Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

Investors have all but concluded that there wasn't, nor will be, a recession in 2024. That's allowed them to scamper back into stocks, and along with many underinvested professional portfolio managers needing to put unused cash to work to appear as if they've been invested in the market, the market has again made new highs over the past week. Rates have backed off about a dozen bps. from the 4.12% 10-yr. high, and the Dollar Index remains above 103 – about 3% above the lows of just a few weeks ago.

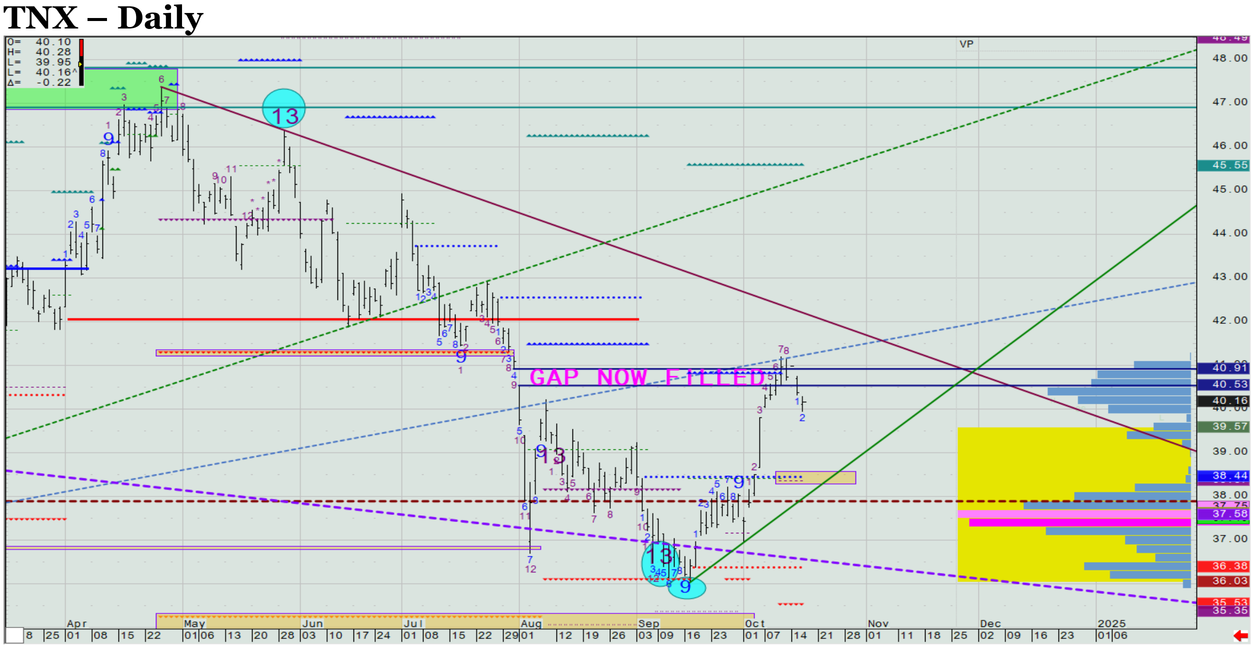
More importantly to me, the ramp in stocks as we see the SPY less than 5% from my longstanding $609 target is just what I want to see. If I'm right, "smart money" will be selling the last few percent to that level as, well, shall I say, "not-so-smart money" provides them the ability to do so.

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

US RATES

The TNX reached 4.12% to fill what had been an important prior unfilled gap from 4.05% to 4.09%. Recall from spring to early-summer that the 4.21% to 4.13% range had been the first major downside target from this year's high of 4.74%. It spent a month there before cracking into early-August. I expect that 9 bp. range – perhaps up to near 4.3%, will cap the rate rally.

