Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

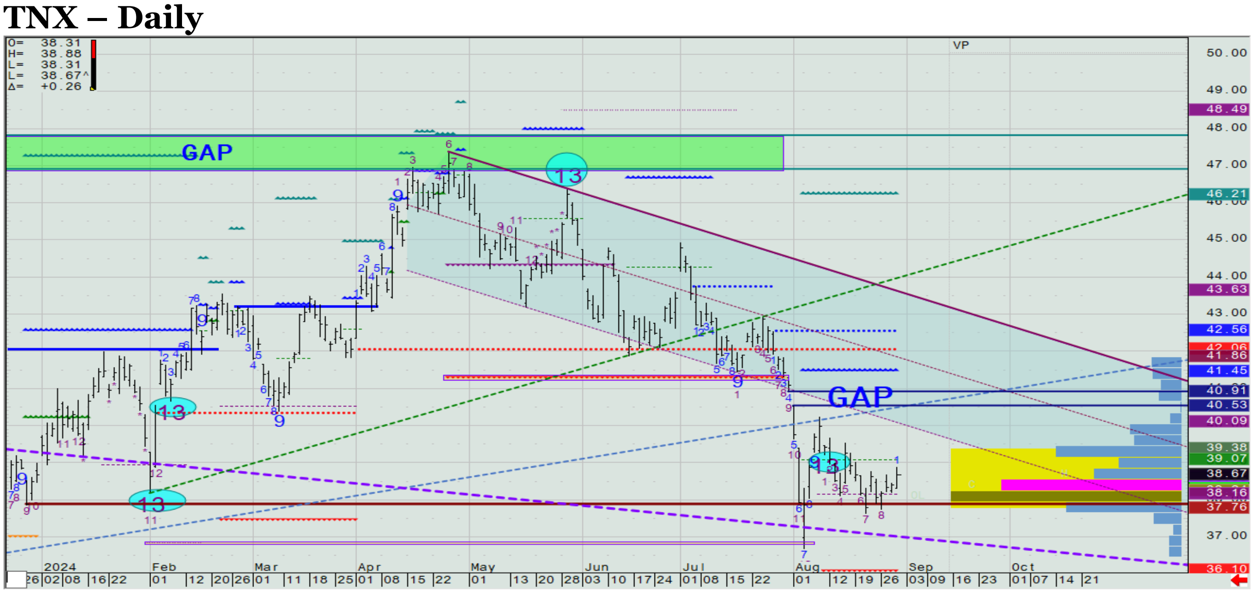
The anticipation for the bulk of the month on what NVDA's earnings would be is now finally out of the way. Yesterday saw the stock down 6.38% on the day after that report, and yet, the overall market was flat. Wasn't it supposed to be that "as NVDA goes; so goes the market"? Even without NVDA's ~6% of the whole SPX's value, semiconductors only lost 1.24% (though to be objective, the SMH is just midrange between its all-time high and the August 5th low, and continues to trail the strength of the SPY's rally since then.

As the summer unwinds and we head into what is historically one of the more volatile seasons of the year, investors are betting a 66% chance of a 25 bp. rate cut on Sept. 18th, and a 34% chance of a 50 bp. rate cut. November is pegged at a 47% chance for another 25 bps. cut and a 43% chance of another 50 bps. cut (and a 10% chance of another 75 bps. cut). So far, these Fed Fund futures traders have been dead wrong for the bulk of 2024, when they came into the year expecting 7 cuts, which they ultimately cut down to 2 cuts before pushing it back out again. There's lots of room for error in their guesses, and that certainly can make for a wild swinging few months into year's end.

