Rick Bensignor's

IN THE KNOW *TRADER*

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

Much of the macro picture this week has revolved around the major stimulus moves out of China, sending that market up over 30% in a single week – one of, if not the single largest weekly advance of a major global equity index ever. Any US-related and semi-related names to China's economy growing flew this week. Secondly, was the very upped conflict in the Middle East, helping send oil well-higher, as well as Defense-related stock names. Market wise, the dollar was up; gold was down, the TNX fell and then rallied, and the SPY is down just over 1% from last Thursday's close when I wrote last week's issue.
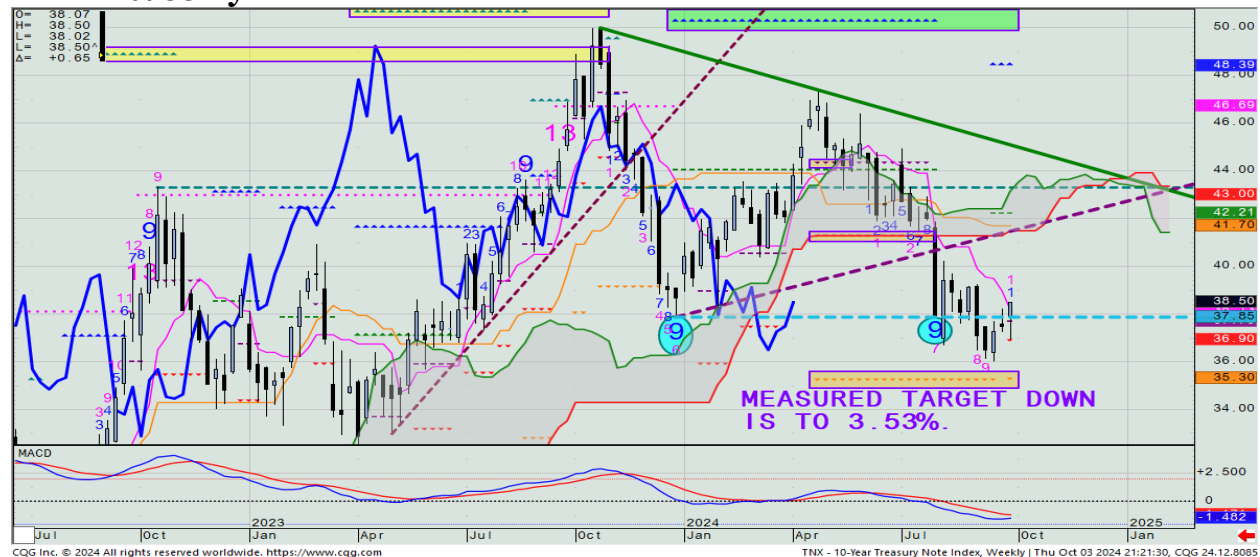
Let's take a look across the major asset classes for what their charts are showing:

US RATES

Last week I said that I see first 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). After falling to a 3.70% low on Wednesday, rates jumped on Thursday and are right by that 3.84% level, which is the bullish Propulsion Momentum level for the TNX. A proper breakout of that level happens to have its Exhaustion level right into the aforementioned gap.

The weekly chart shows yield above the 3.53% to 3.25% major support zone, and not right near falling Conversion Line, (3.81%) and then the 4.12% to 4.22% zone. A few weekly closes in a row above that Conversion Line would be near-term bullish for yields.

TNX – Weekly

MEASURED TARGET DOWN IS TO 3.53%.

