

Rick Bensignor's



IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com

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TACTICAL TRADER REPORT

The Macro Picture

Equities have consolidated and pulled back after recently peaking in late-August as today gets another key piece of jobs data for Fed Chair Powell to use to determine how much the upcoming rate cut will be this month at the FOMC rate announcement on Sept. 18th. Right now, Fed fund futures players have pegged about a 60% chance of a 25 bp. cut; and a 40% chance of a 50 bps. cut from the current pegged range of 5.25% to 5.50%. Here's how they're betting going forward for the balance of the year and through next September:

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES												
MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525
9/18/2024									0.0%	0.0%	0.0%	41.0%	59.0%
11/7/2024				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	18.5%	49.1%	32.3%	0.0%
12/18/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.1%	35.2%	40.0%	14.7%	0.0%	0.0%
1/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%	17.2%	36.6%	32.8%	10.5%	0.0%	0.0%	0.0%
3/19/2025	0.0%	0.0%	0.0%	0.6%	5.9%	21.3%	35.8%	28.1%	8.3%	0.0%	0.0%	0.0%	0.0%
5/7/2025	0.0%	0.0%	0.5%	4.8%	18.3%	33.0%	29.6%	12.2%	1.6%	0.0%	0.0%	0.0%	0.0%
6/18/2025	0.0%	0.3%	3.4%	13.7%	28.0%	30.8%	18.1%	5.2%	0.5%	0.0%	0.0%	0.0%	0.0%
7/30/2025	0.1%	1.7%	8.0%	20.0%	29.2%	25.1%	12.4%	3.1%	0.3%	0.0%	0.0%	0.0%	0.0%
9/17/2025	0.7%	3.8%	12.1%	23.2%	27.8%	20.7%	9.2%	2.2%	0.2%	0.0%	0.0%	0.0%	0.0%

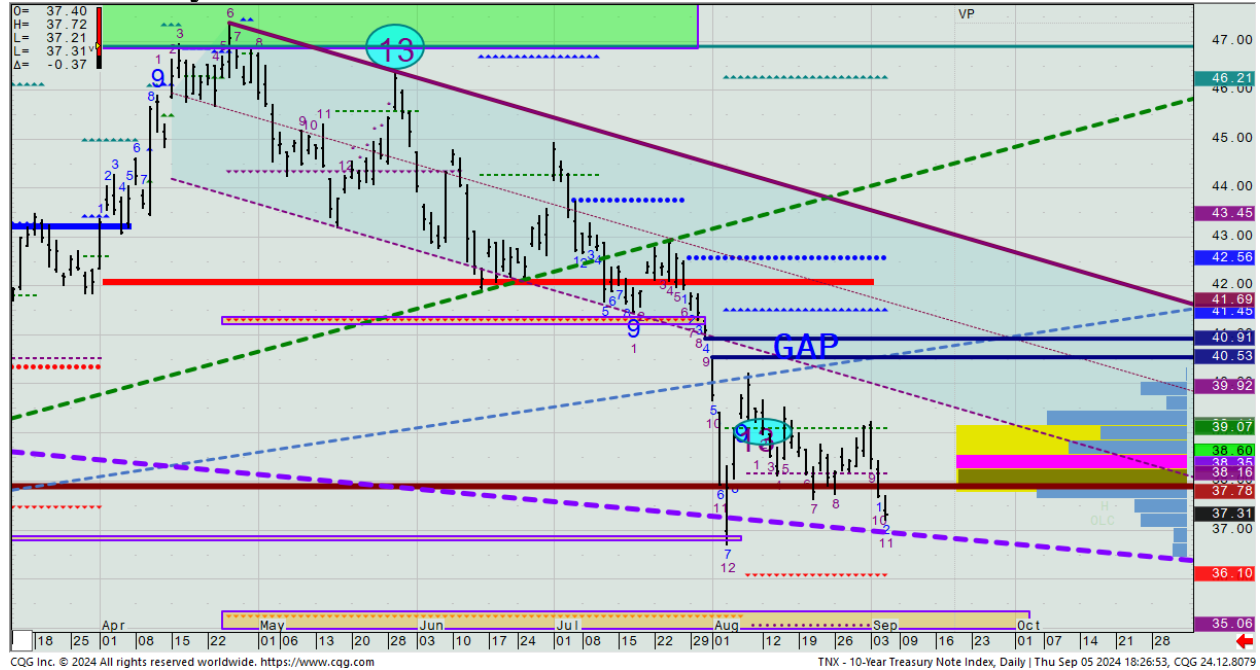
Politics will remain at the forefront of headlines for the next two months, going into the key Presidential election in early-November. I'm not sure I've ever seen our country so at odds with itself, with family and friends arguing over our future, and relationships being tested/kept/fostered more based upon political leanings than they ever have been before. What a difference this environ is than when I grew up a kid in the '60s. And to that end, the small minority of people at the far left and far right are the loudest and most destructive to America, while most of the population lie far more in the middle and feeling as if neither Democrat or Republican parties represent their ideals any longer. Frankly, it's quite sad that this is where the country has gone.

