Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

rick@intheknowtrader.com September 27, 2024

TACTICAL TRADER REPORT

The Macro Picture

US stock markets have continued higher, marking new all-time highs in the S&P 500 and Dow Industrials this week. But from a global macro perspective, China's move to materially stimulate their economy and stock markets is the real story of the week, bringing it back from a terrible few years to possibly again be a place to invest in. (My thought is you want to get *some* exposure there, and then use potential pullbacks to add further.

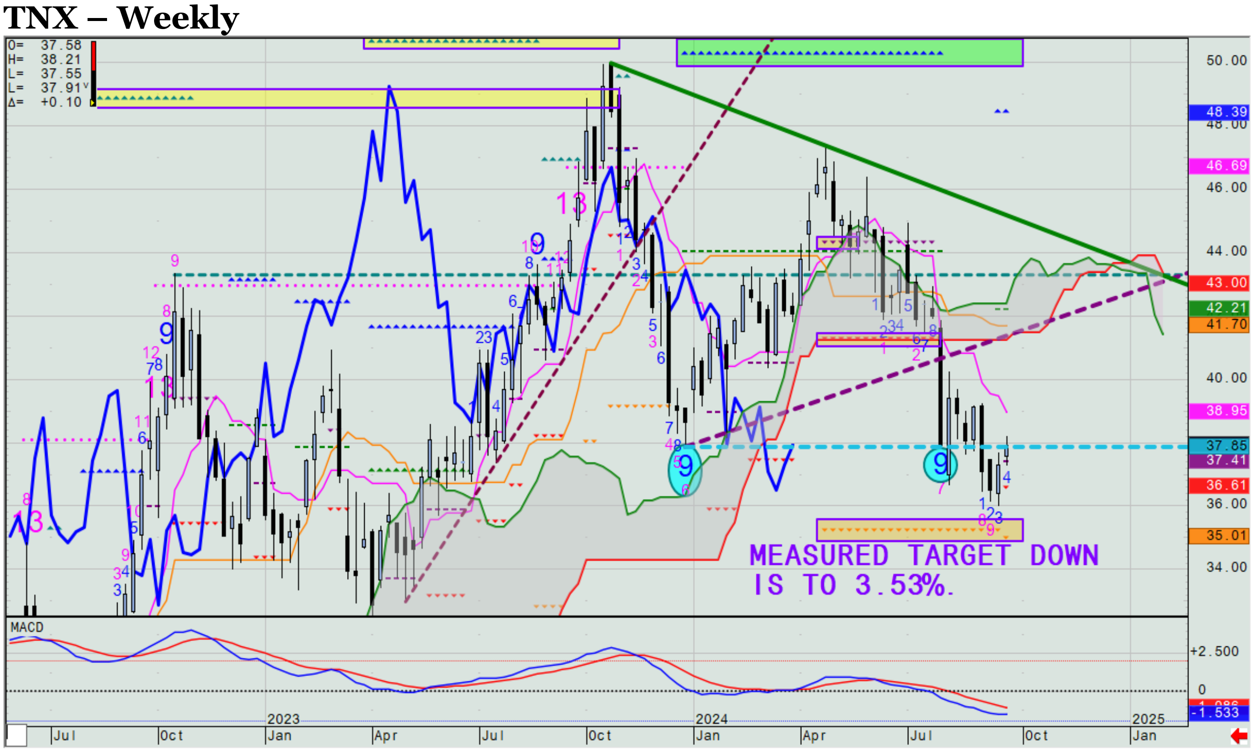
Let's take a look across the major asset classes for what their charts are showing:

US RATES

The TNX bottomed in mid-September, and has moved some 20 bps. higher to near 3.80%. I see near-term resistance near 3.84%, and then the unfilled gap from 4.05% to 4.09% (which is also in the same zone as the bullish Propulsion Exhaustion level).

