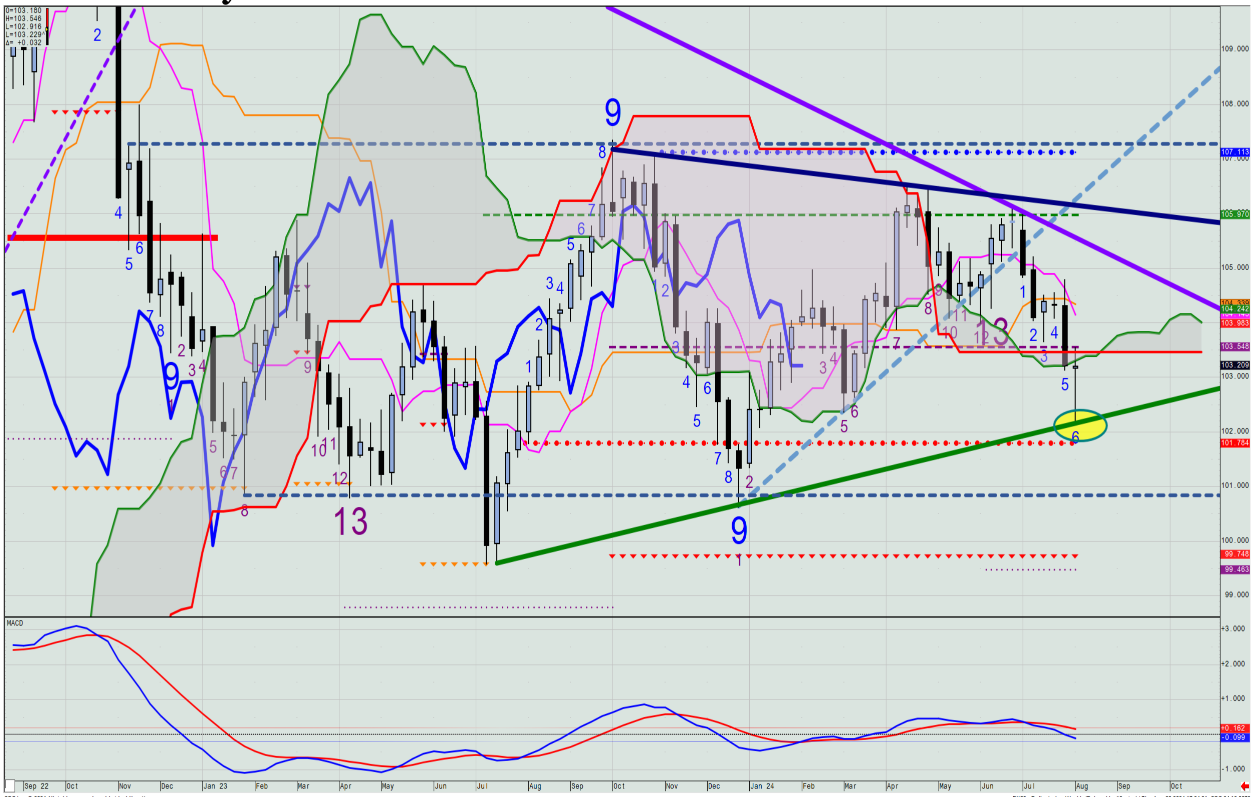
TNX – Weekly



Investment grade corporate credit spreads, my preferred credit spread index, rallied as much as a whopping 15 bps. since last week's report, getting as high as 1.12%, and now at 1.07% (with a one-day data delay). First resistance is from 1.15% to 1.20%.