Market-wise, the past week has seen lower equity prices; lower rates; lower oil; lower dollar. That reduces my wanting to be an aggressive stock buyer here and now. Let's take a look across the major asset classes for what their charts are showing, starting with:

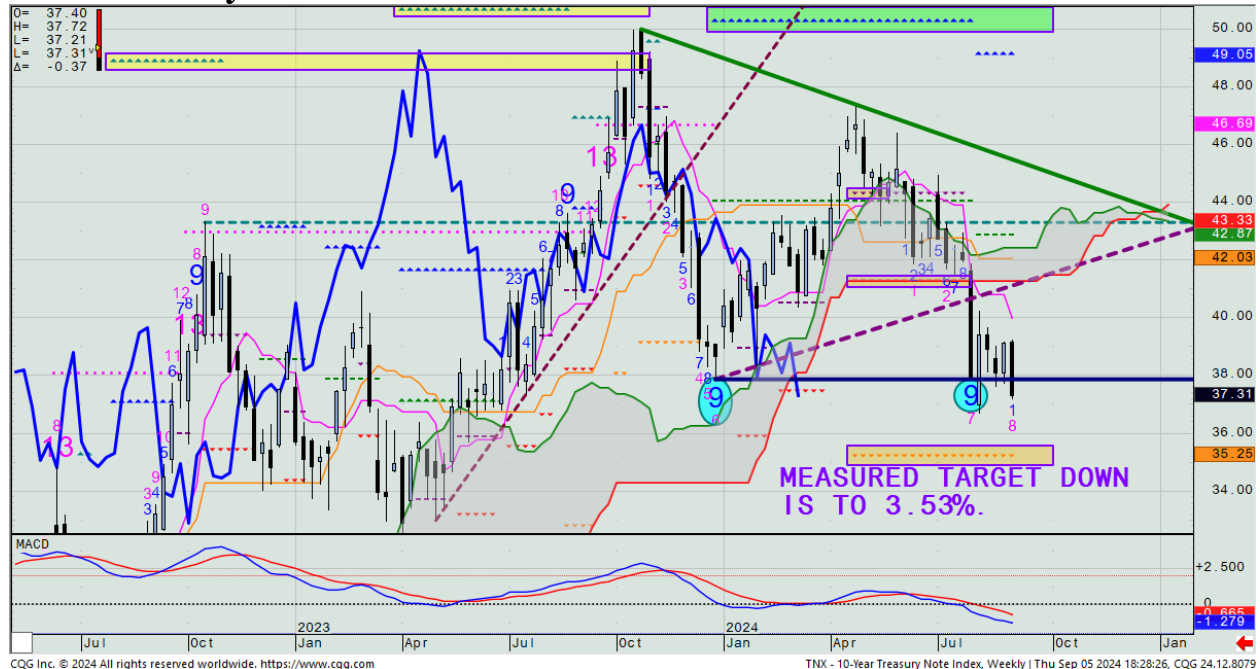
US RATES

Over the weekend, I told clients that with the UST 10-yr. rate holding near 3.80% last week, that they were likely headed to fill the gap from 4.05% to 4.09%. But this week, rates broke 3.8% and traded as low as 3.72% (with an August 5th low of 3.67%). The longer they stay beneath 3.80%, the more the 3.53% target from the 5% high becomes a nearer-term reality.