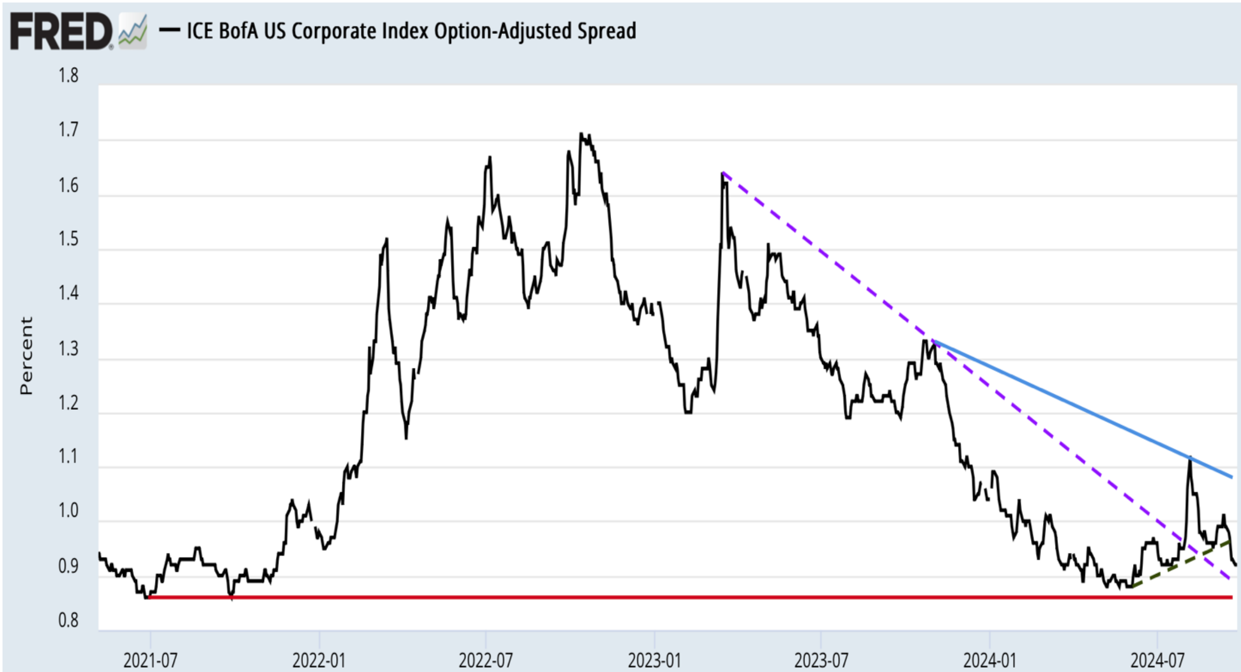
The weekly chart shows yield above the 3.53% to 3.25% major support zone, and still beneath the first resistance level nearby (3.89%) from the falling Conversion Line, and then the 4.12% to 4.22% zone. (It's been straight up in yields since the Fed's rate cut.)