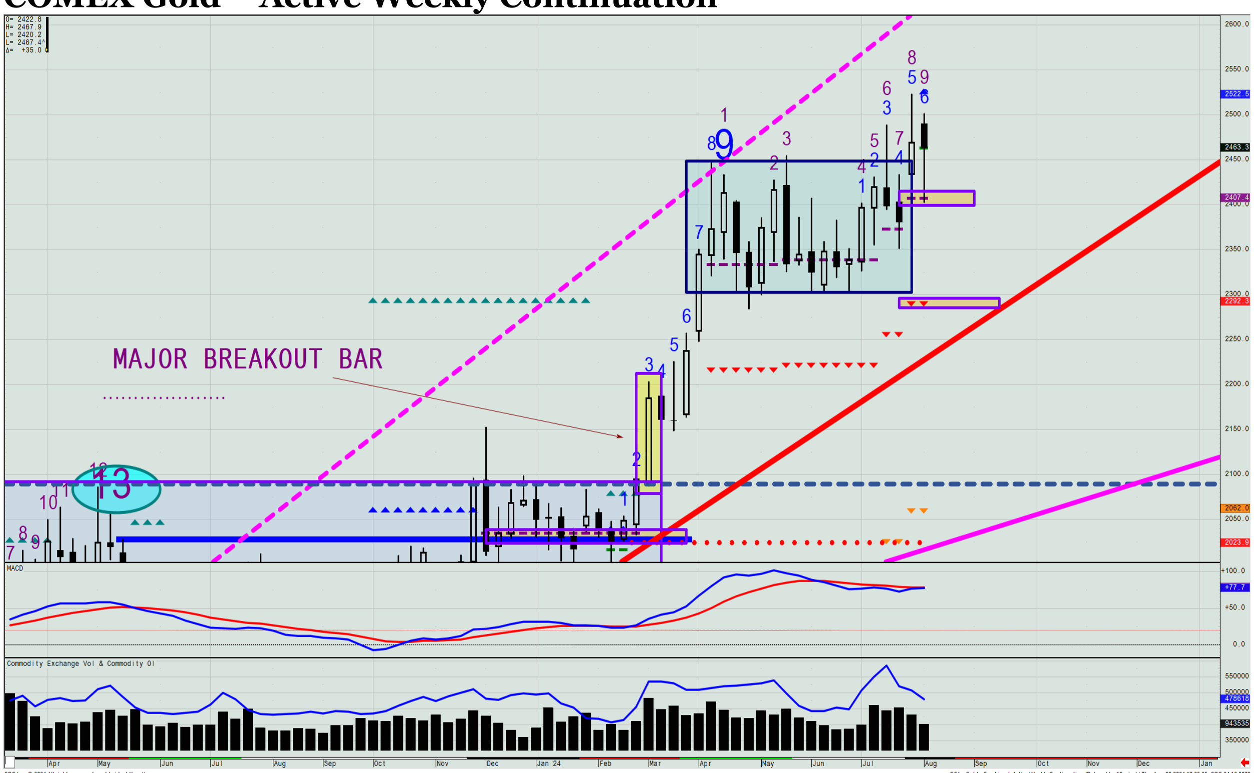
<u>THE DOLLAR:</u> The dollar bounced on trendline support at Monday's low, and in general, continues to move with rates. I don't try to look deeper than what seems evident to me, so I continue to look at this as a pure bigger trading range.

DXY – Weekly



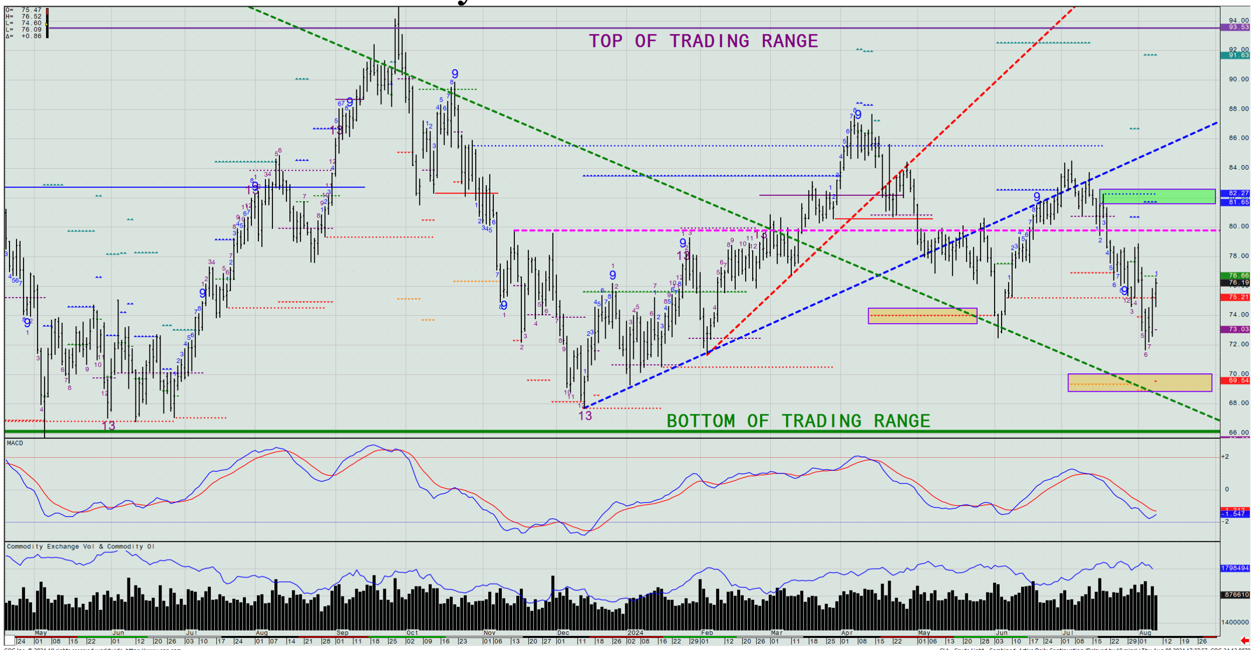
COMMODITIES: **Gold** bounced for the second week in a row on its current weekly bearish Propulsion Momentum level. The more it could stay above the top of the blue rectangle's prior trading range, the more bullish it remains. Downside risk is to the red uptrend line.

