Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

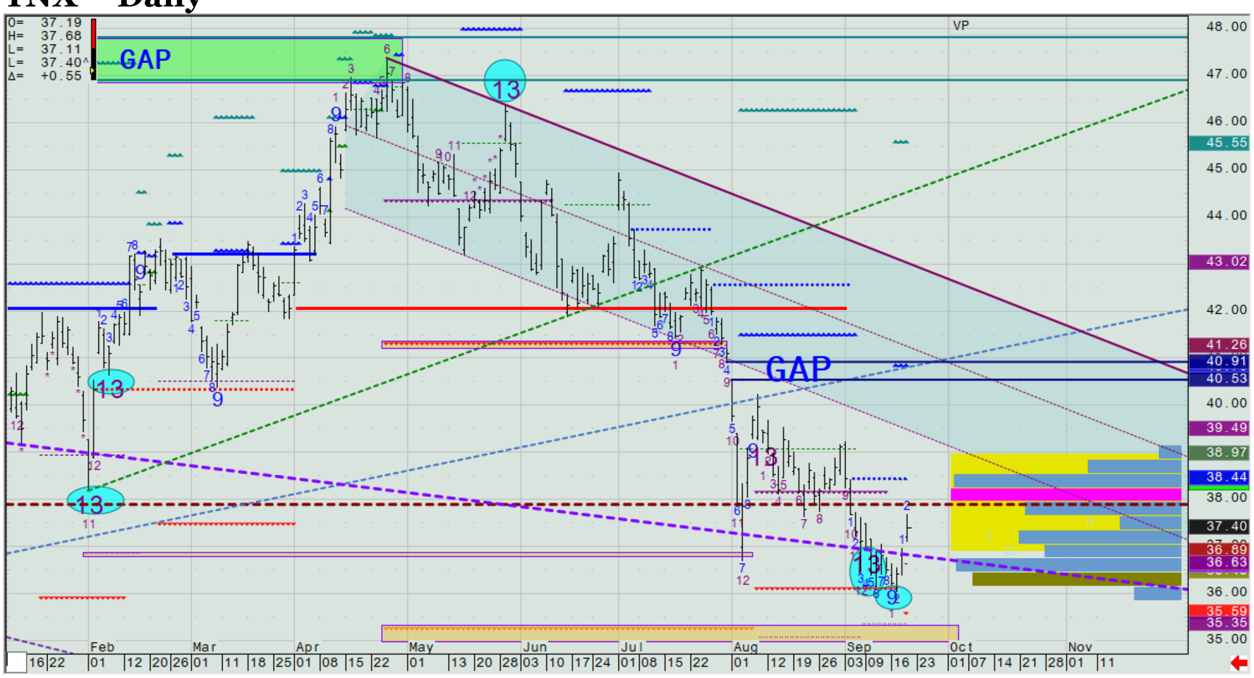
The Fed's rate decision is on the books, and the "large" 50 bp. first move of the easing cycle got met with a net loss on the day from some "sell the fact" traders. But as we saw on Thursday morning, those sellers were proven very wrong with the SPY opening some 9 points higher than Wednesday's close, as investors are looking at lower rates – and the likelihood of further cuts to come this year – as all good for owning stocks. Tech names were massive winners yesterday, blowing away all other sectors as Mag 7 names came back with vengeance. Interestingly, the real "sell the fact" moves were seen more in rates and the greenback – both rallying significantly yesterday.