TNX - 10-Year Treasury Note Index, Weekly | Thu Oct 03 2024 21:21:30, CQG 24.12.8085

Investment grade corporate credit spreads, my preferred credit spread index, are at 91 bps. -- down 1 bp. 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.
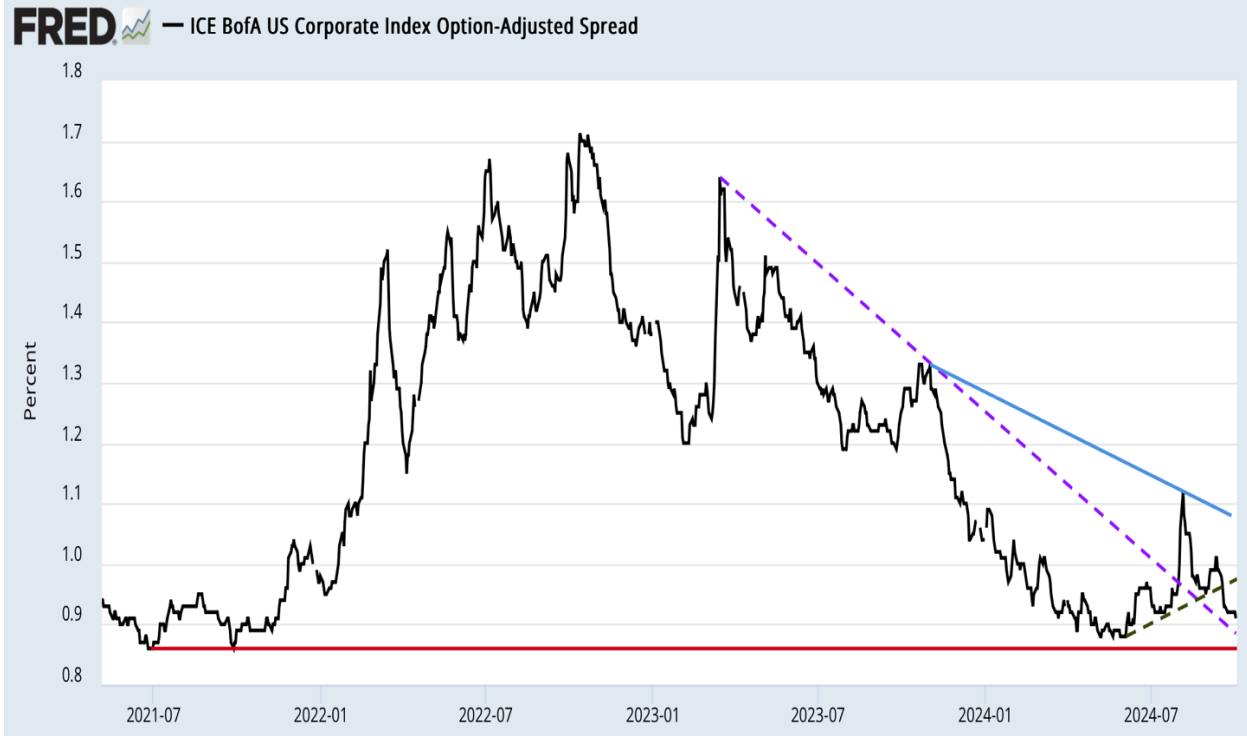

THE DOLLAR: The dollar bounced on the Mideast-related flight to safety. Key support remains down to the -13's risk level (from 2023) at 98.77. Any material breach of the 99 level ultimately targets 92. For now, it remains in a large multi-year range. First resistance should be near the backfill to the broke uptrend line near 102.50.