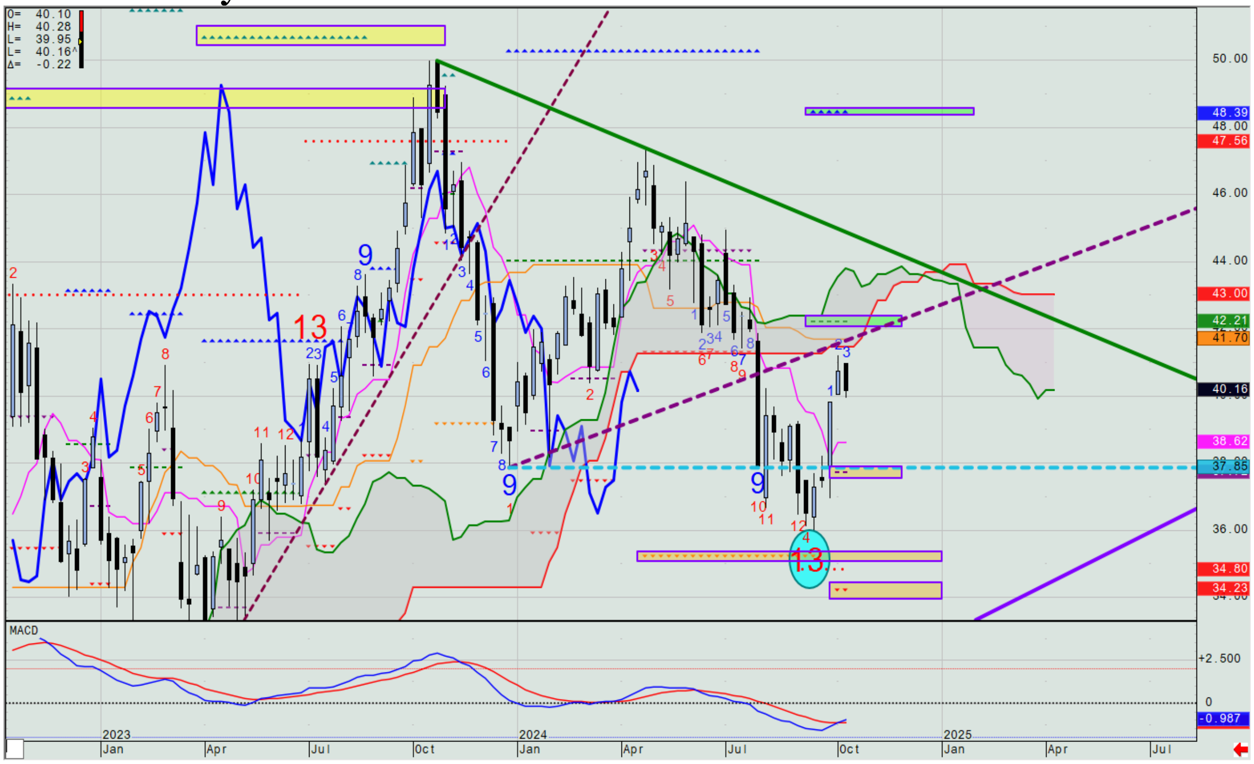
TNX – Daily



TNX - 10-Year Treasury Note Index, Daily | Wed Oct 16 2024 16:29:44, CQG 24.12.8085

Fitting into that scenario, the weekly chart shows some important resistance in the 4.17% to 4.22% zone. If you are a confirmed bond market bull – and think rates are again headed lower – than the rough 4.12% to 4.30% zone is your place to buy bonds.

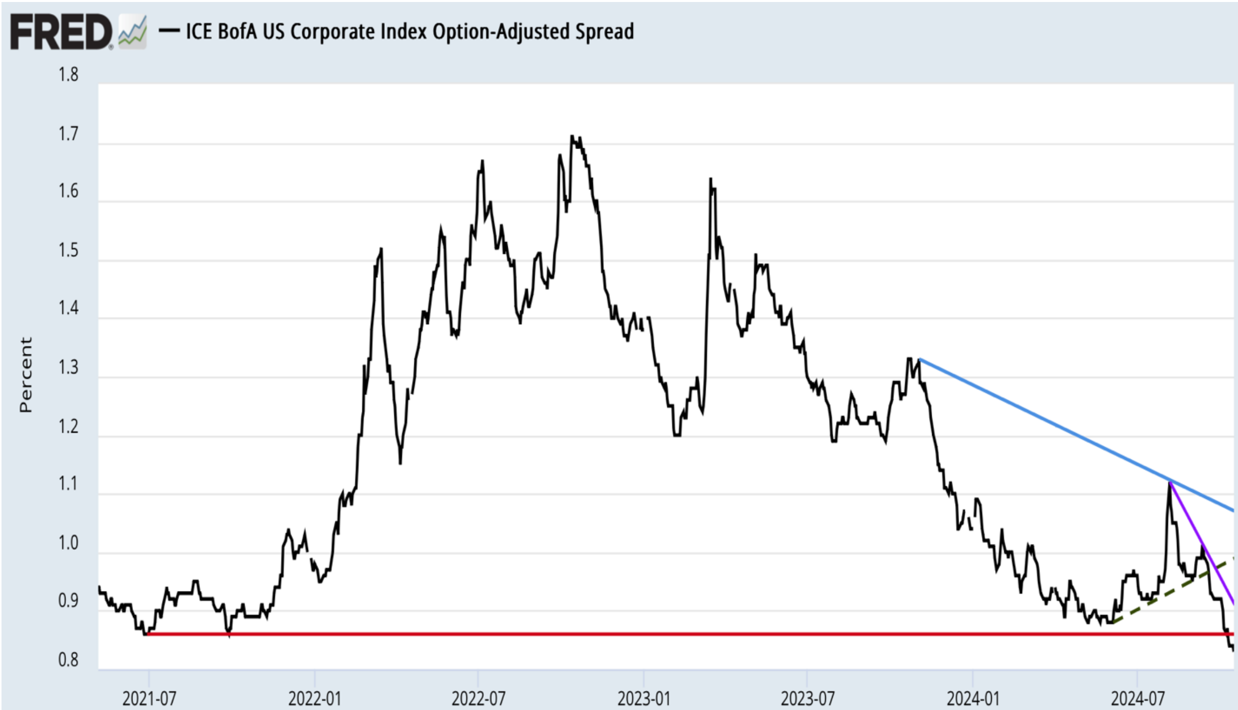
TNX – Weekly



For those of you who like to trade the more active **TLT** (20yr.) ETF, you can see in the below chart that if the uptrend line breaks with any oomph, price could easily get back down to the highlighted orange rectangle Propulsion target and the low end of the whole range. Since last week's report, it's bounced right on the line.

