Rick Bensignor's

IN THE KNOW TRADER

Positioning Individual Investors Alongside Professionals

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TACTICAL TRADER REPORT

The Macro Picture

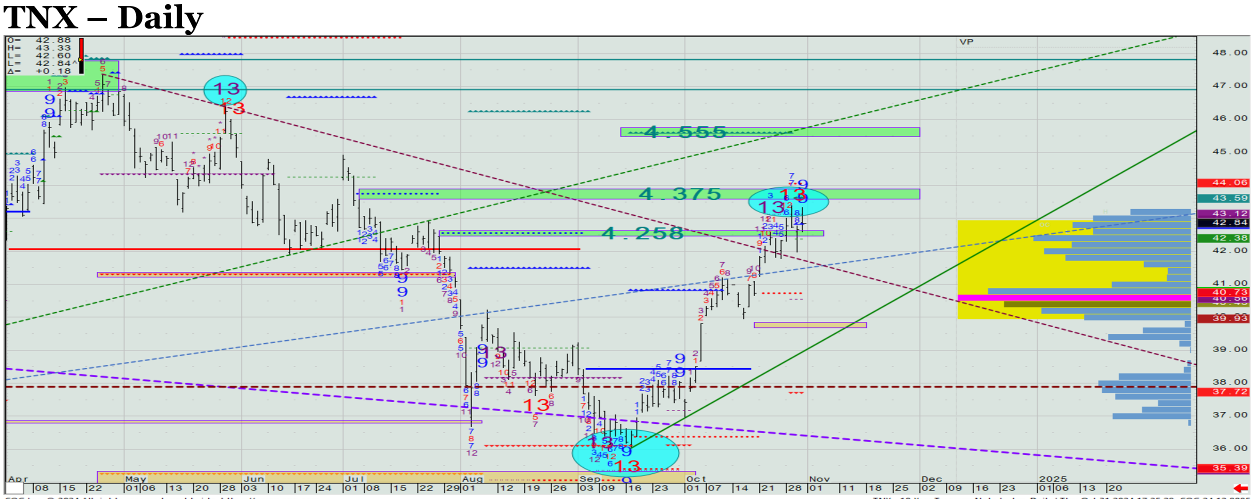
MSFT's and META's reports after Wednesday's close were the biggest catalyst for yesterday's major stock market decline – causing the multi-touched uptrend line from the August 5th low to finally get busted. The break also came along with UST 10-yr. rates touching 4.33% in the morning – basically testing the highs of the recovery move they've done since the low was marked right when the Fed eased in mid-September. Elections are in just three more trading days, including today, so it is not surprising to see some investors lock in big gains for the year with such an unknown outcome to elections. (And there's more and more chatter about just how long it might take for Americans to know who actually wins. Indecision like that is not at all what investors ever want to have to deal with.)

As upsetting as a day is like yesterday is to most investors – me included when I watched how many dollars my accounts lost yesterday – I remind myself that I've also raised more cash this year (by selling out of stocks at targets) than I ever have. Though some of the sales were premature to peak prices, it does set me up to use bigger pullbacks to figure out when and where I want to get back in.

US RATES

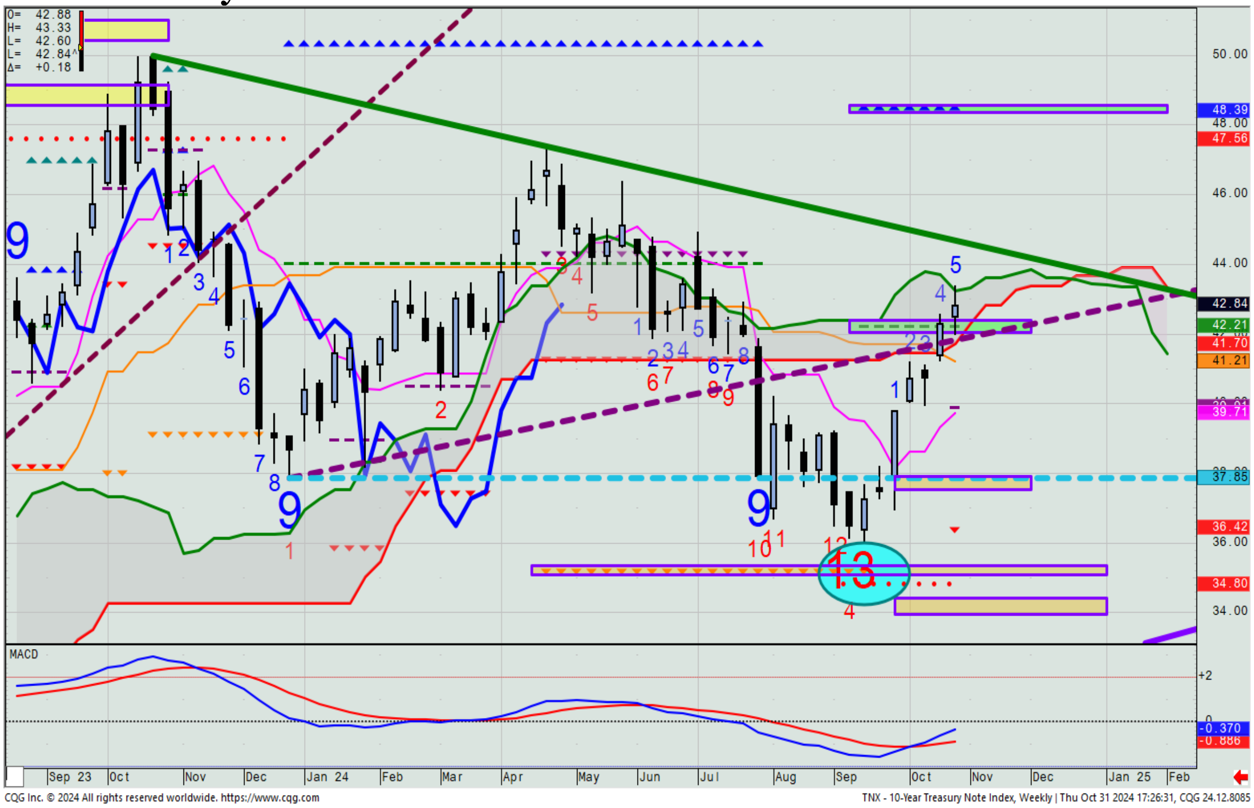
The TNX has reached as high as 4.33% on this rally that has now gone some 70 bps. since the Fed eased on 9/18. On Wednesday, the TNX posted its first standard Sequential +13 signal of the move, a week after the Aggressive one came in, and along with also a new Setup +9 count, we see the virtual offset of collective signals now appear that we saw at the bottom in September. Thus, I suspect that rates will decline to something near 4.07% as an initial target.

