Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

<u>The Macro Picture</u>

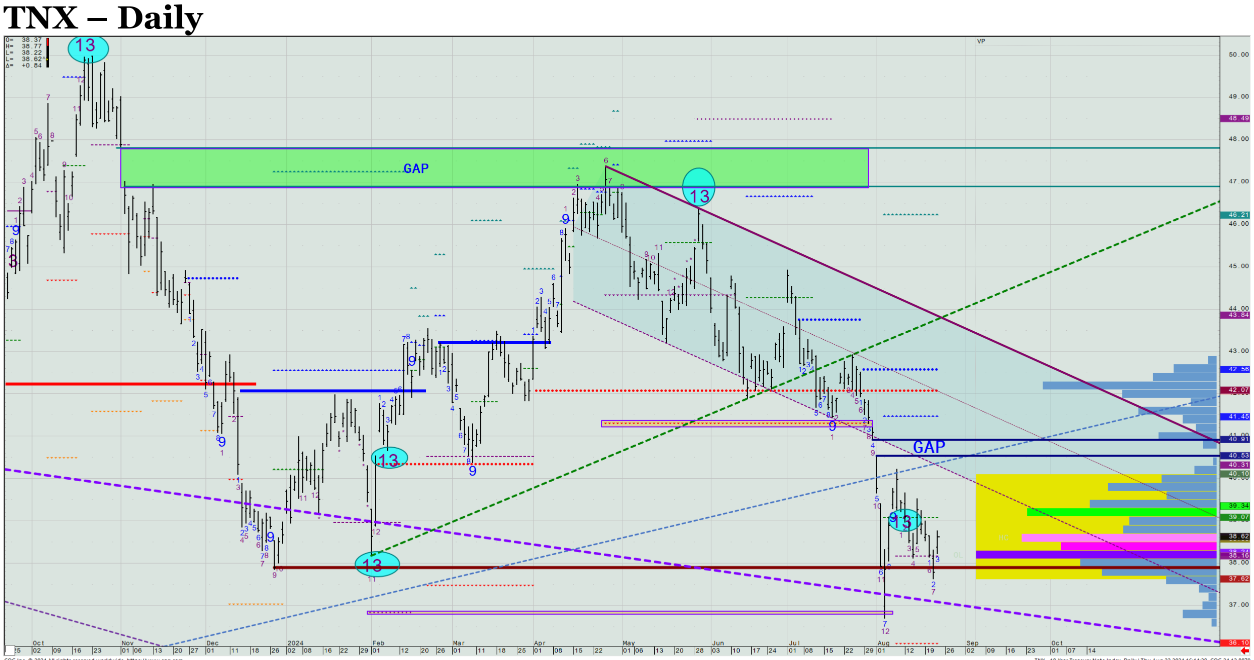
The bulk of the past week continued to see a continuation of the prior week: more Risk-On for equities; yields staying in a trading range; gold higher; oil lower; and the dollar made a new low but also hit its downside target. Today we'll get Fed Chair Powell's comments from the Jackson Hole symposium of global central bankers. This is essentially what would have been his press conference -type comments if Wednesday's FOMC minutes had been a rate decision vs. just the release of what they are thinking. So, today's comments, along with next week's NVDA earnings report, will set the tone of trading for the end of the summer.

Let's look at the major asset classes' charts:

US RATES

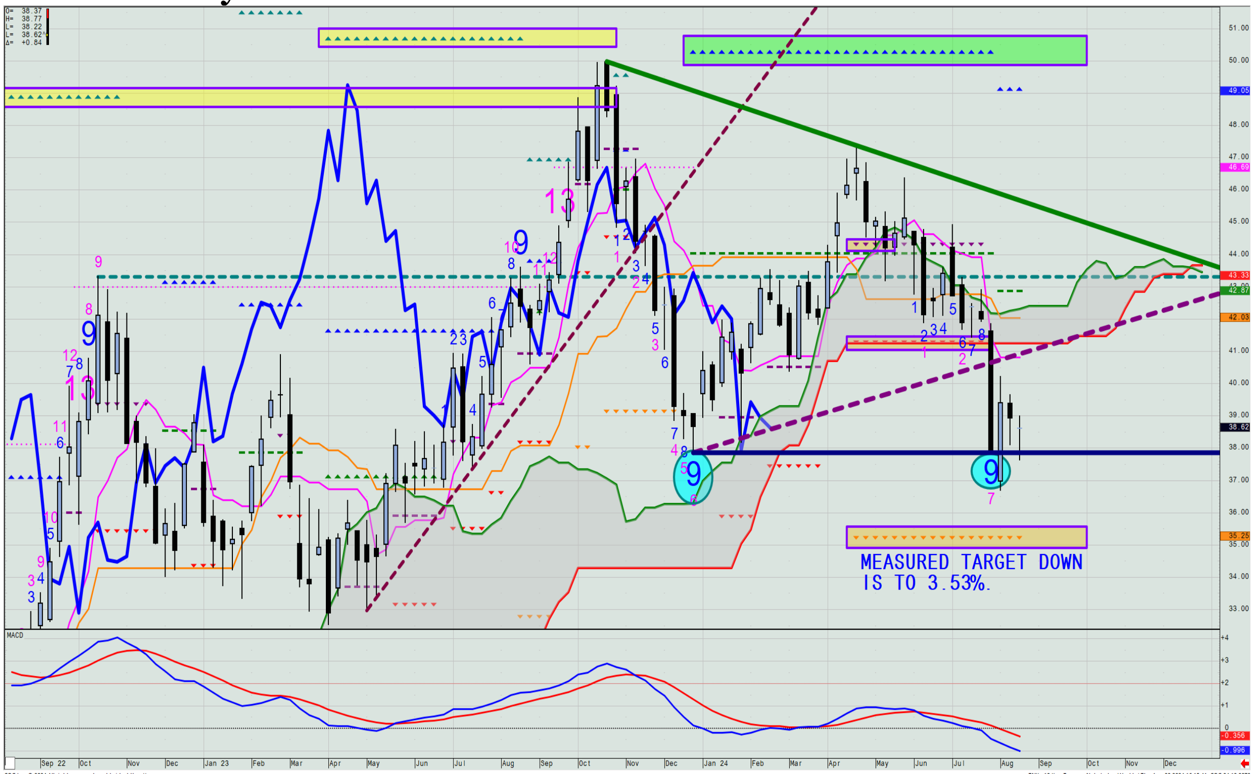
Rates bottomed one basis point above my 3.68% trading low target, rallied to as high as 4.02%, and then pulled back down to the low-3.8% area, where I've suggested there should be support. Barring Fed Chair Powell changing the game today, I think things are lined up for a rate rally to fill the gap from 4.05% to 4.09%.

TNX – Daily



The bigger measured target down from the ATHs remains at 3.53%. I'm not saying we don't get there at some point, but I also obviously see reasons for yields to bounce, too. At this point, the TNX 4.13% to 4.26% range should be tough to get back above.

TNX – Weekly



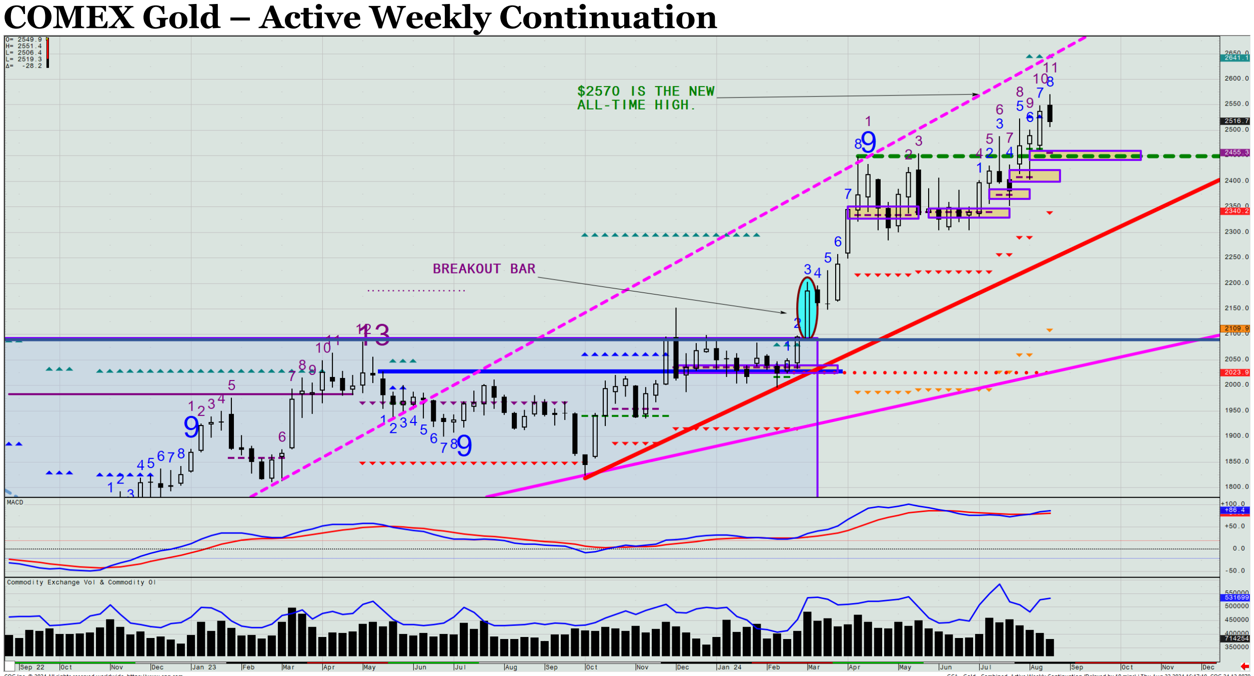
Investment grade corporate credit spreads, my preferred credit spread index, rallied as high as 1.12%, and are now at 0.98% -- down 4 bps. since last week's report. First significant resistance is from 1.15% to 1.20% (i.e., the prior breakdown area). Support should be found backfilling to the broken downtrend line (currently in the low- 0.9% area).