COMEX Gold – Active Weekly Continuation



WTI Oil dropped on Monday like all global markets did, and then came right back to yesterday actually close up on week vs. last Friday's close. I have no major call on this.

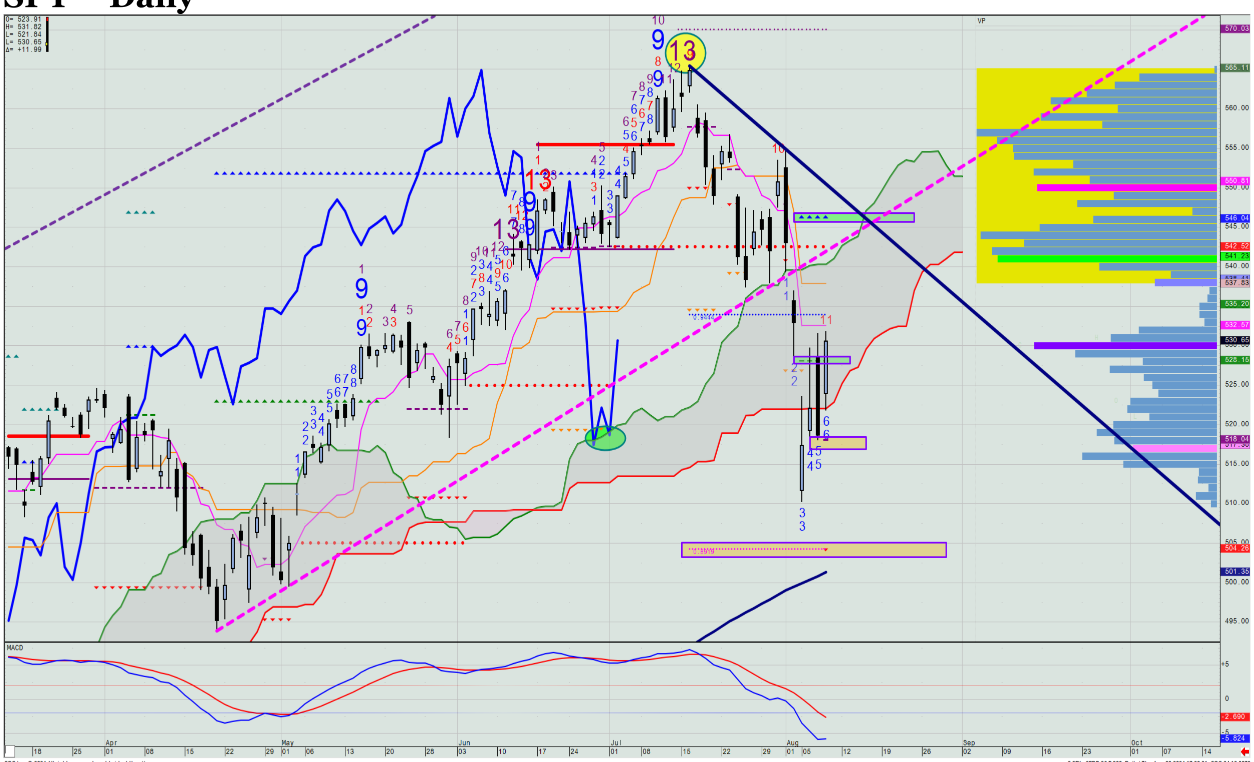
WTI Crude Oil – Active Daily Continuation