US RATES

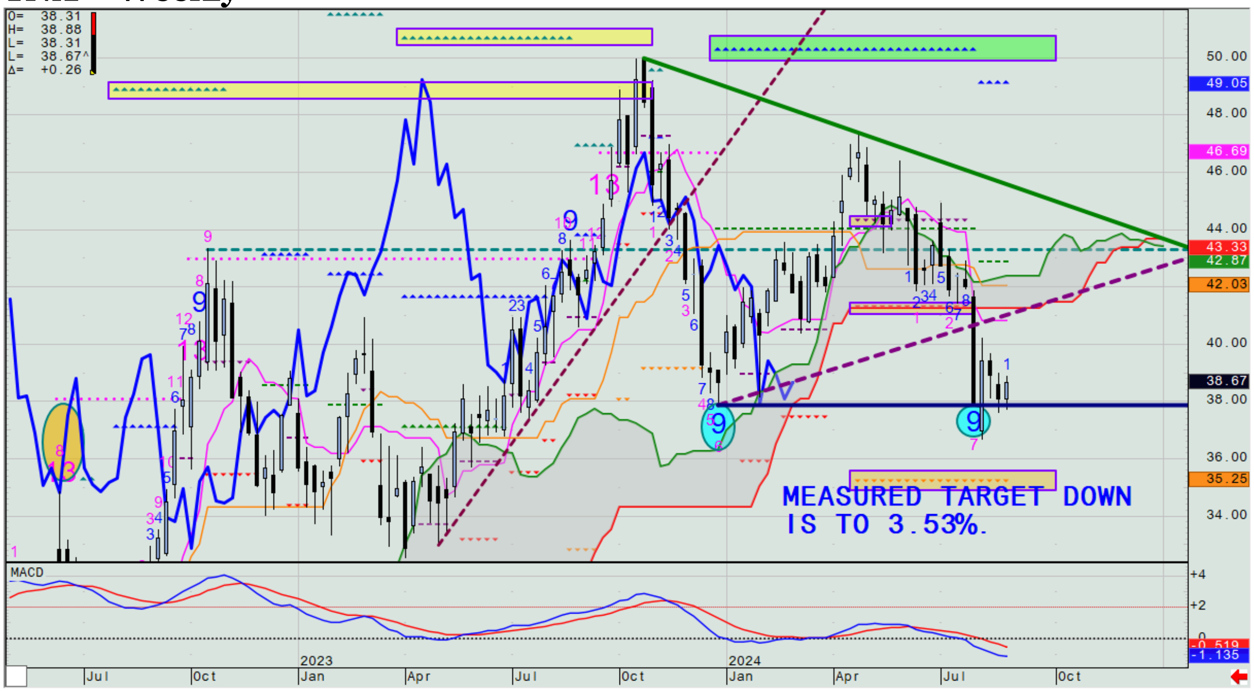
Rates bottomed one basis point above my 3.68% trading low target, rallied to as high as 4.02%, and then pulled back down to the low-3.8% area, where I've suggested there should be support.

TNX – Daily



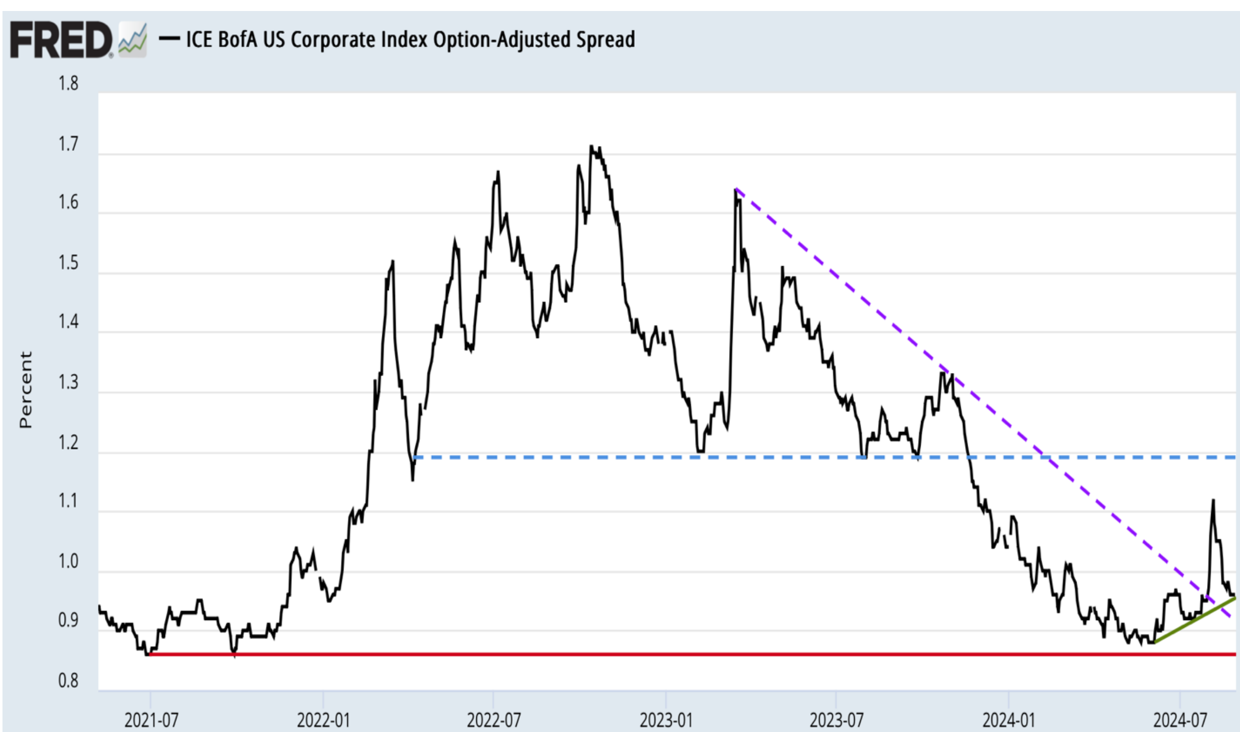
So far, that area is holding and I'm still thinking that yields now rally to fill the gap from 4.05% to 4.09%. A move under the August 5th low of 3.67% should then quickly fall to 3.53% or lower. On the upside, more significant resistance should be found in the 4.13% to 4.30% zone.