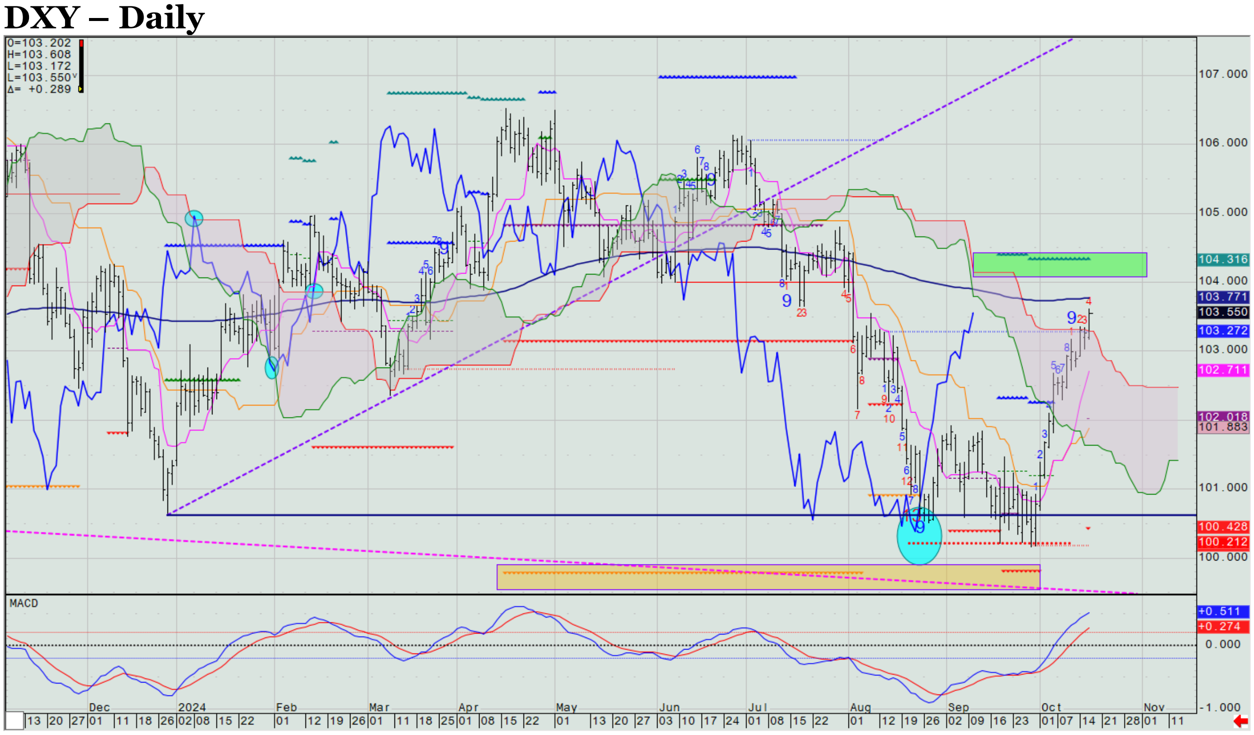
TLT – Weekly

Investment grade corporate credit spreads – my preferred credit spread index – have again fallen to a new all-time low of 83 bps. The head-and-shoulders topping pattern from 2022 to 2023 measures down to somewhere in the 70 bp. area. Generally, narrowing credit spreads are bullish for stocks (as it shows lessened fears in the system).



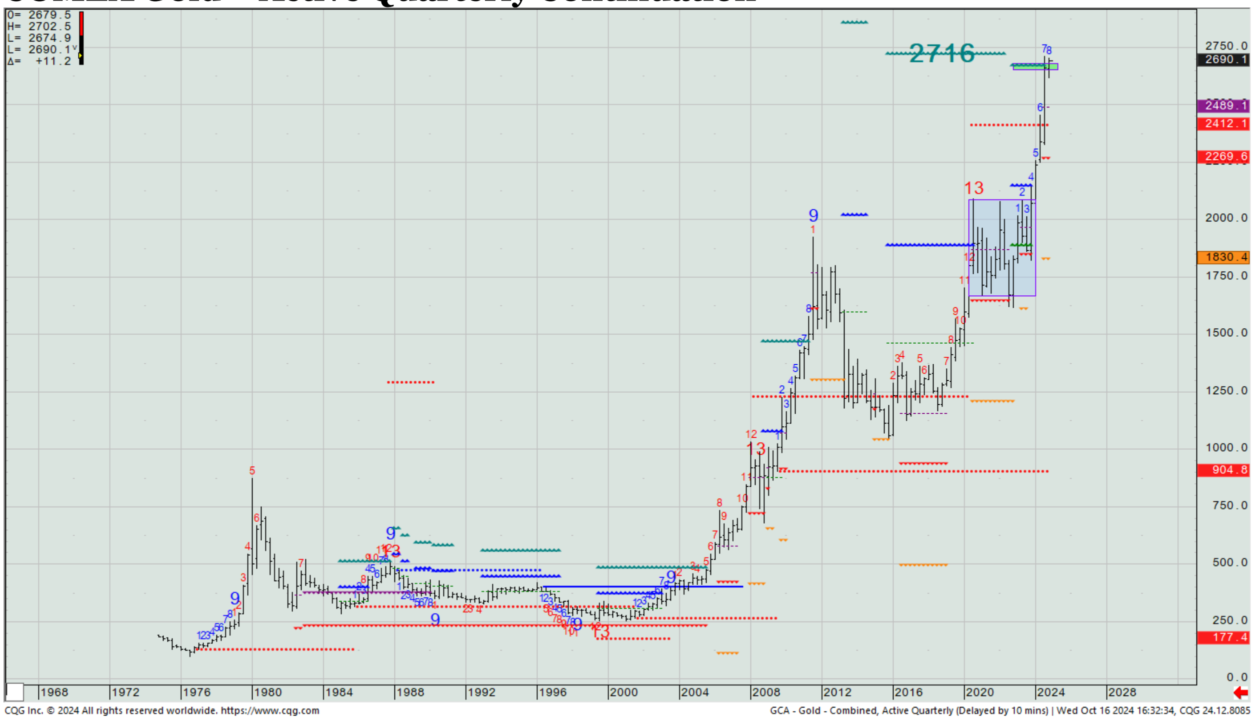
THE DOLLAR: I'll stick with what I've said all year: I expect the dollar to basically follow rates in this environment. The DXY bounce from 100 to 103 is in line with the move up in rates from 3.65% to over 4%. (And that's the 10-year. An even better fit is the shorter end of the Treasury market.) The daily chart suggests a move to 103.75 to 104.30 area.