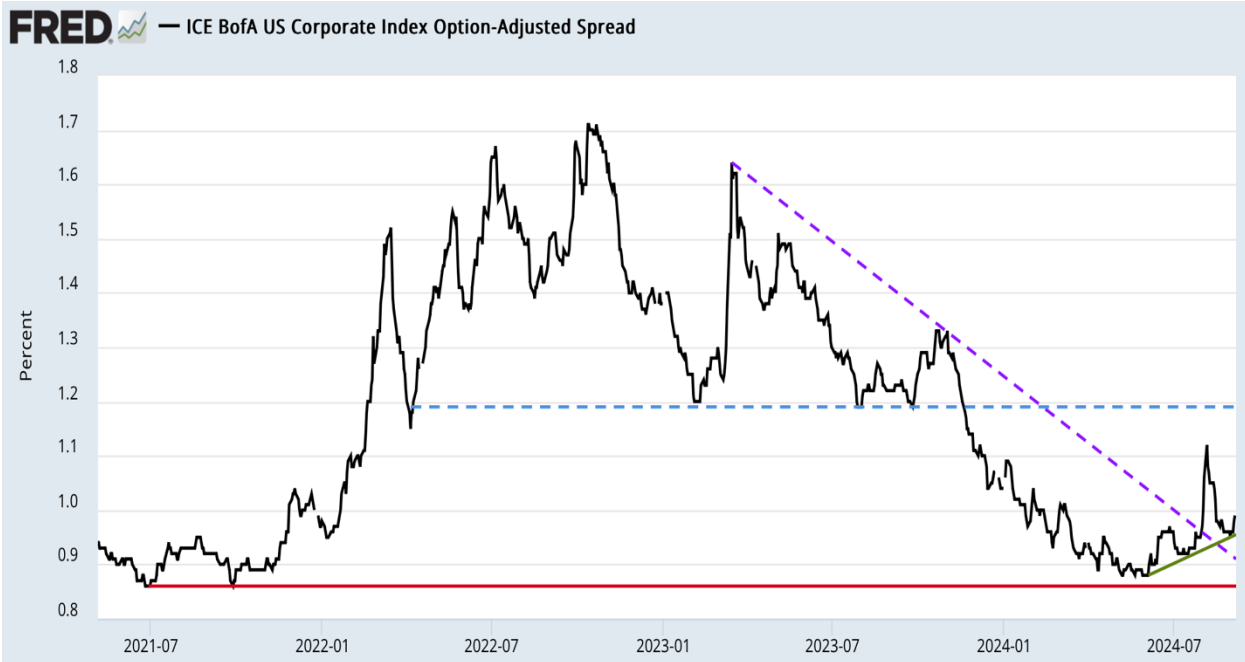
TNX – Daily



TNX – Weekly



Investment grade corporate credit spreads, my preferred credit spread index, are now at 0.99% -- up 3 bps. since last week's report, having bounced right on the uptrend line from this year's low. Further support should be found backfilling to the broken downtrend line (currently just about the 0.9% area). As a reminder, the all-time low is 0.86%.



THE DOLLAR: Though the greenback remains in a large trading range, two weeks ago the daily Sequential -13 count and a Setup -9 count led to a bounce. Some of that bounce has been given back, and it's not yet clear if the true low is in. Watch rated direction, because good chances are that the greenback will go in the general direction that rates go.

