



TACTICAL TRADER REPORT

The Macro Picture

We just saw a strong week for stocks, with the Tech sector the major reason why, as many of the large cap names in that area saw bidding come back to them. We also had the first of either one or two Presidential candidate debates before November elections. I suspect that those hardline left and right voters aren't budging, but that there is still a decent number of Americans who are "undecided", with the debate(s) helping possibly bring them to a clearer decision. My take on what I saw Tuesday night, was that Harris appeared to be the adult in the room, and Trump more the child. Though both candidates several times failed to answer the question posed to them, I'd say Harris did a better job of potentially converting those unsure voters more towards pulling the lever for her than Trump did to convince voters to lean his way.

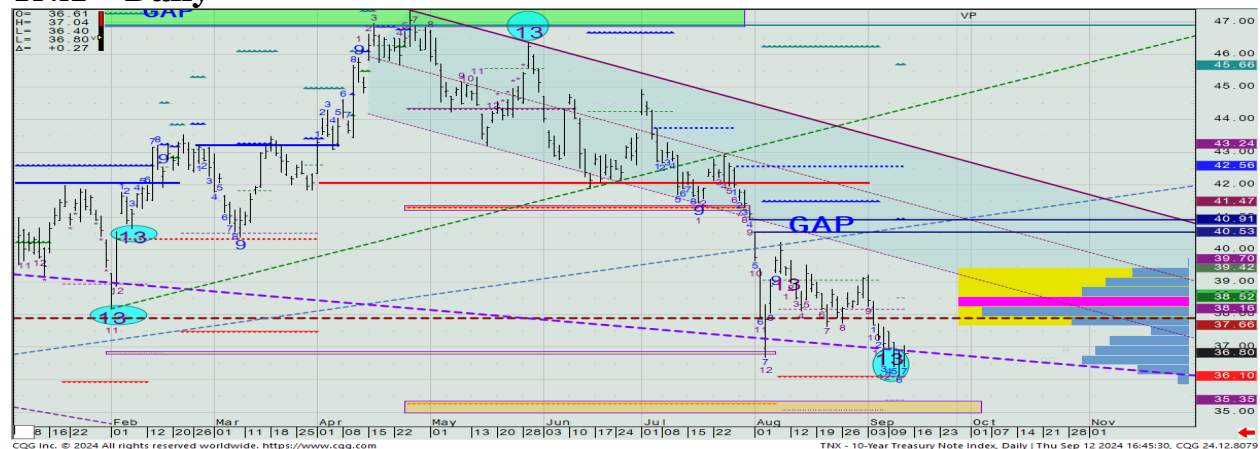
Yesterday, the European Central Bank lowered rates for the second time this year, making for a wider spread between rates there and here in the US. That may very well ensure the Fed – who has already basically said they will cut rates next week – will, in fact, do so.

Let's take a look across the major asset classes for what their charts are showing, starting with:

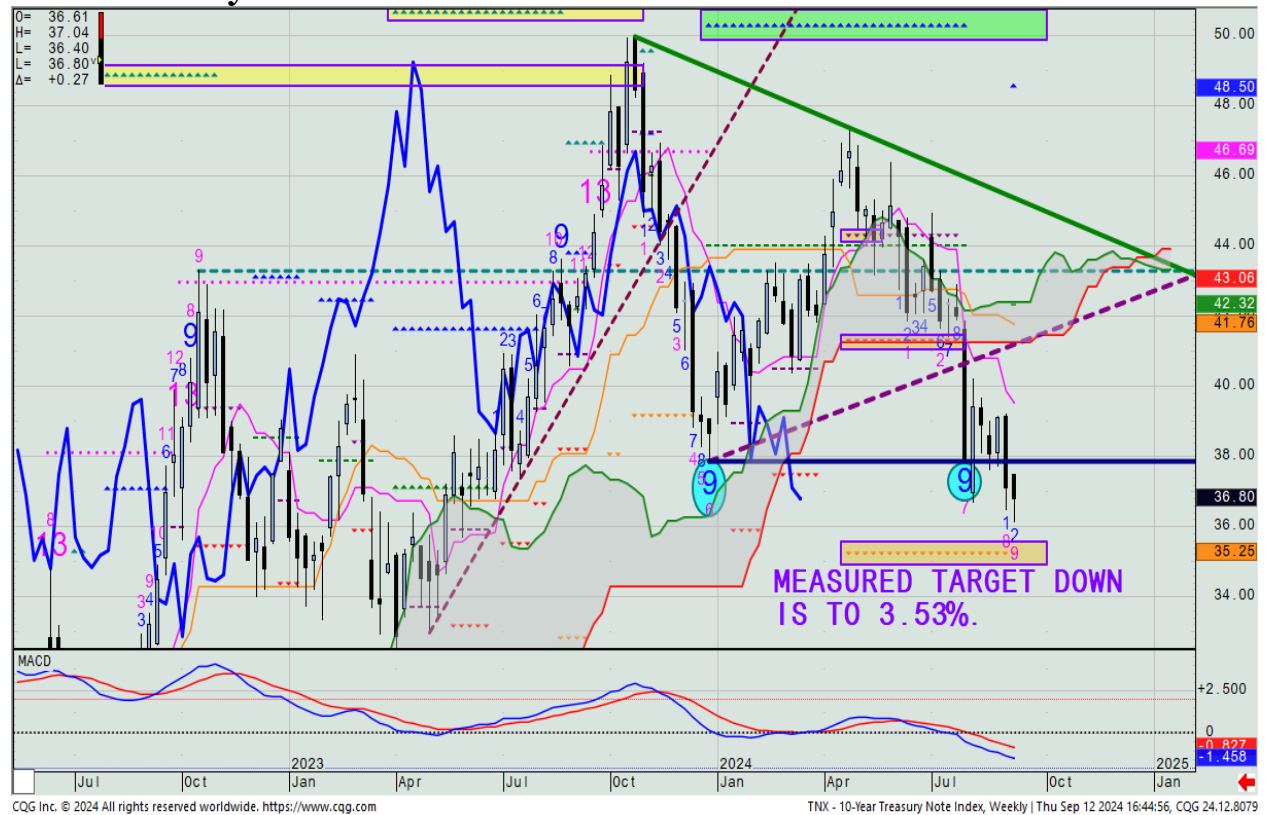
US RATES

The TNX has been fairly stable this week, but it remains beneath the 3.80% level that it recently broke beneath, and keeps the general feeling that rates will stay heavy. Specifically, the measured "equal legs" downside target from the 5% secular high is at 3.53%. That doesn't mean the TNX can't go lower than there, but that yield level is the one I've talked about for the bulk of 2024.