TNX – Daily

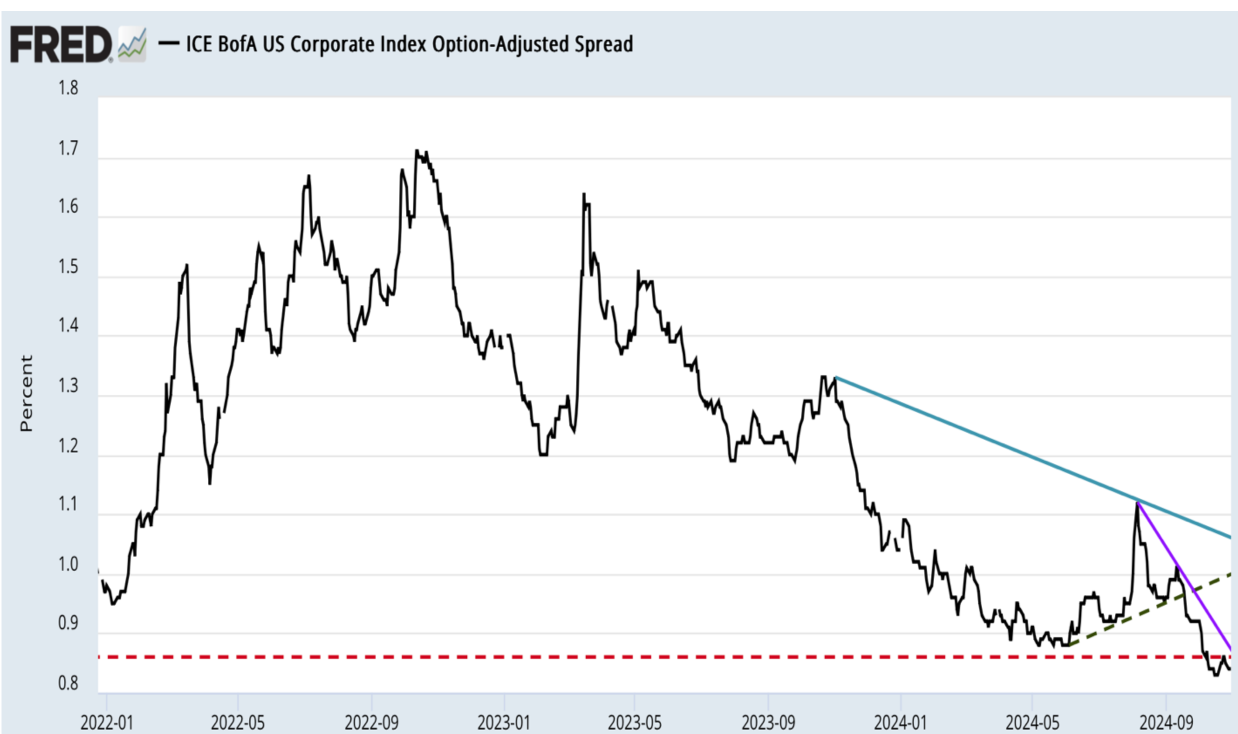


The weekly chart's cloud top is 4.32%, so that's just another reason that we may see rates stall here.