DXY – Weekly

ANY MATERIAL BREAK BENEATH 99 ULTIMATELY TARGETS NEAR 92.
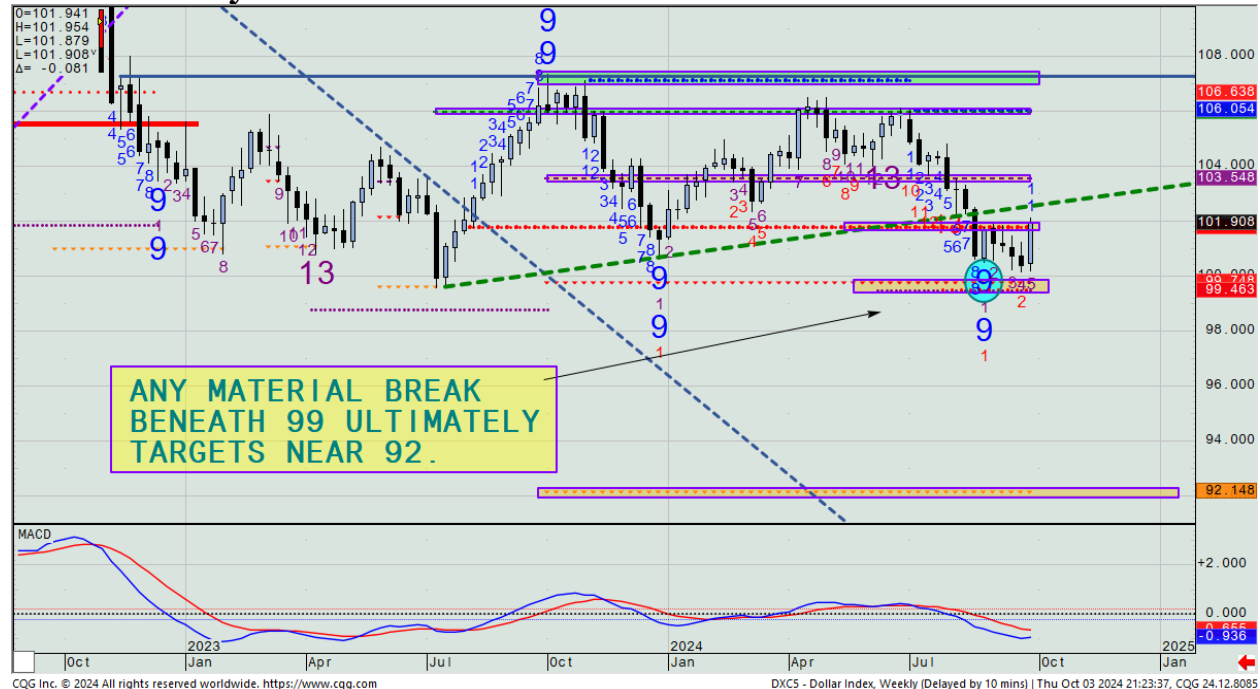
COMMODITIES: Gold backed off from recent all-time highs this week and from the ~$2700/oz. neighborhood that I made clear I would be selling some of my long-held long positions at. First weekly chart support is $2594.

COMEX Gold – Active Weekly Continuation
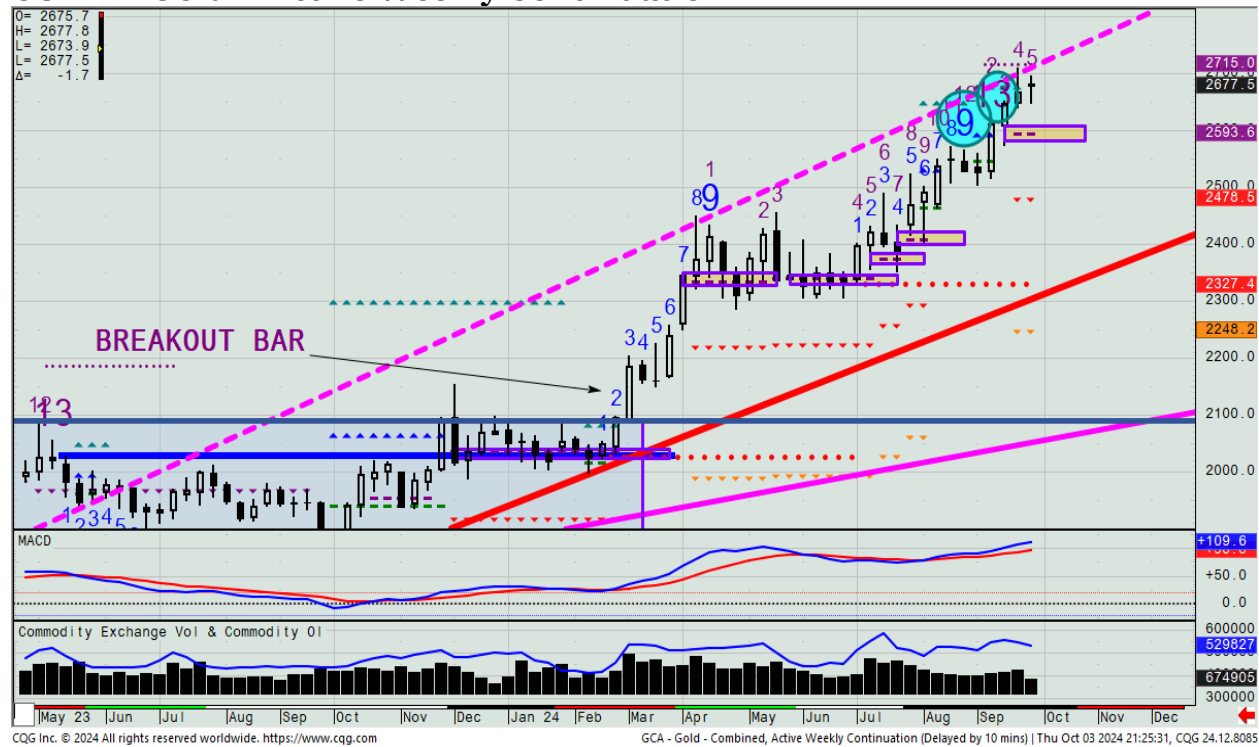
WTI Oil got a major boost this past week on now a major conflict in the Mideast. With Israel preparing to respond to the ~180 ballistic missiles fired at it from Iran, many are buying back their shorts (which was already a record short position in futures). The late-December '21 TDST line at $66.12 continues to be support.