DXY – Daily



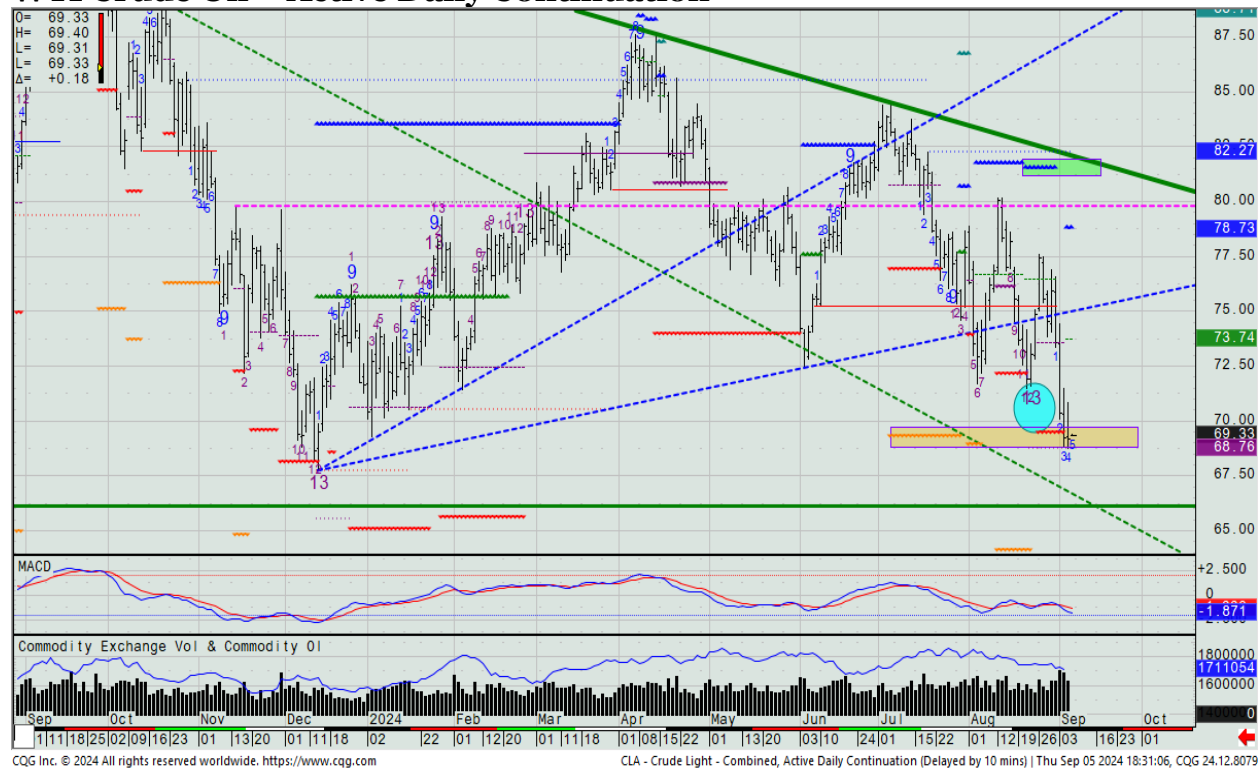
COMMODITIES: Gold's overall trend remains higher, with price about 1% beneath the COMEX ATH price of \$2570. The weekly chart has continuously found support at its bearish Propulsion Momentum levels. However, we see a Setup +9 and Aggressive Sequential +12, suggesting that we could easily shortly see a pullback. There is a yet-to-be achieved upside target of \$2662 on the monthly chart, and seeing gold get anything remotely near there will likely have me selling half of my long-held gold holdings.

COMEX Gold – Active Weekly Continuation



WTI Oil still continues to be a topy market, with short-term rallies easily finding sellers willing to step in. Mideast tensions definitely keep many speculators from being willing to hold onto short-side trades. OPEC and their associated cohorts continue to try to scale back production (to lift price), but they haven't yet been able to get an agreed upon reduction amount for constituent members – and thus, price remains heavy.

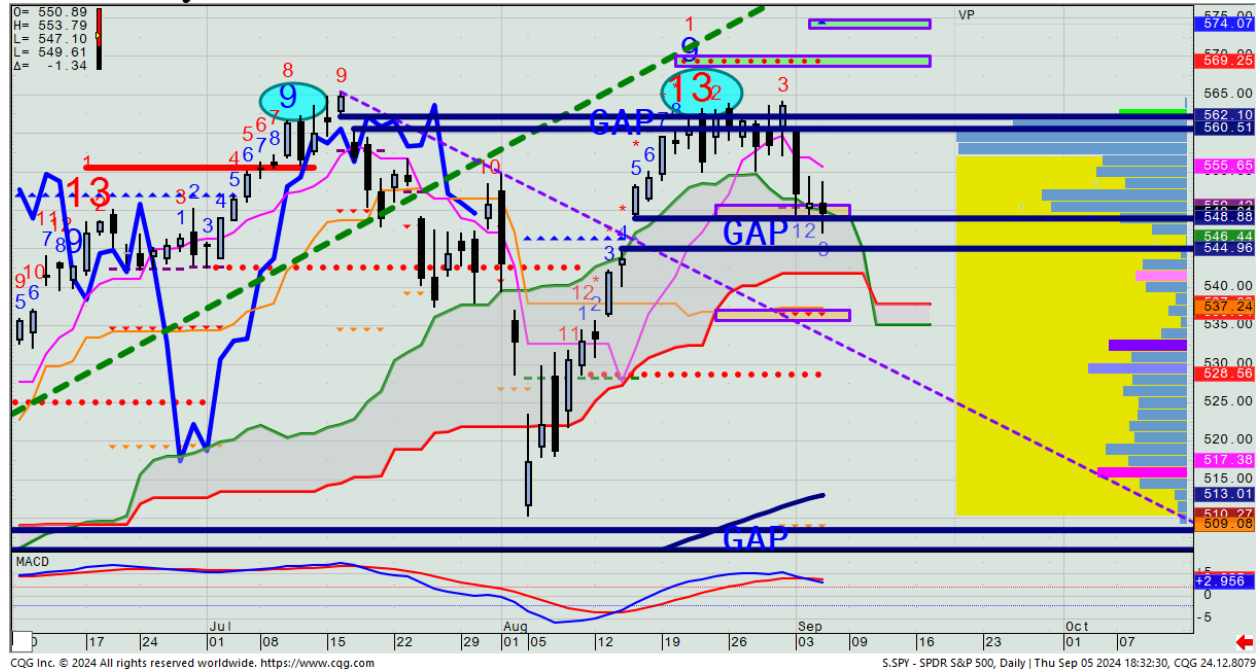
WTI Crude Oil – Active Daily Continuation