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

US RATES

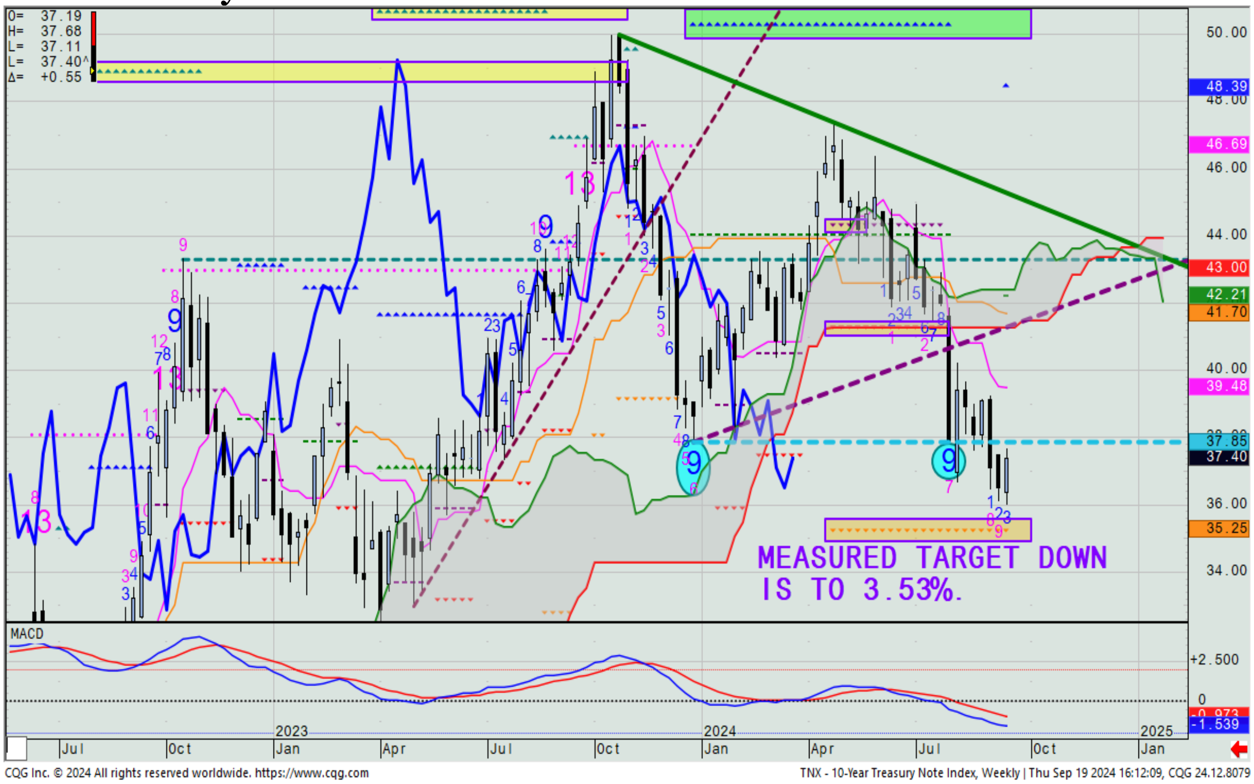
The TNX didn't quite get down to the measured equal-legs down target of 3.53% as measured from the 5% secular high, but it did mark a daily Setup -9 count a week after the -13 count, and it has now rallied back to the upper- 3.7s percent area. Near-term, I see resistance near 3.84%, and then the unfilled gap from 4.05% to 4.09% (which happens to also be in the same zone as the bullish Propulsion Exhaustion level).