EQUITY INDEXES:

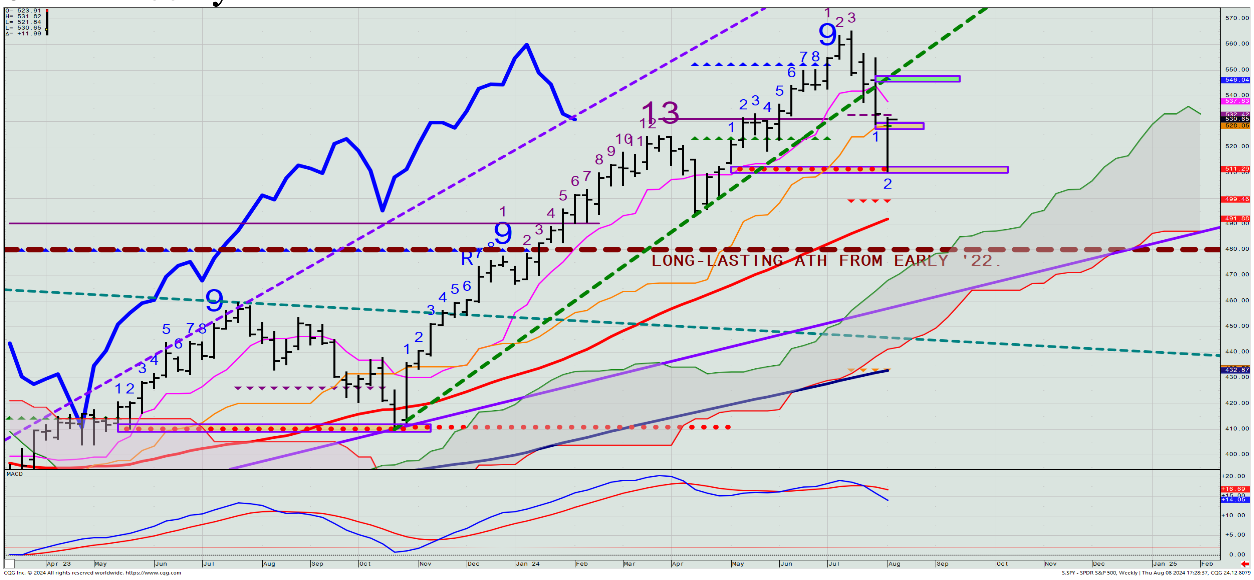
The SPY bottomed on Monday against its weekly TDST line (just like it had at the low in last October's decline). And the daily chart shows a double bottom of the cloud's Lagging Line against the cloud top, and then yesterday marking a qualified upside breach of the bullish Propulsion Momentum level at $528.15. A higher open today that also trades above yesterday's high confirms the bullish signal with a $548 target.

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 it does breach that level today, it is not a qualified break because last week was a down close relative to the close two weeks ago. That would make it a less convincing bear signal given the TDST low earlier this week.