THE DOLLAR: Though the greenback remains in a large trading range, yesterday marked a daily Sequential -13 count and a Setup -8 count, suggesting to me that the dollar may very well bounce (and that's in line with my thoughts on rates).

DXY – Daily

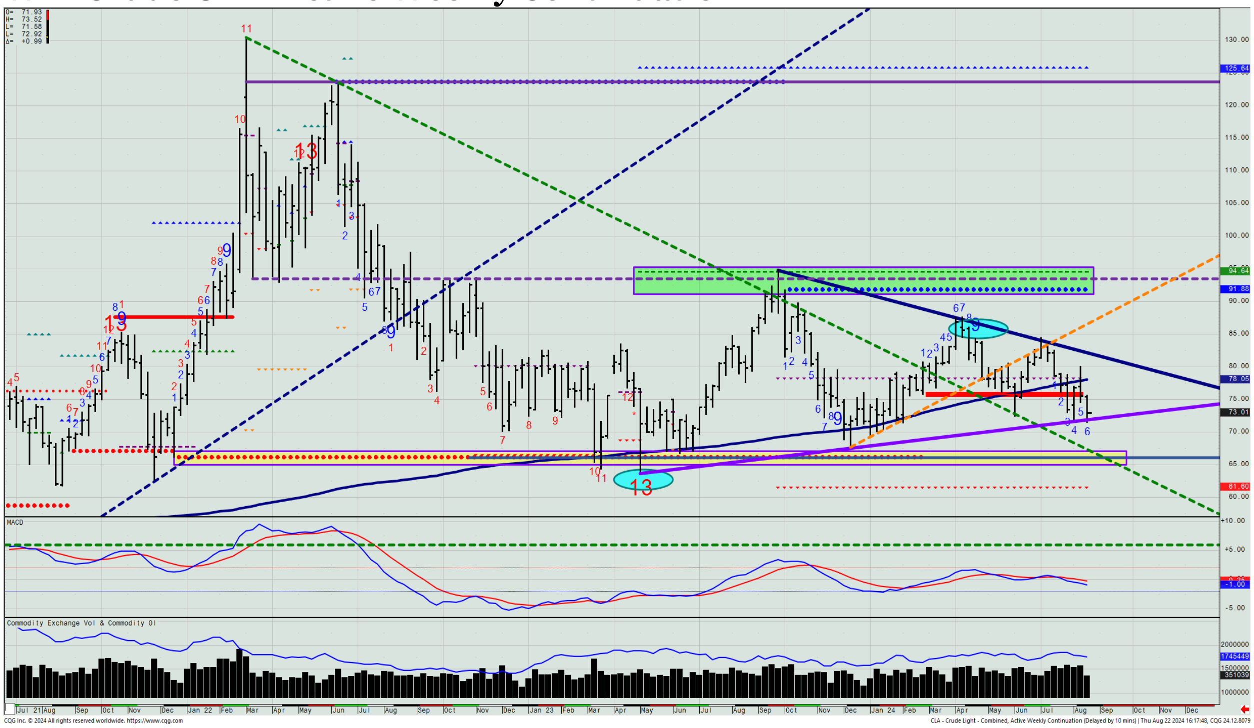
COMMODITIES: **Gold** made another ATH this week to $2570 in the active December futures contract on COMEX. I'll be watching to see if the newest bearish Propulsion Momentum level gets properly breached, as gold is late in its DeMark counts, potentially seeing a Setup +9 next week and an Aggressive Sequential +13 signal the week after.