EQUITY INDEXES:

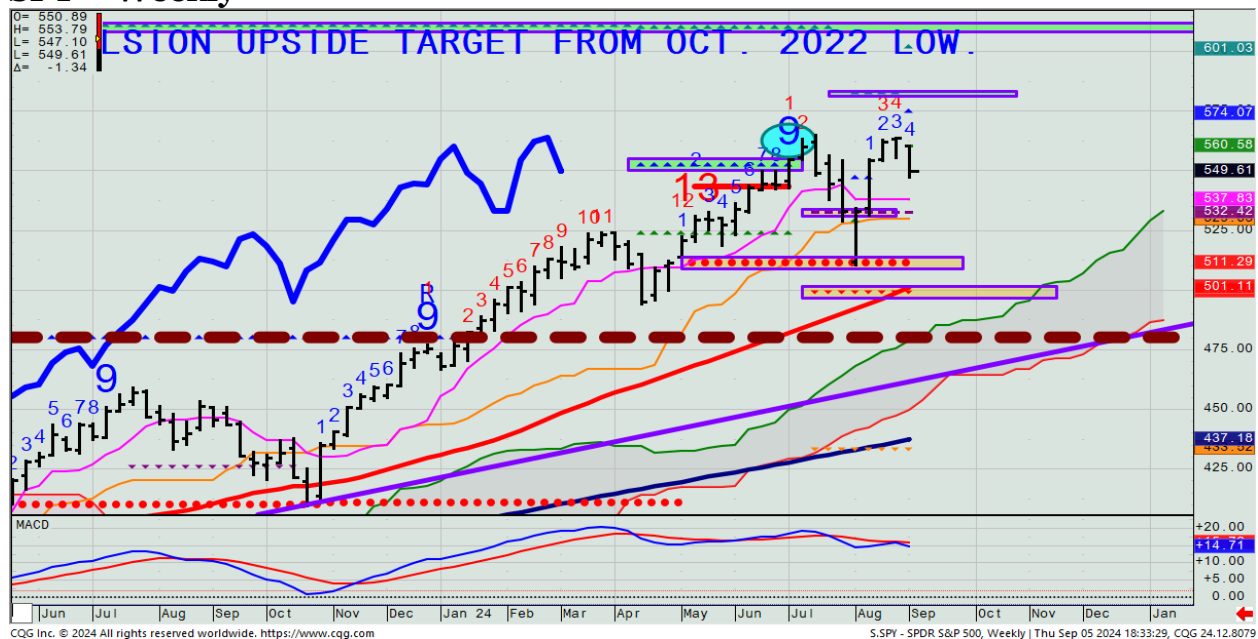
The ongoing rally since the August 5th spike low reached daily Setup +9 and Sequential +13 counts that also filled the last previously unfilled gap on the upside. Even if new highs are made, until price gets above the Risk level at \$569.25, it's still in the area that could produce a "double-top". For now, with technology names still seeing profit-taking, the pullback from the post-August 5th panic low is still at hand.