TNX – Weekly



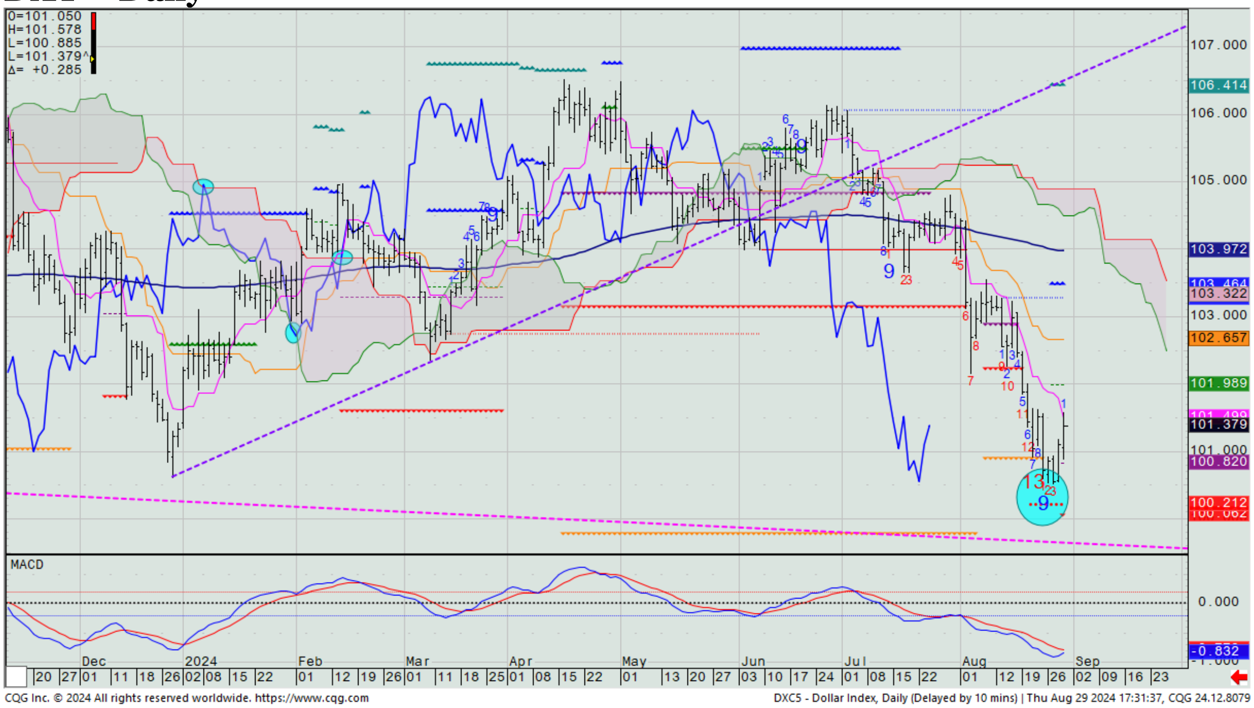
CQG Inc. © 2024 All rights reserved worldwide. https://www.cqg.com   TNX - 10-Year Treasury Note Index, Weekly | Thu Aug 29 2024 17:31:13, CQG 24.12.8079

Investment grade corporate credit spreads, my preferred credit spread index, rallied as high as 1.12%, and are now at 0.96% -- down 2 bps. since last week's report and now resting on the uptrend line from this year's low. Further support should be found backfilling to the broken downtrend line (currently in the low- 0.9% area). As a reminder, the all-time low is 0.86%.