DXY – Daily



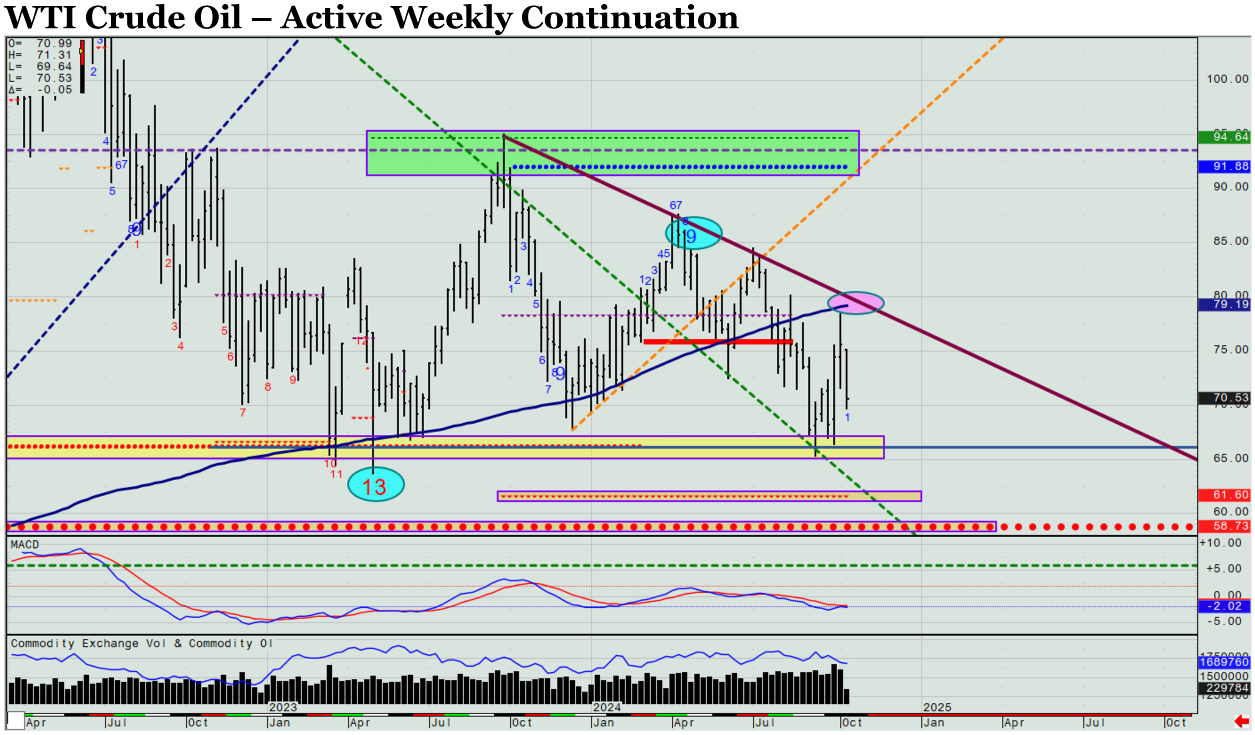
COMMODITIES: Gold fell as much as about $90 from the recent all-time highs, but it has rallied back this week to be right by those prior highs. First weekly chart support is $2594, then $2479, and major at $2379. I am showing you the quarterly chart in this week's report to give you a sense why I am reducing long-held bullion longs up here.

COMEX Gold – Active Quarterly Continuation



WTI Oil is very headline driven now, as traders have been waiting for Israel's retaliation to the Iran missile attack. A few days ago, Israel said that they would not attack Iranian oil wells, so price fell quickly. Price has reached up near its 200-WMA (pink ellipse), which in the past had been near several lows, and for now represents a potential high area – along with its downtrend line.

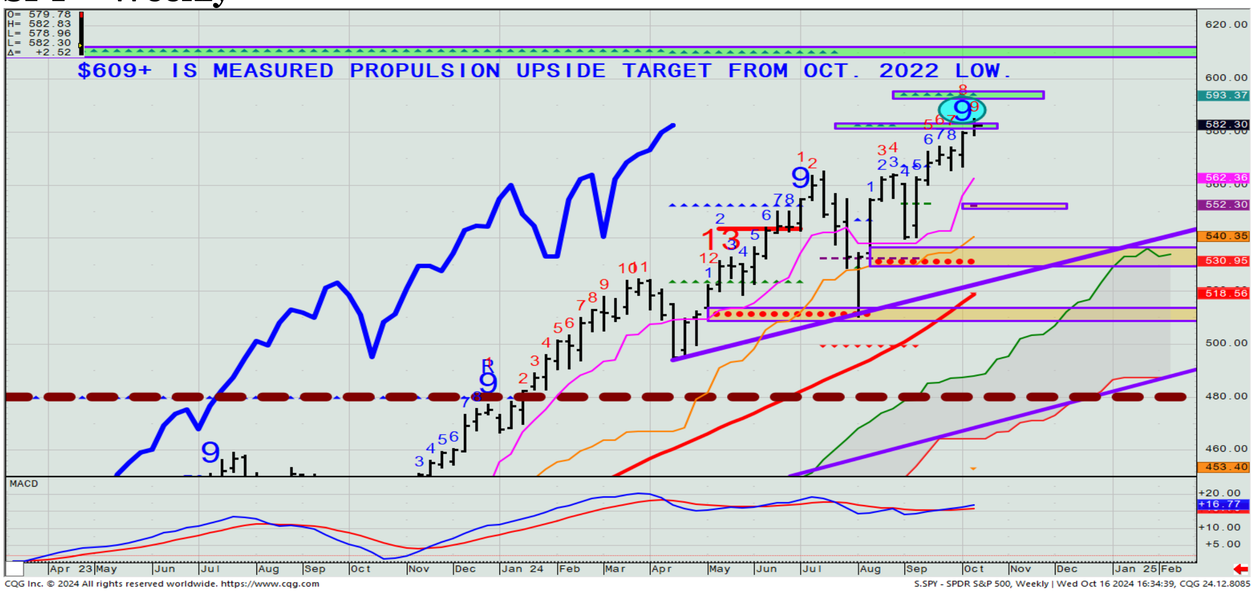
WTI Crude Oil – Active Weekly Continuation



EQUITY INDEXES:

The SPY again traded higher, and hit the daily target of the Aggressive Sequential +13 Risk level. Getting above there next targets $593+, and then ultimately, to the two key targets in the $609 handle, where I will personally be reducing a good amount of my long-held long SPY positions. Meaningful support should be near $545 and then near $531.