WTI Crude Oil – Active Weekly Continuation
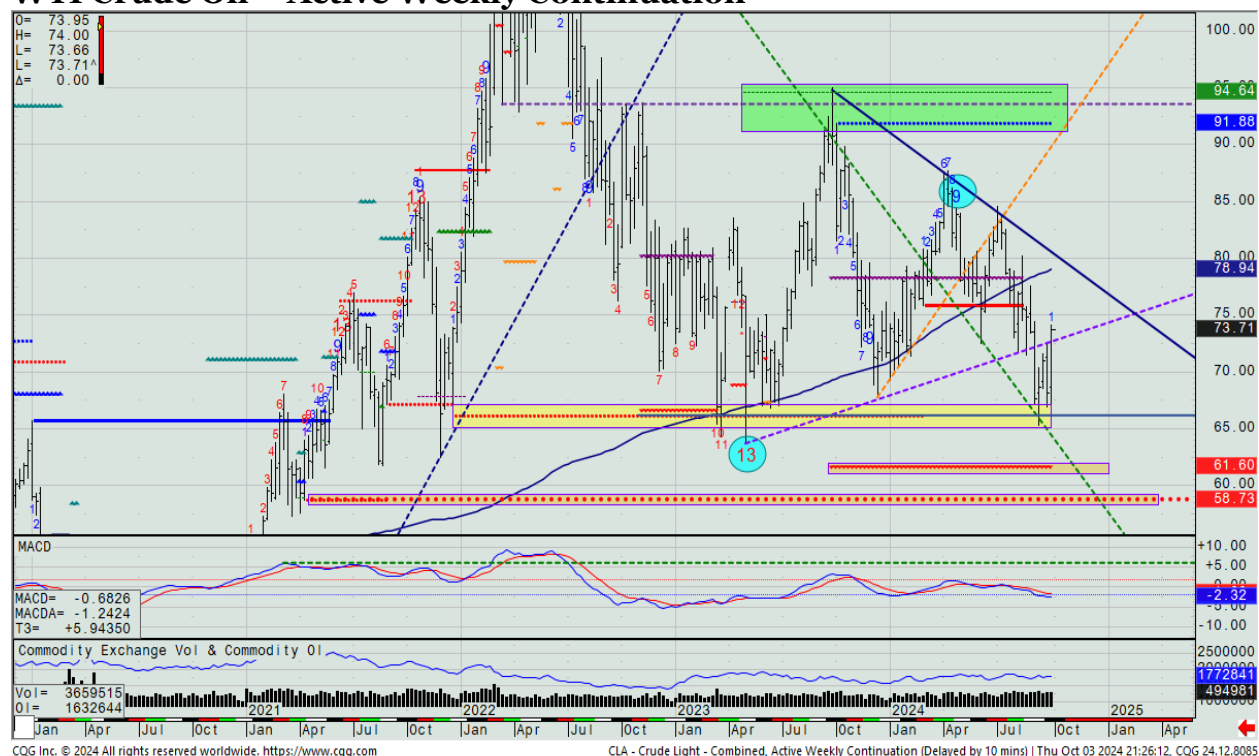
EQUITY INDEXES:

The SPY is minimally below its all-time highs set last Thursday. On a daily chart, Thursday was the third day in a row with a close under the daily Conversion Line, so we could still see some near-term weakness. But I'm still in the camp that this rally reaches $609 before a more likely double-digit percentage decline comes into play. The next SPY upside target is $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. Meaningful support should be near $542.
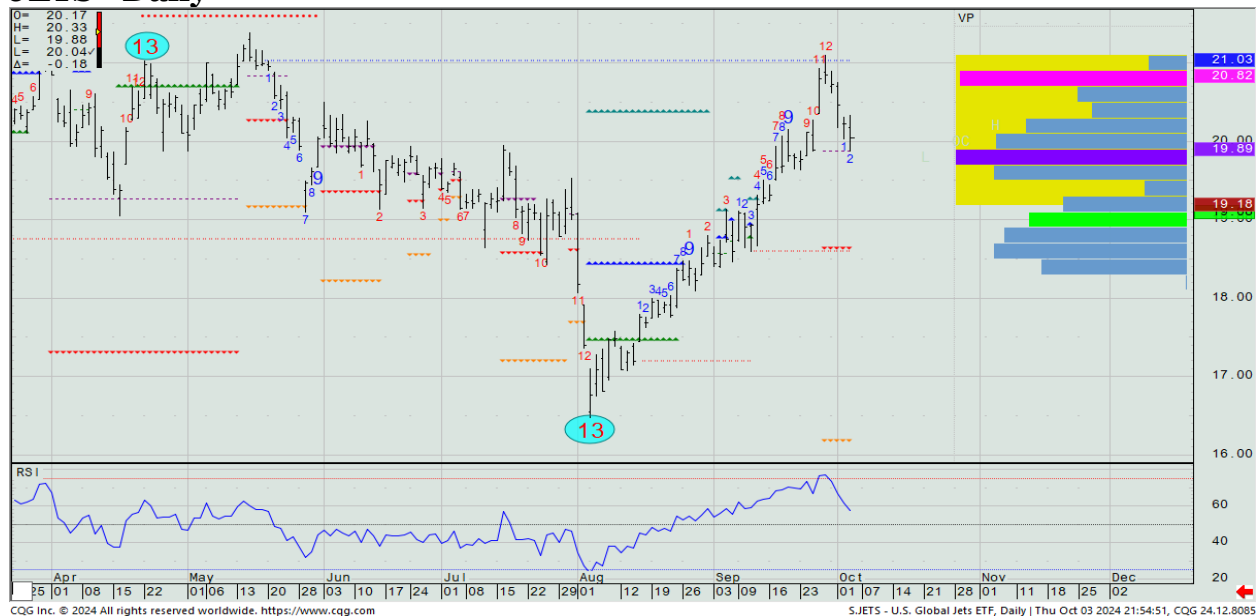
SPY – Weekly
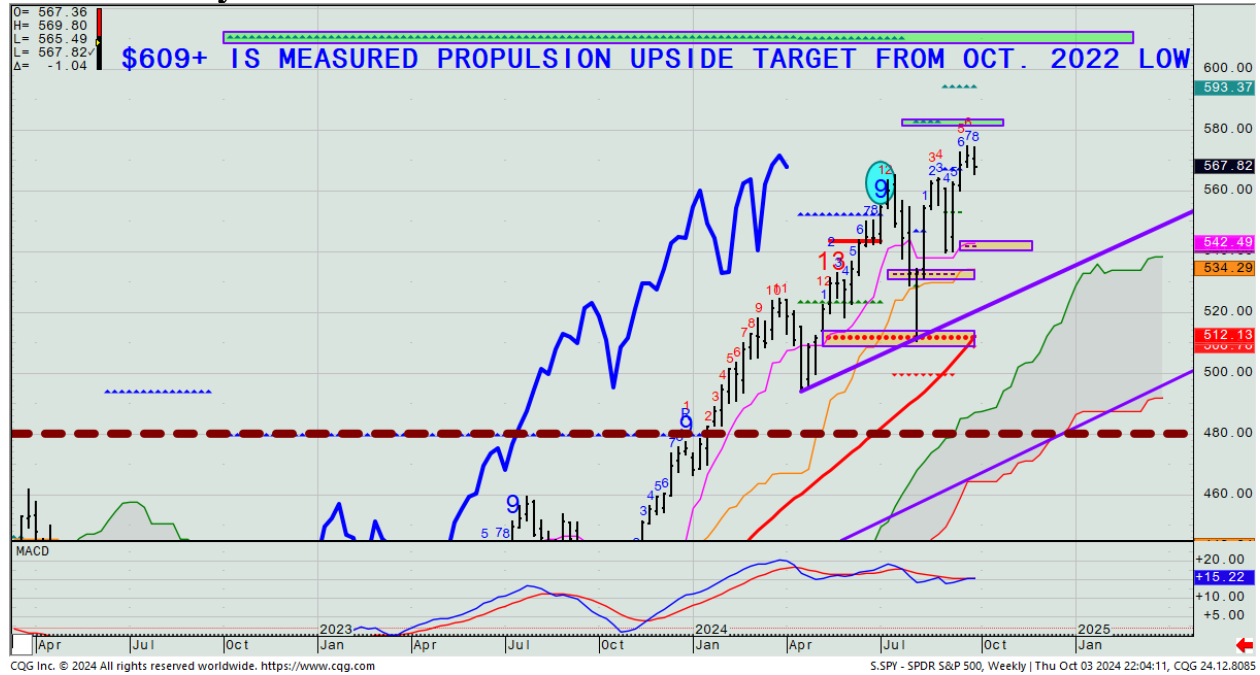
New ETF Trade Idea