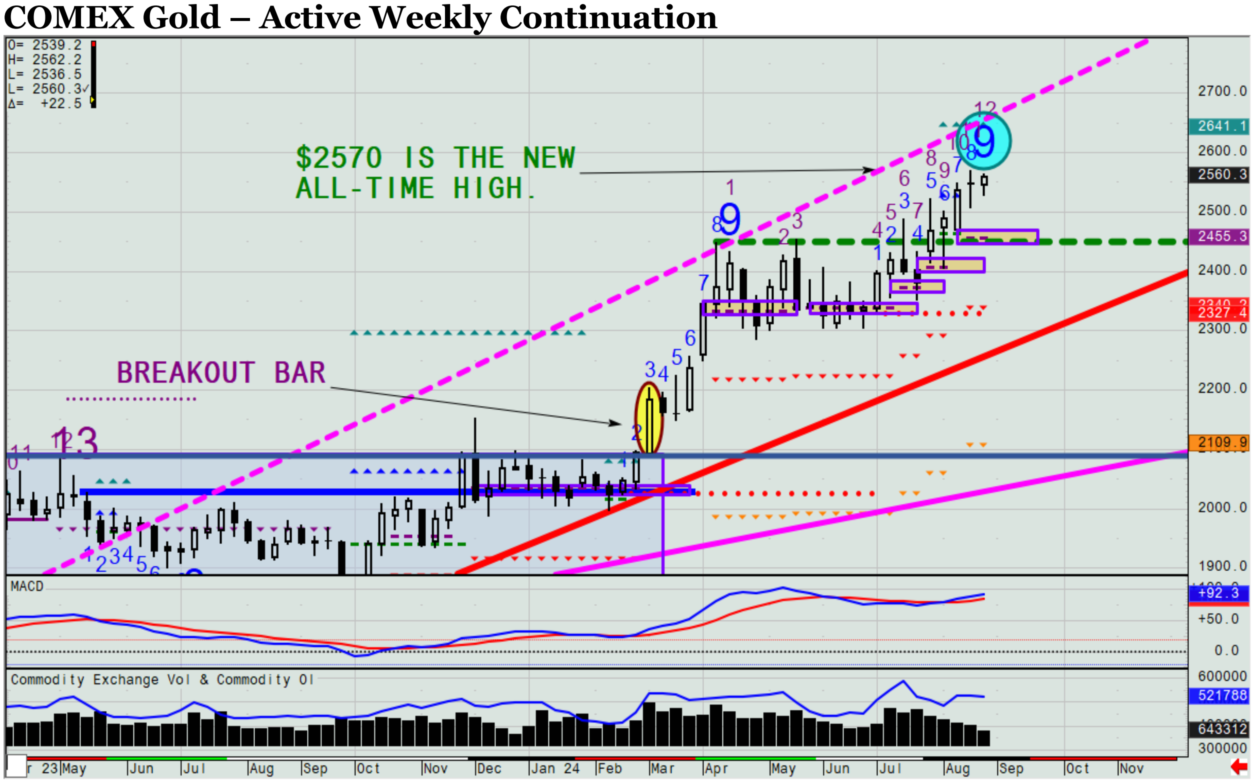
THE DOLLAR: Though the greenback remains in a large trading range, last week's daily Sequential -13 count and a Setup -9 count led to a bounce this week. So far, it stalled against the falling Conversion Line. Get and stay above there and you have more reason to think the dollar rallies (as perhaps rates will, too).