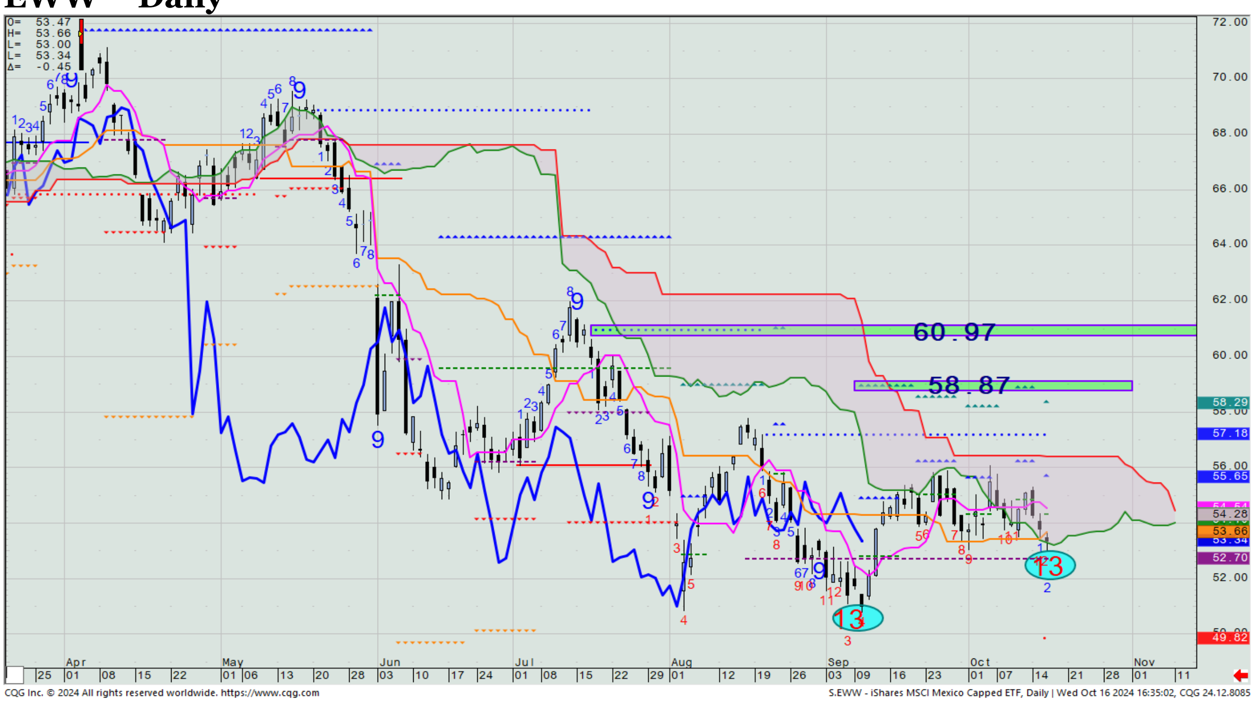
SPY – Weekly



New ETF Trade Idea

Though the Mexican stock market has been under significant pressure all year, the low was made on a daily Sequential -13 count, and Wednesday just posted a second one that also has made its way back down to the cloud bottom. To me, it's worth buying for a trade. As such, let's buy one unit today; play for exiting half near each of the labeled targets of $58.87 and $60.97. Risk a close under $51.01, the lowest close of the year.