TNX – Daily

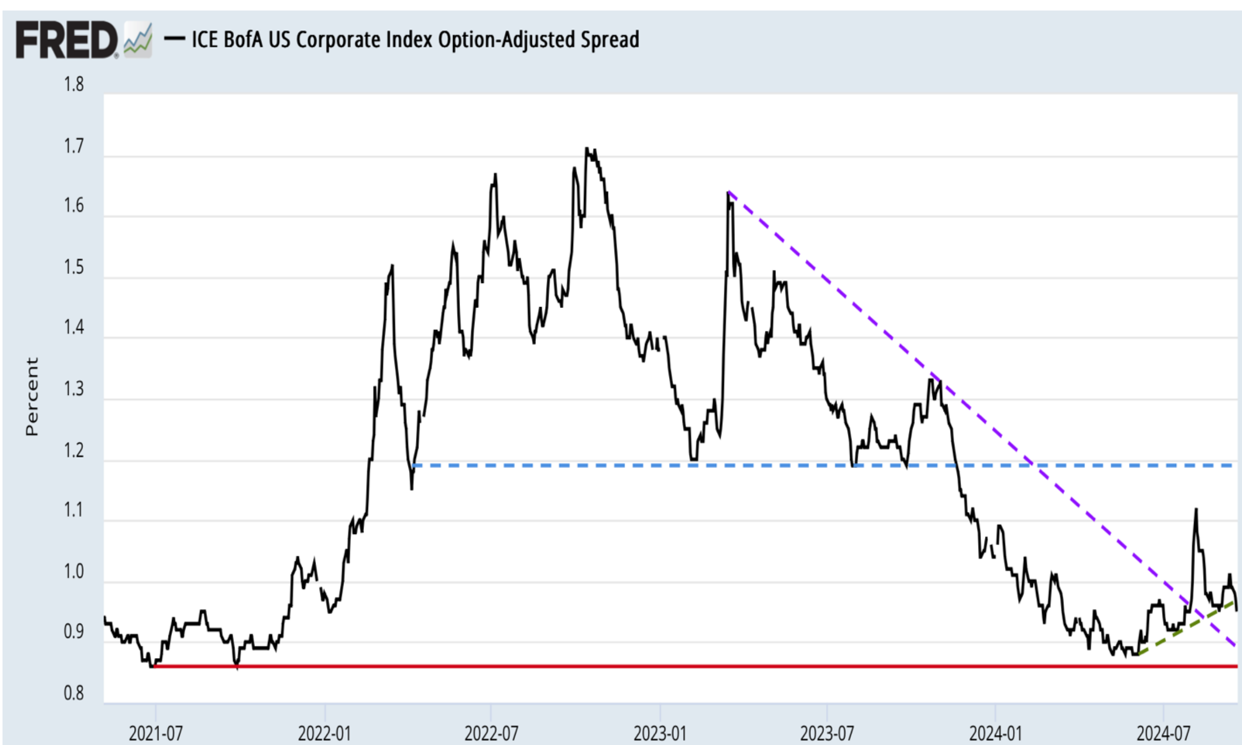


The weekly chart shows yield above that key 3.53% level, and well beneath the only major resistance level nearby (3.95%) from the falling Conversion Line.

TNX – Weekly

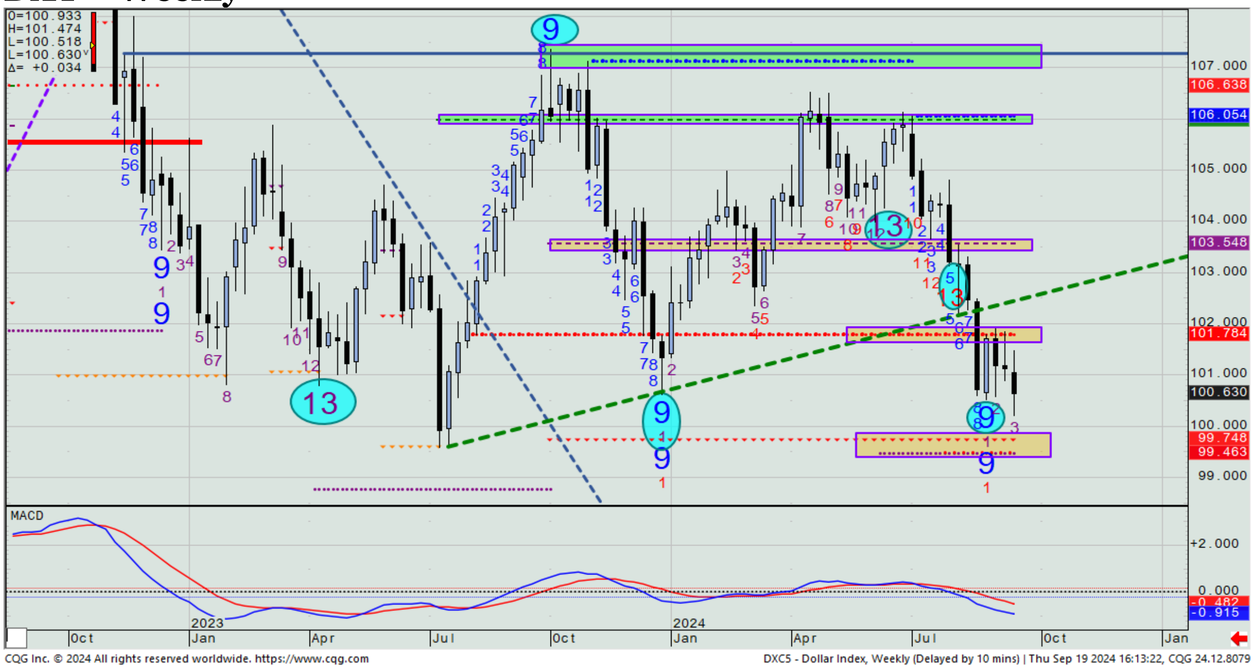


Investment grade corporate credit spreads, my preferred credit spread index, are at 95 bps. -- down 6 bps. since last week's report, having now broken beneath the uptrend line from this year's low. Backfilling to the prior broken downtrend line is just about at 0.88% area, just two ticks above the all-time low of 0.86%. It wouldn't surprise me if new lows get made as the SPY makes its way up to my long-term $609 target.