DXY – Daily



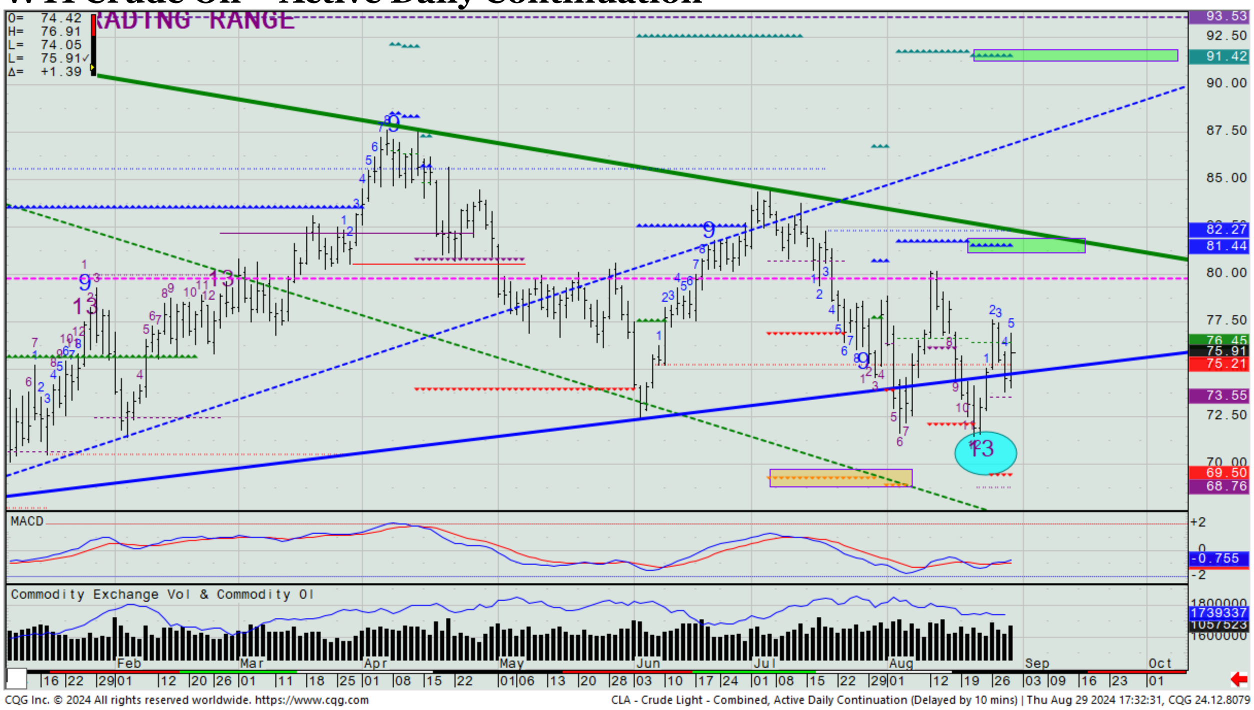
COMMODITIES: The early-August upside breakout in **Gold** continues to climb up its daily Conversion Line. The weekly chart also continually finds support at its bearish Propulsion Momentum levels. However, we now see a Setup +9 and Aggressive Sequential +12, suggesting that we could easily shortly see a pullback.

COMEX Gold – Active Weekly Continuation



WTI Oil still has a fear bid/afraid to be short component to it. (On Wednesday I read that US intelligence has told Israel's neighboring countries that it expects Iran to attack Israel by the weekend.) The chart has a recent Aggressive Sequential -13 count, so I'd not be shorting oil now.