COMEX Gold – Active Weekly Continuation



WTI Oil has a fear bid/afraid to be short component to it, given the still elevated Mideast tensions. Absent that, I think it would be trading many dollars lower, as there is both a demand concern and seemingly ample supply, too. I have no major call for oil. (This week did bounce on the uptrend line from the May 2023 low.)

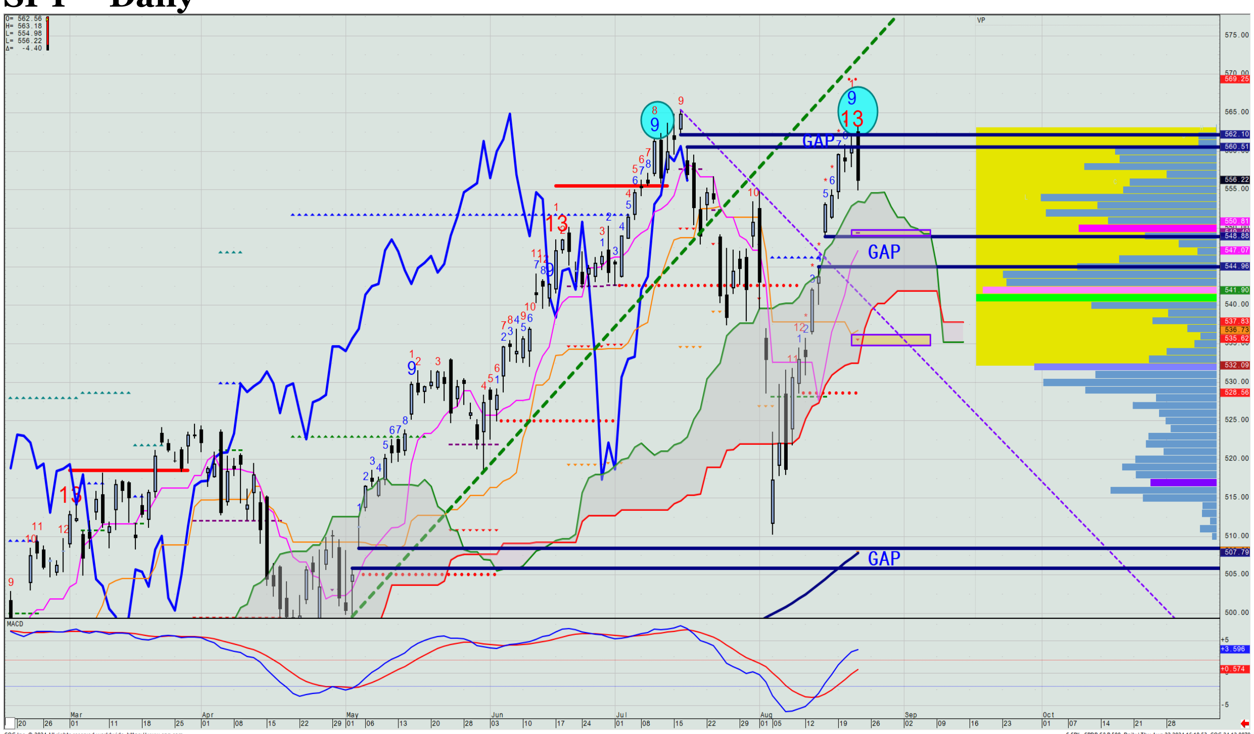
WTI Crude Oil – Active Weekly Continuation



EQUITY INDEXES:

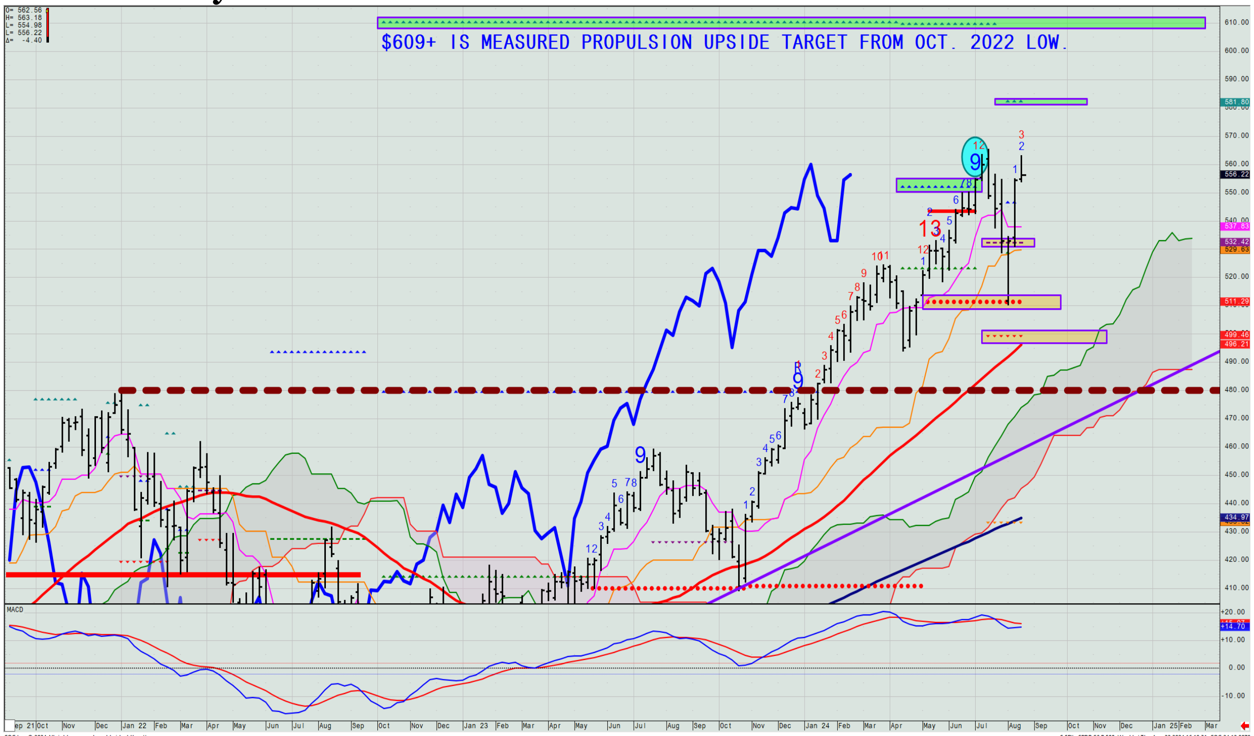
The ongoing rally since the August 5th spike low took price this week to completed daily Setup +9 and Sequential +13 counts that also filled the last previously unfilled gap on the upside. It's a logical place for a stall.

SPY – Daily



The weekly SPY *bearish* Propulsion Momentum level is still at $532+. Price action suggests a measured move up to $581.80, with the still upside target from the 2022 secular low measuring to $609+. I'm a buyer to support levels.