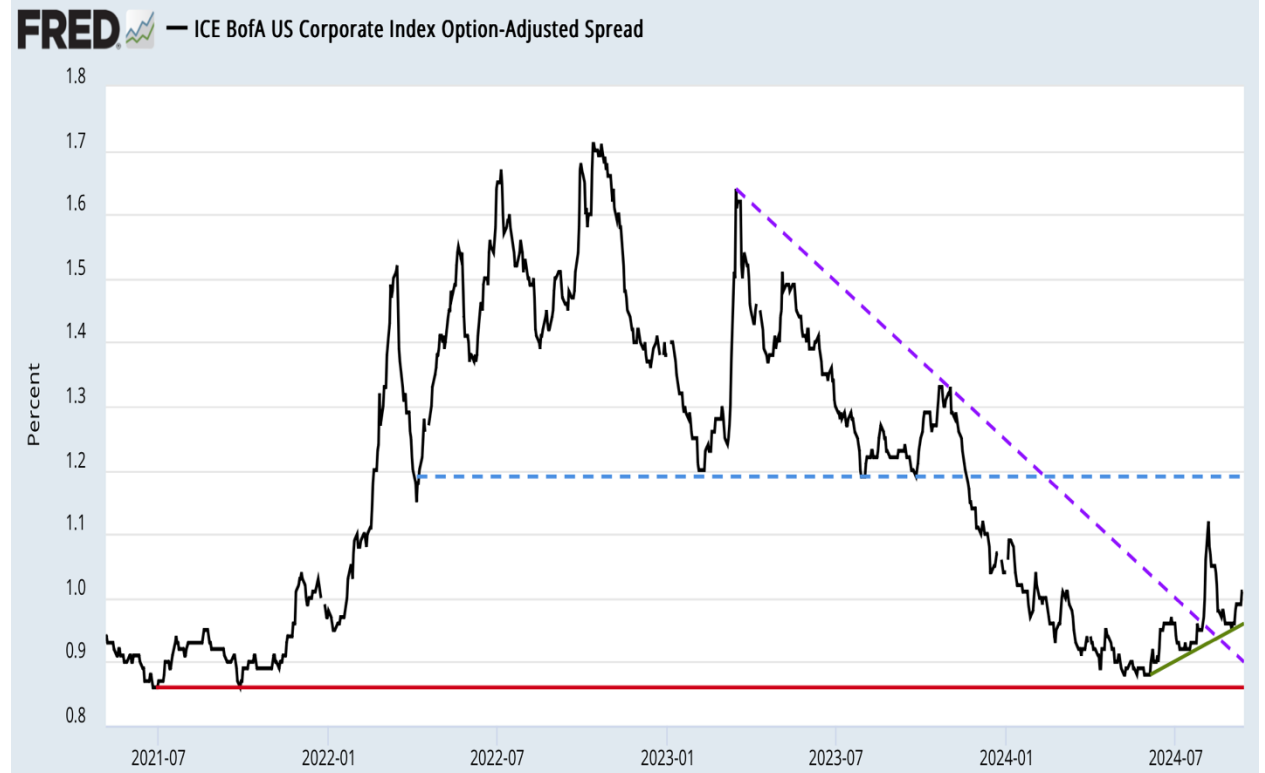
TNX – Daily



TNX – Weekly

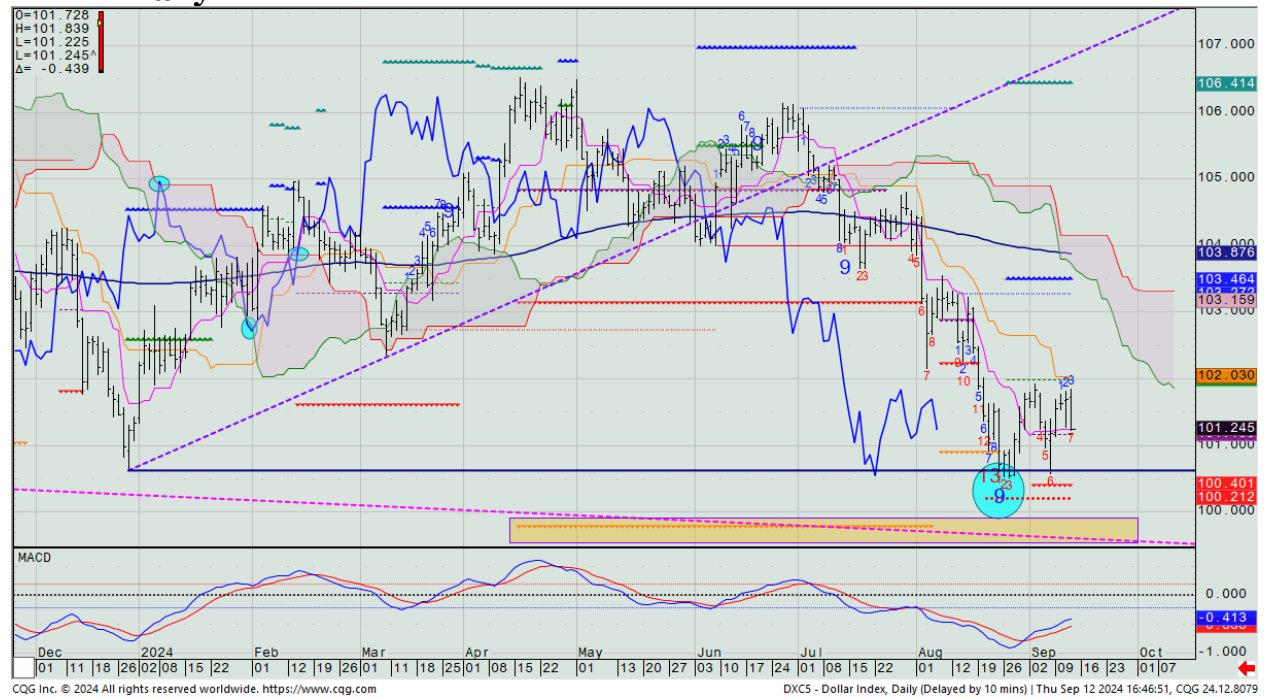


Investment grade corporate credit spreads, my preferred credit spread index, are now at 1.01% -- up another 2 bps. since last week's report, having bounced right on the uptrend line from this year's low. Further support should be found backfilling to the broken downtrend line (currently just about the 0.89% area). As a reminder, the all-time low is 0.86%. The August high was 1.12%, with more significant resistance near 1.20%.



THE DOLLAR: The dollar remains above the December 2023 low, and with the recent Sequential -13 and Setup -9 in late-August, I mildly lean bullish. The more it could get and stay above the 102 level, the better.

DXY – Daily



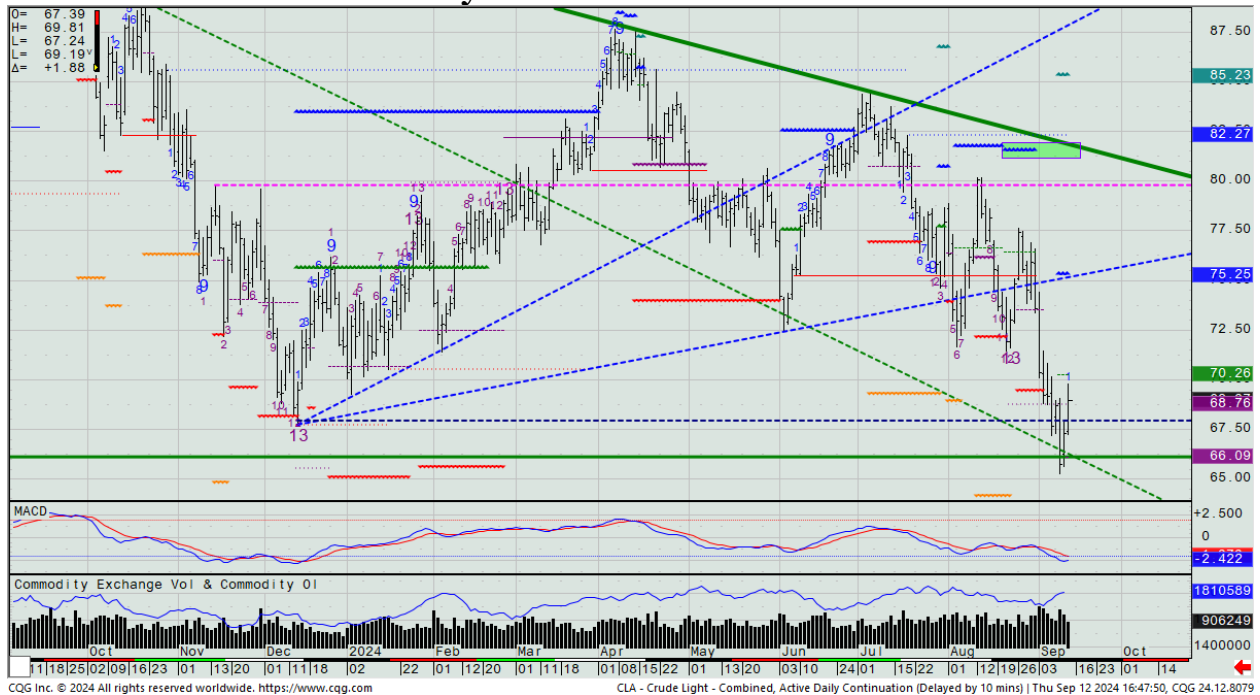
COMMODITIES: Gold made new all-time highs yesterday; that ain't bearish. However, I see weekly Setup +9 and Aggressive Sequential +13 counts, too, suggesting that we could easily shortly see a trading pullback. (So far, all pullbacks have held support right by their weekly bearish Propulsion Momentum levels. The current one has moved up to \$2488.50.) 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 made a new cyclical low this week, with the lowest low printing at \$65.27 – even taking out last December’s low of \$67.71. Commodity funds now have their largest ever short oil positioning on, so any bullish news could really spike the price higher in the short-term. But my many months of saying that oil fundamentals have been bearish has played out with well-lower prices, and a hugely underperforming XLE ETF vs. the SPY (and it’s the worst performing macro sector in 2024, too).