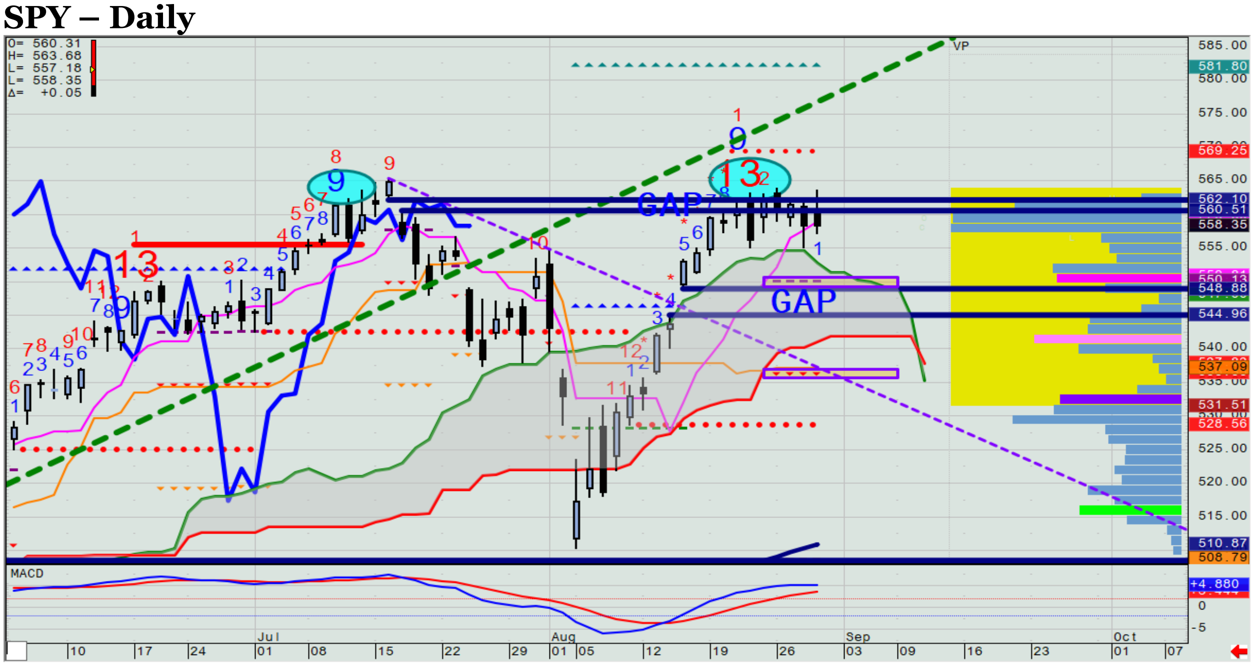
WTI Crude Oil – Active Daily Continuation



EQUITY INDEXES:

The ongoing rally since the August 5th spike low reached daily Setup +9 and Sequential +13 counts that also filled the last previously unfilled gap on the upside. Even if new highs are made, until price gets above the Risk level at $569.25, it's still in the area that could produce a "double-top".

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 remain a buyer to support levels.

SPY – Weekly

New ETF Trade Idea

The **S&P 500 Biotech Index ETF (XBI)** is on the cusp of a major upside breakout, with a target that is over 10% higher than current price. As this is the 4th time up to the ~$100 level, I think odds are better than not that it will punch through and pick up lots of buyers. We'll get long one unit today, and aim over time for a $112.50+ target. We'll risk down to a few closes under the TDST line at $94.51.

XBI – Daily

Last week I realized that our yet-to-be-filled long recommendations are all in getting exposure in major global stock indexes. I had never meant it to be that way; it's just what I happened to have seen over the past several weeks. It shows that I still want to be long for a final push higher that once my targets are met, then I think the market will have a minimum 11% to 16% pullback.

Long IWM

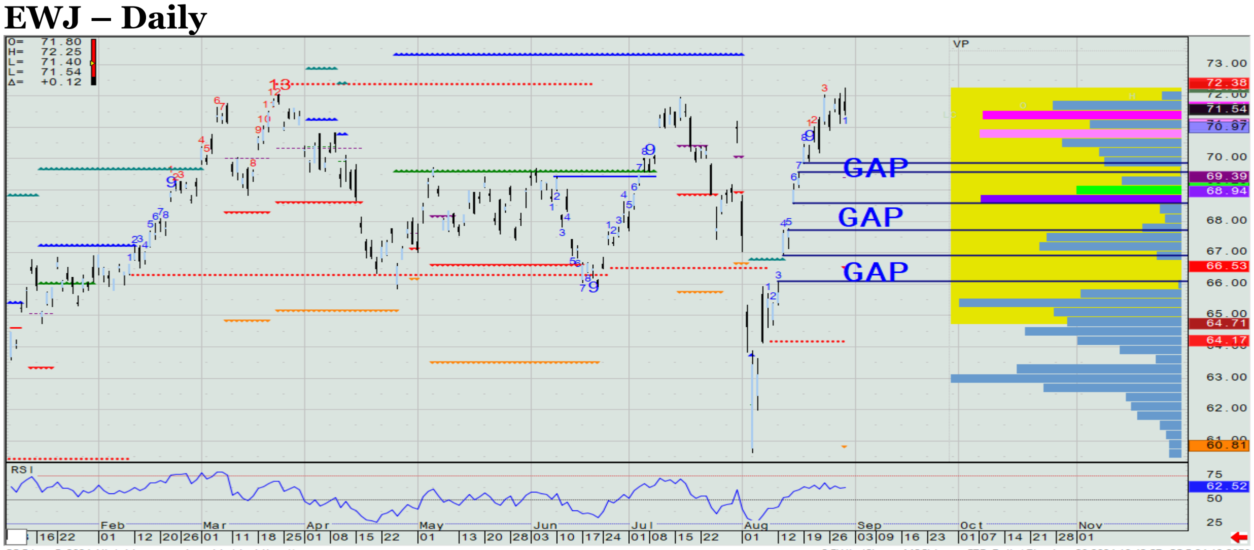
Last week I was looking for us to get long on a pullback to $210/$208. That pullback hasn't yet come. I'll leave that open trade for now. I'll target a move to $237+, while risking to a low beneath the August 5th low of $196.70. (More aggressive bulls can start buying near $214.50.)