With oil rallying like it has, the **US Global Jets ETF (JETS)** has come off from a recent Sequential +12 high.

JETS - Daily

Though it's holding support at its bearish Propulsion Momentum level ($19.87), I'd short one unit on a rally to $20.40 to $20.55. (Doing so might even mark the +13 count, too.) looking for a break down to $18.75 to $18.65. We'll stop out on a close > $21.03.

Other Open Recommendations and Positions

Long EWJ

Last Friday we got long one unit at avg. $71.48. I'll keep a tight stop on it as consecutive daily closes beneath $70.95. Upside target is near $79.63 Propulsion Exhaustion level.
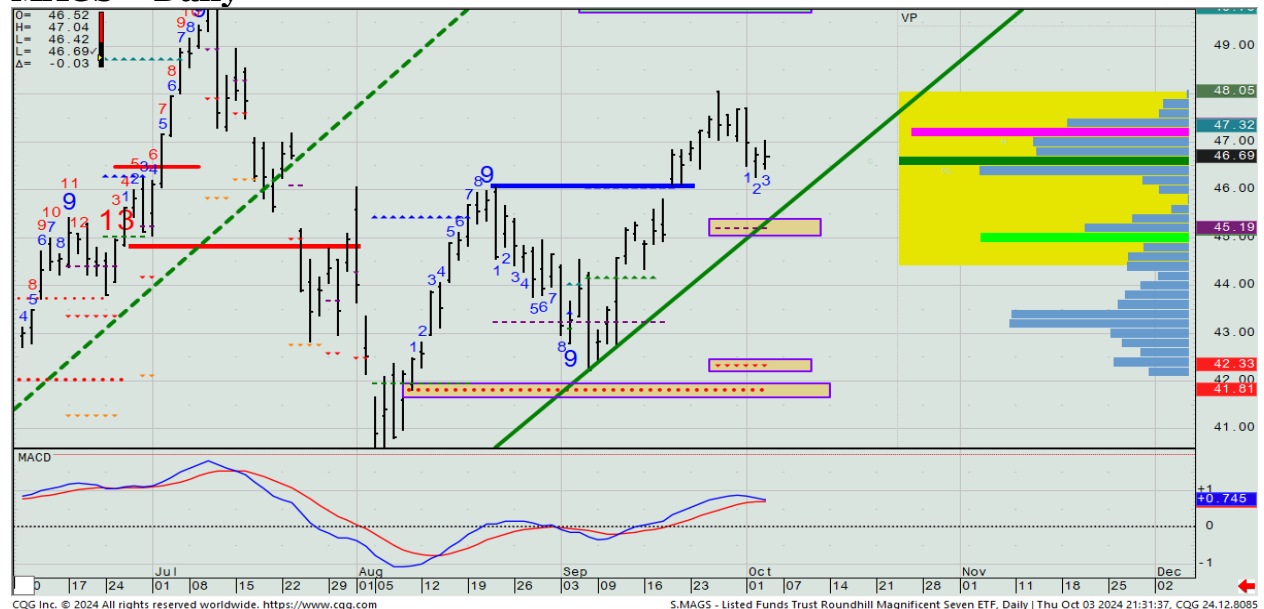
EWJ - Daily