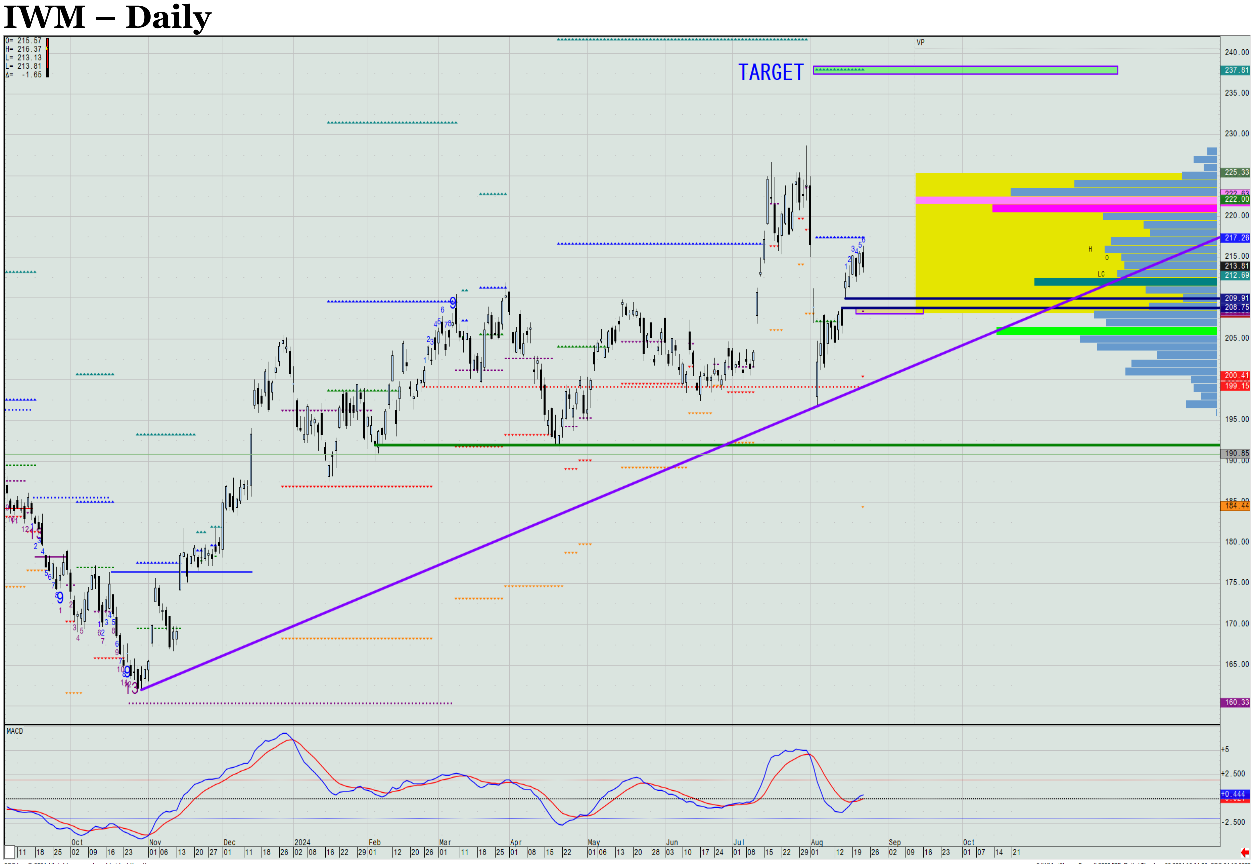
SPY – Weekly



[New ETF Trade Idea](#)

With the August 5th low holding right at the **Russell 2000's (IWM)** TDST support line, let's look to get long one unit on a pullback to $210 to $208. I'll target a move to $237+, while risking to a low beneath the August 5th low of $196.70.