TNX – Weekly

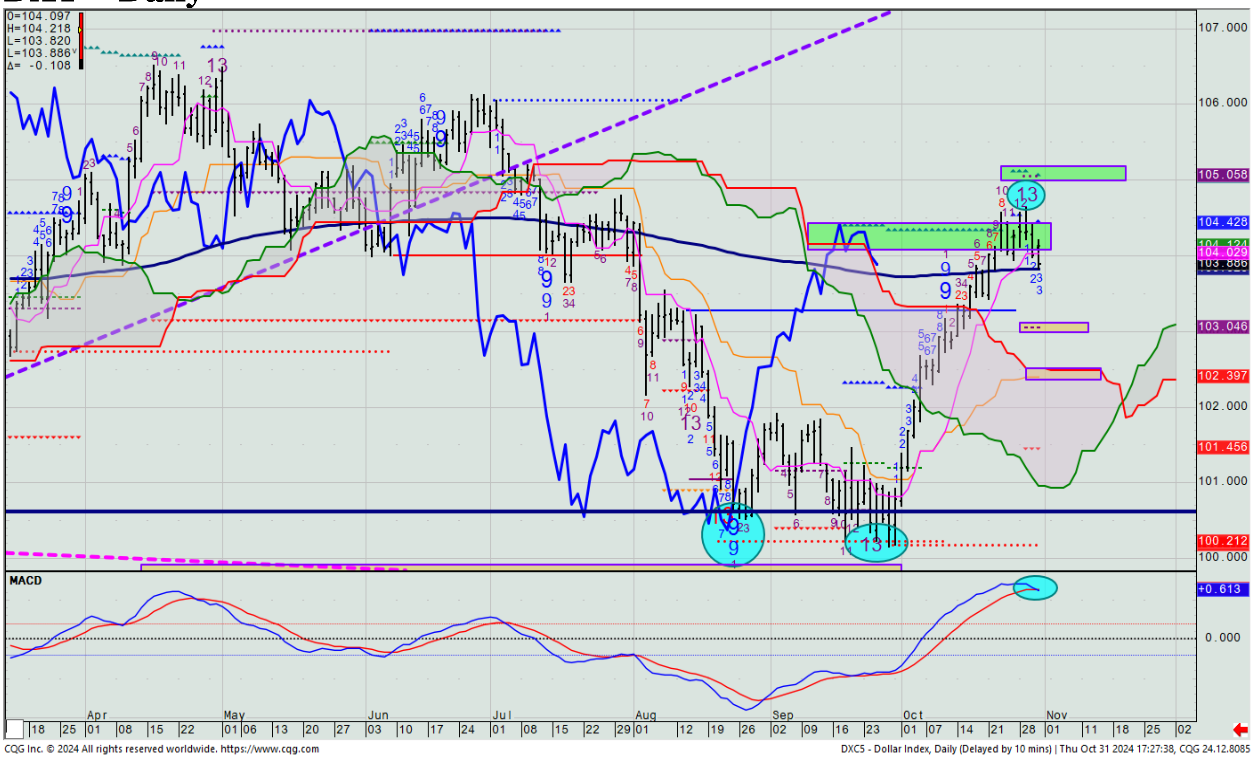


Investment grade corporate credit spreads – my preferred credit spread index – have fell to a new all-time low of 83 bps. They're now at 84 bps. The head-and-shoulders topping pattern from 2022 to 2023 measures down to somewhere in the 70 bp. area. Generally, narrowing credit spreads are bullish for stocks (as it shows lessened fears in the system). First resistance now is just a few bps. higher at the purple downtrend line.



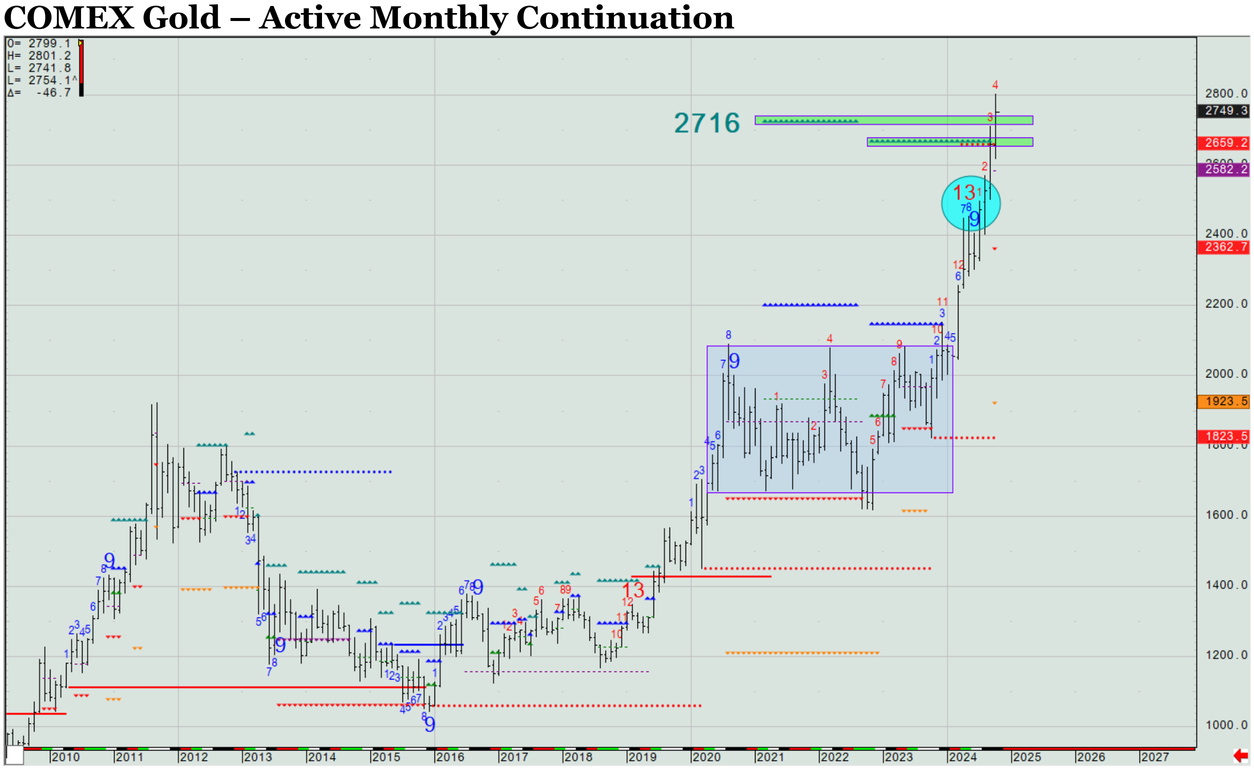
THE DOLLAR: I'll stick with what I've said all year: I expect the dollar to basically follow rates in this environment. The daily Propulsion Full Exhaustion level got slightly exceeded, and now we see an Aggressive Sequential +13 and the standard count is on a +8 of +13, so I don't expect a lot of an upmove still to come without a pullback first.