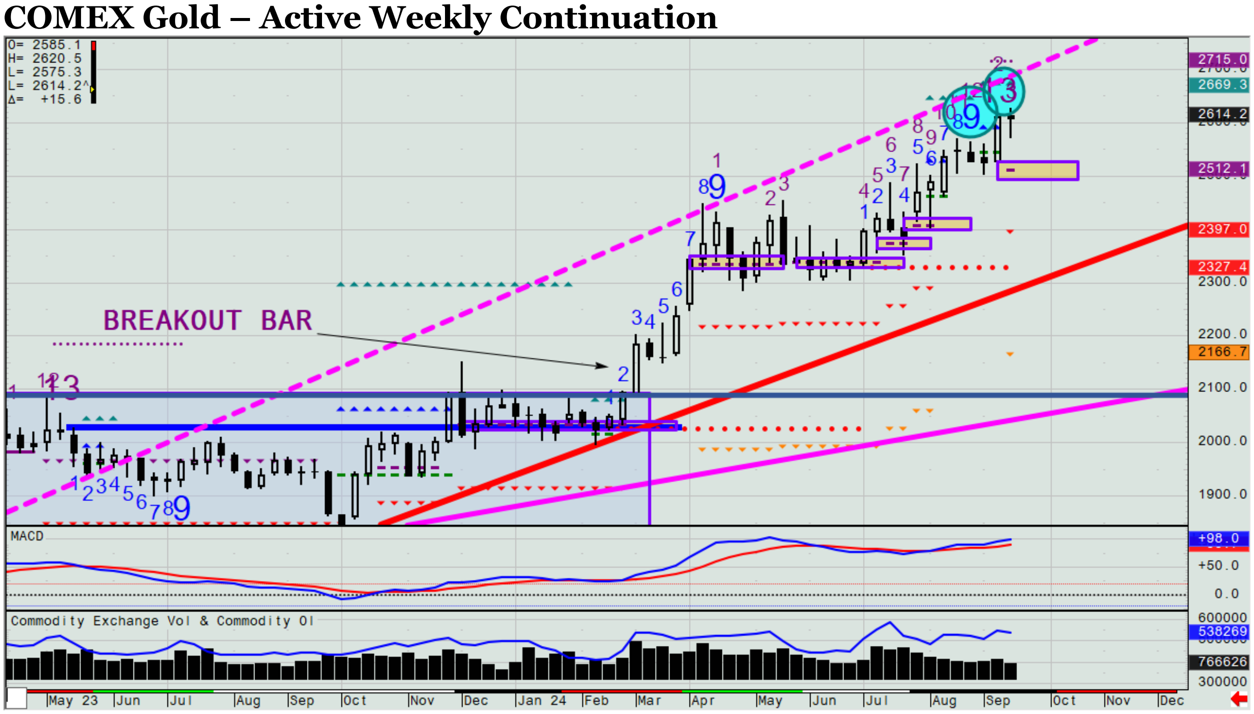
THE DOLLAR: The dollar made a new 2024 low this week, but still remains above the secular low from 2023. Possible support is from 99.75 to 99.48, and then down at the -13's risk level (from 2023) at 98.77. I'm still in the camp that the dollar will mostly align with the direction of US rates.

DXY – Weekly



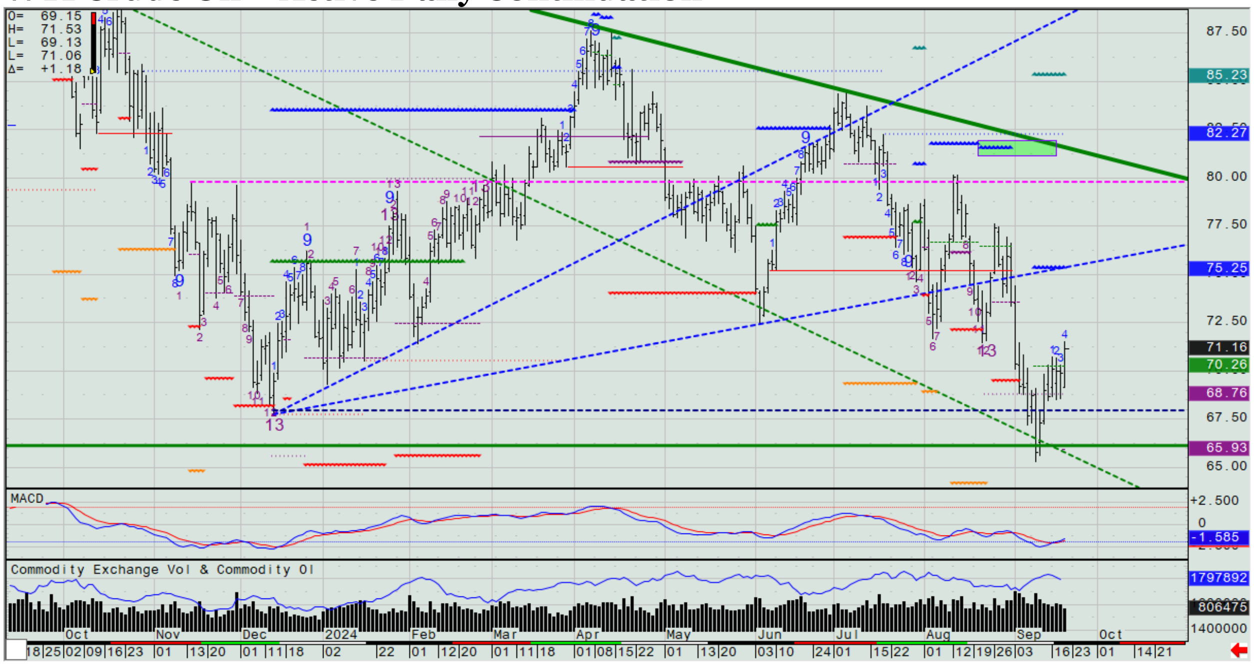
COMMODITIES: Gold again made new all-time highs on Wednesday. However, I see daily and weekly Setup +9 and Aggressive Sequential +13 counts, too, suggesting that we could easily shortly see a trading pullback. (So far, all pullbacks have held support right by their weekly bearish Propulsion Momentum levels. The current one has moved up to $2512.) 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 is still rallying from the recent lowest low at $65.27 – as Mideast tensions are extremely heightened after events in Lebanon this week, and hedge funds had their highest short oil position ever just a week ago. It's tough being short from a trading perspective, but fundamentals are still bearish, so I'll ultimately look for a place to get short once I see enough "hedgies" squeezed out of their shorts.