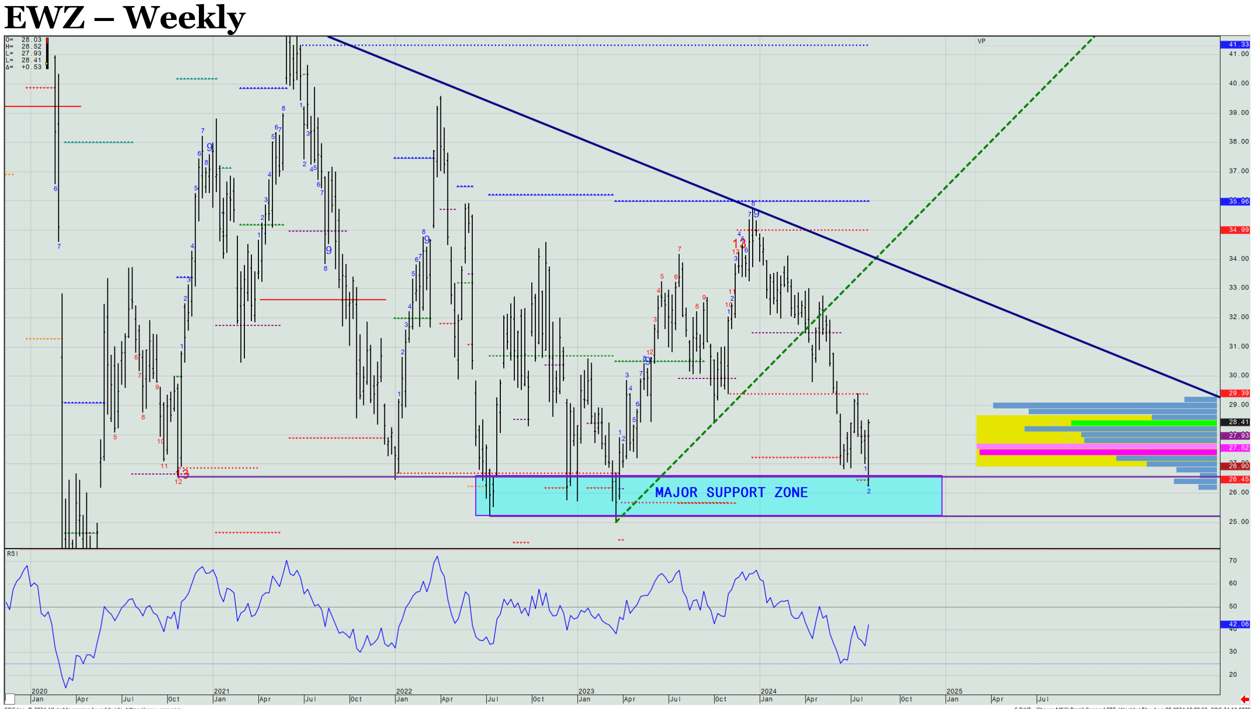
SPY – Weekly



New ETF Trade Idea

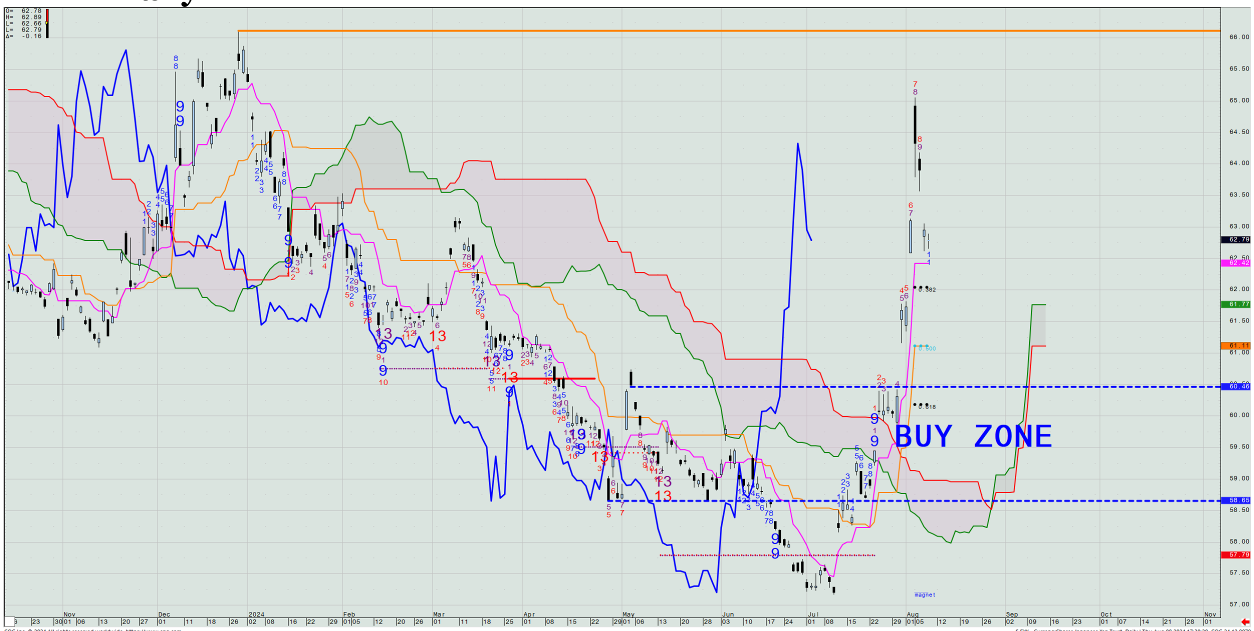
The popular Brazil equity market ETF, the **iShares Brazil Capped (EWZ)**, has already rallied 8% above this week's low after trading down to the lowest level on Monday in almost 18 months. Given that over the past four weeks, its Point of Control is at $27.52, let's look to buy anything from $27.80 down to that level, looking for a test to near the major downtrend line (which is no lower than $33 by year's end). There is no other logical stop to use other than just under this week's low.