DXY – Daily



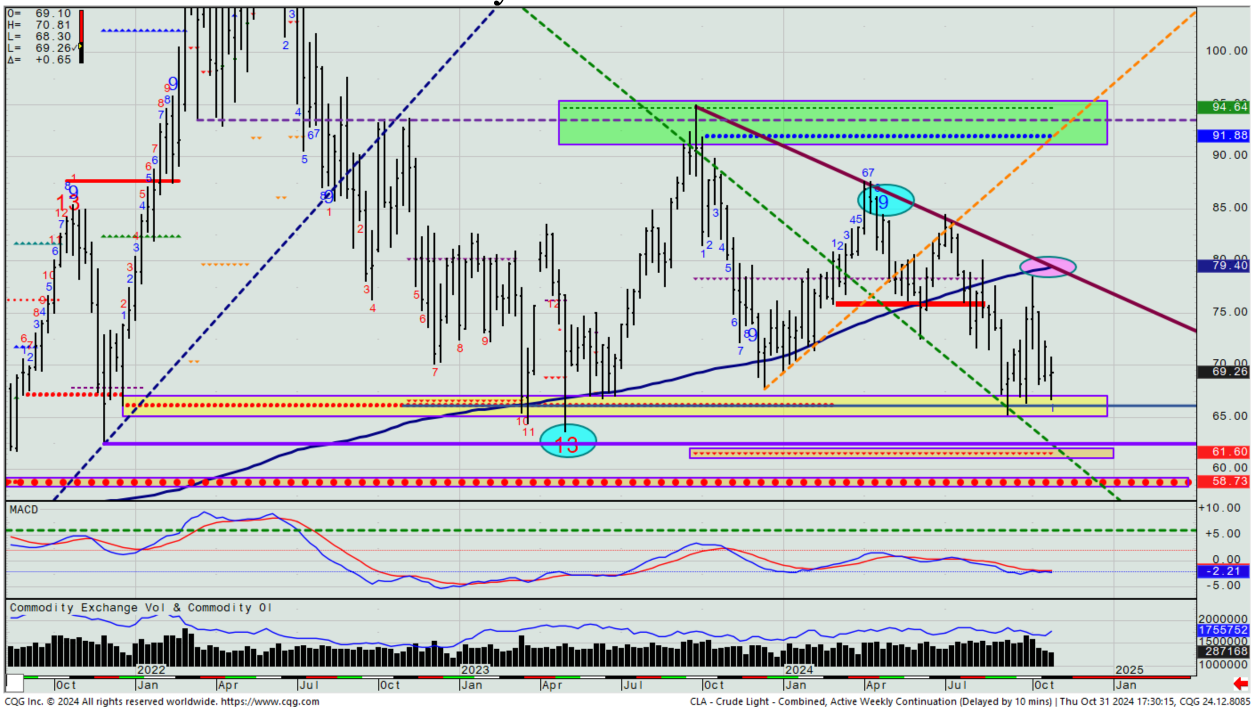
COMMODITIES: I've made it clear that I have trimmed some long-held gold holdings near $2700. Gold hit $2800 on Wednesday and then fell sharply yesterday. I really don't expect much more for gold without consolidating or pulling back first.

COMEX Gold – Active Monthly Continuation



WTI Oil fell sharply after Israel's retaliatory attack on Iran did not hit oil-related infrastructure there. For now, it's still holding near prior lows in the upper-$60s.

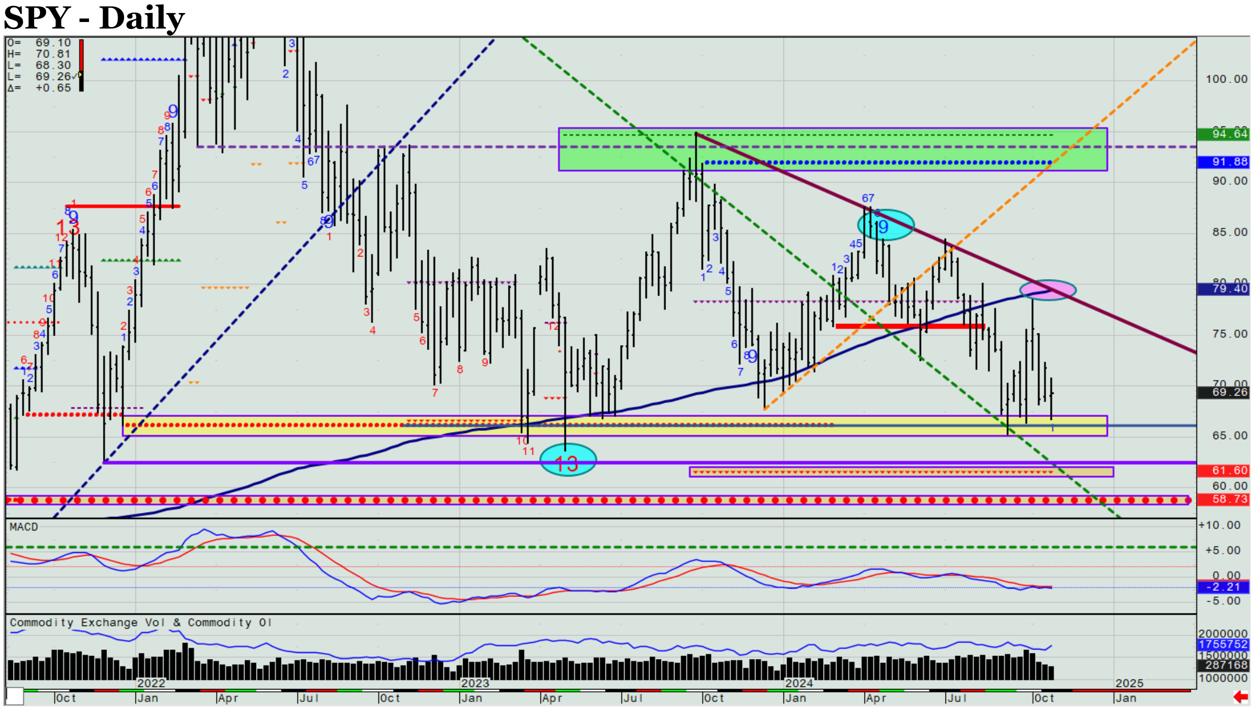
WTI Crude Oil – Active Weekly Continuation