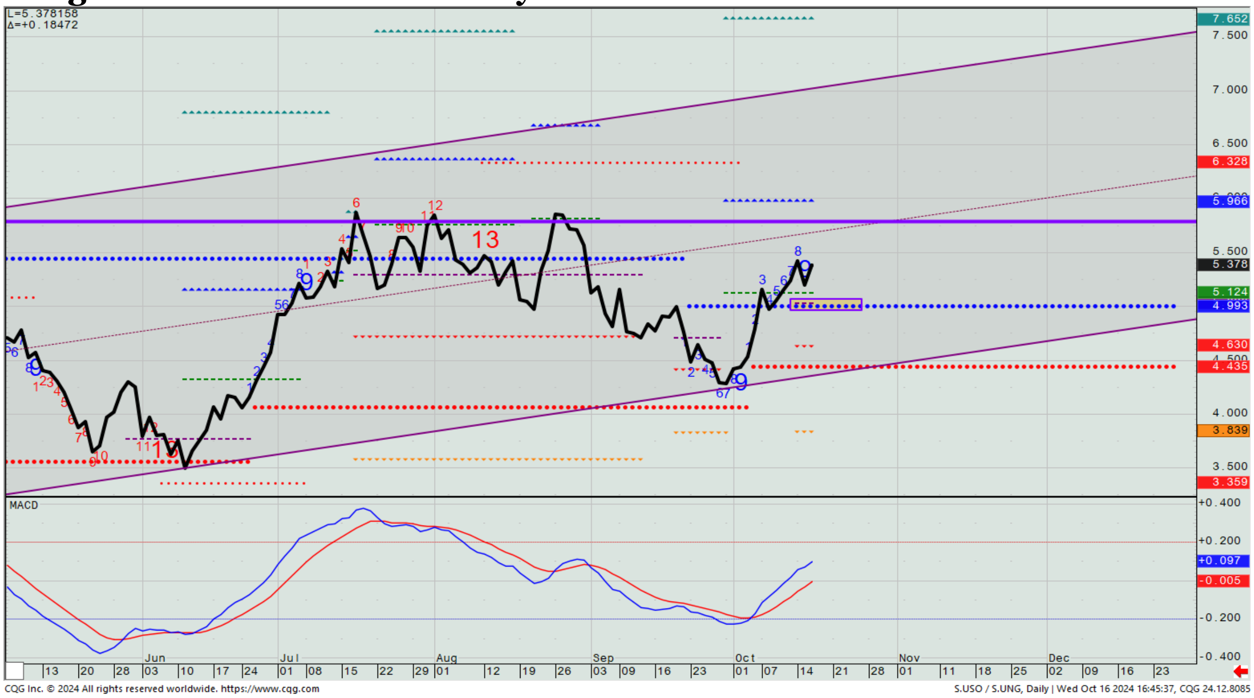
EWW – Daily



Long USO vs. Short UNG

Last Friday, we went long 1/3-unit (we got in at an avg. 5.194 ratio). I'm changing the trade not to add on a pullback (this is volatile enough and can really move), and I'm adjusting the sell-stop to exit on consecutive 60 min. closes under 4.99 ratio. My target to exit this will be at 5.96/5.97 ratio.

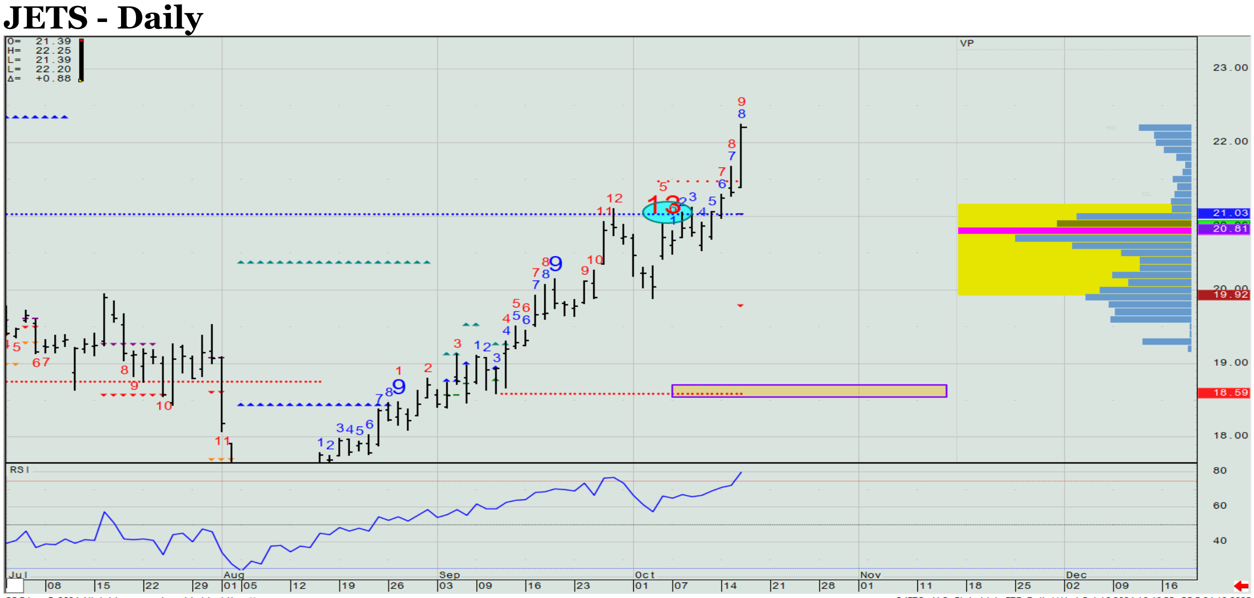
Long USO vs. Short UNG – Daily



Short JETS

Two weeks ago, I suggested shorting a rally to the $20.40 to $20.55 zone, and we got in at an avg. of $20.50 (because of an opening gap higher). The buy stop was to exit on two daily closes > $21.07, but I've already sent you an email on Wednesday to exit it by the close. We lost about 7.5%.