WTI Crude Oil – Active Daily Continuation



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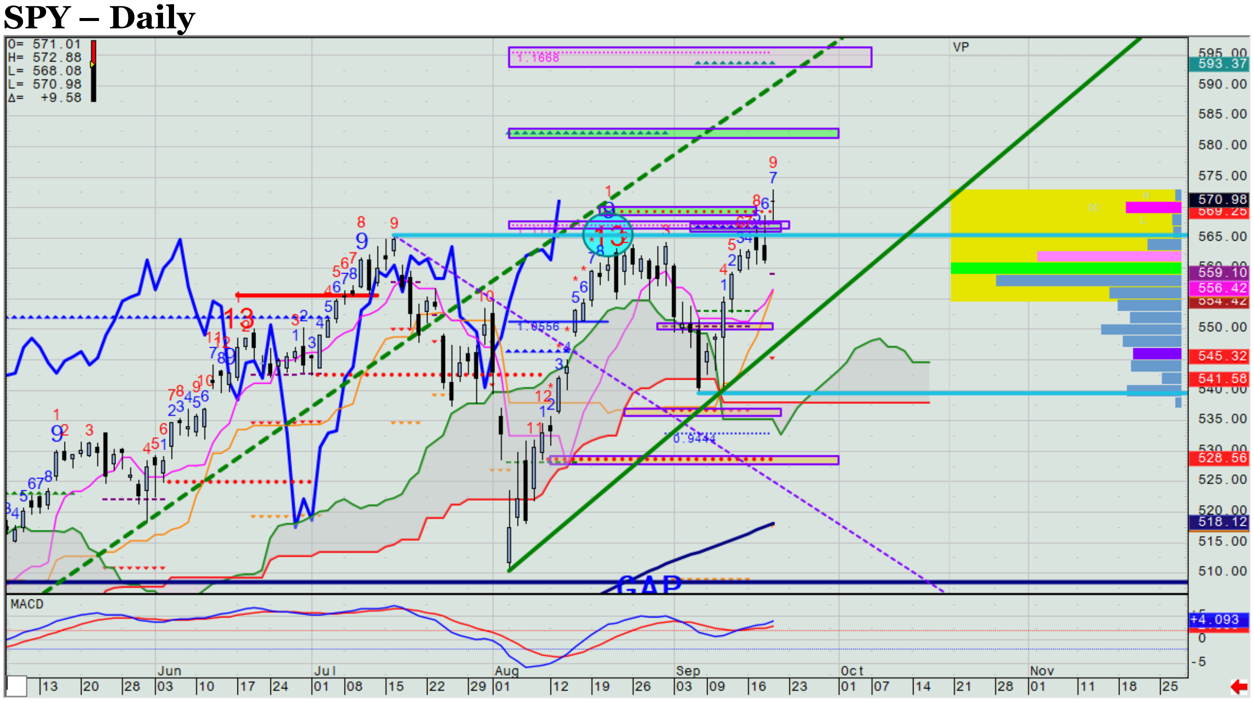
EQUITY INDEXES:

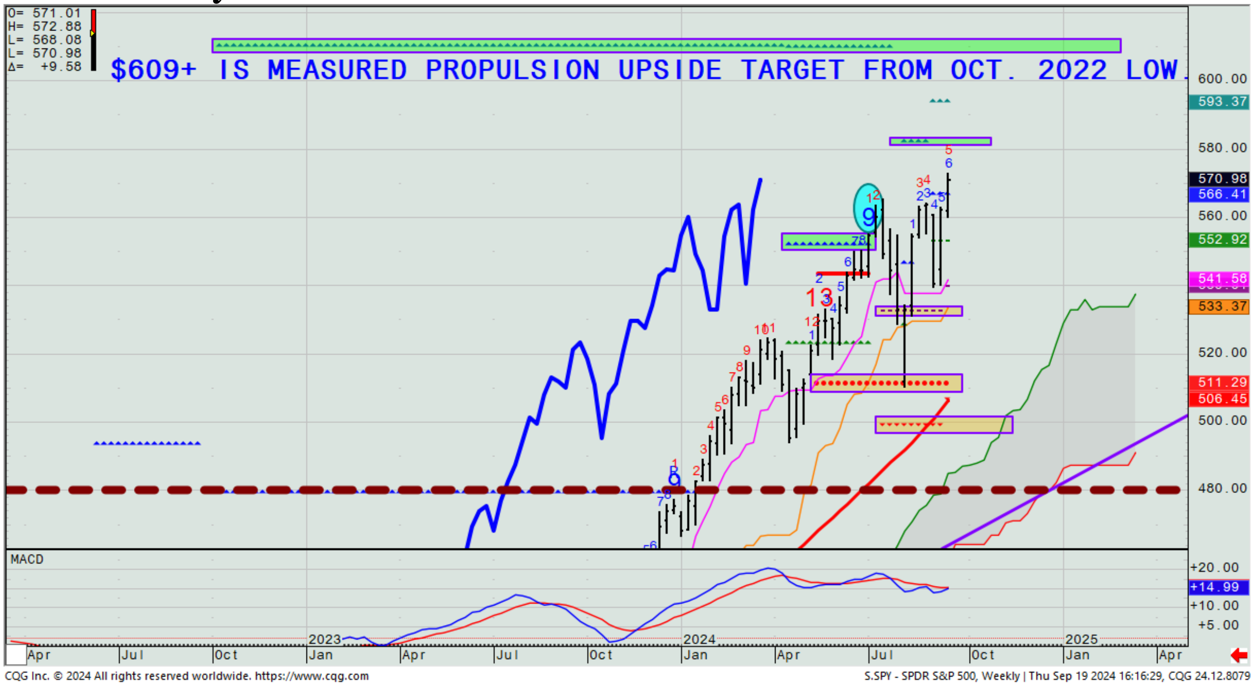
After again stalling several days against the general area of prior all-time highs, yesterday's massive gap higher should next target SPY $581, and then ultimately to the two key targets in the $609 handle, where I will personally be selling out of long-held long SPY positions.

SPY – Daily



CQG Inc. © 2024 All rights reserved worldwide. https://www.cqg.com S.SPY - SPDR S&P 500, Daily | Thu Sep 19 2024 16:15:28, CQG 24.12.8079