TNX – Weekly



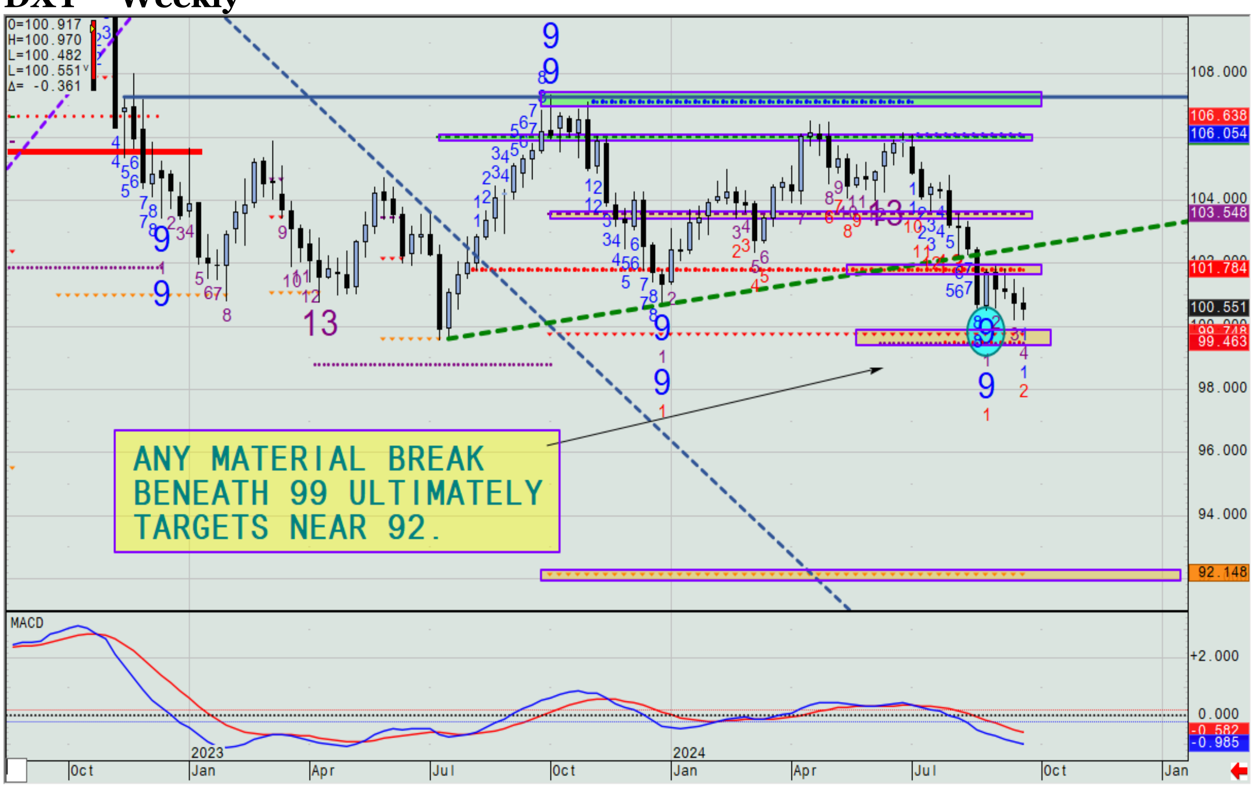
 TNX - 10-Year Treasury Note Index, Weekly | Thu Sep 26 2024 16:02:05, CQG 24.12.8085

Investment grade corporate credit spreads, my preferred credit spread index, are at 92 bps. -- down 3 bps. since last week's report, having recently broken beneath the uptrend line from this year's low. Backfilling to the prior broken downtrend line is just about at 0.87% area, just a tick or so above the all-time low of 0.86%. The head-and-shoulders topping pattern measures down to somewhere in the 70 bp. area.



THE DOLLAR: The dollar is still near 2024 lows, and 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. Any material breach of the 99 level ultimately targets 92.