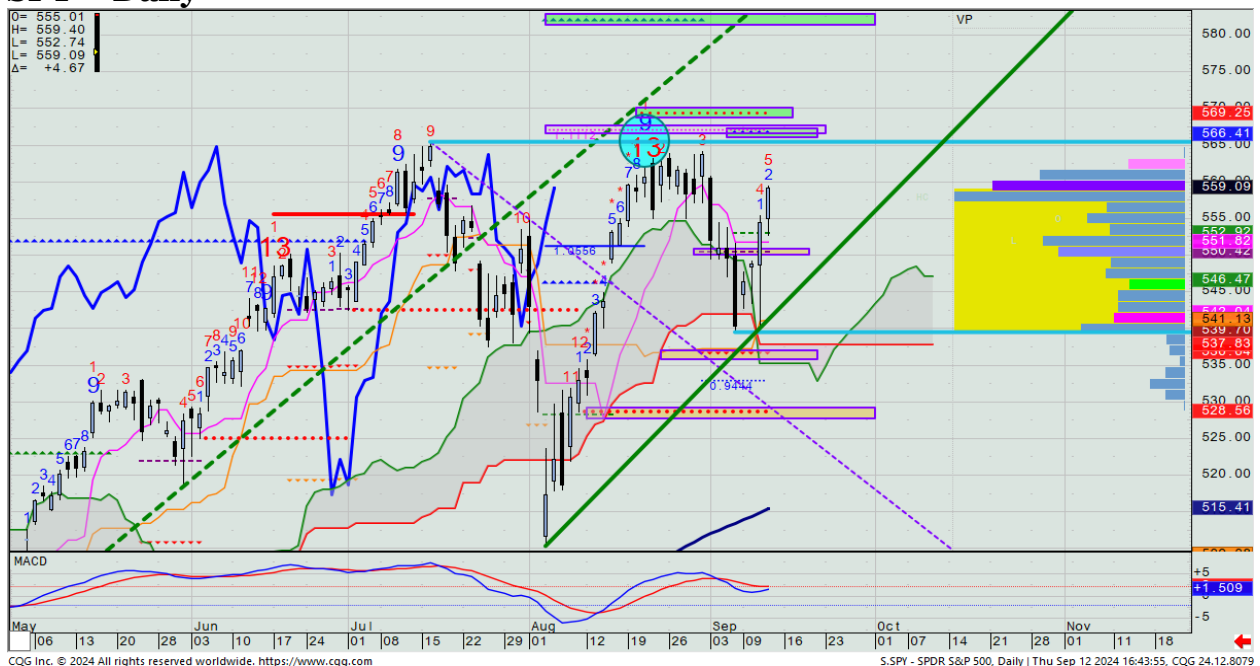
WTI Crude Oil – Active Daily Continuation



EQUITY INDEXES:

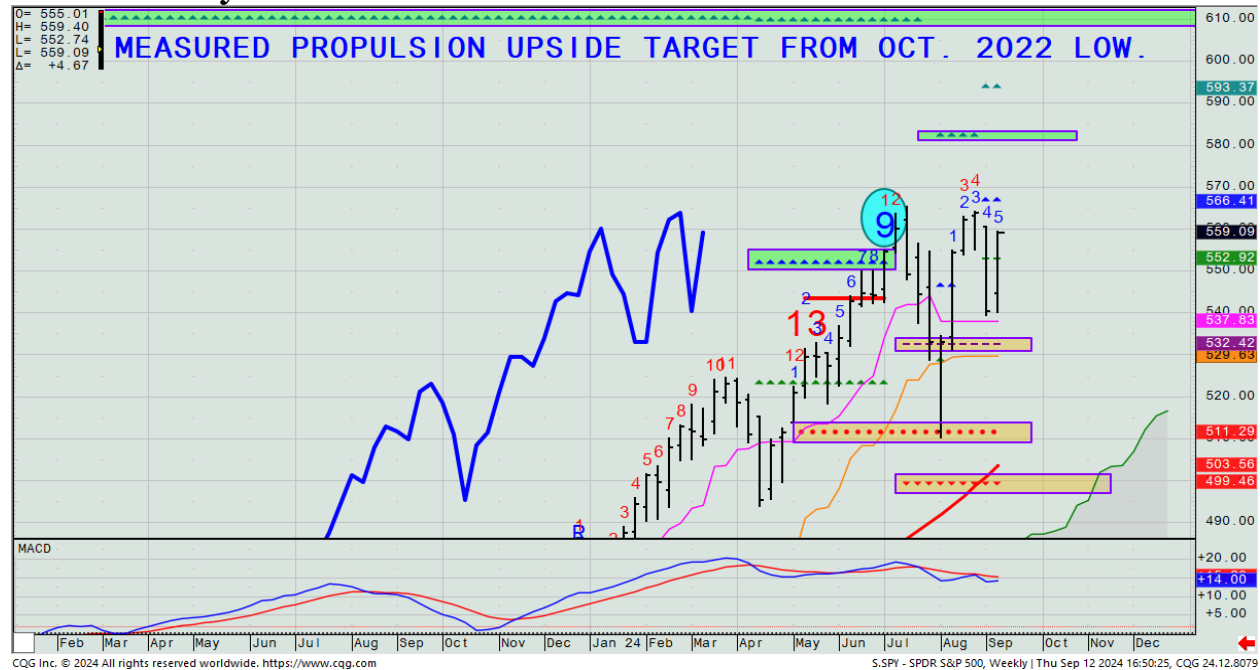
The near-term double-top we saw in the SPY seemingly put in a double-bottom on Wednesday this week vs. last Friday’s low, and price has moved right back up to the top of the trading range and not far at all from the ATH of \$565.39.

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.