IWM – Daily

Long EWJ

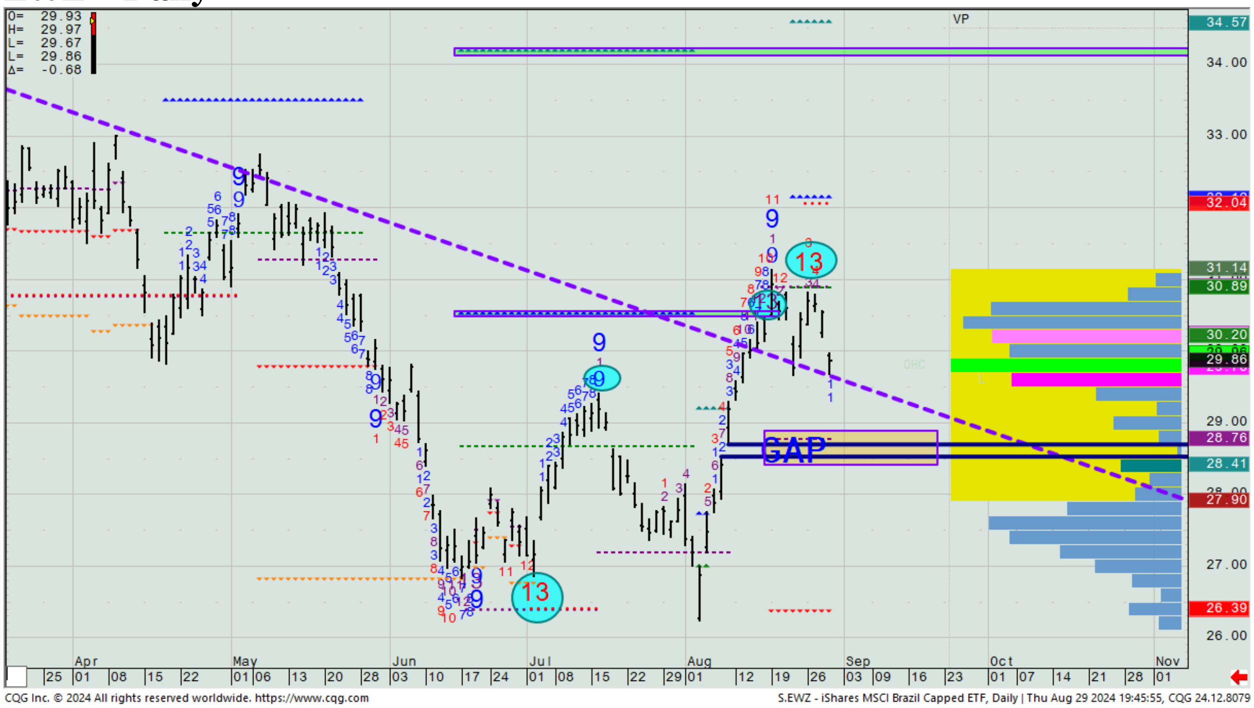
Let's buy a half unit today (just to get some exposure – despite it being at ATHs), and we'll look to put on another half-unit on pullbacks to each of the three shown gap areas (for a total of a 2-unit long position). The upside targets will be to remove half of what we have on at $80 to $80.20 and 50% at $85.

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 *lower* closes beneath $27.88, with a bigger upside target of $34.00.

EWZ – 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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