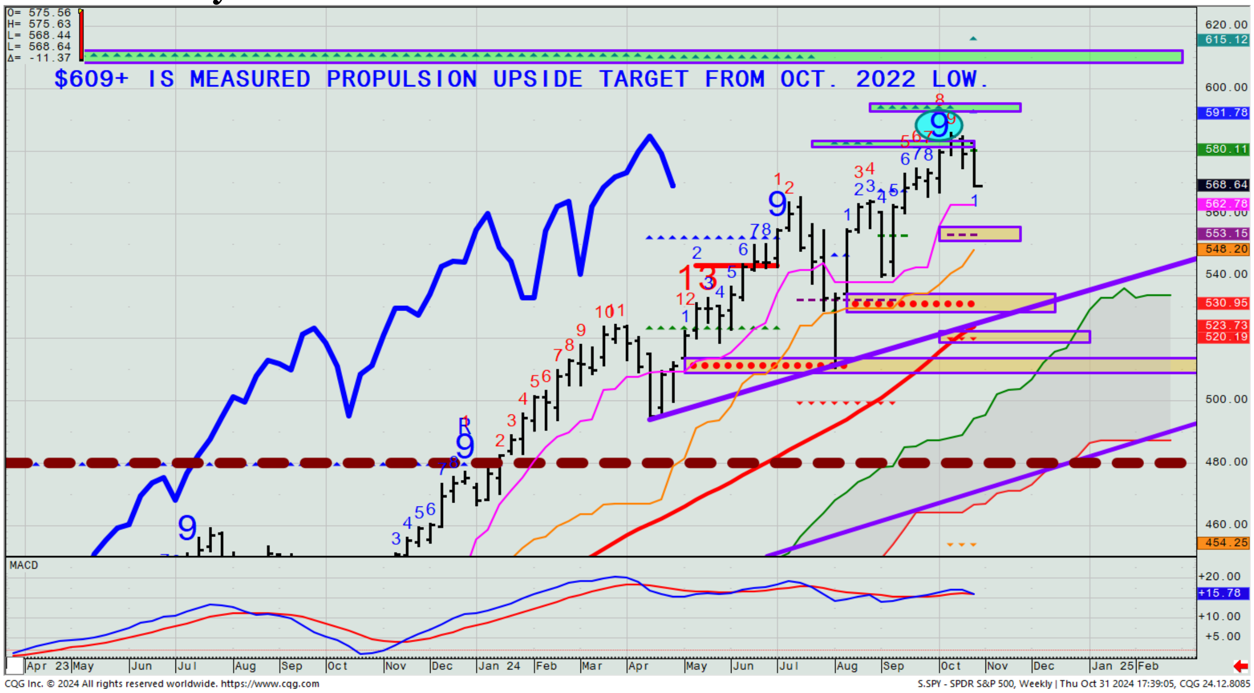
EQUITY INDEXES:

Last week I wrote that, "I am far more partial to now initiate pair trades than I am to place outright directional trades." I said that because the SPY was only ~5% from what I believe to be a major upside target of $609, and the risk of simply adding new outright long ideas just does not have good reward-to-risk terms. Yesterday's crack of the uptrend line from the August 5th spike low is important, and should help make you aware of the precarious nature of adding new longs because the forever bullish TV talking heads tell you how much they love the market.

SPY - Daily



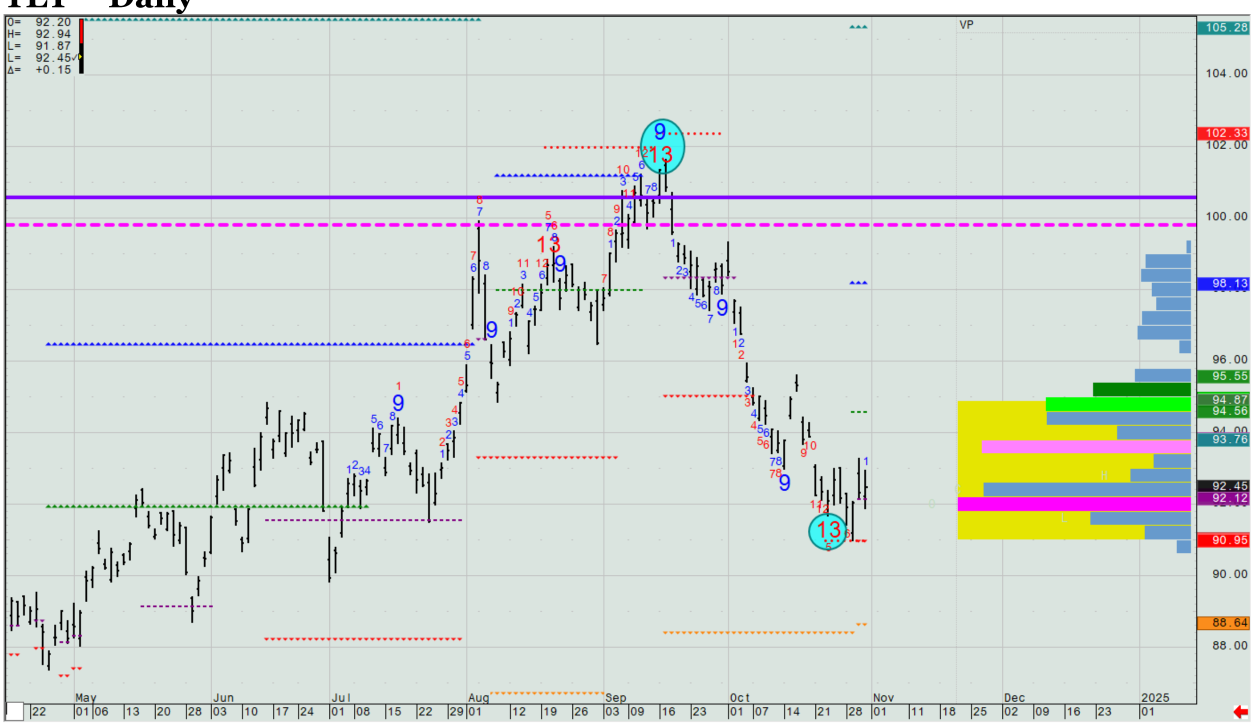
SPY – Weekly



[New ETF Trade Idea]