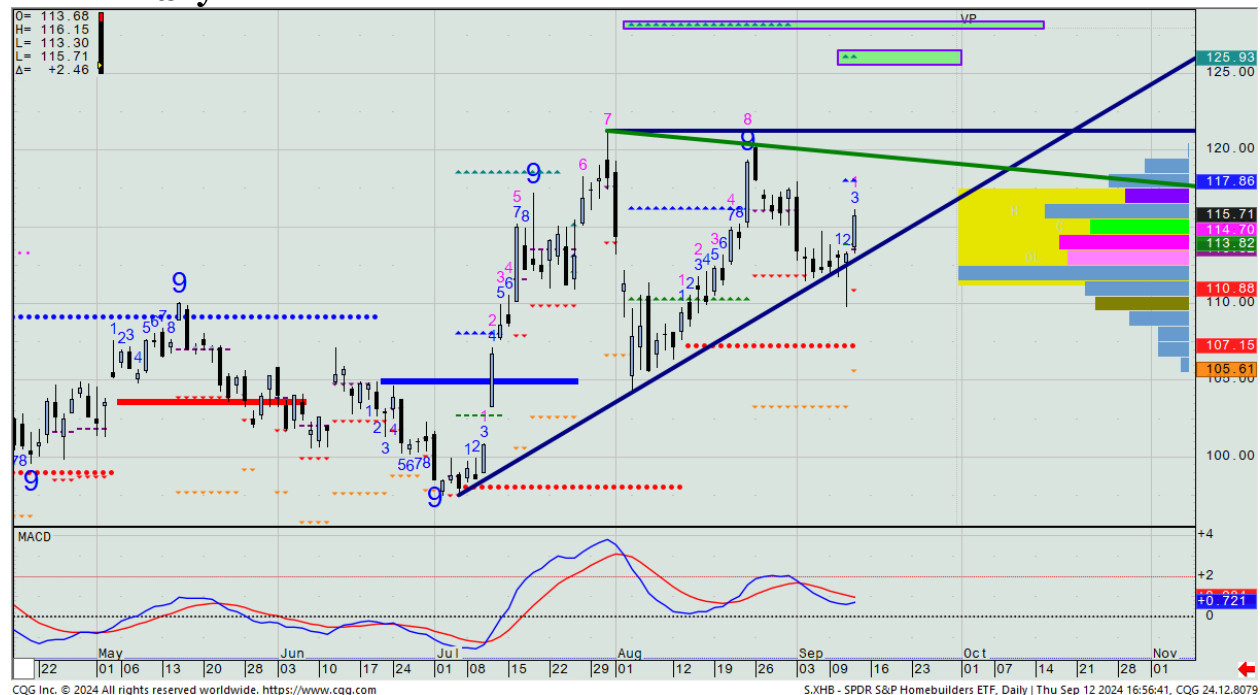
SPY – Weekly



New ETF Trade Idea

The popular **SPDR Homebuilders ETF (XHB)** held its uptrend line on Wednesday's big reversal higher day, and followed upward yesterday. This sets up a potential move to the two green rectangle targets at ~\$125.93 and \$128, while only needing risk a close or two under \$110.80. Let's play this with a one unit position long today.

XHB – Daily



Other Open Recommendations and Positions

Long ITA vs. Short IYT

Last week's idea was to buy this Aero & Defense ETF and short the Dow Transportation ETF against it. We got in at an avg. ratio of 2.157. My upside target is to scale out from 2.36 to 2.45. I'm raising the sell-stop to a close beneath a 2.1305 ratio.

Long ITA vs. Short IYT – Weekly



Long XBI

Two weeks ago, we got 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.