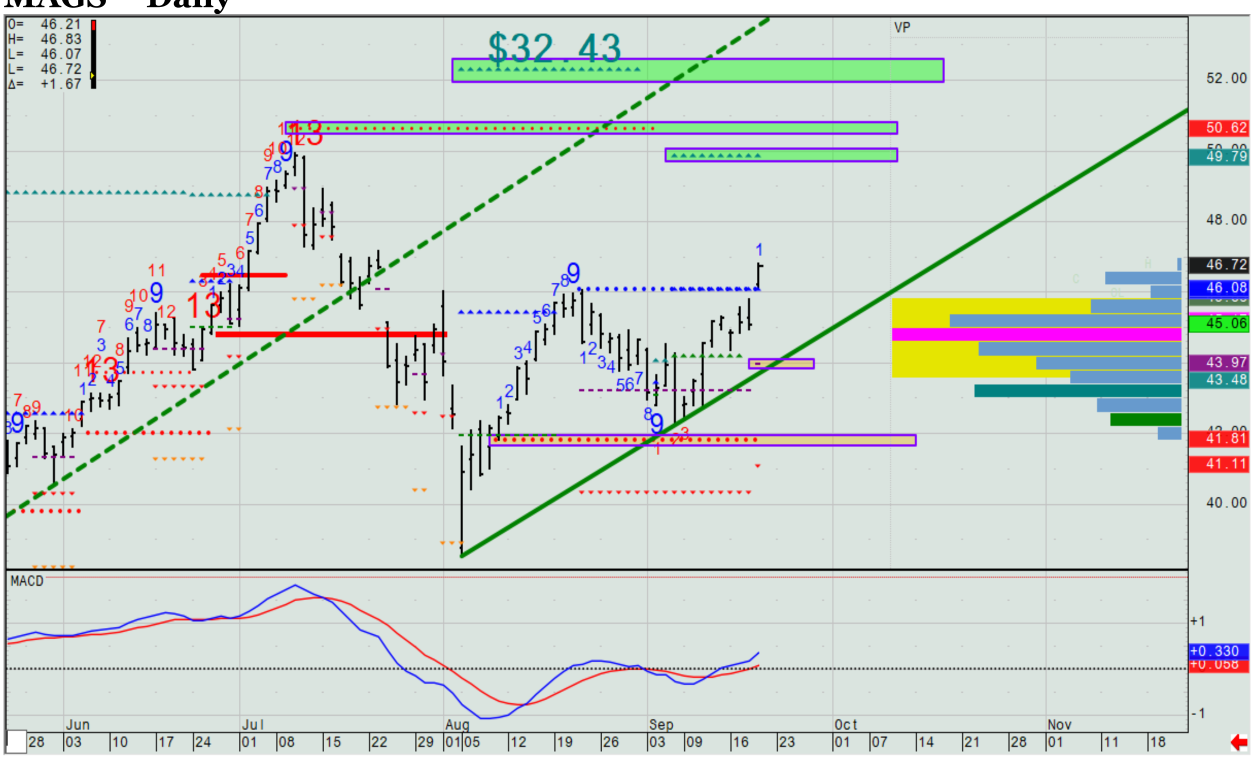
SPY – Weekly



New ETF Trade Idea

With the **Roundhill Magnificent Seven ETF (MAGS)** having virtually the same upward slope to its newest uptrend line as the previously broken one, price looks headed higher, especially with the move above the Propulsion Exhaustion level yesterday. As such, let's get long one unit today, and one on a pullback to its Point of Control area near $45.25. We'll exit 1/3 of whatever we have on at each of the three green rectangled targets drawn on the below chart. The sell-stop is on a close (or two, your choice) under $43.48.

MAGS – Daily



Other Open Recommendations and Positions

Long XHB

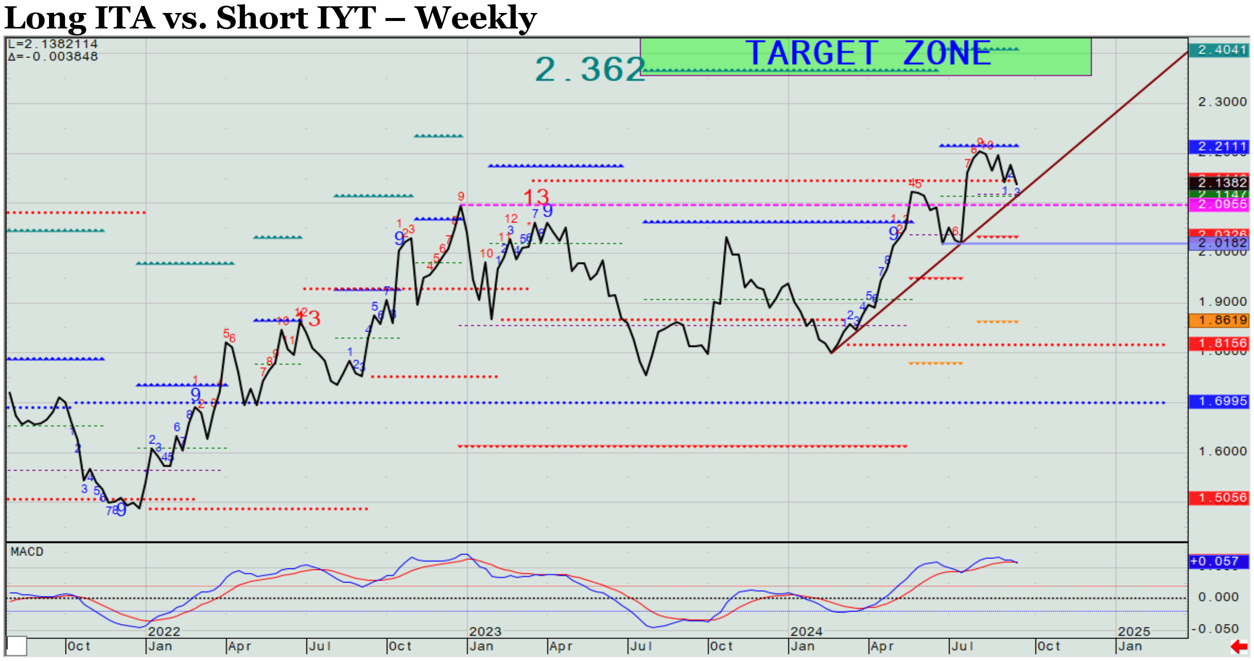
Last Friday we bought one unit at an avg. price of $118.72. We're looking to take off half near $125.93 and half at near $128. Given the chart now has a Setup +8 and Countdown +12, absolutely get out of half today. Also, raise the sell-stop to breakeven entry.