DXY – Weekly

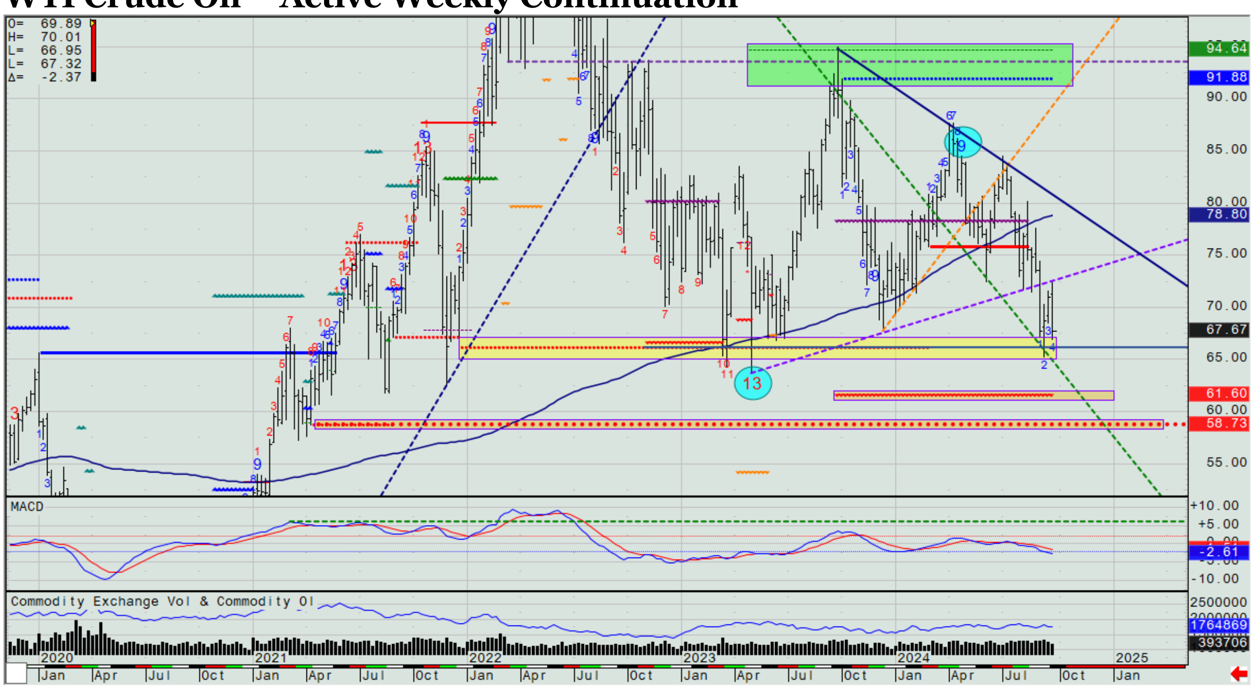


COMMODITIES: Gold again made new all-time highs yesterday, crossing above $2700. I previously told you that I would sell half of my held gold in this area, and I did so yesterday. First support has moved up to $2594.

COMEX Gold – Active Weekly Continuation

WTI Oil bottomed at $65.27, got a bit of a rally on escalated Mideast tensions, but then sold off again as increased OPEC output put a lid on the rally. I've long said that the fundamentals suggest plenty of available supply to meet global demand. (We'll see if that changes at all with the Chinese stimulus package.) Bigger downside targets are at $61.60 and $58.73.

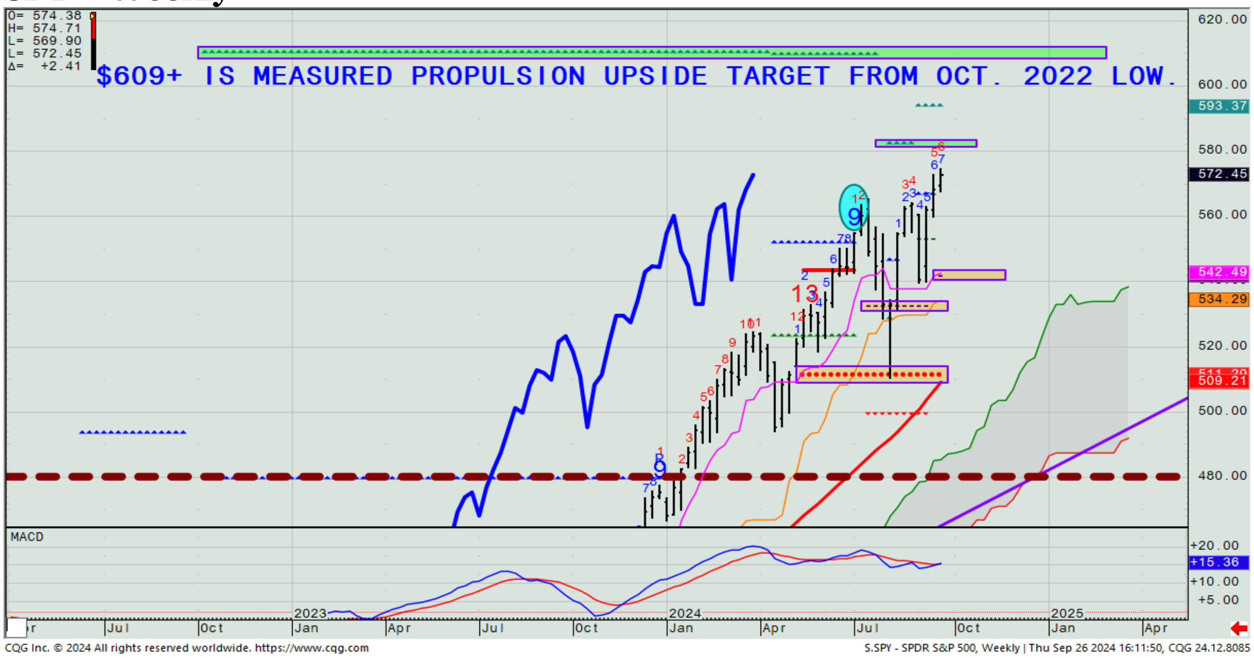
WTI Crude Oil – Active Weekly Continuation