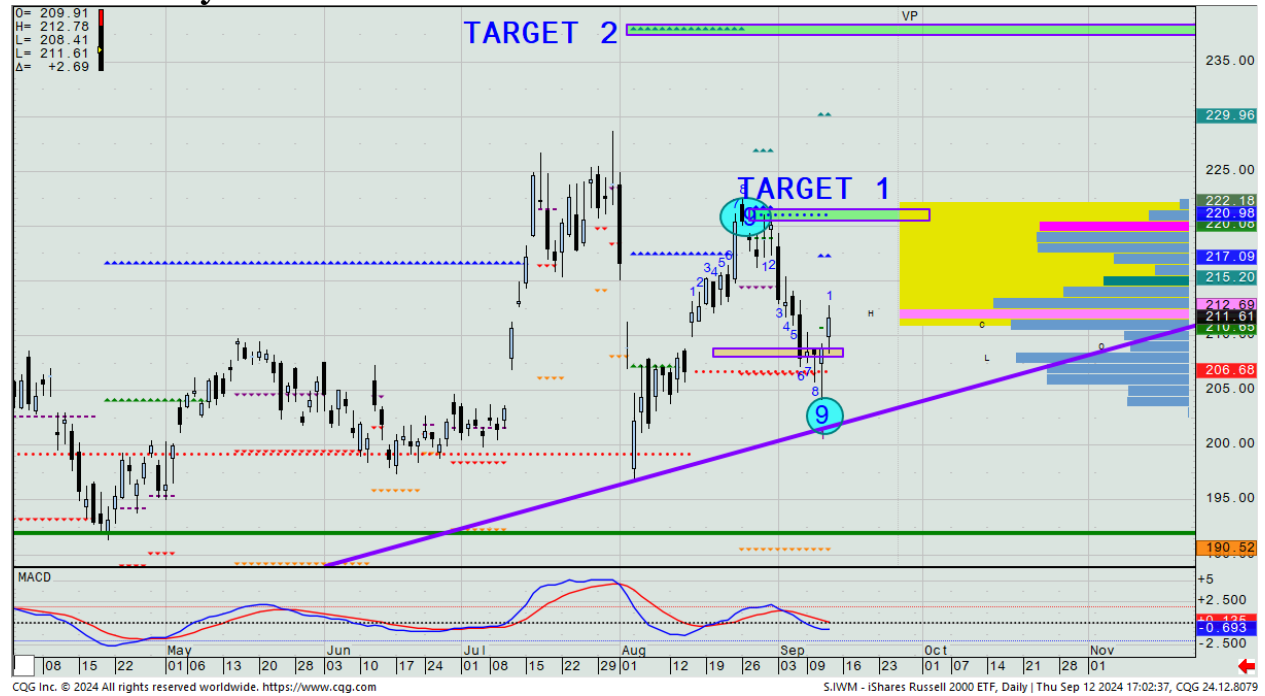
XBI – Daily



Long IWM

Three weeks ago, we were looking to get long on a pullback to \$210/\$208, and were able to get in over the past week at an avg. price of \$209. I'll now make for two targets: near \$221 and \$237+, while risking consecutive lower daily closes < \$206.48.

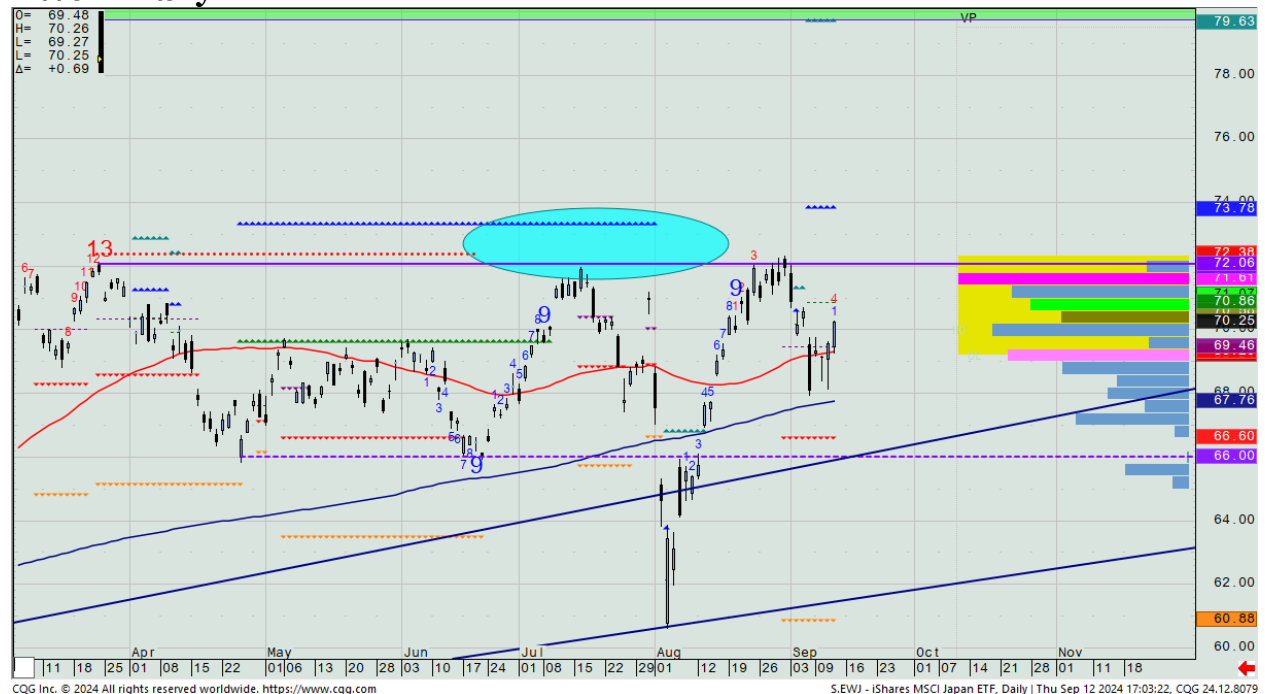
IWM – Daily



Long EWJ

We recently bought a half unit (avg. entry at \$72.01). I had raised the stop to exit with a loss if it closes two days in a row beneath \$69.46, which it did on Monday and Tuesday this week. So, we exited at \$69.33 and lost 3.72%.

EWJ – 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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