XHB - Daily

Long ITA vs. Short IYT

Two weeks ago, we bought this Aero & Defense ETF and shorted the Dow Transportation ETF against it at an avg. ratio of 2.157. My upside target is to scale out from 2.36 to 2.45. I had raised the sell-stop to a close beneath a 2.1305 ratio. (With FDX missing top and bottom line after yesterday's close, hopefully this now turns back up.)

Long ITA vs. Short IYT – Weekly

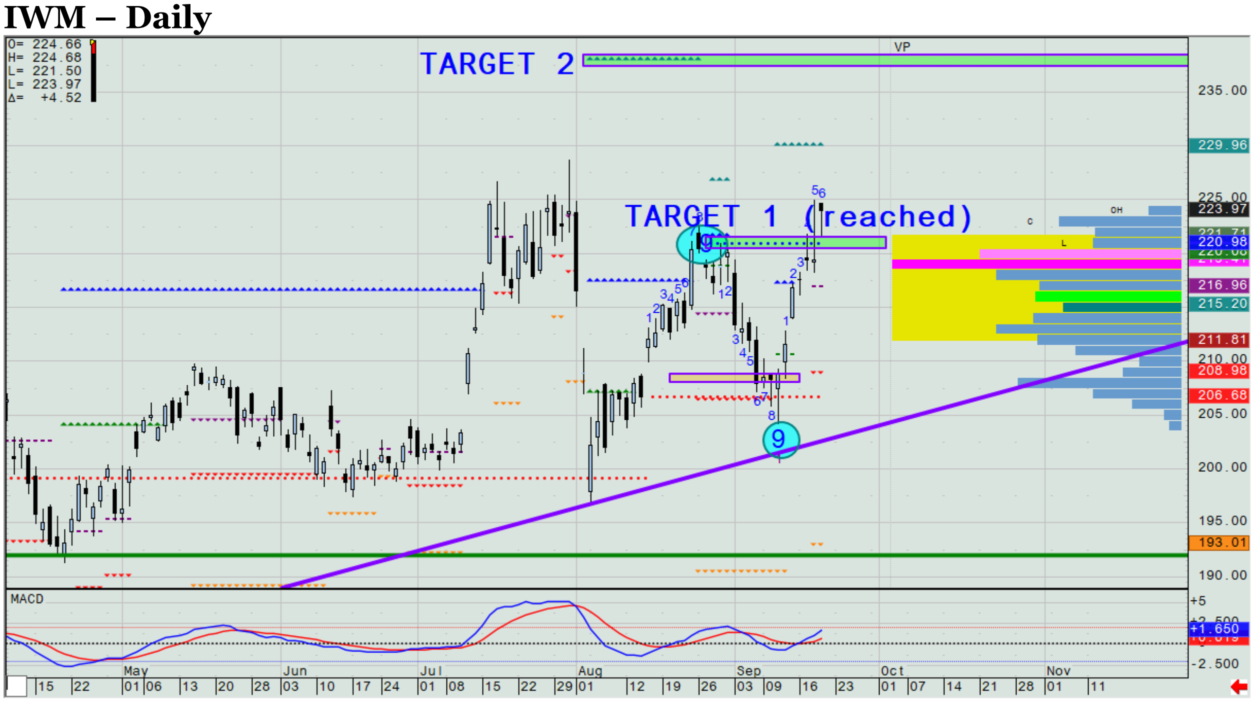


Long XBI
Three weeks ago, we got long one unit (avg. entry price was $100.86). Let's now take half off from $107 to $017.20 and the other half off near $112.50. with a stop as a couple of closes beneath the $97.25 level.

XBI – Daily

Long IWM
Four weeks ago, we were looking to get long on a pullback to $210/$208, and were able to get in at the avg. price of $209. I had two targets: near $221 (now achieved) and $237+, while risking a new raised sell-stop as a close under $208.41.

IWM – 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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