SPY – Daily



The weekly SPY *bearish* Propulsion Momentum level is still at \$532+. Staying above there suggests a measured move up to \$581.80, with the still upside target from the 2022 secular low measuring to \$609+. I'd remain a buyer at a variety of support levels if you're still an overall bull. If not, determine which names that you're content taking profits in, and do so without remorse – even if that stock ultimately trades higher.

SPY – Weekly



New ETF Trade Idea

I believe that Aero and Defense -type names will still see long-term growth. More specifically, it means that the **iShares US Aero and Defense ETF (ITA)** has not likely peaked. However, because it has been on a long-winded up move, I don't simply just want to buy it outright. But I don't have a problem buying it vs. another Industrials sub-sector, the **Dow Transportation ETF (IYT)**, on the short side against it.

Long ITA vs. Short IYT – Weekly



Let's look to put on this pair trade if we see the ratio pullback over the next few weeks to the 2.12 to 2.09 ratio zone (highlighted in the cyan-colored ellipse). You'll buy one unit of ITA and short an equal dollar amount of IYT against it. We'll target a move up to scale out from a ratio of 2.36 up to 2.45. If the double-bottom just beneath 2.02 is violated on a Friday close, we'll unwind the pair trade.

Other Open Recommendations and Positions

Long XBI

Last week's idea was to get long one unit (avg. entry price was \$100.86). The target is \$112.50, with a stop as a couple of closes beneath the \$94.51 TDST line.

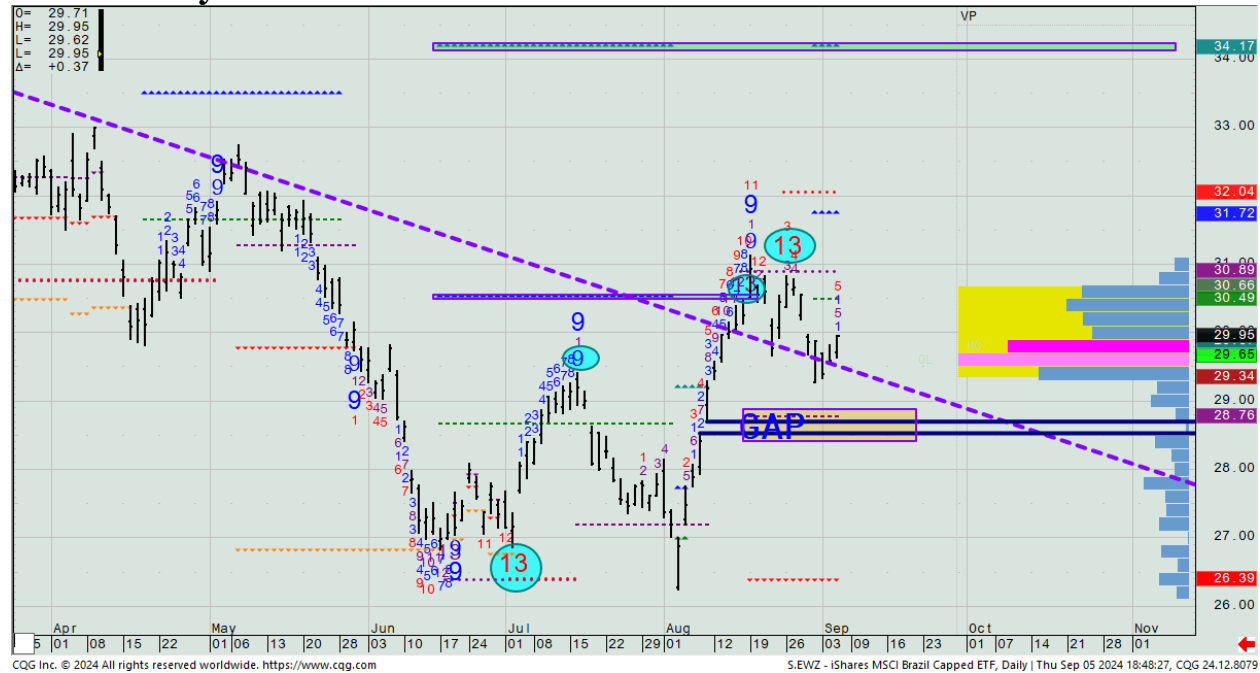
XBI – Daily



Long EWZ

We were looking to buy this Brazilian equity ETF on a pullback to \$29 to \$28.50, Given some recent political events in Brazil, I no longer want to add exposure there. **Cancel the idea.**

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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