CQG Inc. © 2024 All rights reserved worldwide. https://www.cqg.com   S.EWJ - iShares MSCI Japan ETF, Daily | Thu Oct 03 2024 21:30:53, CQG 24.12.8085

Long MAGS

Two weeks ago, 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

CQG Inc. © 2024 All rights reserved worldwide. https://www.cqg.com   S.MAGS - Listed Funds Trust Roundhill Magnificent Seven ETF, Daily | Thu Oct 03 2024 21:31:37, CQG 24.12.8085

Long XHB

Three weeks ago, we bought one unit at an avg. price of $118.72. We've already sold half at avg. $121.87. We'll exit the balance at $128 +/- 25 cents. <mark>The sell-stop on the balance is now on consecutive daily closes under $116.95.</mark>

XHB - Daily
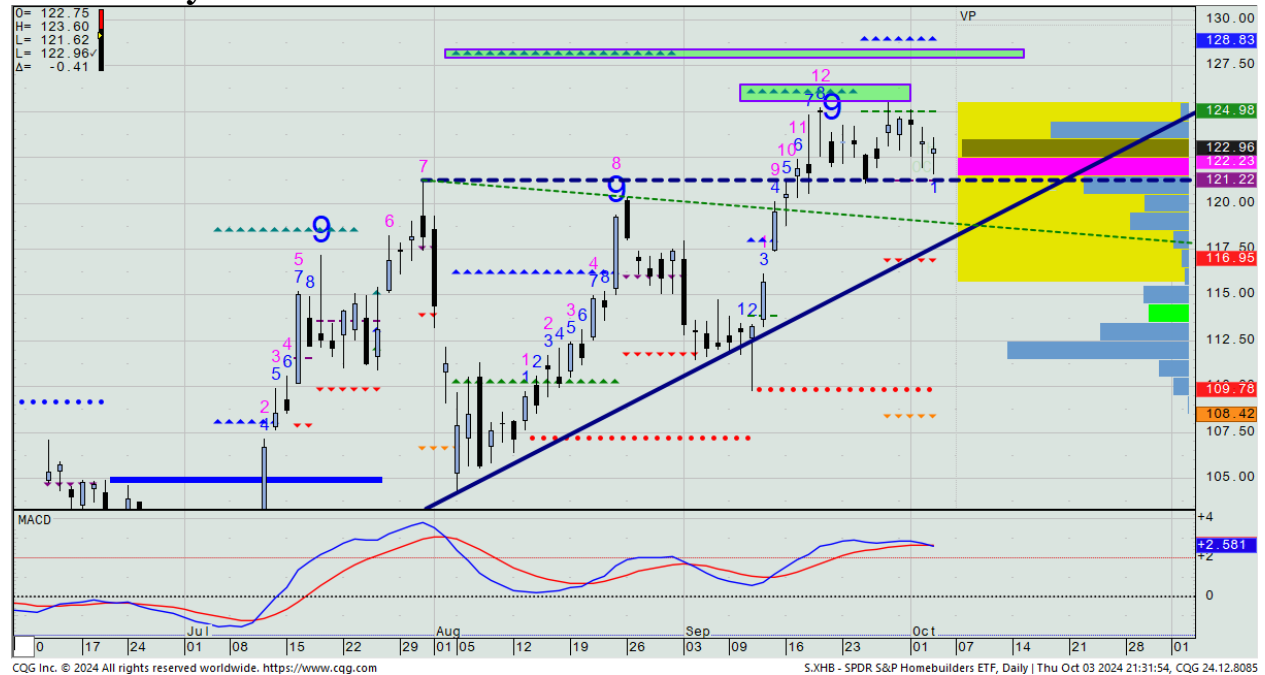
Long ITA vs. Short IYT

Four 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. This past week's Mideast mess helped our trade. However, with next week also likely becoming a Sequential +13 count, let's scale out of 1/3 of the position next week.

Long ITA vs. Short IYT – Weekly

Long XBI

Five 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.
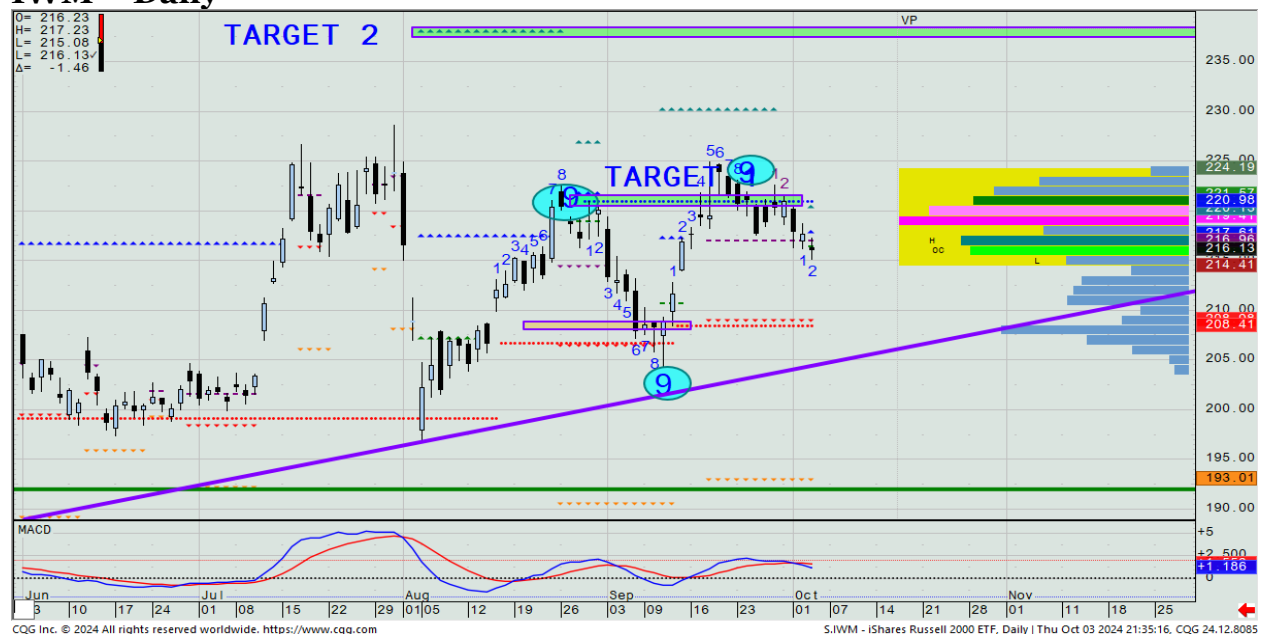
XBI – Daily

Long IWM

Five or six 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 consecutive closes under $214.41 or a single one 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