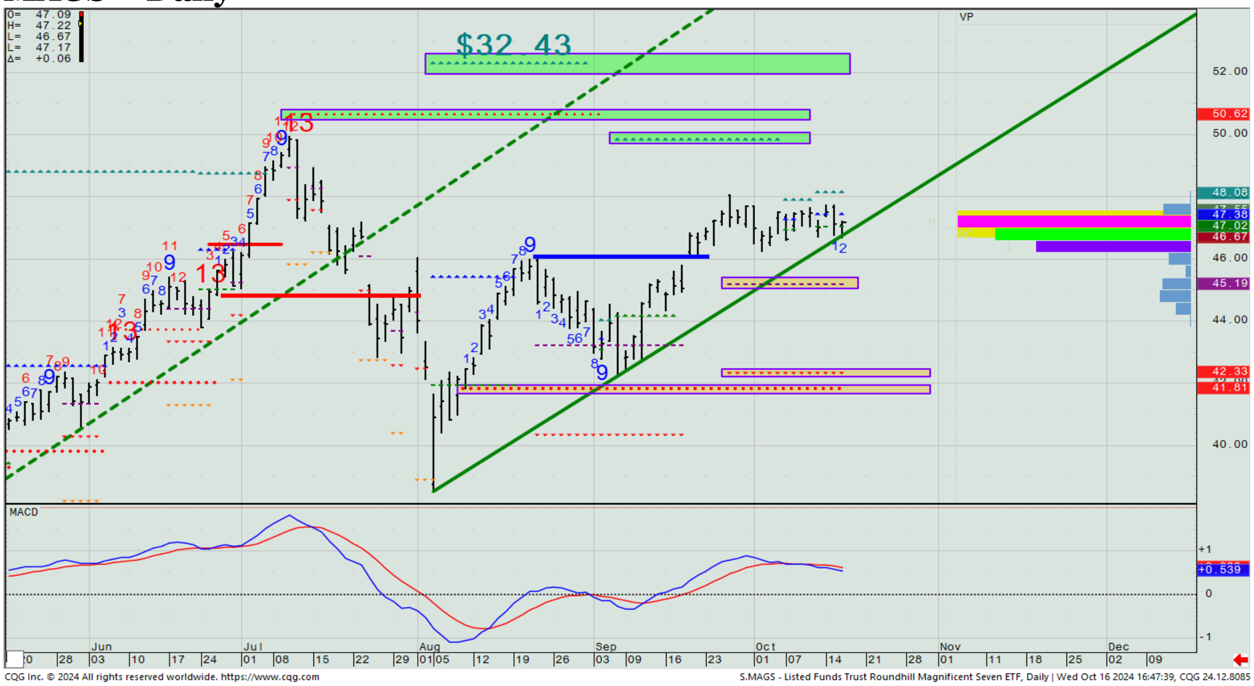
JETS - Daily



Long MAGS

Four weeks ago, we got long one unit (avg. $46.47). Scale out 1/3 each at near $49.79; $50.62; and near $52.43. With this right by its uptrend line, I'm raising the sell-stop to exit on consecutive hourly closes beneath $46.10.

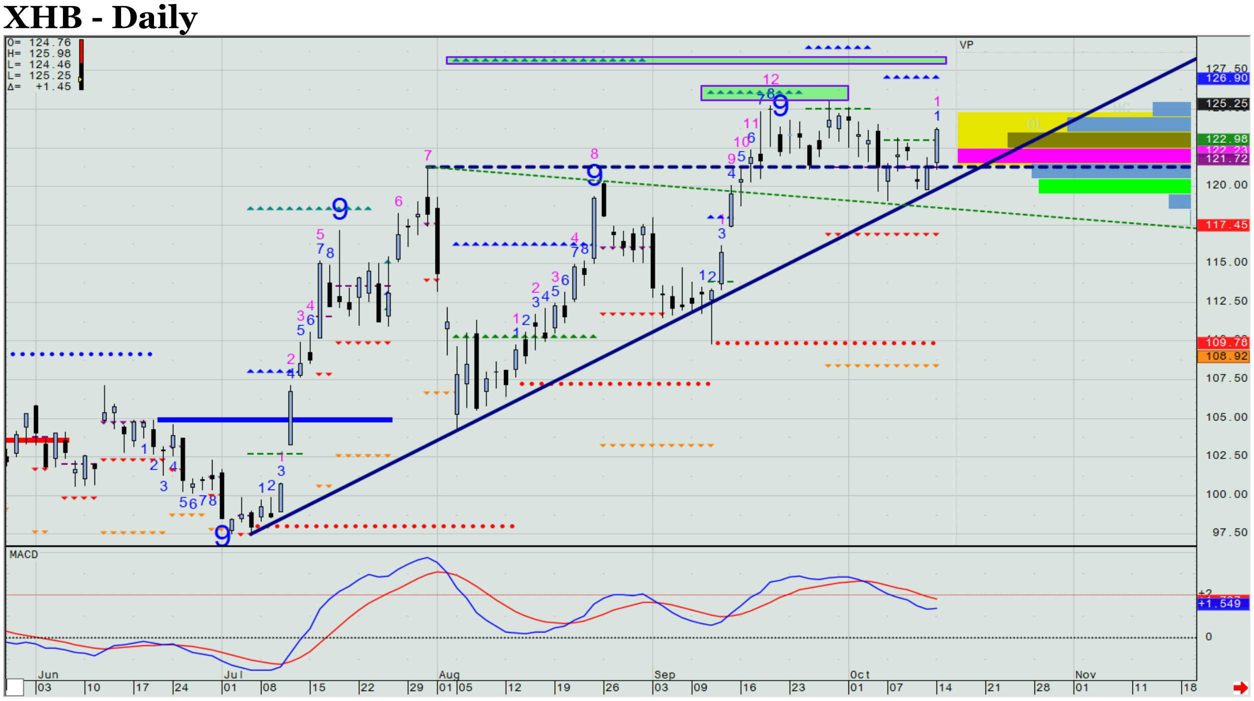
MAGS – Daily



Long XHB

We're long at an avg. of $118.72. We've already sold half at $121.87. We'll exit the balance at $128 +/- 25 cents. Last week I wrote, "Unless the stock is above $121.33 going into today's close, we'll get out on the close. If it is above there, exit on any subsequent close beneath Thursday's low of $119.96." Well, the range from 3:55 pm to 4:00 was $121.20 to $121.40. I'm not sure if you held or not, so I'll say that if you did get out, you sold ~$121.30 and made 2.41%. If you held, you're still in.