EWZ – Weekly



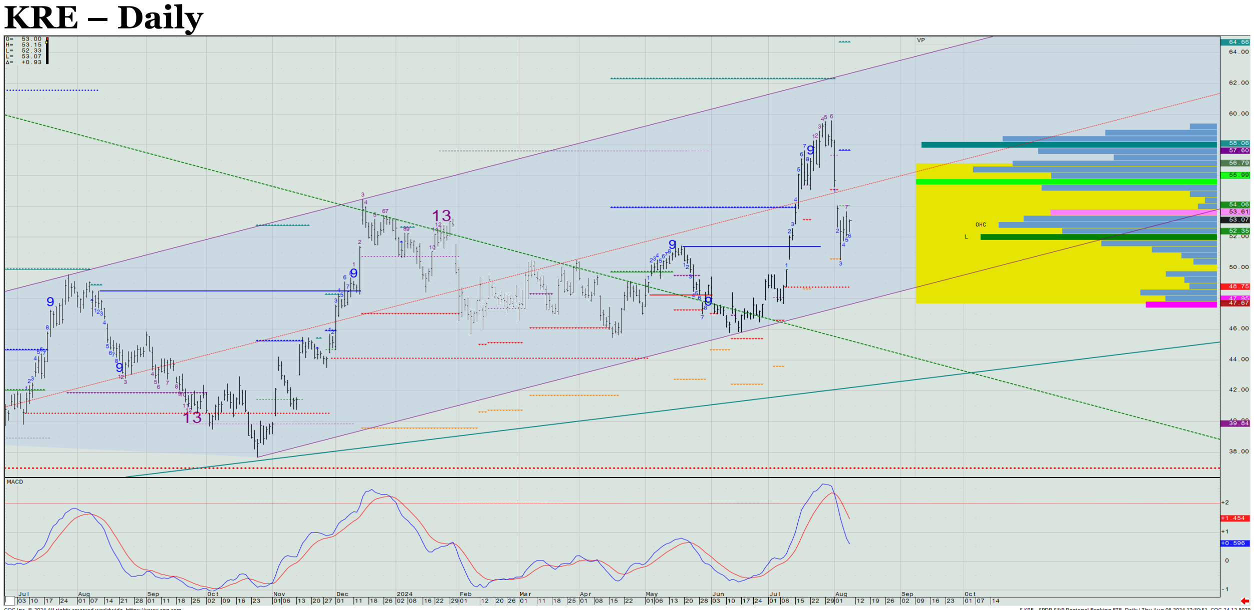
Long FXY
Despite that that yen surged and has now started to drop, I still want to be a buyer on a pullback to the range now defined by the horizontal blue dashed lines ($60.46 to $58.65). My hope is that a daily Setup bar -8 and -9 get into that zone, and I'd be using those two days to accumulate two units on the long side. We'd then stop out on the second consecutive daily close beneath $58.65. The upside target will be determined after entry.

FXY – Daily



Long KRE
We were looking to get long on a pullback to the mid-channel line, and we got filled on Monday's open ($53.85) as it gapped beneath what would have been our theoretical entry price of $54.86. The sell-stop was a close or two under $52.50. That happened for an avg. exit at $52.30, so we lost 2.88%.