EQUITY INDEXES:

Continued strength in the markets – now even potentially boosted further by China's stimulus move – next target SPY $581, and then ultimately to the two key targets in the $609 handle, where I will personally be reducing some of my long-held long SPY positions.

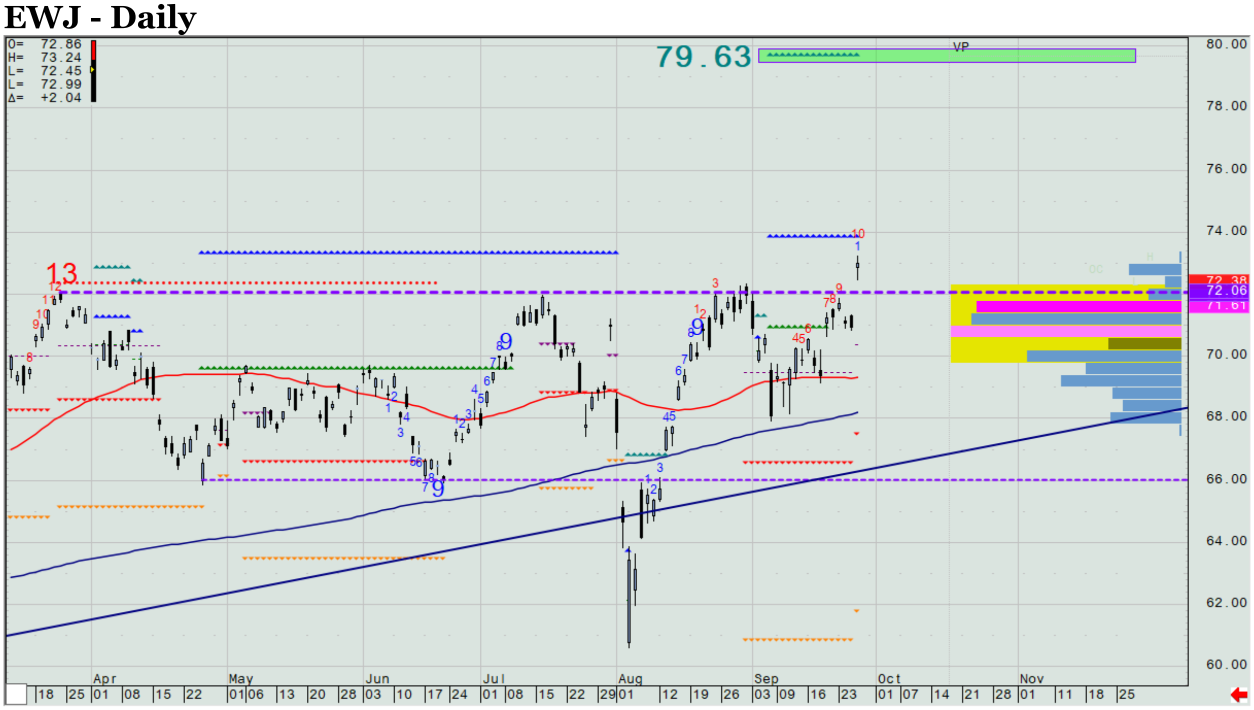
SPY – Weekly



New ETF Trade Idea

If yesterday's gap higher move above a triple top in the iShares Japan ETF (EWJ) is a good one, we should see this reach to its Propulsion Full Exhaustion level ($79.63) later this year. Let's get long one unit today. To manage risk, we'll stop out on consecutive daily closes beneath Wednesday's close of $70.95.

EWJ - Daily

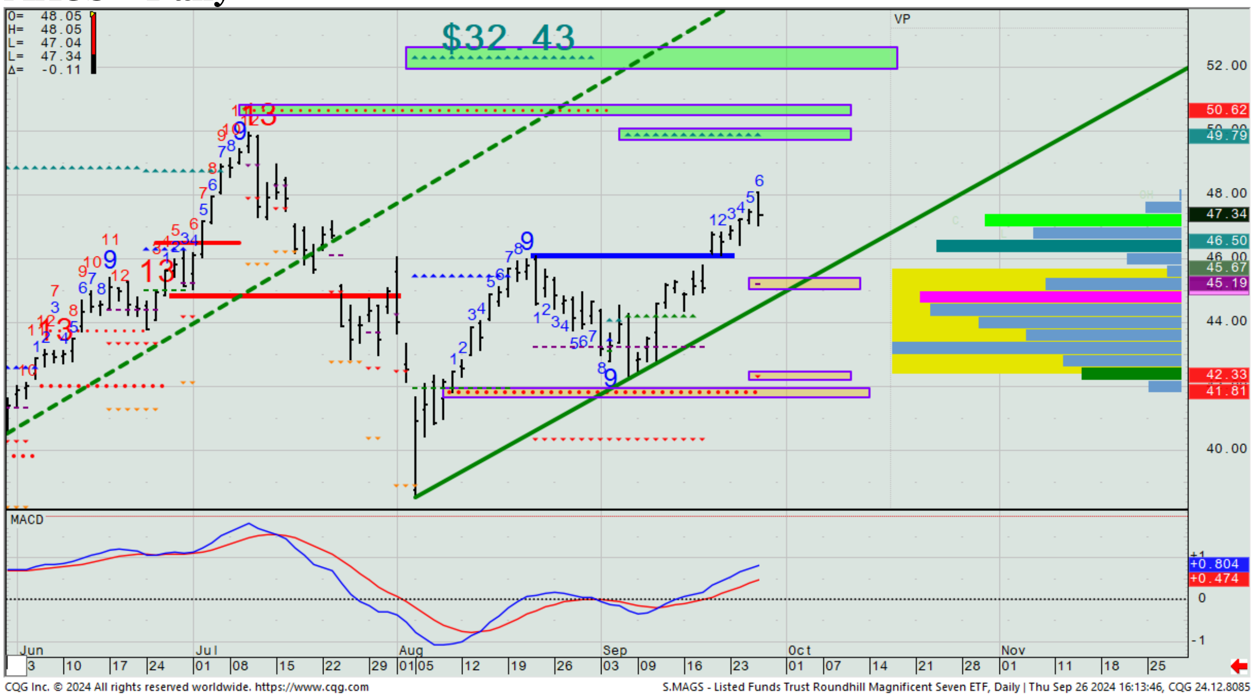


Other Open Recommendations and Positions

Long MAGS

Last Friday we got long one unit (avg. $46.47). I'm game on buying another unit on a pullback to $45.25. Scale out 1/3 of whatever long position we have on at near $49.79; $50.62; and near $32.43. The sell-stop is on a close or two (your choice) under $43.48.