As I'm not in love with the idea of putting on new exposure heading into the elections – but want to also give those of you willing to do so an idea – take a look at the daily chart of the **UST 20-yr. bond ETF (TLT)**. It has a daily -13 to offset the +13 made at the peak, and earlier in this report I made the case that the 10-yr. could pull back to near 4.07%. As such, we'll look to buy one today and another at $92.45 (whether today or not). We'll sell half of what we have on at $95.80 to $96.10, and the other half near $98.00. I am going to put a super tight sell-stop on this, by saying to exit on consecutive 120-min bar closes < $92.12.

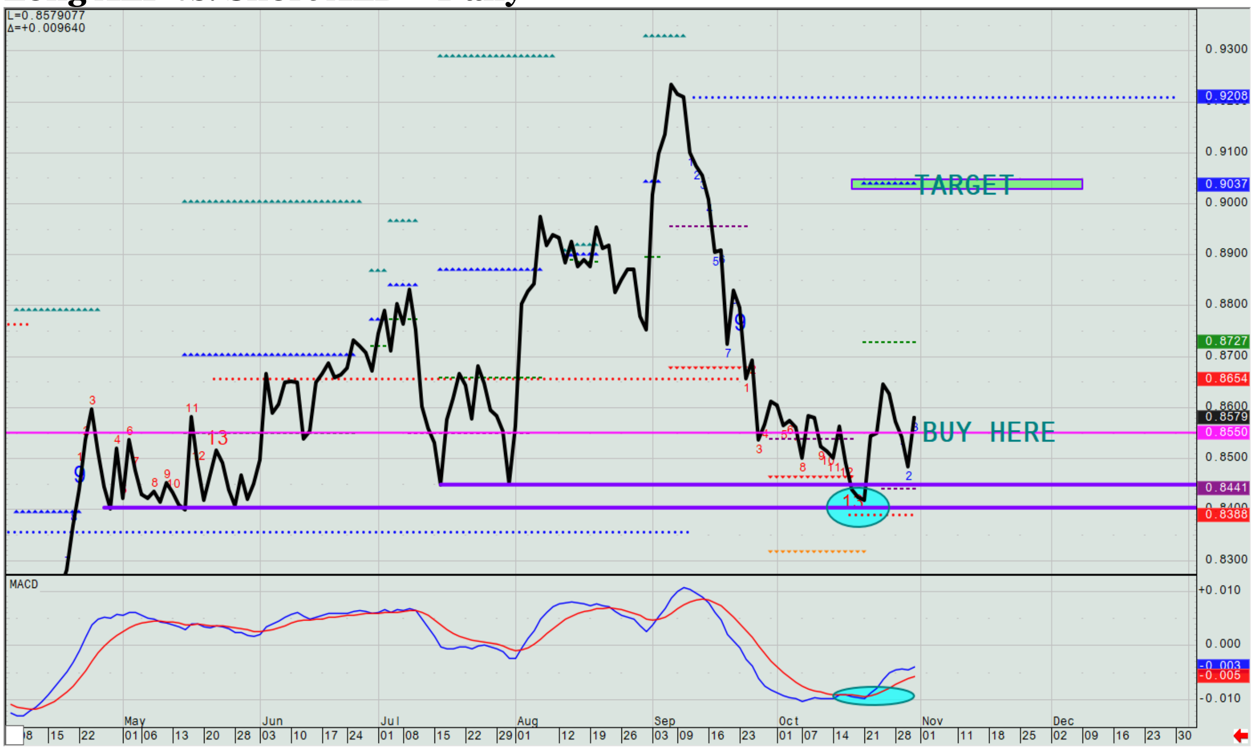
TLT – Daily



Long XLP vs. Short XLB

Last week's idea was to put this pair trade on if we saw a pullback to the 0.855 level. We got filled on Tuesday. We'll play for an upmove to a 0.90 ratio, and unwind the pair if it breaks under 0.8350 on a close.