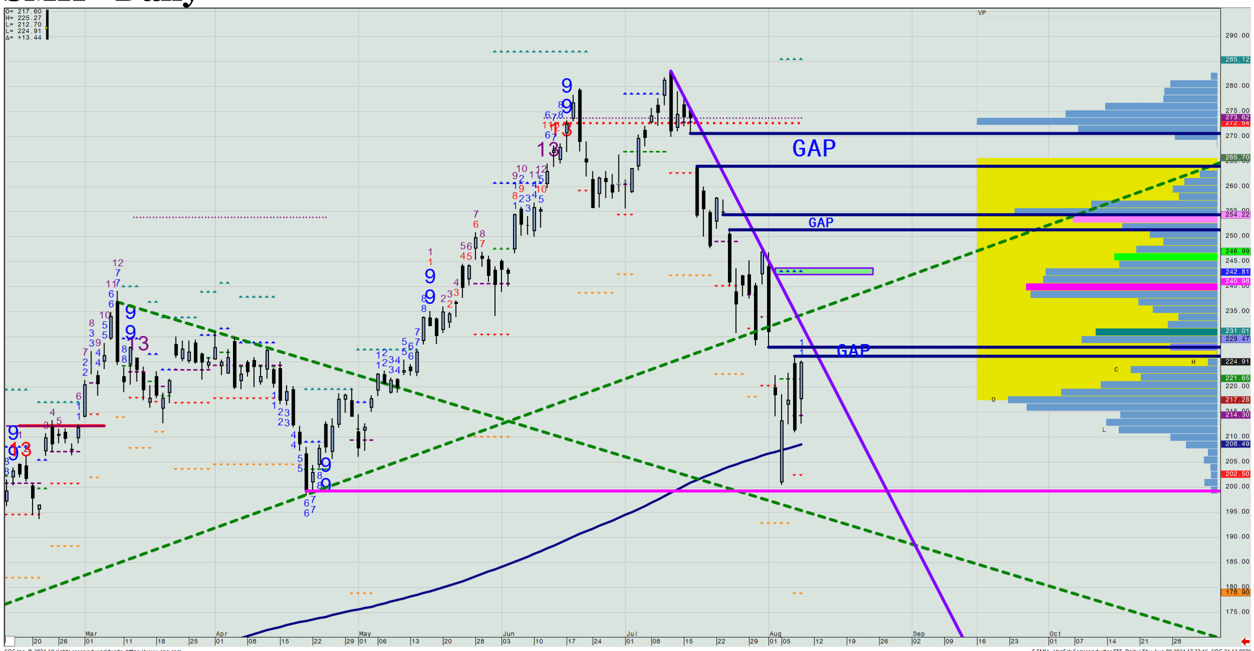
KRE – Daily



Short SMH

Three weeks ago, we were looking to sell a rally to $264 to $270.54, with a target of $223 to $217.50. The target was hit earlier this week, so I am cancelling this trade idea.