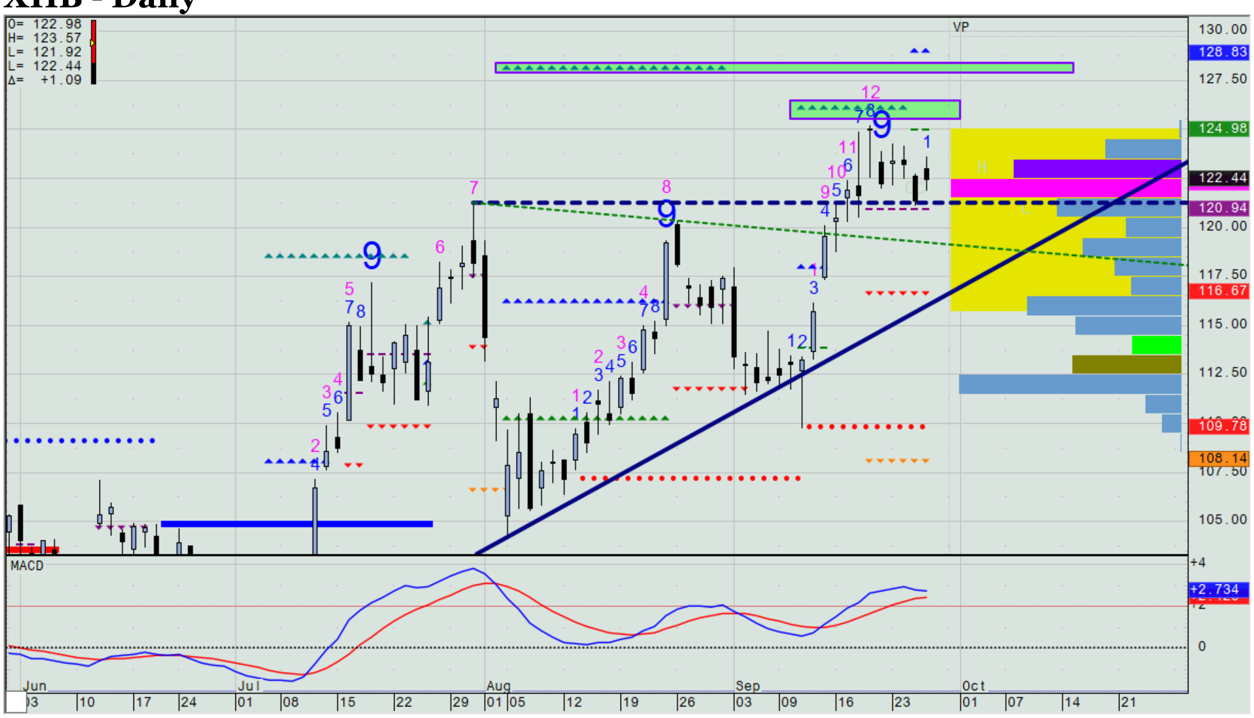
MAGS – Daily



Long XHB

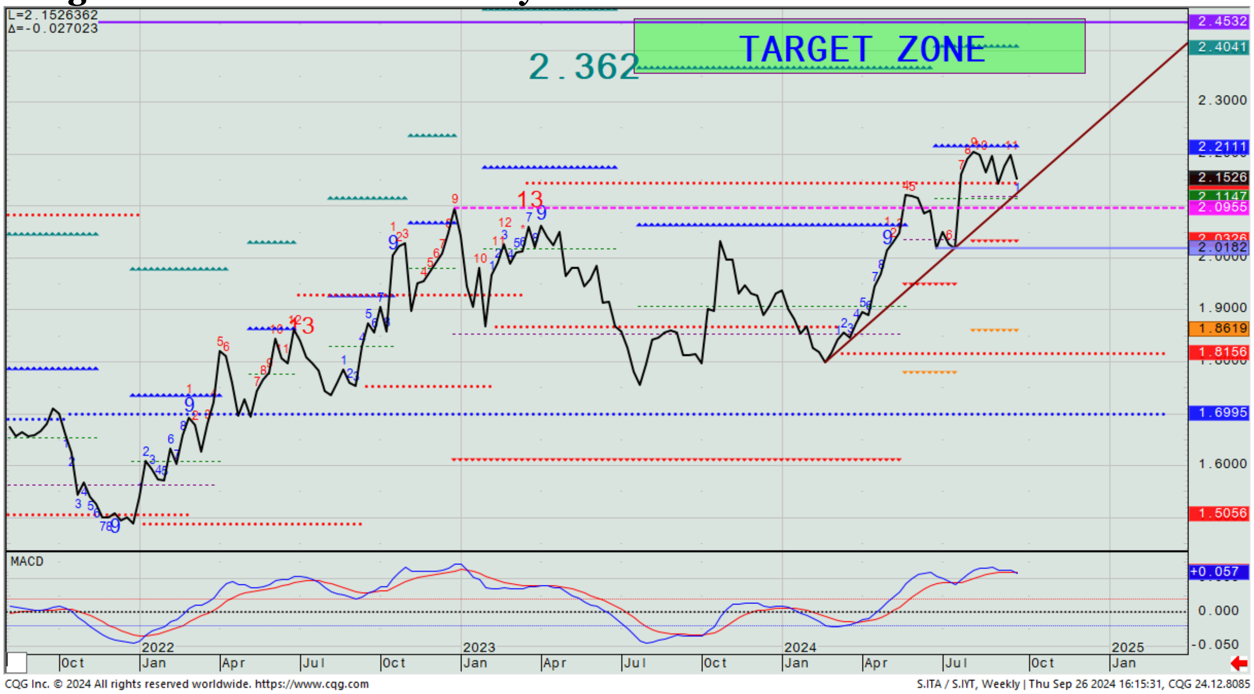
Two weeks ago, we bought one unit at an avg. price of $118.72. We sold half last Friday at avg. $121.87. We'll exit the balance at $128 +/- 25 cents. The sell-stop on the balance is on consecutive daily closes under $116.67.

XHB - Daily



Long ITA vs. Short IYT
Three 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. With this not having yet moved our way, stick to the sell-stop to exit on a **Friday** close beneath a 2.1305 ratio.

Long ITA vs. Short IYT – Weekly



Long XBI
Four weeks ago, we got long one unit (avg. entry price was $100.86). This hasn't yet gotten the upside breakout I was hoping for. With my mantra of always trying to keep losses small, let's exit if today closes beneath $97.92. If it closes above there, then we'll exit on any day after an up close that then closes <$97.92, OR simply on consecutive days' closes beneath $97.92.

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 (already 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.

Disclaimer

The user assumes the entire risk of any use made of this information and waves any and all recourse related to the information's performance and returns, and the information contained herein is construed "For Educational Purposes Only" and should not be relied upon for investment decision, and it is generic by nature and is not personalized to the specific financial situation of any individual. BENSIGNOR LLC, its staff, or any other party makes any expressed or implied warranties or representations with respect to this information, or of the software and pricing or other data used in its compilation and production. (Amongst other analytical tools, BENSIGNOR LLC may make use of CQG, Inc., ThinkorSwim, StockCharts.com, and Bloomberg, LP software, among others.) BENSIGNOR LLC hereby expressly disclaims all of the originality, accuracy, completeness and fitness for use of this information. In no event shall BENSIGNOR LLC and any party involved or related in the production and distribution of this information have any liabilities for any direct, indirect, special, punitive, consequential or any other damages, realized or potential, even if notified of such a possibility. Principles of BENSIGNOR LLC may hold long or short positions of securities discussed herein, or of any other securities at any time. The foregoing also applies to any trial subscription.