Long XLP vs. Short XLB – Daily

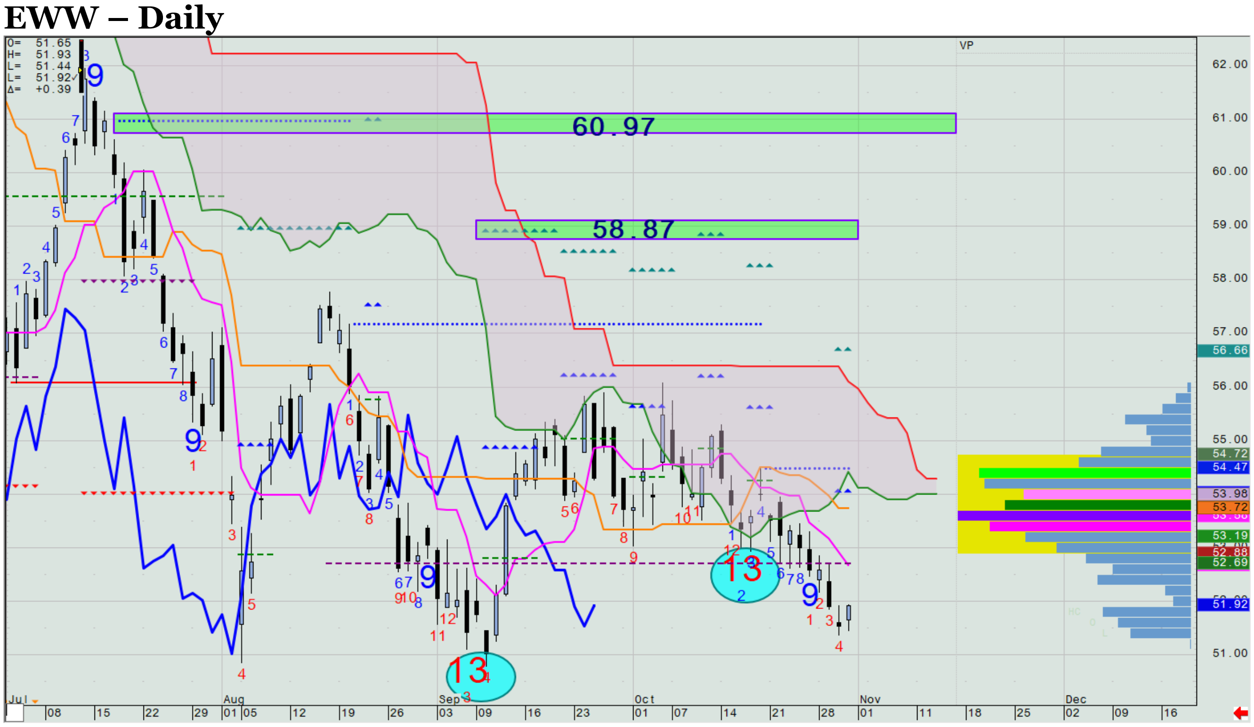


S.XLP / S.XLB, Daily | Thu Oct 31 2024 21:26:52, CQG 24.12.8085

Long EWW

Two weeks ago, we got long one unit at. $53.31. We'll exit 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

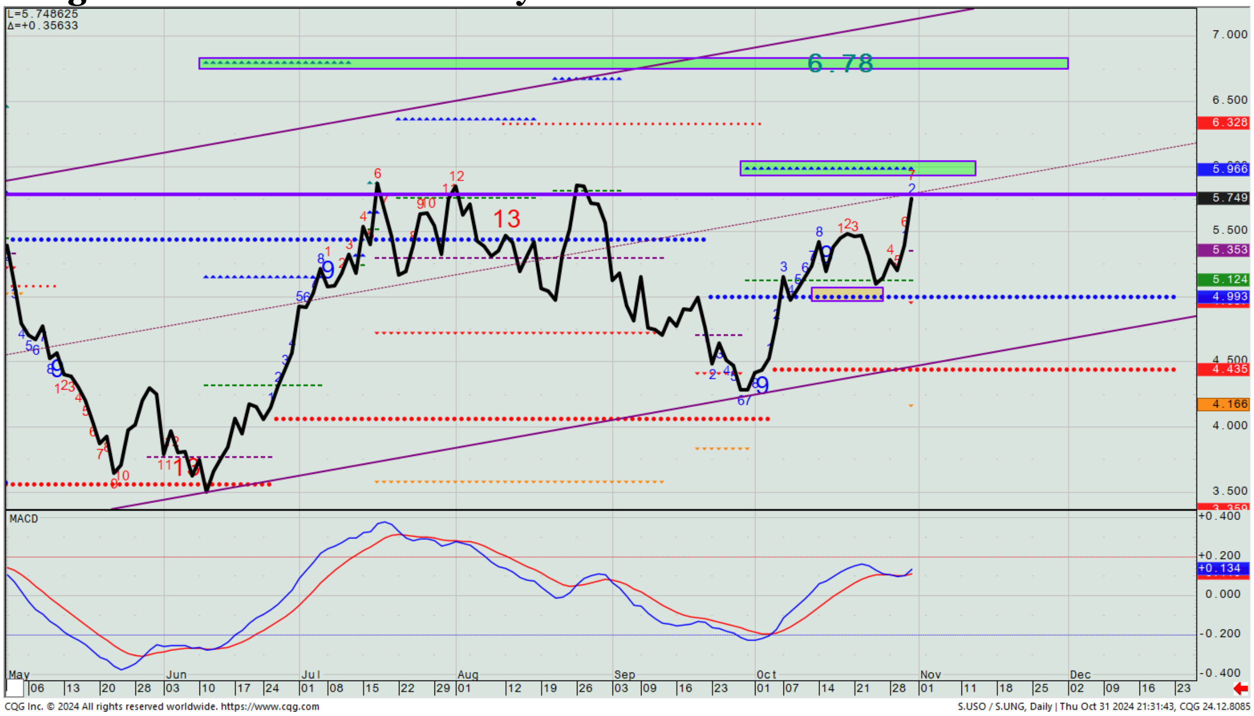


S.EWW - iShares MSCI Mexico Capped ETF, Daily | Thu Oct 31 2024 21:27:40, CQG 24.12.8085

Long USO vs. Short UNG

Three weeks ago, we went long 1/3-unit (we got in at an avg. 5.194 ratio). I'm changing our exit to remove half of what you have on at 5.96/5.97 ratio (which it is quickly approaching and could even hit today), and half up near 6.78 ratio. Raise the sell-stop to breakeven.