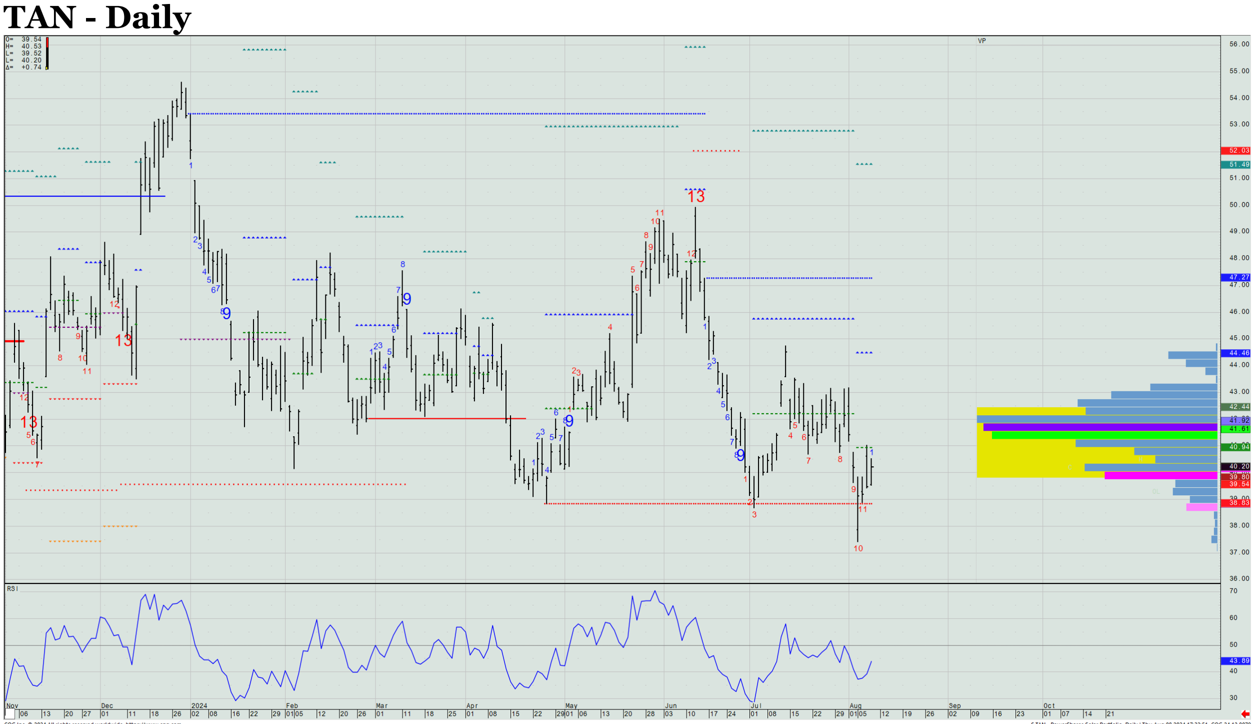
SMH - Daily



Long TAN

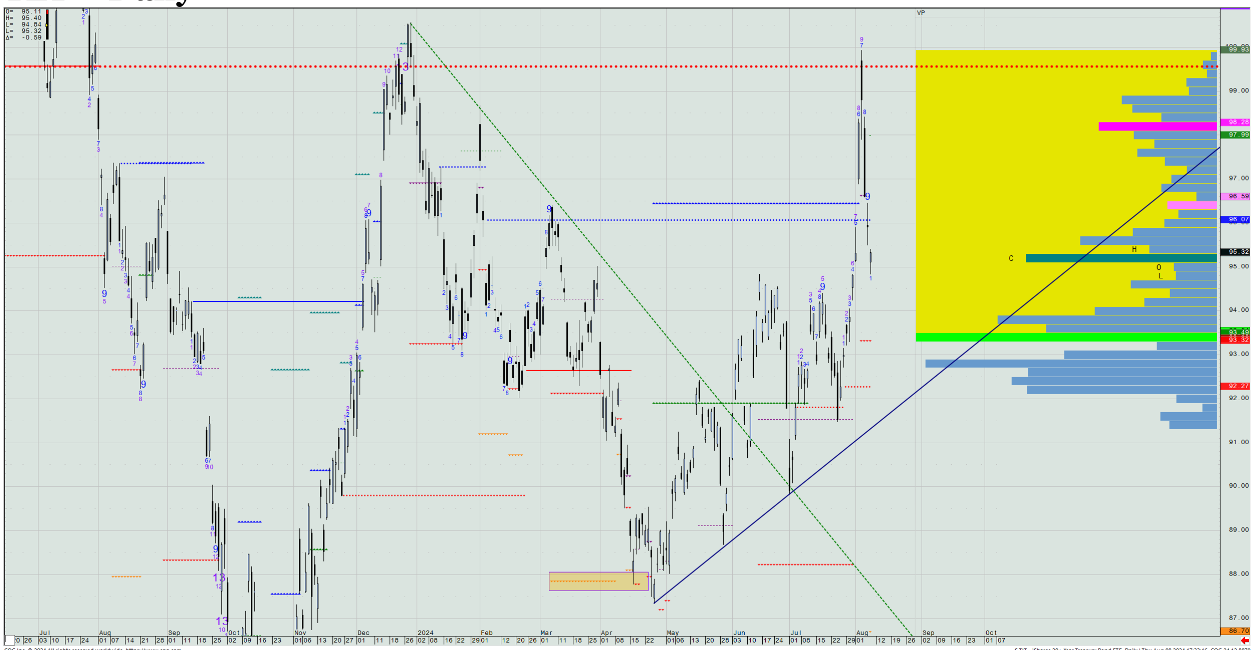
We were long this from early-July at an avg. price of $44.17. (It's unfortunate when we bought into a large gap higher.) The sell-stop was on a close < $40.14, which unfortunately happened on Monday's large decline with a close at $39.12. We lost 11.4%. (Notice: unlucky entry fill; unlucky sell-stop filled. Entry and exit are everything when you are short-term/swing trading.)

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. (As I mentioned earlier in this report, I exited long bond positions on Monday's high.) At this point, I think the best you can hope for is to sell out 25% at $96.30/$96.60 and 25% at $98.

TLT – Daily



Suggestions and Explanation of Terms

With every major firm brokerage firm having gone to $0 domestic stock/ ETF commissions, you should not be paying anything 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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