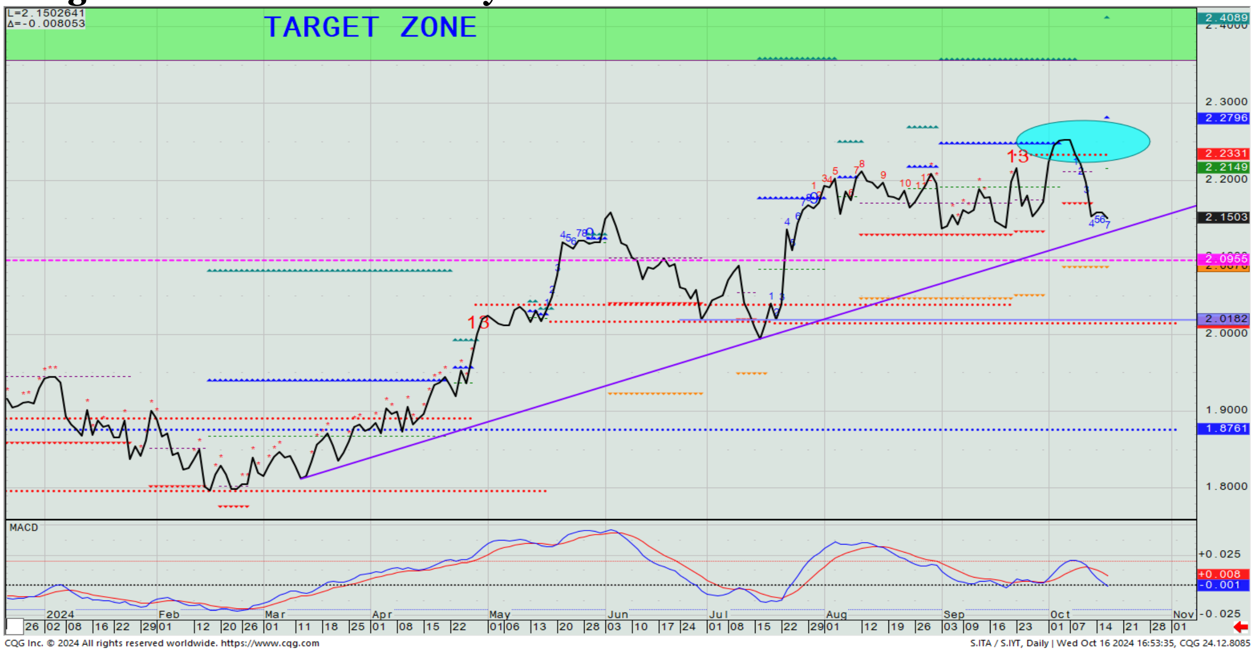
XHB - Daily



Long ITA vs. Short IYT

Six 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 was to scale out from 2.36 to 2.45. Two weeks ago, I recommended scaling out of 1/3 of the position last week, so the average of all four daily closes is 2.214 – leaving us 2/3 of the original trade. I recommended exiting the balance last Friday. In all, we made 0.96%.

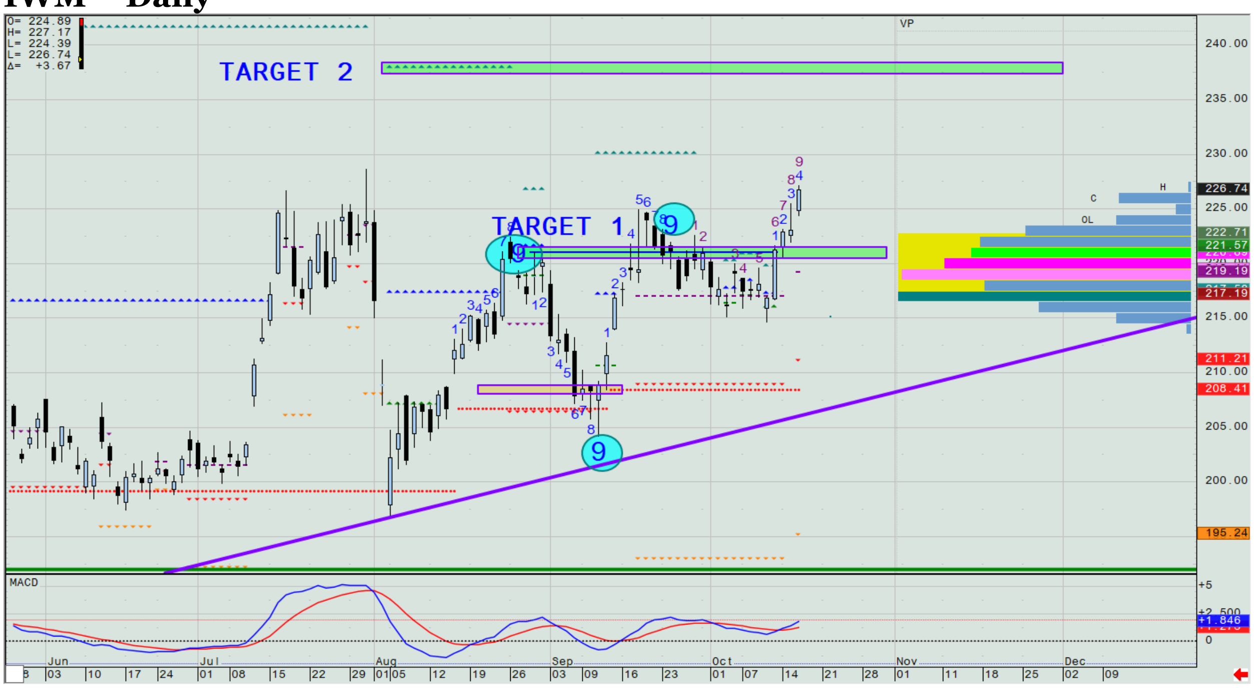
Long ITA vs. Short IYT – Daily



Long IWM

Since early September, we've been long this at $209. I had two targets to exit 50% at: near $221 (already achieved) and $237+. The sell-stop is on 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 <u>not be paying anything</u> 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