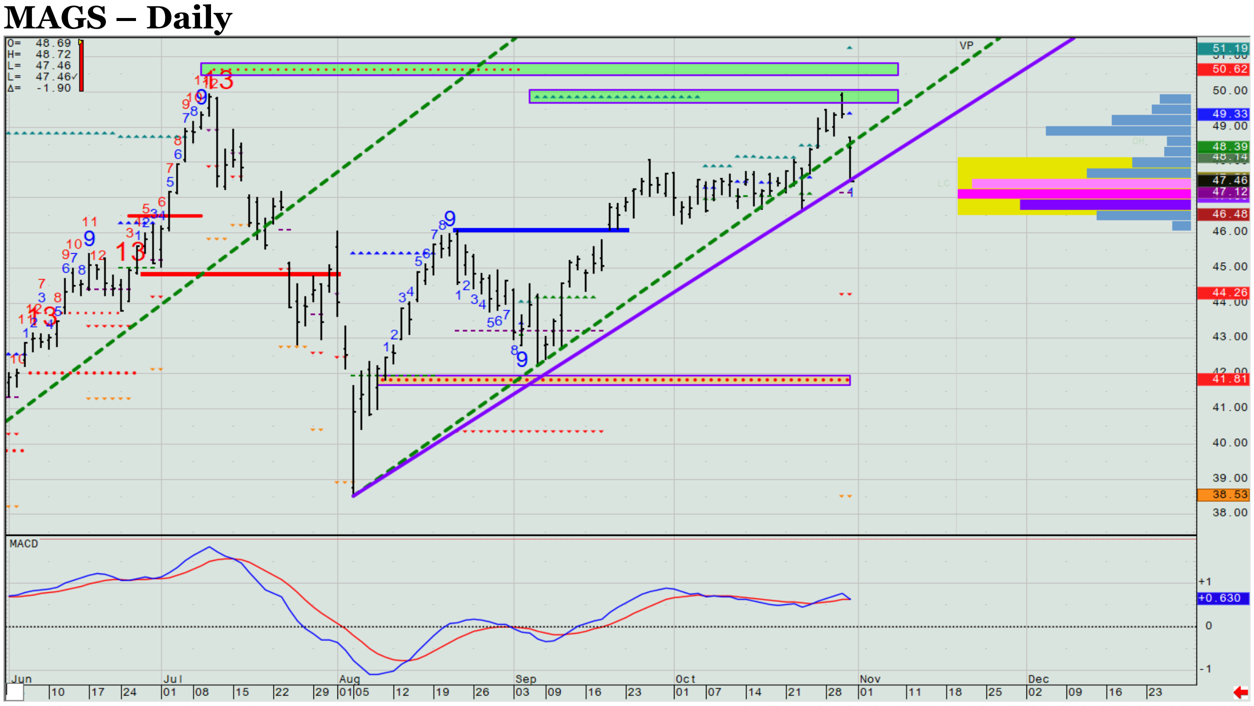
Long USO vs. Short UNG – Daily



Long MAGS

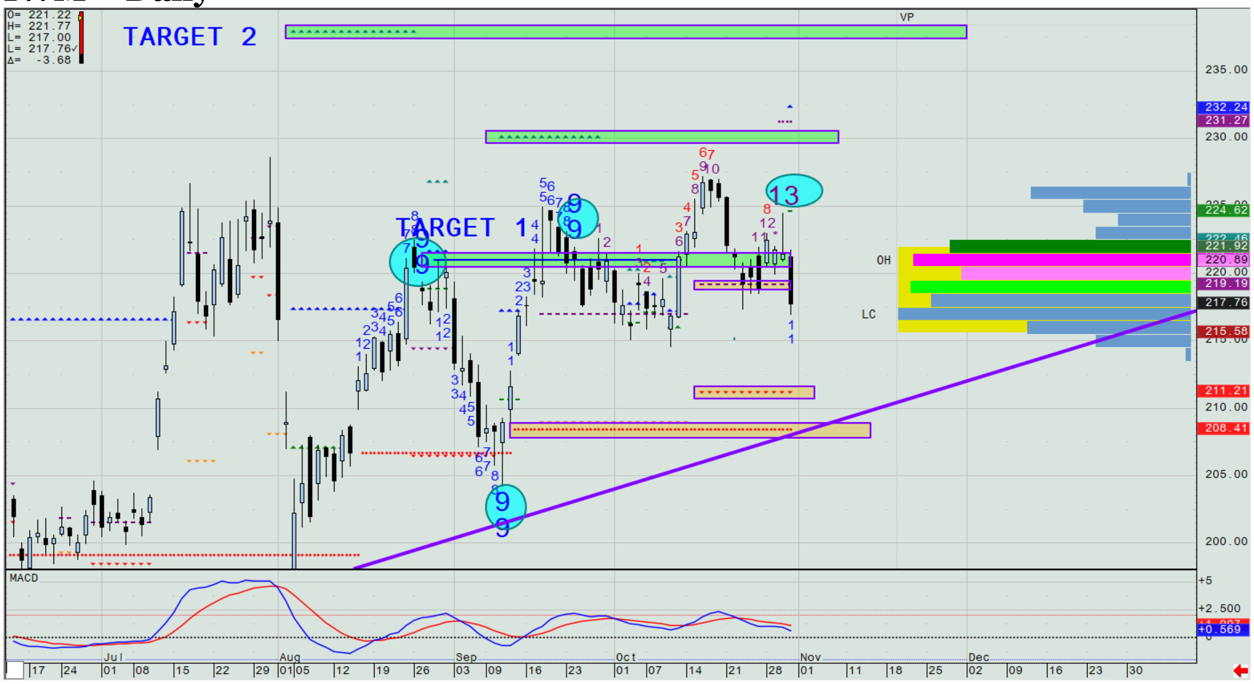
Six weeks ago, we got long one unit (avg. $46.47). On Wednesday, we sold out of the first 1/3 at my first target of $49.79. (Th other two targets are at $50.62; and near $52.43.) With two more Mag 7 names having reported yesterday after the close, if today opens beneath 47.16 exit the rest. If not, use consecutive 60-mins. bar closes < $46.91.

MAGS – 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+. I'm changing the sell-stop to exit the balance on consecutive 60-min. bar closes < $216.64.

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.

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[including the Optional Rules for Emergency Measures of Protection], and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

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