IWM – Daily

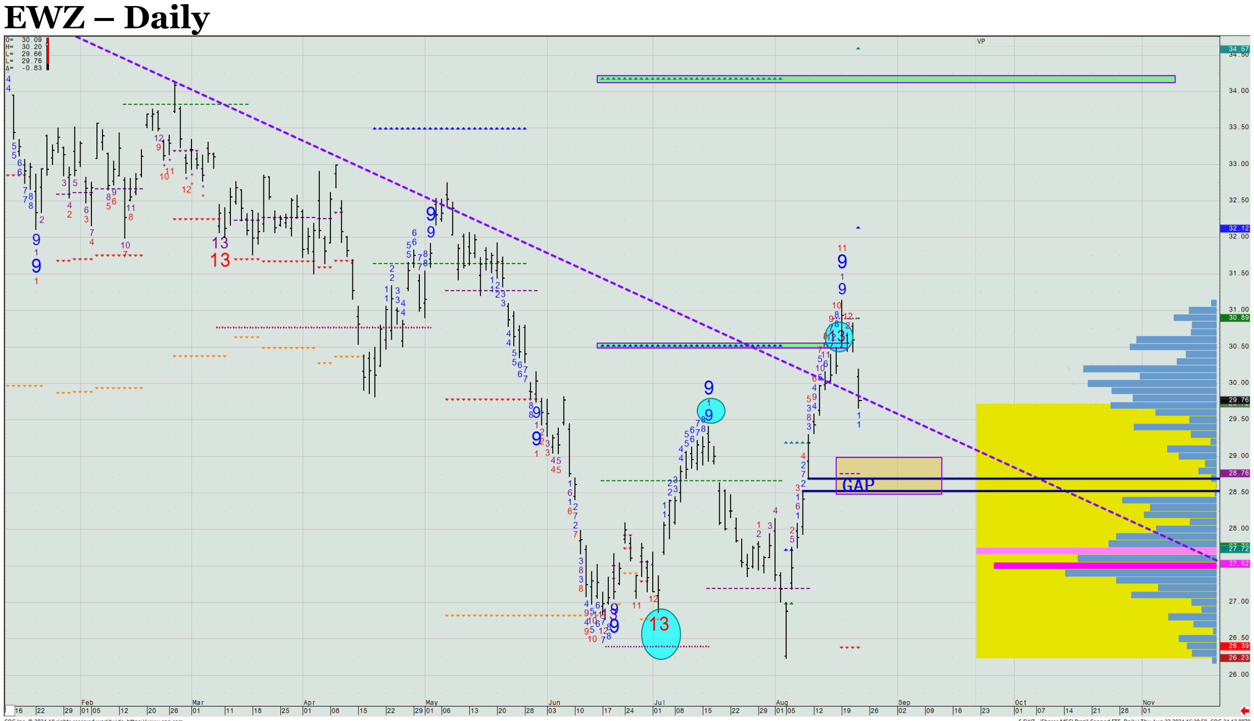


Long EWJ
With the strength we've seen in global equities, last week's idea to buy two units of this Japanese equity market ETF has not been filled. We're looking at buying from $67 to $66.50; aiming for a target somewhere near $77, and risking a Friday close < $63.48.

EWJ – Daily

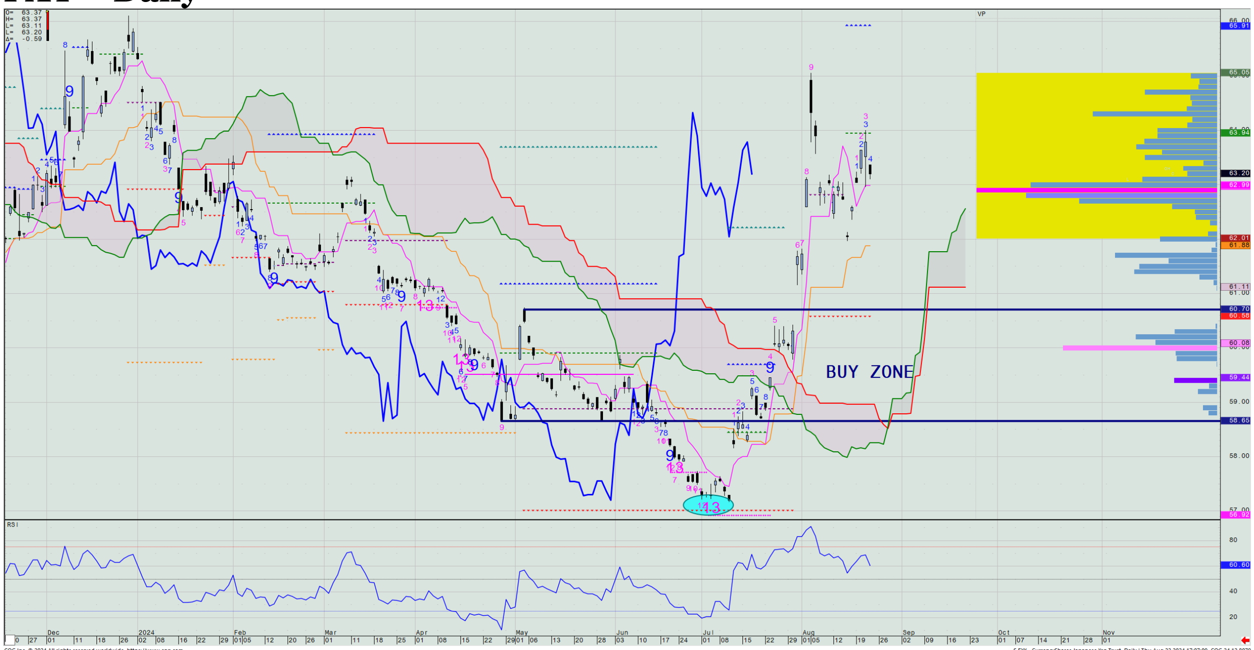
Long EWZ
We're still looking to buy this Brazilian equity ETF on a pullback to $29 to $28.50, risking two consecutive closes beneath $27.92, with a bigger upside target of $34.00.

EWZ – Daily



Long FXY
Let's cancel this idea for now, but I'll still be monitoring down the road. ~~I still want to be a buyer of the yen on a pullback to the range now defined by the horizontal blue dashed lines ($60.70 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



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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